

**[SEC MEMORANDUM CIRCULAR NO. 13, S. 2004,
October 21, 2004]**

**AMENDMENTS TO RULE 34.1 AND RULE 38 OF THE
IMPLEMENTING RULES AND REGULATIONS OF THE SECURITIES
REGULATION CODE (SRC)**

The Commission, in its SEC-EXS Resolution No. 104, Series of 2004, dated 31 August 2004, amended paragraph (1) A(1)(b) of SRC Rule 34.1. The amended paragraph reads as follows:

SRC Rule 34.1 - Segregation and Limitation of Functions of Members,
Brokers and Dealers

[formerly SRC Rules 34.1-2 and 34.1-3]

"1. Segregation of Broker and Dealer Function. Affiliations and Practices.

A. x x x x x x x x x
1. x x x x x x x x x:

a. x x x x x x x x x;

b. When the Member-Broker holds an unexecuted customer's Order with priority (pre-existing order), then any Broker's Order that **takes precedence over the pre-existing order shall better the pre-existing highest bid or lowest offer from a customer by at least one (1) fluctuation or such other number of fluctuations that the Commission, by Order, may set from time to time.**

x x x x x x x x x"

Furthermore, the Commission, in its SEC-EXS Resolution No. 88, Series of 2004, dated 10 August 2004 and Resolution No. 537, Series of 2004, dated 7 October 2004, resolved to amend paragraphs 2(E) and 2(F) of SRC Rule 38. The amended paragraphs read as follows:

**SRC Rule 38 - Requirements on Nomination and Election of
Independent Directors**

(formerly, SRC Rule 38.1 - Definition of "Independent Director")

"1. x x x x x x x x x

"2. x x x x x x x x x