



Philequity Corner (July 2, 2018)
By Wilson Sy

Why are there two bells?

People who visit the Philippine Stock Exchange (PSE) Tower in Bonifacio Global City (BGC) are wondering why there are two bells at the trading floor. What they do not realize is the significance behind them. More than signaling the start and end of the trading session, the two bells tell the rich history of the Philippine Stock Exchange.

The story behind the two bells

Upon closer inspection, the two bells reveal the colorful story and complicated relationship of the two stock exchanges before the Philippine Stock Exchange. One bell is embossed with the year 1927 and the seal of the Manila Stock Exchange while the other bell belongs to the Makati Stock Exchange. For almost 30 years, the boards of these two stock exchanges shared a genuine disdain for each other and constantly bickered over the most trivial issues. It was only last February that the two rivals were united in one house at PSE Tower BGC.

Manila Stock Exchange

Established on August 8, 1927, the Manila Stock Exchange (MSE) is one of the oldest stock exchanges in Asia. Five American businessmen W. Eric Little, Gordon W. Mackay, John J. Russell, Frank W. Wakefield, and W.P.G. Elliot founded the MSE in order to stimulate the Philippine economy during the American occupation. The Securities and Exchange Commission (SEC) was created on October 26, 1936 to protect public interest in the stock market.

Makati Stock Exchange

The Makati Stock Exchange (MkSE) was incorporated on May 27, 1963 as a direct challenge to the Manila Stock Exchange. The newly-formed rival exchange was started by Hermenegildo B. Reyes, Bernard Gaberman, Eduardo Ortigas, Aristeo Lat, and Miguel Campos. The Makati Stock Exchange opened on November 16, 1965 with 18 listed companies, 16 of which were already listed in the Manila Stock Exchange.

Two trading floors

The animosity between the Manila and Makati exchanges is evident in their fight to determine who the rightful exchange was. Each exchange had its own board of directors who battled over prestige, business, and clout with the government. Their leaders genuinely disliked each other. At that time, the open outcry system for trading was used which resulted into two separate trading floors. This led to price discrepancies between same company issues that were listed in both exchanges. This made it difficult for brokers to execute customer orders at the best possible prices.

Shotgun marriage in 1992

To put an end to this conflict, President Fidel V. Ramos had to force the marriage of the two rival stock exchanges on December 23, 1992. The Philippine Stock Exchange was incorporated as a merger of the Manila Stock Exchange and the Makati Stock Exchange. This was one of the conditions of ADB for a grant. In 1994, the SEC gave the stock trading license to PSE, effectively canceling the licenses of the two exchanges.

Keeping the donations

Even after marriage, the two exchanges lived in separate houses. Philippine Realty & Holdings Corp donated a building to the Manila exchange while Ayala Land donated to the Makati exchange. Moving out could have risked the forfeiture of the donated properties. Thus, the rival brokers insisted on keeping the donations and living separately. On top of that, the two exchanges fought over the name of their headquarters. They battled over who deserved to name their building “Philippine Stock Exchange Center.” After that, there was also an argument as to which building had the naming rights over “boardroom” versus a minor “conference room.”

Fighting over the trading system

Although united under one name, the two stock exchanges insisted on using their own trading systems. A solution was found to link the two trading floors electronically on March 25, 1994 under One Price-One Market Exchange (see *Finally, United in One House*, February 19, 2018). It was only in 1995 that the Unified Trading System was implemented for both buildings.

The Unification Bell

As one of the oldest exchanges in Asia, the Philippine Stock Exchange has a rich history and colorful past fraught with disputes. Although the PSE celebrates its 25th anniversary this year as one united exchange, it is actually more than 90 years old. Last February 19, the two exchanges moved into one home in PSE BGC to end the long-standing rivalry. However, arguments still arose as to whose bell will be used. As a compromise, the PSE Board has decided to create a new bell and preserve the two bells in the PSE Museum. The Board hopes this will be the final conflict in the history of the PSE as it starts a new chapter. The Unification Bell symbolizes the complete union of two rival exchanges that has been half a century in the making and their unity in building a world-class stock exchange.

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