

**[ SEC-BED MEMORANDUM CIRCULAR NO. 03, April 07, 1998 ]**

**INTERIM GUIDELINES GOVERNING THE INVESTIGATION AND AUDIT FUNCTIONS OF THE PSE**

Provisions in the By-Laws of the PSE to the contrary notwithstanding, the Commission by its authority granted under BP 178, otherwise known as the Revised Securities Act and PD 902-A, as amended, hereby prescribes the following interim guidelines to assure and maintain a high degree of investors' confidence in the stock market, to strengthen the professionalization of its Compliance and Surveillance Department (CSD) staff, and to lay the fundamentals for teamwork between the professional management and the Exchange members:

1. The CSD shall undertake its investigative and audit functions without the need of any clearance or approval from the Board or the President. Such functions, however, shall be pursued along the following guidelines:

- Audit objectives shall be prepared and approved by the Department head and furnished the President;
- CSD staff shall always wear their Identification Cards and present their audit authority duly signed by their Department Head and shall exercise due courtesy at all times;
- The team shall make a report at the end of each day to their Department head and the latter shall promptly notify the President of the progress of the investigation or audit, and
- Investigations/audit shall be terminated within 30 days but may be extended upon approval of the Department head, who shall notify the President of such action.

2. In addition to a showing of integrity, probity, and having possessed appropriate academic background, the CSD staff should be highly competent in the field of audit and/or investigation.

3. The members of the CSD shall always be impartial in the discharge of their assigned duties and shall be guided with the appropriate rules and regulations of the Exchange, exercising prudence and good faith in all their actions.

4. Upon completion of its audit or investigation, the Department head shall immediately forward the results thereof and its recommendations to the President. The President shall decide whether to refer the matter to the Business Conduct and Ethics Committee (BCEC) for proper prosecution of the errant member for violations of the rules and regulations of the Exchange in accordance with its procedures. All