



THE PHILIPPINE STOCK EXCHANGE, INC.
SUSTAINING THE MOMENTUM:
LISTING AND TRADING PHILIPPINE ETFS

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COO

30 JULY 2013



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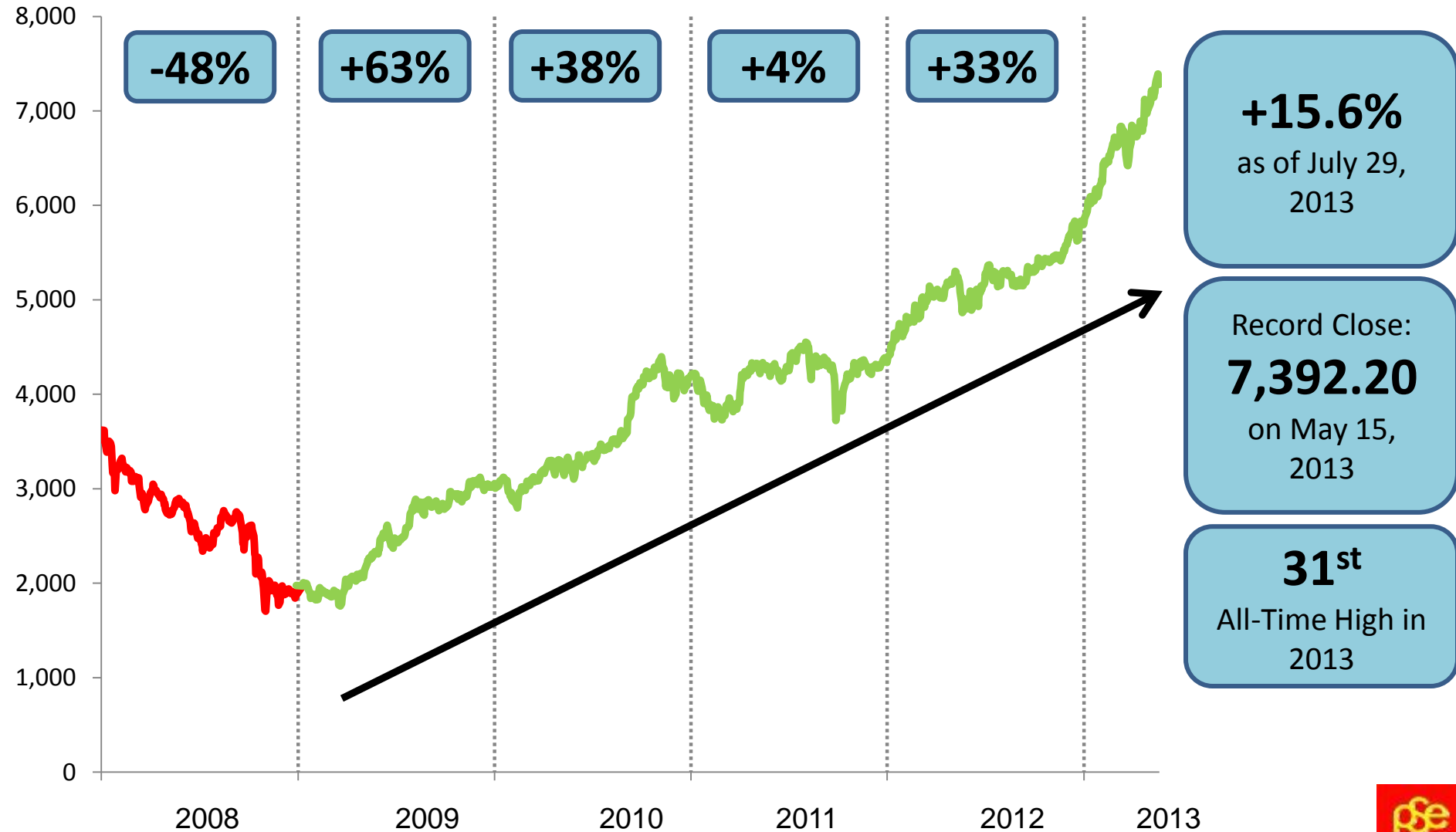
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PRESENTATION OUTLINE

- I. Stock Market Highlights
- II. PSE ETF Listing Rules
- III. PSE Market Making Rules



STOCK MARKET HIGHLIGHTS



PSEI VS. OTHER ASIAN INDICES

PSEi vs. Selected Asian Indices, Year-to-date Change as of July 26, 2013

Rank	Country	Index	end-2012	26-Jul-13	YTD Change
1	Japan	Nikkei 225	10,395.18	14,129.98	35.9%
2	Japan	Topix Index	859.80	1,167.06	35.7%
3	Vietnam	VN Index	413.73	493.93	19.4%
4	Philippines	PSEi	5,812.73	6,763.62	16.4%
5	China	China SE Shenzhen Composite index	881.17	959.99	8.9%
6	Indonesia	Jakarta Composite Index	4,316.69	4,658.87	7.9%
7	Malaysia	Kuala Lumpur Composite Index	1,688.95	1,807.61	7.0%
8	Thailand	SET Index	1,391.93	1,476.71	6.1%
9	Taiwan	Taiwan Taiex Index	7,699.50	8,149.40	5.8%
10	Singapore	Straits Times Index	3,167.08	3,236.10	2.2%
11	India	BSE Sensex	19,426.71	19,748.19	1.7%
12	India	NSE Nifty	5,905.10	5,886.20	-0.3%
13	Hong Kong	Hang Seng Index	22,656.92	21,968.95	-3.0%
14	South Korea	KOSPI Index	1,997.05	1,910.81	-4.3%
15	China	China SE Shanghai Composite Index	2,269.13	2,010.85	-11.4%

PSEI RANKING IN ASIA

2010



2011

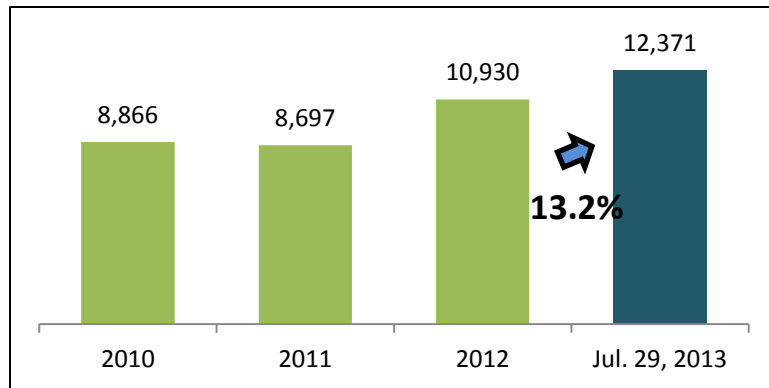


2012

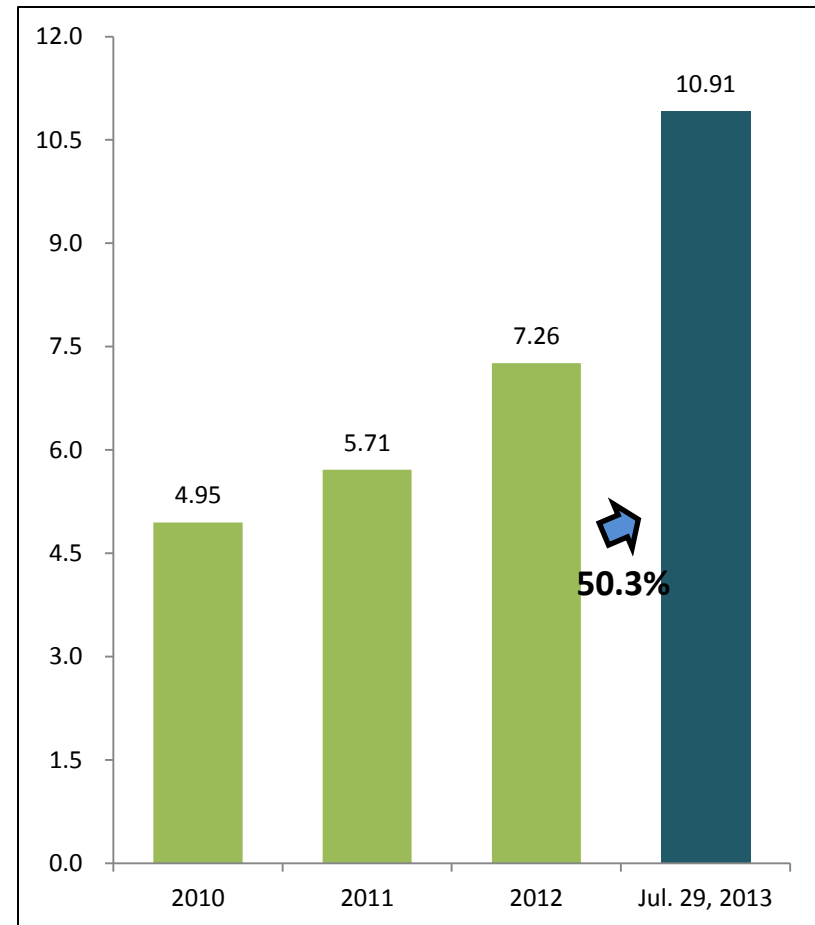


STOCK MARKET HIGHLIGHTS

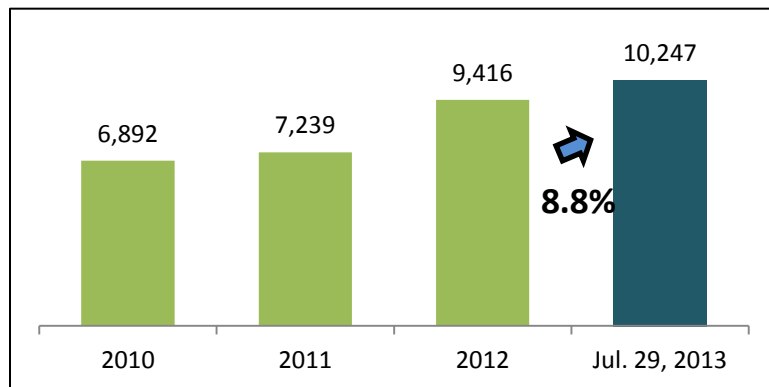
Total Market Capitalization (in PhP Bn)



Average Daily Value Turnover (in PhP Bn)

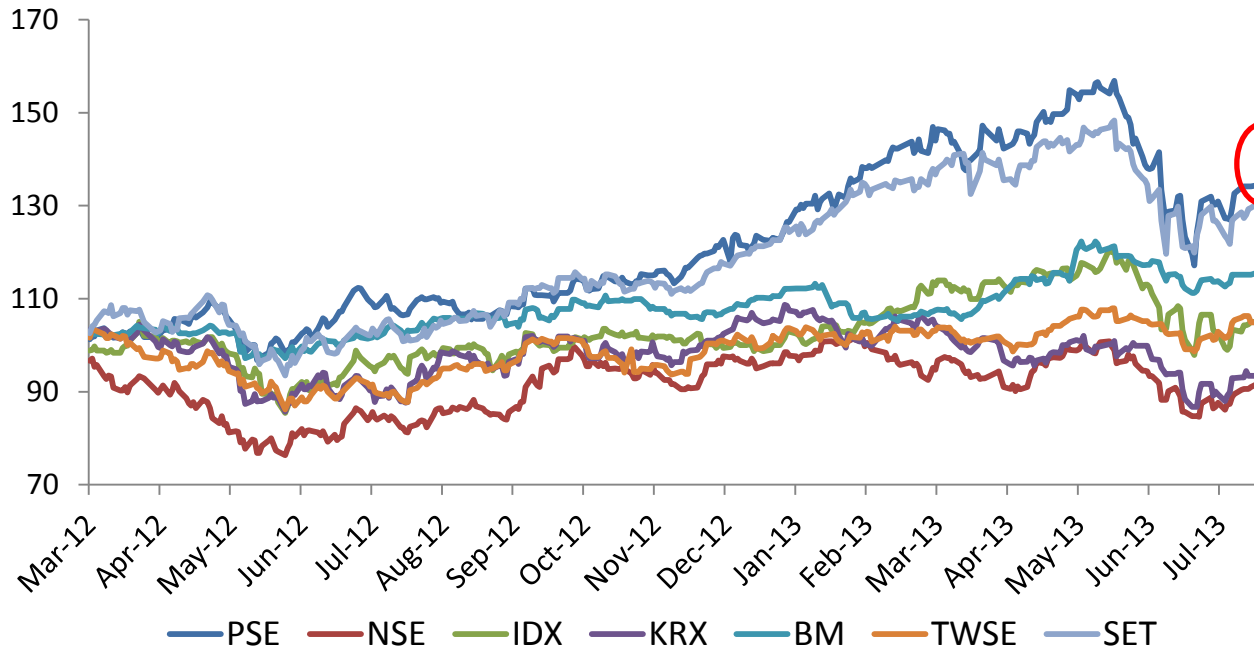


Domestic Market Capitalization (in PhP Bn)



PERFORMANCE VS. OTHER FUNDS

Performance vs. Asian XIE Funds*



Exchange	Launch Date	YTD Change from Launch Date
PSE	2/21/2012	37.1%
SET	2/16/2012	28.1%
BM	2/16/2012	15.9%
TWSE	2/16/2012	6.0%
IDX	2/21/2012	2.0%
KRX	2/16/2012	-4.4%
NSE	2/21/2012	-9.6%

*base value=100

Source: Hong Kong Exchanges and Clearing Limited

as of July 26, 2013	YTD Change
MSCI Philippines Investable Market Index Fund (EPHE)	6.2%
MSCI All Country World Index Fund (ACWI)	7.4%
MSCI All Country Asia ex Japan Index Fund (AAXJ)	-7.7%

Source: iShares



DEVELOPMENT OF NEW PRODUCTS

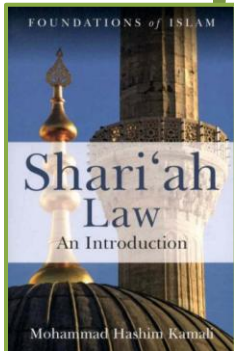


Exchange Traded Funds



Personal Equity and Retirement Account

(Philippines' version of the U.S. 401K)



Shari'ah Compliant Listed Companies



Index Options and Futures

DEVELOPMENT OF NEW SERVICES



Online Service Bureau



Depository



New Issuer Disclosure System



Short Selling & SBL



PSE ETF LISTING RULES

GENERAL RULES FOR LISTING

1. Governed by Investment Company Act of 1960
2. Minimum authorized capital stock and paid-up capital of Php250 million.
3. May undertake offering of its shares; NOT covered by IPO Rules on Distribution of Shares.
4. May apply for shelf listing equivalent number of shares subject of SEC Registration Statement.
5. Underlying securities comprising the index which the ETF Co. intends to track must be listed and traded in a registered exchange and have sufficient liquidity.
6. PSE Suitability Rule shall apply.



CONTINUING LISTING REQUIREMENTS

MPO. Minimum Public Ownership of at least **10%**.

IRO. Investor Relations Office that manages IR program, IR website, disclosures/news and stock data.

Shelf listing. Shelf-listed shares eligible for trading once notice is issued by **ETF Co.'s authorized officer** and confirmed by the **Custodian and Transfer Agent** that ETF shares have been created/issued.



CONTINUING LISTING REQUIREMENTS

Periodic Reports

- iNAV disclosure **every 1 minute**
- **End of day disclosure, no later than 4:30PM** of NAV, issued and outstanding shares, underlying index and tracking error
- **Annual and Quarterly Reports**
- **Monthly** issuance and redemption report of ETF creation units
- **End of each dividend distribution period**: net amount per share and record date



CONTINUING LISTING REQUIREMENTS

Periodic Reports (continued)

10-minute rule:

- ✓ Any creation and redemption with resulting issued and outstanding ETF shares
- ✓ Breach of tracking error threshold
- ✓ Inability to: disclose iNAV; Market Maker in performing obligations
- ✓ Any proposed change in nature, investment objective of the ETF
- ✓ Any resolution to terminate agreements with Fund Manager, Market Maker, AP, Custodian, Index Provider and TA
- ✓ Any trading halt or suspension of the underlying securities and lifting thereof, with percentage of said underlying securities to current index value



PSE ETF RULES (continued)

- **Trading Halt** (1 hour) on 1st day of occurrence of:
 - Breach of tracking error threshold
 - Trading is halted for one or more underlying securities accounting for at least 20% of index value
 - If iNAV is not timely published

- **Trading Suspension** under the following:
 - If underlying securities accounting for 20% or more are suspended
 - Absence of Fund Manager, Custodian, Index Provider, AP or TA
 - Absence of a Market Maker for 1 month
 - When SEC issues an order of suspension or revocation

- **Delisting** :
 - Continued breach of tracking error threshold for at least 1 year
 - Revocation of ETF shares registration

- ➔ **ETF Co. undergoing delisting must purchase or redeem more than 90% of its issued and outstanding shares.**

A blurred night photograph of a busy city street. The background is filled with vibrant neon lights from various commercial establishments, including signs for 'LOVE ALL THINGS HILL' and 'SAVE THE PLANET'. Pedestrians are captured in motion, their figures blurred, creating a sense of a fast-paced urban environment. The overall atmosphere is one of a bustling, illuminated city at night.

PSE MARKET MAKING RULES

MARKET MAKER OBLIGATIONS

The ETF Market Maker shall be obliged, upon occurrence of Wide Spread, to perform the following:

Enter buy and/or sell order in quantities not less than the minimum volume required by the Exchange; (5 board lots)

Observe a **maximum bid and offer spread** throughout a mandatory period; and

Price		Maximum Spread
From	To	
0.0001	0.4950	20 ticks
0.5000	19.9800	15 ticks
20.0000	999.5000	10 ticks
1000.0000	UP	5 ticks

Presence in the market within the period required by the Exchange (50% each trading day, 80% each month)

MARKET MAKER OBLIGATIONS

Definition of a Wide Spread

- Wide spread shall mean the occurrence of **any** of the following situations:
 - the bid and ask spread is **larger than a limit** specified by the Exchange from time to time; OR
 - there is only **one-sided quotation**; OR
 - there is **no existing** quotation on both the bid and ask queues.

QUOTES BY SUZANNE ORMAND:

“I still believe that the place to be is in stocks, or exchange trade funds which you don’t have yet here that pay high dividends because interest rates are so low.”

“If people are investing especially when you are not educated in investing, I think it is far better off to go Philippine Stock Exchange (PSE) funds that are index funds and just put a certain amount of pesos in it every single month no matter what it does up or down. I think in the long-run you would probably outperform managed funds,”

-Suzanne Ormand, an internationally acclaimed personal finance expert

Source: <http://www.philstar.com/business/2013/05/17/942882/invest-stocks-suze-orman>

Thank You