

ELEVENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

SENATE  
OFFICE OF THE SECRETARY

'98 SEP 28 P4:31

103

SENATE

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COMMITTEE REPORT NO. 6

Submitted by the Committees on Banks, Financial Institutions and Currencies; Trade and Commerce; Economic Affairs; and Constitutional Amendments, Revision of Codes and Laws on 28 SEP 1998.

Re : Senate Bill No. 1220 (Prepared by the Committees)

Recommending its approval in substitution of Senate Bill Nos. 204 and 529.

Sponsors : Senators Roco, Magsaysay Jr. and Osmeña III.

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MR. PRESIDENT :

The Committees on Banks, Financial Institutions and Currencies; Trade and Commerce; Economic Affairs; and Constitutional Amendments, Revision of Codes and Laws to which were referred Senate Bill No. 204, introduced by Senator Osmeña III, entitled:

"AN ACT <sup>pub law 9/28</sup>  
TO AMEND CERTAIN PROVISIONS OF THE REVISED  
SECURITIES ACT REGARDING FUTURE TRADING"

and Senate Bill No. 529, introduced by Senators Roco, entitled:

"SECURITIES ACT OF 1998"

have considered the same and have the honor to report them back to the Senate with the recommendation that the attached S. No. 1220, prepared by the Committees, entitled :

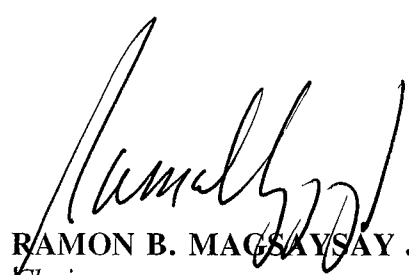
"SECURITIES ACT OF 1998"

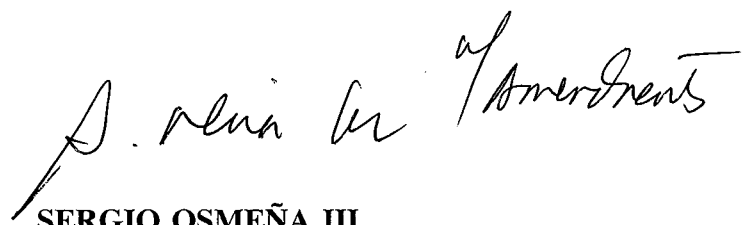
be approved in substitution of S. Nos. 204 and 529 with Senators Osmeña III, Roco and Magsaysay Jr. as authors thereof.

Respectfully submitted :

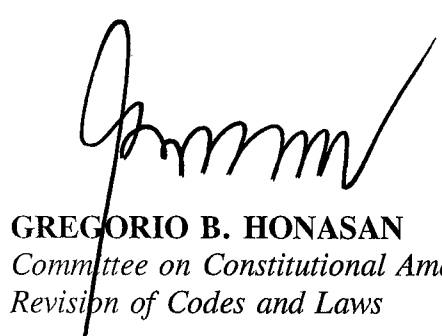
  
**RAUL S. ROCO**  
Chairman

*Committee on Banks, Financial Institutions and Currencies*  
*Committee on Constitutional Amendments, Revision of Codes and Laws*

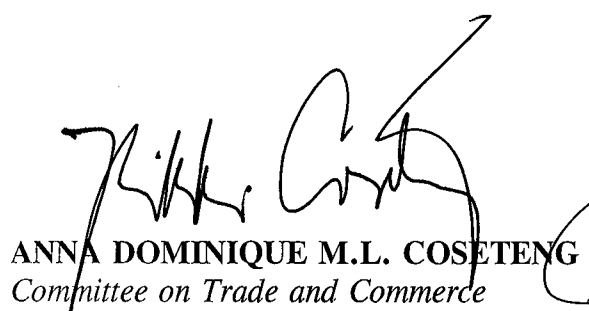
  
**RAMON B. MAGSAYSAY JR.**  
Chairman  
*Committee on Trade and Commerce*  
Member, *Committee on Economic Affairs*

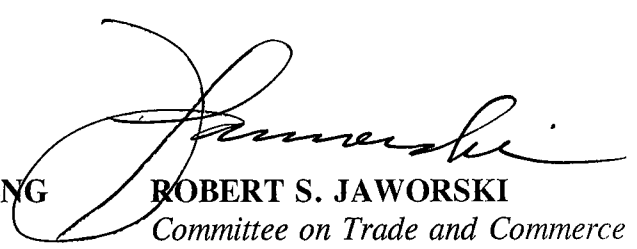
  
**SERGIO OSMEÑA III**  
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*Committee on Economic Affairs*  
Member, *Committee on Banks, Financial Institutions & Currencies*  
Member, *Committee on Trade and Commerce*

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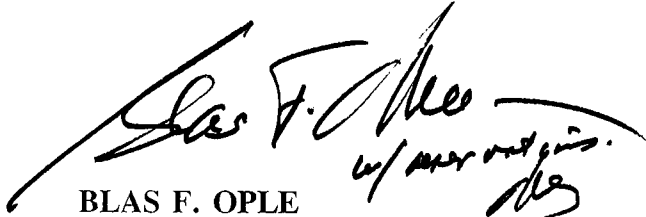
  
**GREGORIO B. HONASAN**  
*Committee on Constitutional Amendments*  
*Revision of Codes and Laws*

  
**VICENTE C. SOTTO III**  
*Committee on Economic Affairs*  
Member, *Committee on Trade and Commerce*

  
**ANNA DOMINIQUE M.L. COSETENG**  
*Committee on Trade and Commerce*  
Member, *Committee on Banks, Financial Institutions and Currencies*  
Member, *Committee on Economic Affairs*

  
**ROBERT S. JAWORSKI**  
*Committee on Trade and Commerce*

Ex - Officio Members :



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*President Pro-Tempore*



**FRANKLIN M. DRILON**  
*Majority Leader*

**TEOFISTO T. GUNGONA JR.**  
*Minority Leader*

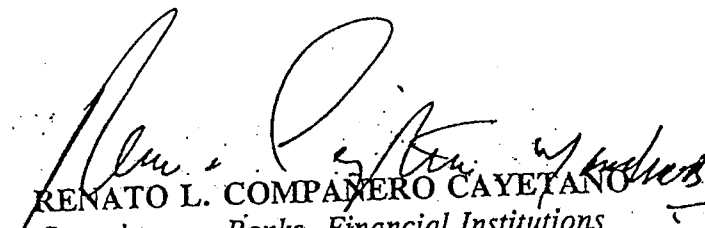
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*President*  
*Senate of the Philippines*  
*Pasay City*

Members:



**LOREN B. LEGARDA-LEVISTE**  
*Committee on Banks, Financial Institutions  
and Currencies*  
*Committee on Constitutional Amendments,  
Revision of Codes and Laws*  
*Committee on Economic Affairs*  
*Committee on Trade and Commerce*

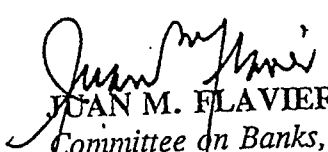
**JUAN PONCE ENRILE**  
*Committee on Banks, Financial Institutions  
and Currencies*  
*Committee on Constitutional Amendments,  
Revision of Codes and Laws*  
*Committee on Economic Affairs*



**RENATO L. COMPANERO CAYETANO**  
*Committee on Banks, Financial Institutions  
and Currencies*  
*Committee on Constitutional Amendments,  
Revision of Codes and Laws*  
*Committee on Economic Affairs*  
*Committee on Trade and Commerce*



**AQUILINO Q. PIMENTEL JR.**  
*Committee on Banks, Financial Institutions  
and Currencies*  
*Committee on Constitutional Amendments,  
Revision of Codes and Laws*



**JUAN M. FLAVIER**  
*Committee on Banks, Financial Institutions  
and Currencies*  
*Committee on Constitutional Amendments,  
Revision of Codes and Laws*  
*Committee on Economic Affairs*  
*Committee on Trade and Commerce*

**RODOLFO G. BIAZON**  
*Committee on Constitutional Amendments,  
Revision of Codes and Laws*  
*Committee on Trade and Commerce*

**RAMON B. REVILLA**  
*Committee on Constitutional Amendments,  
Revision of Codes and Laws*

**JOHN H. OSMEÑA**  
*Committee on Economic Affairs*

Members:



**LOREN B. LEGARDA-LEVISTE**  
*Committee on Banks, Financial Institutions and Currencies*  
*Committee on Constitutional Amendments, Revision of Codes and Laws*  
*Committee on Economic Affairs*  
*Committee on Trade and Commerce*

**JUAN PONCE ENRILE**  
*Committee on Banks, Financial Institutions and Currencies*  
*Committee on Constitutional Amendments, Revision of Codes and Laws*  
*Committee on Economic Affairs*



**RENATO L. COMPAÑERO CAYETANO**  
*Committee on Banks, Financial Institutions and Currencies*  
*Committee on Constitutional Amendments, Revision of Codes and Laws*  
*Committee on Economic Affairs*  
*Committee on Trade and Commerce*

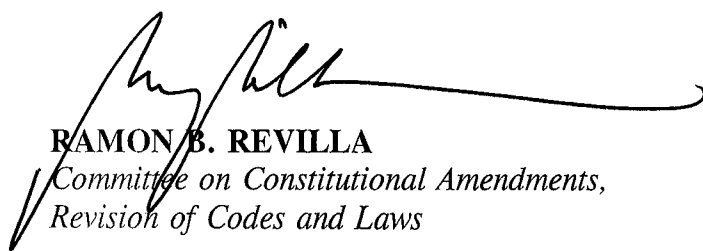
**AQUILINO Q. PIMENTEL JR.**  
*Committee on Banks, Financial Institutions and Currencies*  
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*Committee on Banks, Financial Institutions and Currencies*  
*Committee on Constitutional Amendments, Revision of Codes and Laws*  
*Committee on Economic Affairs*  
*Committee on Trade and Commerce*



**RODOLFO G. BIAZON**  
*Committee on Constitutional Amendments, Revision of Codes and Laws*  
*Committee on Trade and Commerce*



**RAMON B. REVILLA**  
*Committee on Constitutional Amendments, Revision of Codes and Laws*

**JOHN H. OSMEÑA**  
*Committee on Economic Affairs*

11th CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

'98 SEP 28 P4:31

SENATE

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S. No. 1220

(In substitution of S. Nos. 204 and 529)

Prepared by the Committees on Banks, Financial Institutions and Currencies; Trade and Commerce; Economic Affairs; and Constitutional Amendments, Revisions of Codes and Laws with Senators Osmeña III, Roco, and Magsaysay, Jr. as authors

**THE SECURITIES ACT OF 1998**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

CHAPTER I - Title and Definitions

**SECTION 1. Title.**—This Act shall be known as “The Securities Act of 1998”.

**SECTION 2. Declaration of State Policy.**—It is hereby declared to be the policy of the State to encourage private corporations to broaden the base of their ownership, to enhance a socially-conscious free market that regulates itself and promote the development of a capital market and encourage the widest participation of ownership and democratization of wealth, favor publicly-listed corporations, and to minimize if not totally eliminate insider trading and other manipulative devices which create distortion of the free market.

To achieve these ends, the Securities Act of 1998 is hereby enacted, to be administered by a more efficient and strengthened Securities and Exchange Commission, hereafter the Commission.

**SECTION 3. Definitions.**—For purposes of this Act, unless the context otherwise requires:

3.1. "Securities" are shares, participation or interests in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract or instrument. It includes:

(A) Shares of stock, bonds, debentures, notes, evidences of indebtedness, asset-backed securities;

1 (B) Investment contracts, certificates of interest or participation in a profit sharing  
2 agreement, asset-backed securities, certificates of deposit for a future subscription;

3 (C) Fractional undivided interests in oil, gas or other mineral rights;

4 (D) Derivatives like option and warrants;

5 (E) Certificates of assignments, certificates of participation, trust certificates, voting trust  
6 certificates or similar instruments;

7 (F) Proprietary or non proprietary membership certificates in corporations; and

8 (G) Other instruments as may in the future be determined by the Commission.

9 3.2. "Issuer" is the originator, maker, obligor, or creator of the security.

10 3.3. "Dealer" means any person who buys and sells securities for his own account in the  
11 ordinary course of business and holds himself out as such.

12 3.4. "Salesman" is a natural person, employed by a dealer, issuer or broker to buy and sell  
13 securities.

14 3.5. "Broker" is a person engaged in the business of buying and selling securities for the  
15 account of others.

16 3.6. "Clearing Agency" is any person who acts as an intermediary in making payments or  
17 deliveries or both in connection with transactions in securities, to provide facilities for comparison  
18 of data respecting the terms of settlement of securities transactions. Such term may also include a  
19 securities depository.

20 3.7. "Transfer agent" means any person who engages on behalf of an issuer of securities or  
21 on behalf of itself as an issuer of securities in: (A) countersigning such securities upon issuance; (B)  
22 monitoring the issuance of such securities with a view to preventing unauthorized issuance; (C)  
23 registering the transfer of such securities; (D) exchanging or converting such securities; or (E)  
24 transferring record ownership of securities by bookkeeping entry.

25 3.8. "Underwriter" means any person who is licensed to guarantee the distribution and sale  
26 of securities of any kind by another company.

1           3.9. "Promoter" includes: (A) any person who, acting alone or in conjunction with one or  
 2 more persons, directly or indirectly, takes initiative in founding and organizing the business or  
 3 enterprise of the issuer; or (B) any person who, in connection with the founding and organizing of  
 4 the business of an issuer, directly or indirectly receives in consideration of services or property or  
 5 both services or property ten *per centum* (10%) or more of any class of securities of the issuer or ten  
 6 *per centum* (10%) or more of the proceeds from the sale of any class of such securities. However, a  
 7 person who receives such securities or proceeds either solely as underwriting commissions or solely  
 8 as consideration of property shall not be deemed a promoter within the meaning of this paragraph if  
 9 such person does not otherwise take part in founding and organizing the enterprise.

10           3.10. "Prospectus" refers to the document made by or on behalf of an issuer, underwriter or  
 11 dealer to sell or offer for sale any securities offered to the public by a registration statement filed  
 12 with the Commission pursuant to Sections 5 and 8 of this Act.

13           3.11. "Registration statement" refers to the application for the registration of securities  
 14 required to be filed with the Commission pursuant to Sections 5 and 8 of this Act, and includes any  
 15 amendments thereto, and any supporting documents (including any prospectus) attached thereto and  
 16 made a part thereof or incorporated therein by reference.

17           3.12. "Associated person of a broker or dealer" means any employee thereof who directly  
 18 exercises control or supervisory authority, but does not include a salesman or person whose  
 19 functions are solely clerical or ministerial.

20           3.13. "Self-regulatory organization" means any securities exchange, clearing or depository  
 21 agency or other securities-related organization or association so organized and has the capacity to  
 22 comply with and to enforce compliance by its members, with the provisions of this Act or rules and  
 23 regulations promulgated thereunder and the rules of the organization, including the imposition of  
 24 sanction for violation thereof.

25           3.14. "Commodity interest contracts" means contracts, providing for the making or taking of  
 26 delivery at a prescribed time in the future of a specified quantity and quality of a commodity (or the  
 27 cash value thereof), which are customarily offset prior to the delivery date. For purposes of this



1 definition, the term "commodity" means any goods, articles, services, rights and interests including  
2 any group or index of any of the foregoing.

3 3.15. "Pre-Need Plans" means contracts which provide for the performance of future  
4 services or the payment of future monetary considerations at the time of actual need, for which  
5 planholders pay in cash or installment at stated prices, with or without interest or insurance coverage  
6 and includes life, pension, education, interment, and other plans which the Commission may from  
7 time to time approve.

8 3.16. "Securities account" refers to that account brought about by an agreement under which  
9 a securities intermediary maintains the account for and in behalf the person for whom the account is  
10 opened and maintained, is entitled to exercise the rights that comprise the security.

11 3.17. "Securities intermediary" means:

- 12 (A) A registered clearing agency; or
- 13 (B) A person who is registered or licensed by the Commission, or
- 14 (C) A bank that maintains securities accounts for others.

15 3.18. "Uncertificated security" means a security that is not represented by a physical title.

16 **SECTION 4. Administrative Agency.—**

17 4.1. This Act shall be administered by the Commission which is a collegial body composed  
18 of five Commissioners, inclusive of the Chairman, who shall be appointed by the President, and the  
19 term of office of each Commissioner shall be seven (7) years: *Provided, however,* That upon  
20 expiration of his term, a Commissioner shall serve as such until his successor shall have been  
21 appointed and qualified: *Provided, further,* That no Commissioner shall be appointed to fill a  
22 vacancy occurring prior to the expiration of the term for which his predecessor was appointed  
23 except for the unexpired portion of such term: *Provided, finally,* That upon the effective date of this  
24 Act the Chairman and Associate Commissioners then in office shall forthwith serve as  
25 Commissioners through the remainder of the terms prescribed for such offices under Presidential  
26 Decree 902-A, as amended. The Commission shall have the organization, powers, and functions

1 provided by this Act and other existing laws as the same may from time to time be amended or  
2 supplemented.

3 4.2. The salary of the Chairman and the Associate Commissioners shall be fixed by the  
4 President of the Philippines at a sum commensurate to the importance and responsibility attached to  
5 the position.

6 4.3. (A) The Chairman shall be the Chief Executive Officer of the Commission and his  
7 functions shall be to:

8 (i) Execute and administer the policies, decisions, orders and resolutions approved  
9 by the Commission;

10 (ii) Direct and supervise the operations and internal administration of the  
11 Commission;

12 (iii) Sign appointments of subordinate officials and employees made by the  
13 Commission and enforce decisions on administrative discipline involving them;

14 (iv) With the consent of the Commission, make temporary assignments, rotate and  
15 transfer personnel in accordance with the provisions of the civil service law;

16 (v) Submit an annual budget and other budget supplements to the Commission for its  
17 approval;

18 (vi) Delegate his authority, in whole or in part, to other officials of the Commission,  
19 in accordance with the rules and regulations of the Commission; and

20 (vii) Perform such other duties as may be authorized by the Commission.

21 (B) In carrying out any of his functions under the provisions of this Subsection 4.3, the  
22 Chairman shall be governed by the general policies of the Commission and by such regulatory  
23 decisions, findings and determinations as the Commission may by law be authorized to make.

24 4.4. (A) There shall be a Secretary appointed by the Commission, who shall be of equal rank  
25 or level with that of a Director of a Department and shall be the recorder and official reporter of the  
26 proceedings of the Commission and shall have the authority to administer oaths in all matters  
27 coming under the jurisdiction of the Commission.

1 (B) There shall be an Executive Director appointed by the Commission who shall be  
 2 responsible for the effective implementation of the policies, rules and standards promulgated by the  
 3 Commission, to coordinate and supervise the activities of the different operating units; to report to  
 4 the Chairman on the operations of such units; and to perform such functions as may be assigned to  
 5 him by the Chairman and/or by the Commission.

6 4.5. The Commission shall hold meetings *en banc* for the conduct of business as often as  
 7 may be necessary at such times as the Chairman may fix or such number of Commissioners  
 8 constituting a quorum shall request. The notice of the meeting shall be given to all Commissioners  
 9 and the presence of at least three (3) Commissioners shall constitute a quorum. In the absence of  
 10 the Chairman, the most senior Commissioner shall act as presiding officer of the meeting.

11 4.6. (A) To constitute action of the Commission in respect of any matter, the Commissioners  
 12 of the Commission shall be required to act *en banc* and assent to such action by a majority thereof  
 13 comprising a quorum at any meeting at which such action is considered or, if action is taken without  
 14 a meeting by a majority of all Commissioners: *Provided, however,* That the Commission, *en banc,*  
 15 is authorized, by rule, regulation or order, to delegate any of its functions to any department or  
 16 office of the Commission, an individual Commissioner, or staff member of the Commission,  
 17 including functions with respect to hearing, determining, ordering, certifying, reporting or otherwise  
 18 acting as to any work, business, or matter: *Provided, further,* That the Commission, *en banc,* may  
 19 not delegate, and shall be required to act *en banc,* in respect of the adoption of any rule or  
 20 regulation, the denial, alteration or supplementation of any rule of a self-regulatory organization, or  
 21 in the exercise of its quasi-judicial function under Presidential Decree 902-A, as amended.

22 (B) With respect to the delegation of any functions, as provided in paragraph (A) of  
 23 Subsection 4.6, the Commission, *en banc,* shall retain a discretionary right to review the action of  
 24 any department or office, individual Commissioner, or staff member of the Commission, upon its  
 25 own initiative, or upon petition of a party to or intervenor in such action. The vote of one  
 26 Commissioner shall be sufficient to bring any such action before the Commission, *en banc,* for  
 27 review.

1 If no review is sought within the prescribed time or the Commission, *en banc*, declines to  
2 exercise review, the action taken pursuant to delegated authority shall for all purposes be deemed  
3 the action of the Commission.

4 4.7. The Commission is authorized to reorganize its internal structure as, from time to time,  
5 it determines to be necessary and appropriate in the public interest to carry out its responsibilities  
6 under this Act and other laws which it administers. This shall include the power to fix the  
7 remuneration and other emoluments of its personnel based on job evaluation and qualifications, to  
8 increase or decrease the number of departments, divisions, extension offices, and any other  
9 organizational structures within the Commission, to reassign functions and personnel among  
10 departments, divisions, extension offices, and any other organizational structures, and to name or  
11 rename departments, divisions, offices, and any other organization structures.

12 4.8. The Commission shall, except as otherwise expressly provided, have the power to  
13 promulgate such rules and regulations as it may consider appropriate in the public interest or for the  
14 protection of investors to effectuate the purposes and policies of the provisions hereof.

15 CHAPTER II-Registration of Securities

16 **SECTION 5. Requirement of Registration of Securities.**---

17 5.1. No securities, except of a class exempt under Section 6 hereof or unless sold in any  
18 transaction exempt under Section 7 hereof, shall be sold or offered for sale or distribution within the  
19 Philippines, unless a registration statement registering the securities to be offered has been filed with  
20 the Commission and is in effect.

21 5.2. No securities required to be registered pursuant to Subsection 5.1 shall be sold unless  
22 prior to such sale information on the securities in such form and with such substance as the  
23 Commission by rule may prescribe is made available to each prospective purchaser.  
24 Notwithstanding the provisions of Subsection 5.1 hereof and of the succeeding sections regarding  
25 exemptions, no commercial paper as defined in Section 3 hereof shall be issued, endorsed, sold,  
26 transferred or in any other manner conveyed to the public, unless registered in accordance with the  
27 rules and regulations that shall be promulgated in the public interest and for the protection of

1 investors by the Commission. The Commission, however, with due regard to public interest and the  
 2 protection of investors, may, by rules and regulations, exempt from registration any commercial  
 3 paper that may otherwise be covered by this paragraph. In either case, the rules and regulations shall  
 4 be promulgated by the Commission with the concurrence of the approval of the Monetary Board of  
 5 the *Bangko Sentral ng Pilipinas*. The Monetary Board shall, however, have the power to  
 6 promulgate its own rules on the monetary and credit aspects of commercial paper issues, which may  
 7 include the imposition of ceilings on issues by any single borrower, and the authority to supervise  
 8 the enforcement of such rules and to requires issuer of commercial papers to submit their financial  
 9 statements and such periodic reports, when required by both the Commission and the Monetary  
 10 Board, shall be uniform.

11 5.3. The Commission by rule may permit securities required to be registered under  
 12 Subsection 5.1 to be offered for sale after the filing of a registration statement for such securities,  
 13 but prior to its effectivity, upon such terms and conditions as the Commission by rule may prescribe  
 14 in the public interest or for the protection of investors: *Provided, however,* That no offer for sale  
 15 under this subsection shall be made by means of any written communication except a preliminary  
 16 prospectus conforming in form and content to requirements for preliminary prospectuses which the  
 17 Commission by rule may prescribe.

18 5.4. The Commission by rule may specify the terms and conditions under which any written  
 19 communication, including any summary prospectus, shall be deemed not to constitute an offer for  
 20 sale under this Section.

21 5.5. A record of the registration of securities shall be kept in a Register of Securities in  
 22 which shall be recorded orders entered by the Commission with respect to such securities. Such  
 23 register and all documents or information with respect to the securities registered therein shall be  
 24 open to public inspection at reasonable hours on business days.

25 **SECTION 6. *Exempt Securities.***—

26 6.1. Except as expressly provided, the requirement of registration under Subsection 5.1 shall  
 27 not apply to any of the following classes of securities:

1 (A) Any security issued or guaranteed by the Government of the Philippines, or by  
2 any political subdivision or agency thereof, or by any person controlled or supervised by,  
3 and acting as an instrumentality of said Government.

4 (B) Any security issued or guaranteed by the government of any country with which  
5 the Philippines maintains diplomatic relations, or by any state, province or political  
6 subdivision thereof: *Provided*, That the Commission may require compliance with the form  
7 and content of disclosures the Commission may by rule prescribe.

8 (C) Certificates issued by a receiver or by a trustee in bankruptcy duly approved by  
9 the court.

10 (D) Any security or its derivatives the sale or transfer of which, by law, is under the  
11 supervision and regulation of the Office of the Insurance Commission, Housing and Land  
12 Use Regulatory Board, the *Bangko Sentral ng Pilipinas*, or the Bureau of Internal Revenue.

13 6.2. The Commission may, from time to time and subject to such terms and conditions as  
14 may be prescribed after public hearing, add to the foregoing any class of securities if it finds that the  
15 enforcement of this Act with respect to such securities is not necessary in the public interest and for  
16 the protection of investors.

17 **SECTION 7. *Exempt Transactions.***—

18 7.1. The requirement of registration under Subsection 5.1 shall not apply to the sale of any  
19 security in any of the following transactions:

20 (A) At any judicial sale, or sale by an executor, administrator, guardian or receiver or trustee  
21 in insolvency or bankruptcy.

22 (B) By or for the account of a pledge holder, or mortgagee or any other similar lien holder  
23 selling or offering for sale or delivery in the ordinary course of business and not for the purpose of  
24 avoiding the provisions of this Act, to liquidate a *bona fide* debt, a security pledged in good faith as  
25 security for such debt.

26 (C) An isolated transaction in which any security is sold, offered for sale, subscription or  
27 delivery by the owner thereof, or by his representative for the owner's account, such sale or offer for

1 sale, subscription or delivery not being made in the course of repeated and successive transactions  
2 of a like character by such owner, or on his account by such representative and such owner or  
3 representative not being the underwriter of such security.

4 (D) The distribution by a corporation, actively engaged in the business authorized by its  
5 articles of incorporation, of securities to its stockholders or other security holders as a stock  
6 dividend or other distribution out of surplus.

7 (E) The sale of capital stock of a corporation to its own stockholders exclusively, where no  
8 commission or other remuneration is paid or given directly or indirectly in connection with the sale  
9 of such capital stock.

10 (F) The issuance of bonds or notes secured by mortgage upon real estate or tangible personal  
11 property, where the entire mortgage together with all the bonds or notes secured thereby are sold to  
12 a single purchaser at a single sale.

13 (G) The issue and delivery of any security in exchange for any other security of the same  
14 issuer pursuant to a right of conversion entitling the holder of the security surrendered in exchange  
15 to make such conversion: *Provided*, That the security so surrendered has been registered under this  
16 Act or was, when sold, exempt from the provisions of this Act, and that the security issued and  
17 delivered in exchange, if sold at the conversion price, would at the time of such conversion fall  
18 within the class of securities entitled to registration under this Act. Upon such conversion the par  
19 value of the security surrendered in such exchange shall be deemed the price at which the securities  
20 issued and delivered in such exchange are sold.

21 (H) Broker's transactions, executed upon customer's orders, on any registered Exchange or  
22 other trading market.

23 (I) Subscriptions for shares of the capital stock of a corporation prior to the incorporation  
24 thereof or in pursuance of an increase in its authorized capital stock under the Corporation Code,  
25 when no expense is incurred, or no commission, compensation or remuneration is paid or given in  
26 connection with the sale or disposition of such securities, and only when the purpose for soliciting,  
27 giving or taking of such subscriptions is to comply with the requirements of such law as to the

1 percentage of the capital stock of a corporation which should be subscribed before it can be  
2 registered and duly incorporated, or its authorized capital increased.

3 (J) The exchange of securities by the issuer with its existing security holders exclusively,  
4 where no commission or other remuneration is paid or given directly or indirectly for soliciting such  
5 exchange.

6 (K) The sale of securities by an issuer to fewer than 20 persons in the Philippines during  
7 any twelve-month period.

8 (L) The sale of securities to any number of the following qualified buyers:

- 9 (i) Bank;
- 10 (ii) Registered investment house;
- 11 (iii) Insurance company;
- 12 (iv) Pension fund or retirement plan maintained by the Government of the  
13 Philippines or any political subdivision thereof or managed by a bank or other persons  
14 authorized by the *Bangko Sentral* to engage in trust functions;
- 15 (v) Investment company; or
- 16 (vi) Such other person as the Commission may by rule determine as qualified  
17 buyers, on the basis of such factors as financial sophistication, net worth, knowledge, and  
18 experience in financial and business matters, or amount of assets under management.

19 7.2. The Commission by rule may, from time to time and subject to such terms and  
20 conditions as it may prescribe, exempt transactions other than those provided in the preceding  
21 subsection, if it finds that the enforcement of the requirements of registration under this Act with  
22 respect to such transactions is not necessary in the public interest and for the protection of the  
23 investors such as by reason of the small amount involved or the limited character of the public  
24 offering.

25 7.3. Any person claiming any exemption under this Section, shall file with the Commission  
26 a notice identifying the exemption relied upon on such form and at such time as the Commission by



1 rule may prescribe and with such notice shall pay to the Commission a fee equivalent to one-tenth  
2 of one *per centum* of the maximum aggregate price or issued value of the securities.

3 **SECTION 8. Procedure for Registration of Securities.**---

4 8.1 All securities required to be registered for offer and sale under Subsection 5.1 shall be  
5 registered through the filing by the issuer in the office of the Commission, of a sworn registration  
6 statement with respect to such securities, in such form and containing such information and  
7 documents as the Commission by rule shall prescribe. The registration statement shall include or  
8 have annexed thereto any prospectus required or permitted to be delivered under Subsections 5.2,  
9 5.3 and 5.4.

10 8.2. In promulgating rules governing the content of any registration statement (including any  
11 prospectus made a part thereof or annexed thereto), the Commission may require the registration  
12 statement to contain the information or documents described in Schedule A appended to this Act,  
13 may dispense with any such requirement, or may require additional information or documents,  
14 including written information from an expert, depending on the necessity thereof for the protection  
15 of public investors, or their applicability to the class of securities sought to be registered, as the case  
16 may be.

17 8.3. The registration statement shall be signed by the issuer, its principal executive officer,  
18 its principal operating officer, its principal financial officer, its comptroller or principal accounting  
19 officer, a majority of members of its board of directors, or persons performing functions similar to  
20 any of the foregoing. The written consent of the expert named as having certified any part of the  
21 registration statement or any document used in connection therewith shall also be filed. Where the  
22 registration statement includes shares to be sold by selling shareholders, a written certification by  
23 such selling shareholders as to the accuracy of any part of the registration statement contributed to  
24 by such selling shareholders shall also be filed.

25 8.4. (A) Upon filing of the registration statement, the issuer shall pay to the Commission a  
26 fee of not more than one-tenth of one *per centum* of the maximum aggregate price at which such  
27 securities are proposed to be offered.

1 (B) Notice of the filing of the registration statement shall be immediately published by the  
 2 issuer, at the expense of the issuer, in two newspapers of general circulation in the Philippines, once  
 3 a week for two consecutive weeks, or in such other manner as the Commission by rule shall  
 4 prescribe, reciting that a registration statement for the sale of such security has been filed, and that  
 5 the aforesaid registration statement, as well as the papers attached thereto are open to inspection at  
 6 the Commission during business hours, by any person, and copies thereof, photo static or otherwise,  
 7 shall be furnished to every applicant at such reasonable charge as the Commission may prescribe.

8 8.5. Within forty-five (45) days after the date of filing of the registration statement, or by  
 9 such later date to which the issuer has consented, the Commission shall declare the registration  
 10 statement effective or rejected, unless the applicant is allowed to amend the registration statement as  
 11 provided in Section 10 hereof. The Commission shall enter an order declaring the registration  
 12 statement to be effective if it finds that the registration statement together with all the other papers  
 13 and documents attached thereto, is on its face complete and that the requirements have been  
 14 complied with. The Commission may impose such terms and conditions as may be necessary or  
 15 appropriate for the protection of the investors.

16 8.6. Upon effectivity of the registration statement, the issuer shall state in every prospectus  
 17 that such effectivity shall not be deemed a finding by the Commission that the registration statement  
 18 is true and accurate on its face or that it does not contain an untrue statement of fact or omit to state  
 19 a material fact, or be held to mean that the Commission has in any way recommended, endorsed or  
 20 given approval to the security included in the registration statement. It shall be unlawful to make, or  
 21 cause to be made, to any prospective purchaser any representation contrary to the foregoing.

22 8.7. The Commission, for the guidance of investors, may require the issuer to submit the  
 23 security for rating by rating agencies accredited by the Commission and to include such rating in the  
 24 registration statement and prospectus.

25 **SECTION 9. *Rejection and Revocation of Registration of Securities.*—**

26 9.1. The Commission may, after due notice and hearing, reject a registration statement and  
 27 refuse registration of the security thereunder, or revoke the effectivity of a registration statement and

1 the registration of the security thereunder by issuing an order to such effect, setting forth its findings  
2 in respect thereto, if it finds that:

3 (A) The issuer:

4 (i) Has been judicially declared insolvent;

5 (ii) Has violated any of the provisions of this Act, the rules promulgated pursuant  
6 thereto, or any order of the Commission of which the issuer has notice in connection with  
7 the offering for which a registration statement has been filed;

8 (iii) Has been or is engaged or is about to engage in fraudulent transactions;

9 (iv) Has made any false or misleading representation of material facts in any  
10 prospectus concerning the issuer or its securities;

11 (v) Has failed to comply with any requirement that the Commission may impose as a  
12 condition for registration of the security for which the registration statement has been filed;  
13 or

14 (B) The registration statement is on its face incomplete or inaccurate in any material  
15 respect or includes any untrue statement of a material fact or omits to state a material fact  
16 required to be stated therein or necessary to make the statements therein not misleading; or

17 (C) The issuer, any officer, director or controlling person of the issuer, or person  
18 performing similar functions, or any underwriter:

19 (i) Has been convicted, by a competent judicial or administrative body, upon plea of  
20 guilty, or otherwise, of an offense involving moral turpitude, fraud, embezzlement,  
21 counterfeiting, theft, estafa, misappropriation, forgery, bribery, false oath, or perjury, or of a  
22 violation of securities, commodities, banking, real estate, insurance, mining, investment and  
23 other related laws; or

24 (ii) Is enjoined or restrained by the Commission or other competent judicial or  
25 administrative body from engaging in securities, commodities, banking, real estate,  
26 insurance, mining, investment and other related laws or from willfully violating laws  
27 governing such activities; or

1 (iii) Is subject to an Order of the Commission or other competent judicial or  
 2 administrative body refusing, revoking or suspending any registration, license or other  
 3 permit required under this Act, the rules and regulations promulgated thereunder, or any  
 4 other law, to engage in any activity involving securities, commodities, banking, real estate,  
 5 insurance, mining, investment or other related activities;

6 (iv) Is subject to an order of a self-regulatory organization suspending or expelling  
 7 him from membership or participation therein or from association with a member or  
 8 participant thereof;

9 (v) Has been found by final Order of the Commission or other competent judicial or  
 10 administrative body to have willfully violated any provisions of securities, commodities,  
 11 banking, real estate, insurance, mining, investment or other related laws, or have willfully  
 12 aided, abetted, counseled, commanded, induced or procured such violation.

13 For purposes of this subsection, the term "competent judicial or administrative body"  
 14 shall include a foreign court of competent jurisdiction and a foreign financial regulator.

15 9.2. The Commission may compel the production of all the books and papers of such issuer,  
 16 and may administer oaths to, and examine the officers of such issuer or any other person connected  
 17 therewith as to its business and affairs, and may also require a balance sheet exhibiting the assets  
 18 and liabilities of any such issuer or his income statement or both, to be certified to by an  
 19 independent certified public accountant.

20 9.3. If any issuer shall refuse to permit an examination to be made by the Commission, its  
 21 refusal shall be proper ground for the refusal or revocation of the registration of its securities.

22 9.4. If the Commission deems it necessary, it may issue an Order suspending the offer and  
 23 sale of the securities pending any investigation. The Order shall state the grounds for taking such  
 24 action, but such Order of suspension although binding upon the persons notified thereof, shall be  
 25 deemed confidential, and shall not be published. Upon the issuance of the Suspension Order, no  
 26 further offer or sale of such security shall be made until the same is lifted or set aside by the  
 27 Commission. Otherwise, such sale shall be void.

1 9.5. Notice of issuance of such Order shall be given to the issuer and every dealer and  
2 broker who shall have notified the Commission of an intention to sell such security.

3 9.6. A registration statement may be withdrawn by the issuer only with the consent of the  
4 Commission.

5 **SECTION 10. *Amendments to the Registration Statement.***—

6 10.1. If a registration statement is on its face incomplete or inaccurate in any material  
7 respect, the Commission shall issue an Order directing the amendment of the registration statement.  
8 Upon compliance with such Order, the amended registration statement shall become effective in  
9 accordance with the procedure mentioned in Subsection 8.5 hereof.

10 10.2. An amendment filed prior to the effective date of the registration statement shall  
11 recommence the forty-five (45) day period within which the Commission shall act on a registration  
12 statement. An amendment filed after the effective date of the registration statement shall become  
13 effective only upon such date as determined by the Commission.

14 10.3. If any change occurs in the facts set forth in a registration statement, the issuer shall  
15 file an amendment thereto setting forth the change.

16 10.4. If, at any time, the Commission finds that a registration statement contains any false  
17 statement or omits to state any fact required to be stated therein or necessary to make the statements  
18 therein not misleading, the Commission may conduct an examination, and, after due notice and  
19 hearing, issue an Order suspending the effectivity of the registration statement. If the statement is  
20 duly amended, the Suspension Order may be lifted.

21 10.5. In making such examination the Commission or any officer or officers designated by it  
22 may administer oaths and affirmations and shall have access to, and may demand the production of,  
23 any books, records or documents relevant to the examination. Failure of the issuer, underwriter, or  
24 any other person to cooperate, or his obstruction or refusal to undergo an examination, shall be a  
25 ground for the issuance of a Suspension Order.

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1           **SECTION 11. *Suspension of Registration.*—**

2           11.1 If, at any time, the information contained in the registration statement filed is or has  
3 become misleading, incorrect, inadequate or incomplete in any material respect, or the sale or  
4 offering for sale of the security registered thereunder may work or tend to work a fraud, the  
5 Commission may require from the issuer such further information as may in its judgment be  
6 necessary to enable the Commission to ascertain whether the registration of such security should be  
7 revoked on any ground specified in this Act. The Commission may also suspend the right to sell  
8 and offer for sale such security pending further investigation, by entering an order specifying the  
9 grounds for such action, and by notifying the issuer, underwriter, dealer or broker known as  
10 participating in such offering.

11           11.2. The refusal to furnish information required by the Commission may be a ground for  
12 the issuance of an Order of Suspension pursuant to Subsection 11.1. Upon the issuance of any such  
13 Order and notification to the issuer, underwriter, dealer or broker known as participating in such  
14 offering, no further offer or sale of any such security shall be made until the Commission orders  
15 otherwise. Otherwise, such sale shall be void.

16           11.3. Upon issuance of an Order of Suspension, the Commission shall conduct a hearing. If  
17 the Commission determines that the sale of any security should be revoked, it shall issue an Order  
18 prohibiting sale of such security. Until the issuance of a final Order, the suspension of the right to  
19 sell, though binding upon the persons notified thereof, shall be deemed confidential, and shall not be  
20 published, unless it shall appear that the Order of Suspension has been violated after notice. If,  
21 however, the Commission finds that the sale of the security will neither be fraudulent nor result in  
22 fraud, it shall forthwith issue an Order revoking the Order of Suspension, and such security shall be  
23 restored to its status as a registered security as of the date of such Order of Suspension.

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1                    CHAPTER III - Regulation of Commodity Interests and Pre-Need Plans

2                    **SECTION 12. *Commodity Interest Contracts.***----

3                    12.1. No person shall offer, sell, or enter into commodity interest contracts except in  
4 accordance with the rules and regulations the Commission may prescribe. Such regulations may  
5 include, without limitation:

6                    (A) Prohibiting fraud, manipulation, fictitious transactions, undue speculation and  
7 other unfair and abusive trading practices;

8                    (B) Registering commodity Exchanges and commodity associations, providing for  
9 approval by the Commission of the rules thereof (including terms of commodity interest  
10 contracts traded on such Exchanges or in markets supervised by such associations) and  
11 requiring enforcement of such rules, in a manner similar to that provided in this Act for the  
12 regulation of Exchanges;

13                    (C) Licensing market professionals, such as futures brokers, commodity trading  
14 advisors and salesmen;

15                    (D) Imposing requirements on the persons referred to in paragraphs (B) and (C),  
16 with respect to disclosure, reporting, record keeping, examination, capital, bonding and  
17 other financial responsibility, and segregation of margin deposits and other customer funds.

18                    12.2. The Commission shall prohibit transactions with respect to all or specified commodity  
19 interest contracts if it finds, after due notice and hearing, that such transactions will be inimical to  
20 the public interest of the country or may cause grave or irreparable injury.

21                    **SECTION 13. *Pre-Need Plans.***----No person shall sell or offer for sale to the public any  
22 pre-need plan except in accordance with rules and regulations which the Commission shall  
23 prescribe. Such rules shall regulate the sale of pre-need plans by, among other things, requiring the  
24 registration of pre-need plans, licensing persons involved in the sale of pre-need plans, requiring  
25 disclosures to prospective plan holders, prescribing advertising guidelines, providing for uniform  
26 accounting system, reports and record keeping with respect to such plans, imposing capital, bonding

1 and other financial responsibility, and establishing trust funds for the payment of benefits under  
2 such plans.

3 CHAPTER IV - Reportorial Requirements

4 **SECTION 14. *Periodic and Other Reports of Issuers.*—**

5 14.1. Every issuer with a class of securities satisfying the requirements in Subsection 14.2  
6 hereof shall file with the Commission:

7 (A) An annual report within 135 days, or such other time as the Commission by rule  
8 shall prescribe, after the end of the issuer's fiscal year, which shall include a balance sheet,  
9 profit and loss statement and statement of cash flows, for such last fiscal year, certified by an  
10 independent certified public accountant, and a management discussion and analysis of  
11 results of operations; and

12 (B) Such other periodical reports for interim fiscal periods and current reports on  
13 significant developments of the issuer as the Commission may prescribe as necessary to  
14 update and keep current information on the operation of the business and financial condition  
15 of the issuer.

16 14.2. The reportorial requirements of Subsection 14.1 shall apply to the following:

17 (A) An issuer which has sold a class of its securities pursuant to registration under  
18 Section 8 hereof: *Provided, however,* That the obligation of such issuer to file reports shall  
19 be suspended for any fiscal year after the year such registration became effective if such  
20 issuer, as of the first day of any such fiscal year, has less than 100 holders of such class of  
21 securities or such other number as the Commission shall prescribe and it notifies the  
22 Commission of such;

23 (B) An issuer with a class of securities listed for trading on an Exchange; and

24 (C) An issuer with assets of at least P50,000,000 or such other amount as the  
25 Commission shall prescribe, and having 200 or more holders each holding at least 100  
26 shares of a class of its equity securities: *Provided, however,* That the obligation of such  
27 issuer to file reports shall be terminated ninety (90) days after notification to the



1 Commission by the issuer that the number of its holders holding at least 100 shares is  
2 reduced to less than 100.

3 14.3. Every issuer of a security listed for trading on an Exchange shall file with the  
4 Exchange a copy of any report filed with the Commission under Subsection 14.1 hereof.

5 14.4. All reports (including financial statements) required to be filed with the Commission  
6 pursuant to Subsection 14.1 hereof shall be in such form, contain such information and be filed at  
7 such times as the Commission by rule shall prescribe, and shall be in lieu of any periodical or  
8 current reports or financial statements otherwise required to be filed under the Corporation Code.

9 14.5. Every issuer which has a class of equity securities satisfying any of the requirements in  
10 Subsection 14.2 shall furnish to each holder of such equity security an annual report in such form  
11 and containing such information as the Commission by rule shall prescribe.

12 14.6. Within such period as the Commission by rule may prescribe preceding the annual  
13 meeting of the holders of any equity security of a class entitled to vote at such meeting, the issuer  
14 shall transmit to such holders an annual report in conformity with Subsection 14.5.

15 14.7. The Commission, by rule or order, may exempt any issuer from the provisions of this  
16 Section.

17 **SECTION 15. Reports by 10% Holders of Equity Securities.--**

18 15.1. In every case in which an issuer has a class of equity security that satisfies the  
19 requirements of Subsection 14.2 (B) or 14.2 (C) hereof, any person who, after acquiring directly or  
20 indirectly the beneficial ownership of any such equity security, is directly or indirectly the beneficial  
21 owner of more than ten *per centum* (10%) of such class or in excess of such lesser *per centum* as the  
22 Commission by rule may prescribe, shall, within ten days after such acquisition or such reasonable  
23 time as fixed by the Commission, submit to the issuer of the security, to the Exchange where the  
24 security is traded, and to the Commission a sworn statement containing the following information  
25 and such other information as the Commission may require in the public interest or for the  
26 protection of investors:

1 (A) The personal background, identity, residence, and citizenship of, and the nature  
 2 of such beneficial ownership by, such person and all other persons by whom or on whose  
 3 behalf the purchases are effected; in the event the beneficial owner is a juridical person, the  
 4 lines of business of the beneficial owner shall also be reported;

5 (B) If the purpose of the purchases or prospective purchases is to acquire control of  
 6 the business of the issuer of the securities, any plans or proposals which such persons may  
 7 have that will effect a major change in its business or corporate structure;

8 (C) The number of shares of such security which are beneficially owned, and the  
 9 number of shares concerning which there is a right to acquire, directly or indirectly, by: (i)  
 10 such person, and (ii) each associate of such person, giving the background, identity,  
 11 residence, and citizenship of each such associate; and

12 (D) Information as to any contracts, arrangements, or understanding with any person  
 13 with respect to any securities of the issuer including but not limited to transfer, joint  
 14 ventures, loan or option arrangements, puts or calls, guarantees or division of losses or  
 15 profits, or proxies naming the persons with whom such contracts, arrangements, or  
 16 understanding have been entered into, and giving the details thereof.

17 15.2. If any change occurs in the facts set forth in the statements, an amendment shall be  
 18 transmitted to the issuer, the Exchange and the Commission.

19 15.3. The Commission, may permit any person to file in lieu of the statement required by  
 20 Subsection 15.1 hereof, a notice stating the name of such person, the shares of any equity securities  
 21 subject to Subsection 15.1 which are owned by him, the date of their acquisition and such other  
 22 information as the Commission may specify, if it appears to the Commission that such securities  
 23 were acquired by such person in the ordinary course of his business and were not acquired for the  
 24 purpose of and do not have the effect of changing or influencing the control of the issuer nor in  
 25 connection with any transaction having such purpose or effect.

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CHAPTER V - Civil Liabilities

SECTION 16. Civil Liabilities on Account of False Registration Statement.—

16.1. Any person acquiring a security, the registration statement of which or any part thereof contains on its effectivity an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make such statements not misleading, and who suffers damage, may sue and recover damages from the following enumerated persons, unless it is proved that at the time of such acquisition he knew of such untrue statement or omission:

(A) The issuer and every person who signed the registration statement;

(B) Every person who was a director of, or any other person performing similar functions, or a partner in, the issuer at the time of the filing of the registration statement or any part, supplement or amendment thereof with respect to which his liability is asserted;

(C) Every person who is named in the registration statement as being or about to become a director of, or a person performing similar functions, or a partner in, the issuer and whose written consent thereto is filed with the registration statement;

(D) Every person whose profession gives authority to a statement made by him, who, with his written consent, which shall be filed with the registration statement, has been named as having prepared or certified any part of the registration statement, or as having prepared or certified any report or valuation which is used in connection with the registration statement, with respect to the statement in such registration statement, report, or valuation, which purports to have been prepared or certified by him.

(E) Every selling shareholder who contributed to and certified as to the accuracy of a portion of the registration statement, with respect to that portion of the registration statement which purports to have been contributed by him.

(F) Every underwriter with respect to such security.

If the person who acquired the security did so after the issuer has made generally available to its security holders an income statement covering a period of at least twelve months beginning from the effective date of the registration statement, then the right of recovery under this subsection

1 shall be conditioned on proof that such person acquired the security relying upon such untrue  
2 statement in the registration statement or relying upon the registration statement and not knowing of  
3 such income statement, but such reliance may be established without proof of the reading of the  
4 registration statement by such person.

5 16.2. Notwithstanding the provisions of Subsection 16.1, no person, other than the issuer,  
6 shall be liable as provided therein if he proves that:

7 (A) Before the effective date of the part of the registration statement with respect to  
8 which his liability is asserted: (i) He had resigned from or had taken such steps as are  
9 permitted by law to resign from, or ceased or refused to act in, every office, capacity or  
10 relationship in which he was described in the registration statement as acting or agreeing to  
11 act; and (ii) He had advised the Commission and the issuer in writing that he had taken such  
12 action and that he would not be responsible for such part of the registration statement; or

13 (B) (i) As regards any part of the registration statement not purporting to be a copy  
14 of or extract from a report or valuation of an expert, and not purporting to be made on the  
15 authority of a public official document or statement, he had, after reasonable investigation,  
16 reasonable ground to believe and did believe, at the time such part of the registration  
17 statement became effective, that the statements therein were true and that there was no  
18 omission to state a material fact required to be stated therein or necessary to make the  
19 statements therein true and that there was no omission to state a material fact required to be  
20 stated therein or necessary to make the statements not misleading; and (ii) As regards any  
21 part of the registration statement purporting to be made upon his authority as an expert or  
22 purporting to be a copy of or extract from a report or valuation of himself as an expert: (a)  
23 He had, after reasonable investigation, reasonable ground to believe and did believe, at the  
24 time such part of the registration statement became effective, that the statements therein  
25 were true and that there was no omission to state a material fact required to be stated therein  
26 or necessary to make the statements therein not misleading, or (b) Such part of the  
27 registration statement did not fairly represent his statement as an expert or was not a fair

1 copy of or extract from his report or valuation as an expert; and (iii) As regards any part of  
2 the registration statement purporting to be made on the authority of an expert (other than  
3 himself) or purporting to be a copy of or extract from a report or valuation of an expert  
4 (other than himself), he had no reasonable ground to believe and did not believe, at the time  
5 such part of the registration statement became effective, that the statements therein were  
6 untrue or that there was an omission to state a material fact required to be stated therein or  
7 necessary to make the statements therein not misleading, or that such part of the registration  
8 statement did not fairly represent the statement of the expert or was not a fair copy of or  
9 extract from the report or valuation of the expert; and (iv) As regards any part of the  
10 registration statement purporting to be a statement made by a public official or purporting to  
11 be a copy of or extract from a public official document, he had no reasonable ground to  
12 believe and did not believe, at the time such part of the registration statement became  
13 effective, that the statements therein were untrue, or that there was an omission to state a  
14 material fact required to be stated therein or necessary to make the statements therein not  
15 misleading, or that such part of the registration statement did not fairly represent the  
16 statement made by the public official or was not a fair copy of or extract from the public  
17 official document.

18 16.3. In determining, for the purpose of paragraph (B) of Subsection 16.2, what constitutes  
19 reasonable investigation and reasonable ground for belief, the standard of reasonableness shall be  
20 that required of a prudent man in the management of his own property.

21 16.4. The suit authorized under Subsection 16.1 may be filed to recover such damages as  
22 shall represent double the difference between the amount paid and committed to be paid for the  
23 security, not exceeding the price at which the security was offered to the public, and: (A) The value  
24 thereof as of the time such suit was brought, or in case the security has been disposed of; (B) The  
25 price at which such security shall have been disposed of in the market before the suit; or (C) The  
26 price at which such security shall have been disposed of after the filing of the suit but before  
27 judgment. No underwriter shall be liable in any suit or as a consequence of suits authorized under

1 Subsection 16.1 hereof for damages in excess of the total price at which the securities underwritten  
2 by him and distributed to the public were offered to the public.

3 16.5. The persons specified in Subsection 16.1 hereof shall be jointly and severally liable for  
4 the payment of damages. However, any person who becomes liable for the payment of such  
5 damages may recover contribution from any other person who, if sued separately, would have been  
6 liable to make the same payment, unless the former was guilty of fraudulent representation and the  
7 latter was not.

8 16.6. In no case shall the amount recoverable under this Section exceed double the price at  
9 which the security was offered to the public and such exemplary damages as may be awarded.

10 16.7. Notwithstanding any provision of law to the contrary, all persons, including the issuer,  
11 held liable under this Section, shall contribute equally to the total liability adjudged herein. In no  
12 case shall the principal stockholders, directors and other officers of the issuer or persons occupying  
13 similar positions therein, recover their contribution to the liability from the issuer. However, the  
14 right of the issuer to recover from the guilty parties the amount it has contributed under this Section  
15 shall not be prejudiced.

16 16.8. In any suit under this or any other subsection of this Act, the Commission may, in its  
17 discretion, require the payment of the costs of such suit, including reasonable attorney's fees. Costs  
18 may be allowed by the Commission to the prevailing party litigant.

19 **SECTION 17. *Civil Liabilities Arising in Connection with Prospectus, Communications***  
20 ***and Reports.***---

21 17.1. Any person who:

22 (A) Offers to sell or sells a security in violation of Chapter II, or

23 (B) Offers to sell or sells a security, whether or not exempted by the provisions of  
24 this Act, by the use of any means or instruments of transportation or communication, by  
25 means of a prospectus or other written or oral communication, which includes an untrue  
26 statement of a material fact or omits to state a material fact necessary in order to make the  
27 statements, in the light of the circumstances under which they were made, not misleading

1 (the purchaser not knowing of such untruth or omission), and who shall fail in the burden of  
 2 proof that he did not know, and in the exercise of reasonable care could not have known, of  
 3 such untruth or omission, shall be liable to the person purchasing such security from him,  
 4 who may sue to recover the consideration paid for such security with interest thereon, less  
 5 the amount of any income received thereon, upon the tender of such security, or for damages  
 6 if he no longer owns the security.

7 17.2. Any person who shall make or cause to be made any statement in any report, or  
 8 document filed pursuant to this Act or any rule or regulation thereunder, which statement was at the  
 9 time and in the light of the circumstances under which it was made false or misleading with respect  
 10 to any material fact, shall be liable to any person who, not knowing that such statement was false or  
 11 misleading, and relying upon such statements shall have purchased or sold a security at a price  
 12 which was affected by such statement, for damages caused by such reliance, unless the person sued  
 13 shall prove that he acted in good faith and had no knowledge that such statement was false or  
 14 misleading.

15 17.3. Every person who becomes liable to make payment under this Section and Sections 18  
 16 through 21 may recover contribution as in cases of contract from any person who, if joined in the  
 17 original suit, would have been liable to make the same payment.

18 **SECTION 18. *Civil Liability for Fraud in Connection with Securities Transactions.*** ---

19 Any person who engages in any act or transaction in violation of Subsections 23.5 or 24.5, or  
 20 Section 31, or any rule or regulation of the Commission thereunder, shall be liable to any other  
 21 person who purchases or sells any security, grants or refuses to grant any proxy, consent or  
 22 authorization, or accepts or declines an invitation for tender of a security, as the case may be, for the  
 23 damages sustained by such other person as a result of such act or transaction.

24 **SECTION 19. *Civil Liability for Manipulation of Security Prices.*** ---Any person who

25 willfully participates in any act or transaction in violation of Section 29 shall be liable to any person  
 26 who shall purchase or sell any security at a price which was affected by such act or transaction, and  
 27 the person so injured may sue to recover the damages sustained as a result of such act or transaction.

1           **SECTION 20. *Civil Liability on Account of Insider Trading.***---

2           20.1. Any insider who violates Subsection 32.1 and any person in the case of a tender offer  
3 who violates Subsection 32.5 (A)(i), or any rule or regulation thereunder, by purchasing or selling a  
4 security while in possession of material information not generally available to the public, shall be  
5 liable in a suit brought by any investor who, contemporaneously with the purchase or sale of  
6 securities that is the subject of the violation, purchased or sold securities of the same class unless  
7 such insider, or such person in the case of a tender offer, proves that such investor knew the  
8 information or would have purchased or sold at the same price regardless of disclosure of the  
9 information to him.

10          20.2. The actual damages that may be imposed shall be equal to the difference between the  
11 price at which such investor purchased or sold the security and the market value which such security  
12 would have had at the time of the purchase or sale if the information known to such insider, or such  
13 person in the case of a tender offer, had been publicly disseminated and absorbed by the market  
14 prior to such time: *Provided, however,* That in no event shall the total amount of all damages  
15 imposed exceed the profit gained or loss avoided in the transactions that comprised the violation.

16          20.3. An insider who violates Subsection 32.4, or any person in the case of a tender offer  
17 who violates Subsection 32.5 (B), or any rule or regulation thereunder, by communicating material  
18 non-public information, shall be jointly and severally liable under Subsection 20.1 with, and to the  
19 same extent as, the insider, or person in the case of a tender offer, to whom the communication was  
20 directed and who is liable under Subsection 20.1 by reason of his purchase or sale of a security.

21           **SECTION 21. *Civil Liability with Respect to Commodity Interest Contracts and Pre-need***  
22 ***Plans.***---

23          21.1. Any person who engages in any act or transaction in willful violation of any rule or  
24 regulation promulgated by the Commission under Section 12 or 13, which the Commission  
25 denominates at the time of issuance as intended to prohibit fraud in the offer and sale of pre-need  
26 plans or to prohibit fraud, manipulation, fictitious transactions, undue speculation, or other unfair or



1 abusive practices with respect to commodity interest contracts, shall be liable to any other person  
2 sustaining damage as a result of such act or transaction.

3 21.2. As to each such rule or regulation so denominated, the Commission by rule shall  
4 prescribe the elements of proof required for recovery and any limitations on the amount of damages  
5 that may be imposed.

6 **SECTION 22. *Limitation of Actions.*—**

7 22.1. No action shall be maintained to enforce any liability created under Sections 16 or 17  
8 of this Act unless brought within two years after the discovery of the untrue statement or the  
9 omission, or, if the action is to enforce a liability created under Subsection 15.1 (A), unless brought  
10 within two years after the violation upon which it is based. In no event shall any such action be  
11 brought to enforce a liability created under Section 16 or Subsection 17.1 (A) more than five years  
12 after the security was *bona fide* offered to the public, or under Subsection 17.1 (B) more than five  
13 years after the sale.

14 22.2. No action shall be maintained to enforce any liability created under any other  
15 provision of this Act unless brought within two years after the discovery of the facts constituting the  
16 cause of action and within five years after such cause of action accrued.

17 22.3. All suits to recover damages or otherwise impose civil liability pursuant to this  
18 Chapter V shall be brought before the Commission, which shall have exclusive jurisdiction to hear  
19 and decide such suits.

20 CHAPTER VI - Protection of Shareholder Interests

21 **SECTION 23. *Tender Offers.*—**

22 23.1 (A) It shall be unlawful for any person, directly or indirectly, to make a tender offer for,  
23 or a request or invitation for tenders of, any class of any equity security which satisfies the  
24 requirements of Subsection 14.2 (B) or 14.2 (C) if, after consummation thereof, such person would,  
25 directly or indirectly, be the beneficial owner of more than ten *per centum* (10%) of such class, or in  
26 excess of such lesser *per centum* as the Commission may prescribe, unless at the time copies of the  
27 offer or request or invitation are first published or sent or given to security holders, such person has

1 filed with the Commission and furnished the issuer a statement containing such of the information  
 2 required in Section 15 of this Act as the Commission may prescribe. All requests or invitations for  
 3 tender, or advertisements making a tender offer or requesting or inviting tenders of such a security,  
 4 shall be filed as a part of such statement as the Commission may prescribe. Copies of any  
 5 additional material soliciting or requesting such tender offers subsequent to the initial solicitation or  
 6 request shall contain such information as the Commission may prescribe as necessary or appropriate  
 7 in the public interest or for the protection of investors, and shall be filed with the Commission and  
 8 sent to the issuer not later than the time copies of such materials are first published or sent or given  
 9 to security holders.

10 (B) Any solicitation or recommendation to the holders of such a security to accept or reject a  
 11 tender offer or request or invitation for tenders shall be made in accordance with such rules and  
 12 regulations as the Commission may prescribe as necessary or appropriate in the public interest or for  
 13 the protection of investors.

14 (C) Securities deposited pursuant to a tender offer or request or invitation for tenders may be  
 15 withdrawn by or on behalf of the depositor at any time until the expiration of seven days after the  
 16 time definitive copies of the offer or request or invitation are first published or sent or given security  
 17 holders, and any time after sixty days from the date of the original tender offer or request or  
 18 invitation, except as the Commission may otherwise prescribe by rules, regulations, or order as  
 19 necessary or appropriate in the public interest or for the protection of investors.

20 (D) Where any person makes a tender offer, or request or invitation for tenders, for less than  
 21 all the outstanding equity securities of a class, and where a greater number of securities is deposited  
 22 pursuant thereto within ten days after copies of the offer or request or invitation are first published  
 23 or sent or given to security holders than such person is bound or willing to take up and pay for, the  
 24 securities taken up shall be taken up as nearly as may be pro rata, disregarding fractions, according  
 25 to the number of securities deposited by each depositor. The provisions of this subsection shall also  
 26 apply to securities deposited within ten days after notice of an increase in the consideration offered

1 to security holders, as described in paragraph (E) of this subsection, is first published or sent or  
2 given to security holders.

3 (E) Where any person varies the terms of a tender offer or request or invitation for tenders  
4 before the expiration thereof by increasing the consideration offered to holders of such securities,  
5 such person shall pay the increased consideration to each security holder whose securities are taken  
6 up and paid for whether or not such securities have been taken up by such person before the  
7 variation of the tender offer or request or invitation.

8 23.2. The provisions of Subsections 14.1 and 23.1 shall not apply to the ownership of, or to  
9 any offer for, or request or invitation for tenders of, any equity security:

10 (A) If the acquisition of such security, together with all other acquisitions by the  
11 same person of securities of the same class during the preceding twelve months would not  
12 exceed two *per centum* (2%) of that class; or

13 (B) By the issuer of such security; or

14 (C) Which the Commission, by rules or regulations or by order, shall exempt as not  
15 entered into for the purpose of, and not having the effect of, changing or influencing the  
16 control of the issuer or otherwise as not comprehended within the purpose of said Sections.

17 23.3. When two or more persons act as a partnership, limited partnership, syndicate, or other  
18 group for the purpose of acquiring, holding, or disposing of securities of an issuer, such syndicate or  
19 group shall be deemed a "person" for the purposes of Section 15 and Subsection 23.1.

20 23.4. In determining, for purposes of Section 15 and Subsection 23.1, any percentage of a  
21 class of any security, such class shall be deemed to consist of the amount of the outstanding  
22 securities of such class, exclusive of any securities of such class held by or for the account of the  
23 issuer or a subsidiary of the issuer.

24 23.5. It shall be unlawful for any person to make any untrue statement of a material fact or  
25 omit to state any material fact necessary in order to make the statements made, in the light of the  
26 circumstances under which they are made, not misleading, or to engage in any fraudulent,  
27 deceptive, or manipulative acts or practices, in connection with any tender offer or request or

1 invitation for tenders, or any solicitation of security holders in opposition to or in favor of any such  
2 offer, request, or invitation. The Commission shall, for the purposes of this subsection, by rules and  
3 regulations define, and prescribe means reasonably designed to prevent, such acts and practices as  
4 are fraudulent, deceptive, or manipulative.

5 **SECTION 24. *Purchases by Issuers.***—

6 24.1. The Commission shall promulgate rules and regulations providing for reporting,  
7 disclosure and the prevention of fraudulent, deceptive or manipulative practices in connection with  
8 the purchase by an issuer, by tender offer or otherwise, of any equity security of a class issued by it  
9 that satisfies the requirements of Subsection 14.2 (B) or 14.2 (C). Such rules and regulations may  
10 require such issuer to provide holders of equity securities of such class with such information  
11 relating to the reasons for such purchase, the source of funds, the number of shares to be purchased,  
12 the price to be paid for such securities, the method of purchase and such additional information as  
13 the Commission deems necessary or appropriate in the public interest or for the protection of  
14 investors, or which the Commission deems to be material to a determination by holders whether  
15 such security should be sold.

16 24.2. For the purpose of this Section, a purchase by or for the issuer or any person  
17 controlling, controlled by, or under common control with the issuer, or a purchase subject to the  
18 control of the issuer or any such person, shall be deemed to be a purchase by the issuer. The  
19 Commission shall have the power to make rules and regulations implementing this subsection in the  
20 public interest and for the protection of investors, including exemptive rules and regulations  
21 covering situations in which the Commission deems it unnecessary or inappropriate that a purchase  
22 of the type described in this subsection shall be deemed to be a purchase by the issuer for the  
23 purpose of some or all of the provisions of Subsection 24.1.

24 **SECTION 25. *Proxy Solicitations.***—With respect to any class of equity security that  
25 satisfies the requirements of Subsection 14.2 (B) or 14.2 (C):

26 25.1. The Commission is authorized to promulgate rules and regulations governing the  
27 solicitation of proxies, consents and authorizations with respect to any such class of equity security.

1 Notwithstanding any provision of the Corporation Code to the contrary, such rules and regulations  
 2 may, among other things, require the filing with the Commission of a proxy statement and other  
 3 materials proposed for use in any solicitation, prescribe the form and content of such materials and  
 4 of any proxy, consent or authorization, fix the periods within which a solicitation may occur,  
 5 impose restrictions on the time in which and the purpose for which a proxy, consent or authorization  
 6 may be effective, and prevent fraudulent and deceptive practices in connection therewith.

7 25.2. The Commission is authorized to promulgate rules and regulations governing the  
 8 obligations of any member of an Exchange, any broker or dealer, or any bank, association, or other  
 9 entity that exercises fiduciary powers, to give, or to refrain from giving a proxy, consent or  
 10 authorization with respect to any such class of equity security, and which is carried for the account  
 11 of a customer thereof.

12 25.3. Unless proxies, consents, or authorizations with respect to any such class of equity  
 13 security are solicited by or on behalf of the management of the issuer from the holders of record of  
 14 such security in accordance with the rules and regulations prescribed under Subsection 25.1, such  
 15 issuer shall, prior to any annual or other meeting of the holders of such security (or the taking of any  
 16 action without a meeting) and in accordance with rules and regulations prescribed by the  
 17 Commission, file with the Commission and transmit to all holders of record of such security an  
 18 information statement containing information substantially equivalent to that which would be  
 19 required in a proxy statement if a solicitation were made.

20 25.4. Notwithstanding any provision of the Corporation Code to the contrary, notice of any  
 21 annual or special meeting of the holders of any equity security of a class entitled to vote at such  
 22 meeting shall be mailed or otherwise transmitted at least fifteen (15) days prior thereto.

23 25.5. No solicitation of a proxy, consent or authorization shall be made by means of a proxy  
 24 statement, form of proxy or consent, notice of meeting or other communication, written or oral,  
 25 which is materially false or misleading, or which fails to disclose material facts necessary to correct  
 26 any statement in an earlier communication made with respect to the solicitation of a proxy, consent  
 27 or authorization for the same meeting or subject matter, which has become false or misleading.

1           **SECTION 26. *Fees for Tender Offers and Certain Proxy Solicitations.***---At the time of  
 2 filing with the Commission of any statement required under Section 23 for any tender offer or  
 3 Section 24 for issuer repurchases, or of proposed proxy or consent solicitation materials under  
 4 Section 25 that concerns an acquisition, merger, consolidation or proposed sale or disposition of  
 5 substantially all of the assets of any issuer, the Commission may require by rule that the person  
 6 making such filing pay a fee of one-tenth of one *per centum* of:

7           26.1. The proposed aggregate purchase price in the case of a transaction under Section 23 or  
 8 24; or

9           26.2. The proposed payment in cash, and the value of any securities or property to be  
 10 transferred in the acquisition, merger or consolidation, or the cash and value of any securities  
 11 proposed to be received upon the sale or disposition of such assets in the case of a solicitation under  
 12 Section 25.

13           **SECTION 27. *Internal Record Keeping and Accounting Controls.***---Every issuer which  
 14 has a class of securities that satisfies the requirements of Subsection 14.2 shall:

15           27.1. Make and keep books, records, and accounts which, in reasonable detail accurately  
 16 and fairly reflect the transactions and dispositions of assets of the issuer;

17           27.2. Devise and maintain a system of internal accounting controls sufficient to provide  
 18 reasonable assurances that: (A) Transactions and access to assets are pursuant to management  
 19 authorization; (B) Financial statements are prepared in conformity with generally accepted  
 20 accounting principles that are adopted by the Accounting Standards Council and the rules  
 21 promulgated by the Commission with regard to the preparation of financial statements; and (C)  
 22 Recorded assets are compared with existing assets at reasonable intervals and differences are  
 23 reconciled.

24           **SECTION 28. *Transactions of Directors, Officers and Principal Stockholders.***---

25           28.1. Every person who is directly or indirectly the beneficial owner of more than ten *per*  
 26 *centum* of any class of any equity security which satisfies the requirements of Subsection 14.2 (B)  
 27 or 14.2 (C), or who is a director or an officer of the issuer of such security, shall file, at the time

1 either such requirement is first satisfied or within ten days after he becomes such a beneficial owner,  
 2 director, or officer, a statement with the Commission and, if such security is listed for trading on an  
 3 Exchange, also with the Exchange, of the amount of all equity securities of such issuer of which he  
 4 is the beneficial owner, and within ten (10) days after the close of each calendar month thereafter, if  
 5 there has been a change in such ownership during such month, shall file with the Commission, and  
 6 if such security is listed for trading on an Exchange, shall also file with the Exchange, a statement  
 7 indicating his ownership at the close of the calendar month and such changes in his ownership as  
 8 have occurred during such calendar month.

9 28.2. For the purpose of preventing the unfair use of information which may have been  
 10 obtained by such beneficial owner, director, or officer by reason of his relationship to the issuer, any  
 11 profit realized by him from any purchase and sale, or any sale and purchase, of any equity security  
 12 of such issuer within any period of less than six months, unless such security was acquired in good  
 13 faith in connection with a debt previously contracted, shall insure to and be recoverable by the  
 14 issuer, irrespective of any intention of holding the security purchased or of not repurchasing the  
 15 security sold for a period exceeding six months. Suit to recover such profit may be instituted before  
 16 the Commission by the issuer, or by the owner of any security of the issuer in the name and in  
 17 behalf of the issuer if the issuer shall fail or refuse to bring such suit within sixty days after request  
 18 or shall fail diligently to prosecute the same thereafter, but no such suit shall be brought more than  
 19 two years after the date such profit was realized. This subsection shall not be construed to cover  
 20 any transaction where such beneficial owner was not such both at the time of the purchase and sale,  
 21 or the sale and purchase, of the security involved, or any transaction or transactions which the  
 22 Commission by rules and regulations may exempt as not comprehended within the purpose of this  
 23 subsection.

24 28.3. It shall be unlawful for any such beneficial owner, director, or officer, directly or  
 25 indirectly, to sell any equity security of such issuer if the person selling the security or his principal:  
 26 (A) Does not own the security sold; or (B) If owning the security, does not deliver it against such  
 27 sale within twenty days thereafter, or does not within five days after such sale deposit it in the mails

1 or other usual channels of transportation; but no person shall be deemed to have violated this  
2 subsection if he proves that notwithstanding the exercise of good faith he was unable to make such  
3 delivery or deposit within such time, or that to do so would cause undue inconvenience or expense.

4 28.4. The provisions of Subsection 28.2 shall not apply to any purchase and sale, or sale and  
5 purchase, and the provisions of Subsection 28.3 shall not apply to any sale, of an equity security not  
6 then or thereafter held by him in an investment account, by a dealer in the ordinary course of his  
7 business and incident to the establishment or maintenance by him of a primary or secondary market,  
8 otherwise than on an Exchange, for such security. The Commission may, by such rules and  
9 regulations as it deems necessary or appropriate in the public interest, define and prescribe terms  
10 and conditions with respect to securities held in an investment account and transactions made in the  
11 ordinary course of business and incident to the establishment or maintenance of a primary or  
12 secondary market.

13 CHAPTER VII - Prohibitions on Fraud, Manipulation and Insider Trading

14 **SECTION 29. *Manipulation of Security Prices; Devices and Practices.***

15 29.1. It shall be unlawful for any person, directly or indirectly:

16 (A) To create a false or misleading appearance of active trading in any listed security  
17 for trading on an Exchange or any other trading market:

18 (i) By effecting any transaction in such security which involves no change in  
19 the beneficial ownership thereof, or

20 (ii) By entering an order or orders for the purchase or sale of such security  
21 with the knowledge that an order or orders of substantially the same size, time and  
22 price, for the sale or purchase of any such security, has or have been or will be  
23 entered by or for the same or different parties.

24 (B) To effect, alone or with one or more other persons, a series of transactions in  
25 securities that: (i) Raises their price to induce the purchase of a security, whether of the same  
26 or a different class of the same issuer or of a controlling, controlled, or commonly controlled  
27 company by others; (ii) Depresses their price to induce the sale of a security, whether of the



1 same or a different class, of the same issuer or of a controlling, controlled, or commonly  
2 controlled company by others; or (iii) Creates active trading to induce such a purchase or  
3 sale.

4 (C) To induce the purchase or sale of any security listed for trading on an Exchange  
5 or transacted on any other trading market by the circulating or disseminating of information  
6 that the price of any such security will or is likely to rise or fall because of market operations  
7 of any one or more persons conducted with the purpose of raising or depressing the price of  
8 such security.

9 (D) To make false or misleading statement with respect to any material fact, which  
10 he knew or had reasonable ground to believe was so false or misleading, regarding any  
11 security listed or traded on an Exchange or transacted on any other trading market for the  
12 purpose of inducing the purchase or sale of such security.

13 (E) For a consideration received directly or indirectly from a dealer or broker or  
14 other person selling or offering for sale or purchasing or offering to purchase the security, to  
15 induce the purchase or sale of any security on an Exchange or transacted on any other  
16 trading market by the circulation or dissemination of information to the effect that the price  
17 of any such security will or is likely to rise or fall because of the market operations of any  
18 one or more persons conducted for the purpose of raising or depressing the price of such  
19 security.

20 (F) To effect, either alone or with one or more other persons, any series of  
21 transactions for the purchase and/or sale of any security listed for trading on an Exchange or  
22 transacted on any other trading market for the purpose of pegging, fixing or stabilizing the  
23 price of such security.

24 29.2. No person, by use of any facility of any Exchange or of any other trading market,  
25 shall:

26 (A) Effect a short sale, or use or employ any stop-loss order in connection with the  
27 purchase or sale of any security on an Exchange or effected on any other trading market

1           except in accordance with such rules and regulations as the Commission may prescribe as  
2           necessary or appropriate in the public interest or for the protection of investors.

3                       (B) Use or employ, in connection with the purchase or sale of any security, any  
4           manipulative or deceptive device or contrivance.

5           29.3. It shall be unlawful for any Exchange or any other self-regulatory organization  
6           administering a trading market to adopt and enforce artificial measures of price control of any  
7           nature whatsoever without the prior approval of the Commission which may be given only if it  
8           serves the public interest and benefits investors.

9           29.4. The foregoing provisions notwithstanding, the Commission, having due regard to the  
10          public interest and the protection of investors, may, by rules and regulations, allow certain acts or  
11          transactions that may otherwise be prohibited under this Section.

12                       **SECTION 30. Regulation of Option Trading.—**

13           30.1. No person shall offer, sell, enter into, acquire an interest in, or, in the case of a member  
14          of an Exchange or other self-regulatory organization, guarantee an option or privilege (including  
15          any put, call, or straddle) on a security, a certificate of deposit, or a group or index of securities  
16          (including any interest therein or based on the value thereof) except in accordance with rules and  
17          regulations promulgated by the Commission.

18           30.2. The Commission is authorized to regulate trading of any option or privilege by  
19          permitting such transactions on such terms and conditions as the Commission may prescribe, and  
20          may prohibit any option transaction if it determines that such prohibition is necessary and  
21          appropriate in the public interest or for the protection of investors.

22           30.3. The terms "put", "call", "straddle", "option", or "privilege" as used in this Section  
23          shall not include any registered warrant, right or convertible security.

24                       **SECTION 31. Fraudulent Transactions.—**It shall be unlawful for any person, directly or  
25          indirectly, in connection with the purchase or sale of any securities to:

26           31.1. Employ any device, scheme, or artifice to defraud;

1           31.2. Obtain money or property by means of any untrue statement of a material fact of any  
2 omission to state a material fact necessary in order to make the statements made, in the light of the  
3 circumstances under which they were made, not misleading; or

4           31.3. Engage in any act, transaction, practice or course of business which operates or would  
5 operate as a fraud or deceit upon any person.

6           **SECTION 32. *Insider's Duty to Disclose When Trading.***---

7           32.1 It shall be unlawful for an insider to sell or buy a security of the issuer, while in  
8 possession of material information with respect to the issuer or the security that is not generally  
9 available to the public, unless: (A) the insider proves that the information was not gained from such  
10 relationship; or (B) if the other party selling to or buying from the insider (or his agent) is identified,  
11 the insider proves: (i) that he disclosed the information to the other party, or (ii) that he had reason  
12 to believe that the other party otherwise is also in possession of the information. A purchase or sale  
13 of a security of the issuer made by an insider defined in Subsection 32.2 (B) of this Section, or such  
14 insider's spouse, parents, siblings or children, shall be presumed to have been effected while in  
15 possession of material non-public information if transacted after such information came into  
16 existence but prior to dissemination of such information to the public and the lapse of a reasonable  
17 time for the market to absorb such information: *Provided, however,* That this presumption shall be  
18 rebutted upon a showing by the purchaser or seller that he was not aware of the material non-public  
19 information at the time of the purchase or sale.

20           32.2. "Insider" means: (A) The issuer; (B) A director or officer (or person performing  
21 similar functions) of, or a person controlling the issuer; (C) A person whose relationship or former  
22 relationship to the issuer gives or gave him access to material information about the issuer or the  
23 security that is not generally available to the public; or (D) A person who learns such information by  
24 a communication from any of the foregoing insiders as defined in paragraphs (A), (B) and (C) of  
25 this subsection, with knowledge or reason to believe that the person from whom he learns the  
26 information is such an insider and the information is not generally available to the public.

1           32.3. For purposes of this Section, information is "material" if: (A) The information would  
 2 likely affect the market price of the security after being disseminated to the public and the lapse of a  
 3 reasonable time for the market to absorb the information; or (B) A reasonable person would  
 4 consider the information important under the circumstances in determining his course of action  
 5 whether to buy, sell or hold a security in the light of such factors as the degree of its specificity, the  
 6 extent of its difference from information generally available previously, and its nature and  
 7 reliability.

8           32.4. It shall be unlawful for any insider to communicate material non-public information  
 9 about the issuer or the security to any person who, by virtue of the communication, becomes an  
 10 insider as defined in Subsection 32.2, where the insider communicating the information knows or  
 11 has reason to believe that such person will likely buy or sell a security of the issuer while in  
 12 possession of such information.

13           32.5. (A) It shall be unlawful where a tender offer has commenced or is about to commence  
 14 for:

15                   (i) Any person (other than the tender offeror) who is in possession of material non-  
 16 public information relating to such tender offer, to buy or sell the securities of the issuer that  
 17 are sought or to be sought by such tender offer if such person knows or has reason to believe  
 18 that the information is non-public and has been acquired directly or indirectly from the  
 19 tender offeror, those acting on its behalf, the issuer of the securities sought or to be sought  
 20 by such tender offer, or any insider of such issuer; and

21                   (ii) Any tender offeror, those acting on its behalf, the issuer of the securities sought  
 22 or to be sought by such tender offer, and any insider of such issuer to communicate material  
 23 non-public information relating to the tender offer to any other person where such  
 24 communication is likely to result in a violation of Subsection 32.5 (A)(i) of this subsection.

25           (B) For purposes of this subsection the term "securities of the issuer sought or to be sought  
 26 by such tender offer" shall include any securities convertible or exchangeable into such securities or  
 27 any options or rights in any of the foregoing securities.

1 32.6. It shall be unlawful for a person controlling any person who violates Subsection 32.1,  
2 32.4 or 32.5 to knowingly or recklessly disregard that such controlled person was likely to engage in  
3 such violation and fail to take appropriate steps or adopt procedures to prevent such violations.

4 CHAPTER VIII-Regulation of Securities Market Professionals

5 **SECTION 33. *Registration of Brokers, Dealers, Salesmen and Associated Persons.***

6 33.1 No person shall engage in the business of buying or selling securities in the Philippines  
7 as a broker or dealer, or act as a salesman, or an associated person of any broker or dealer unless  
8 registered as such with the Commission.

9 33.2. No registered broker or dealer shall employ any salesman or any associated person,  
10 and no issuer shall employ any salesman, who is not registered as such with the Commission.

11 33.3. The Commission, by rule or order, may conditionally or unconditionally exempt from  
12 Subsections 33.1 and 33.2 any broker, dealer, salesman, associated person of any broker or dealer,  
13 or any class of the foregoing, as it deems consistent with the public interest and the protection of  
14 investors.

15 33.4. The Commission shall promulgate rules and regulations prescribing the qualifications  
16 for registration of each category of applicant, which shall, among other things, require as a condition  
17 for registration that:

18 (A) If a natural person, the applicant satisfactorily pass a written examination as to  
19 his proficiency and knowledge in the area of activity for which registration is sought;

20 (B) In the case of a broker or dealer, the applicant satisfy a minimum net capital as  
21 prescribed by the Commission, and provide a bond or other security as the Commission may  
22 prescribe to secure compliance with the provisions of this Act; and

23 (C) If located outside of the Philippines, the applicant files a written consent to  
24 service of process upon the Commission pursuant to Section 60 hereof.

25 33.5. A broker or dealer may apply for registration by filing with the Commission a written  
26 application in such form and containing such information and documents concerning such broker or  
27 dealer as the Commission by rule shall prescribe.

1           33.6. Registration of a salesman or of an associated person of a registered broker or dealer  
2 may be made upon written application filed with the Commission by such salesman or associated  
3 person. The application shall be separately signed and certified by the registered broker or dealer to  
4 which such salesman or associated person is to become affiliated, or by the issuer in the case of a  
5 salesman employed, appointed or authorized solely by such issuer. The application shall be in such  
6 form and contain such information and documents concerning the salesman or associated person as  
7 the Commission by rule shall prescribe. For purposes of this Section, a salesman shall not include  
8 any employee of an issuer whose compensation is not determined directly or indirectly on sales of  
9 securities of the issuer.

10           33.7. Applications filed pursuant to Subsections 33.5 and 33.6 shall be accompanied by a  
11 registration fee in such reasonable amount prescribed by the Commission.

12           33.8. Within thirty (30) days after the filing of any application under this Section, the  
13 Commission shall by order: (A) Grant registration if it determines that the requirements of this  
14 Section and the qualifications for registration set forth in its rules and regulations have been  
15 satisfied; or (B) Deny said registration.

16           33.9. The names and addresses of all persons approved for registration as brokers, dealers,  
17 associated persons or salesmen and all orders of the Commission with respect thereto shall be  
18 recorded in a Register of Securities Market Professionals kept in the office of the Commission  
19 which shall be open to public inspection.

20           33.10. Every person registered pursuant to this Section shall file with the Commission, in  
21 such form as the Commission shall prescribe, information necessary to keep the application for  
22 registration current and accurate, including in the case of a broker or dealer changes in salesmen,  
23 associated persons and owners thereof.

24           33.11. Every person registered pursuant to this Section shall pay to the Commission an  
25 annual fee at such time and in such reasonable amount as the Commission shall prescribe. Upon  
26 notice by the Commission that such annual fee has not been paid as required, the registration of  
27 such person shall be suspended until payment has been made.

1 33.12. The registration of a salesman or associated person shall be automatically terminated  
2 upon the cessation of his affiliation with said registered broker or dealer, or with an issuer in the  
3 case of a salesman employed, appointed or authorized by such issuer. Promptly following any such  
4 cessation of affiliation, the registered broker or dealer, or issuer, as the case may be, shall file with  
5 the Commission a notice of separation of such salesman or associated person.

6 **SECTION 34. *Revocation, Refusal or Suspension of Registration of Brokers, Dealers,***  
7 ***Salesmen and Associated Persons.*—**

8 34.1. Registration under Section 33 of this Act may be refused, or any registration granted  
9 thereunder may be revoked, suspended, or limitations placed thereon, by the Commission if, after  
10 due notice and hearing, the Commission determines the applicant or registrant:

11 (A) Has willfully violated any provision of this Act, any rule, regulation or order  
12 made hereunder, or any other law administered by the Commission, or in the case of a  
13 registered broker, dealer or associated person has failed to supervise, with a view to  
14 preventing such violation, another person who commits such violation;

15 (B) Has willfully made or caused to be made a materially false or misleading  
16 statement in any application for registration or report filed with the Commission or a self-  
17 regulatory organization, or has willfully omitted to state any material fact that is required to  
18 be stated therein;

19 (C) Has failed to satisfy the qualifications or requirements for registration prescribed  
20 under Section 33 and the rules and regulations of the Commission promulgated thereunder;

21 (D) Has been convicted, by a competent judicial or administrative body of an  
22 offense involving moral turpitude, fraud, embezzlement, counterfeiting, theft, estafa,  
23 misappropriation, forgery, bribery, false oath, or perjury, or of a violation of securities,  
24 commodities, banking, real estate or insurance laws;

25 (E) Is enjoined or restrained by a competent judicial or administrative body from  
26 engaging in securities, commodities, banking, real estate or insurance activities or from  
27 willfully violating laws governing such activities;

1 (F) Is subject to an order of a competent judicial or administrative body refusing,  
2 revoking or suspending any registration, license or other permit under this Act, the rules and  
3 regulations promulgated thereunder, any other law administered by the Commission;

4 (G) Is subject to an order of a self-regulatory organization suspending or expelling  
5 him from membership or participation therein or from association with a member or  
6 participant thereof;

7 (H) Has been found by a competent judicial or administrative body to have willfully  
8 violated any provisions of securities, commodities, banking, real estate or insurance laws, or  
9 has willfully aided, abetted, counseled, commanded, induced or procured such violation; or

10 (I) Has been judicially declared insolvent.

11 For purposes of this subsection, the term "competent judicial or administrative body" shall  
12 include a foreign court of competent jurisdiction and a foreign financial regulator.

13 34.2. (A) In cases of charges against a salesman or associated person, notice thereof shall  
14 also be given the broker, dealer or issuer employing such salesman or associated person.

15 (B) Pending the hearing, the Commission shall have the power to order the suspension of  
16 such broker's, dealer's, associated person's or salesman's registration: *Provided*, That such order  
17 shall state the cause for such suspension. Until the entry of a final order, the suspension of such  
18 registration, though binding upon the persons notified thereof, shall be deemed confidential, and  
19 shall not be published, unless it shall appear that the order of suspension has been violated after  
20 notice.

21 34.3. The order of the Commission refusing, revoking, suspending or placing limitations on  
22 a registration as herein above provided, together with its findings, shall be entered in the Register of  
23 Securities Market Professionals. The suspension or revocation of the registration of a dealer or  
24 broker shall also automatically suspend the registration of all salesmen and associated persons  
25 affiliated with such broker or dealer.

26 34.4. It shall be sufficient cause for refusal, revocation or suspension of a broker or dealer's  
27 registration, if any associated person thereof or any juridical entity controlled by such associated



1 person has committed any act or omission or is subject to any disability enumerated in paragraphs  
2 (A) through (I) of Subsection 34.1 hereof.

3 **SECTION 35. *Transactions and Responsibility of Brokers and Dealers.***----

4 35.1. No broker or dealer shall deal in or otherwise buy or sell, for its own account or for the  
5 account of customers, securities listed on an Exchange issued by any corporation where any  
6 stockholder, director, associated person or salesman, or authorized clerk of said broker or dealer and  
7 all the relatives of the foregoing within the fourth civil degree of consanguinity or affinity, is at the  
8 time holding office in said issuer corporation as a director, president, vice-president, manager,  
9 treasurer, comptroller, secretary or any office of trust and responsibility, or is a controlling person of  
10 the issuer.

11 35.2. No broker or dealer shall effect any transaction in securities or induce or attempt to  
12 induce the purchase or sale of any security except in compliance with such rules and regulations as  
13 the Commission shall prescribe to ensure fair and honest dealings in securities and provide financial  
14 safeguards and other standards for the operation of brokers and dealers, including the establishment  
15 of minimum net capital requirements, the acceptance of custody and use of securities of customers,  
16 and the carrying and use of deposits and credit balances of customers.

17 CHAPTER IX - Exchanges and Other Securities Trading Markets

18 **SECTION 36. *Prohibition on Use of Unregistered Exchange; Regulation of Over-the-***  
19 ***Counter Markets.***----

20 36.1. No broker, dealer, salesman, associated person of a broker or dealer, or Exchange,  
21 directly or indirectly, shall make use of any facility of an Exchange in the Philippines to effect any  
22 transaction in a security, or to report such transaction, unless such Exchange is registered as such  
23 under Section 37 of this Act.

24 36.2. (A) No broker, dealer, salesman or associated person of a broker or dealer, singly or in  
25 concert with any other person, shall make, create or operate, or enable another to make, create or  
26 operate, any trading market, otherwise than on a registered Exchange, for the buying and selling of  
27 any security, except in accordance with rules and regulations the Commission may prescribe.

1 (B) The Commission may promulgate rules and regulations governing transactions by  
 2 brokers, dealers, salesmen or associated persons of a broker or dealer, over any facilities of such  
 3 trading market and may require such market to be administered by a self-regulatory organization  
 4 determined by the Commission as capable of insuring the protection of investors comparable to that  
 5 provided in the case of a registered Exchange. Such self-regulatory organization must provide a  
 6 centralized marketplace for trading and must satisfy requirements comparable to those prescribed  
 7 for registration of Exchanges in Section 37 of this Act.

8 **SECTION 37. *Registration of Exchanges.*—**

9 37.1 Any Exchange may be registered as such with the Commission under the terms and  
 10 conditions hereinafter provided in this Section and Section 41 hereof, by filing an application for  
 11 registration in such form and containing such information and supporting documents as the  
 12 Commission by rule shall prescribe, including the following:

13 (A) An undertaking to comply and enforce compliance by its members with the  
 14 provisions of this Act, its implementing rules or regulations and the rules of the Exchange;

15 (B) The organizational charts of the Exchange, rules of procedure, and a list of its  
 16 officers and members;

17 (C) Copies of the rules of the Exchange; and

18 (D) An undertaking that in the event a member firm becomes insolvent or when the  
 19 Exchange shall have found that the financial condition of its member firm has so  
 20 deteriorated that it cannot readily meet the demands of its customers for the delivery of  
 21 securities and/or payment of sales proceeds, the Exchange shall, upon order of the  
 22 Commission, take over the operation of the insolvent member firm and immediately proceed  
 23 to settle the member firm's liabilities to its customers.

24 37.2. Any provision of the Corporation Code to the contrary notwithstanding, no registration  
 25 of an Exchange shall be granted unless the rules of the Exchange provide for:

26 (A) The expulsion, suspension, or disciplining of a member and persons associated  
 27 with a member for conduct or proceeding inconsistent with just and equitable principles of

1 fair trade, and for violations of provisions of this Act, or any other Act administered by the  
2 Commission, the rules, regulations and orders thereunder, or the rules of the Exchange;

3 (B) A fair procedure for the disciplining of members and persons associated with  
4 members, the denial of membership to any person seeking to be a member, the barring of  
5 any person from association with a member, and the prohibition or limitation of any person  
6 from access to services offered by the Exchange;

7 (C) A fair representation of its members to serve on the board of directors of the  
8 Exchange and in the administration of its affairs, and that any natural person associated with  
9 a juridical entity that is a member shall himself be deemed to be a member for this purpose;

10 (D) The board of directors of the Exchange to include in its composition: (i) the  
11 president of the Exchange, and (ii) persons who represent the interests of issuers and public  
12 investors and who are not associated with any broker or dealer or member of the Exchange;

13 (E) The president and other management of the Exchange to consist only of persons  
14 who are not members and are not associated with any broker or dealer or member of the  
15 Exchange;

16 (F) The transparency of transactions on the Exchange;

17 (G) The equitable allocation of reasonable dues, fees, and other charges among  
18 members and issuers and other persons using any facility or system which the Exchange  
19 operates or controls;

20 (H) Prevention of fraudulent and manipulative acts and practices, promotion of just  
21 and equitable principles of trade, and, in general, protection of investors and the public  
22 interest; and

23 (I) The transparent, prompt and accurate clearance and settlement of transactions  
24 effected on the Exchange.

25 37.3. If the Commission finds that the applicant Exchange is capable of complying and  
26 enforcing compliance by its members, and persons associated with such members, with the  
27 provisions of this Act, its rules and regulations, and the rules of the Exchange, and that the rules of

1 the Exchange are fair, just and adequate, the Commission shall cause such Exchange to be  
2 registered. If, after notice due and hearing, the Commission finds otherwise, the application shall be  
3 denied.

4 37.4. Within ninety (90) days after the filing of the application the Commission may issue  
5 an order either granting or denying registration as an Exchange, unless the Exchange applying for  
6 registration shall withdraw its application or shall consent to the Commission's deferring action on  
7 its application for a stated longer period after the date of filing. The filing with the Commission of  
8 an application for registration by an Exchange shall be deemed to have taken place upon the receipt  
9 thereof. Amendments to an application may be made upon such terms as the Commission may  
10 prescribe.

11 37.5. Upon the registration of an Exchange, it shall pay a fee in such amount and within  
12 such period as the Commission may fix.

13 37.6. Upon appropriate application in accordance with the rules and regulations of the  
14 Commission and upon such terms as the Commission may deem necessary for the protection of  
15 investors, an Exchange may withdraw its registration or suspend its operations or resume the same.

16 **SECTION 38. Segregation and Limitation of Functions of Members, Brokers and**  
17 **Dealers.**---

18 38.1 The Commission shall prescribe such rules and regulations as it deems necessary or  
19 appropriate in the public interest or for the protection of investors: (A) To regulate floor trading by  
20 members of Exchanges, and trading by brokers and dealers, their salesmen, associated persons,  
21 employees and floor traders, directly or indirectly, for their own account or for discretionary  
22 accounts; (B) To prevent such excessive trading on the Exchange but off the floor by members,  
23 directly or indirectly, for their own account, as the Commission may deem detrimental to the  
24 maintenance of a fair and orderly market; and (C) To restrict a broker from directly or indirectly  
25 dealing in securities or otherwise segregate and limit the function of a broker and dealer.

26 38.2. If, because of the limited volume of transactions effected on an Exchange, it is  
27 impracticable and not necessary or appropriate in the public interest or for the protection of

1 investors to apply any of the foregoing provisions of this Section or the rules and regulations  
2 thereunder, the Commission shall have the power, upon application of the Exchange and on a  
3 showing that the rules of such Exchange are otherwise adequate for the protection of investors, to  
4 exempt such Exchange and its members from any such provision or rules and regulations.

5 **SECTION 39. *Additional Fees of Exchanges.***—In addition to the registration fee  
6 prescribed in Section 37 of this Act, every Exchange shall pay to the Commission, on or before  
7 March fifteen of each calendar year, a fee in such an amount as the Commission shall prescribe, but  
8 not more than one-hundredth of one *per centum* of the aggregate amount of the sales of securities  
9 transacted on such Exchange during the preceding calendar year, for the privilege of doing business,  
10 during the preceding calendar year or any part thereof.

11 **SECTION 40. *Powers with Respect to Exchanges and Other Trading Markets.***—

12 40.1. The Commission is authorized, if in its opinion such action is necessary or appropriate  
13 for the protection of investors and the public interest so requires, summarily to suspend trading in  
14 any listed security on any Exchange or other trading market for a period not exceeding thirty days  
15 or, with the approval of the President of the Philippines, summarily to suspend all trading on any  
16 securities Exchange or other trading market for a period of more than thirty but not exceeding  
17 ninety days: *Provided, however,* That the Commission, promptly following the issuance of the order  
18 of suspension, shall notify the affected issuer of the reasons for such suspension and provide such  
19 issuer with an opportunity for hearing to determine whether the suspension should be lifted.

20 40.2. Wherever two or more Exchanges or other trading markets exist, the Commission may  
21 require and enforce uniformity of trading regulations in and/or between or among said Exchanges or  
22 other trading markets.

23 40.3. The Commission shall have the authority to determine the number, size and location of  
24 stock Exchanges, other trading markets and commodity Exchanges and other similar organizations  
25 in the light of national or regional requirements for such activities with the view to promote,  
26 enhance, protect, conserve or rationalize investment.

1           40.4. The Commission, having due regard to the public interest, the protection of investors,  
2 the safeguarding of securities and funds, and maintenance of fair competition among brokers,  
3 dealers, clearing agencies, and transfer agents, shall promulgate rules and regulations for the prompt  
4 and accurate clearance and settlement of securities transactions.

5           40.5 (A) The Commission may establish or facilitate the establishment of trust funds which  
6 shall be contributed by Exchanges, brokers, dealers, underwriters, transfer agents, salesmen and  
7 other persons transacting in securities, as the Commission may require, for the purpose of  
8 compensating investors for the extraordinary losses or damage they may suffer due to business  
9 failure or fraud or mismanagement of the persons with whom they transact, under such rules and  
10 regulations as the Commission may from time to time prescribe or approve in the public interest.

11           (B) The Commission may, having due regard to the public interest or the protection of  
12 investors, regulate, supervise, examine, suspend or otherwise discontinue such and other similar  
13 funds under such rules and regulations which the Commission may promulgate, and which may  
14 include taking custody and management of the fund itself as well as investments in and  
15 disbursements from the funds under such forms of control and supervision by the Commission as it  
16 may from time to time require. The authority granted to the Commission under this subsection shall  
17 also apply to all funds established for the protection of investors, whether established by the  
18 Commission or otherwise.

19           CHAPTER X - Registration, Responsibilities and Oversight of Self-Regulatory Organizations

20           **SECTION 41. Associations of Securities Brokers, and Dealers, and Other Securities**  
21 **Related Organizations.—**

22           41.1. The Commission shall have the power to register as a self-regulatory organization, or  
23 otherwise grant licenses, and to regulate, supervise, examine, suspend or otherwise discontinue, as a  
24 condition for the operation of organizations whose operations are related to or connected with the  
25 securities market such as but not limited to associations of brokers and dealers, transfer agents,  
26 custodians, fiscal and paying agents, computer services, news disseminating services, proxy  
27 solicitors, statistical agencies, securities rating agencies, and securities information processors which

1 are engaged in the business of: (A) Collecting, processing, or preparing for distribution or  
 2 publication, or assisting, participating in, or coordinating the distribution or publication of,  
 3 information with respect to transactions in or quotations for any security; or (B) Distributing or  
 4 publishing, whether by means of a ticker tape, a communications network, a terminal display  
 5 device, or otherwise, on a current and continuing basis, information with respect to such  
 6 transactions or quotations. The Commission may prescribe rules and regulations which are  
 7 necessary or appropriate in the public interest or for the protection of investors to govern self-  
 8 regulatory organizations and other organizations licensed or regulated pursuant to the authority  
 9 granted in Subsection 41.1.

10 41.2. An association of brokers and dealers may be registered as a securities association  
 11 pursuant to Subsection 41.3 by filing with the Commission an application for registration in such  
 12 form as the Commission, by rule, may prescribe containing the rules of the association and such  
 13 other information and documents as the Commission, by rule, may prescribe as necessary or  
 14 appropriate in the public interest or for the protection of investors.

15 41.3. An association of brokers and dealers shall not be registered as a securities association  
 16 unless the Commission determines that:

17 (A) The association is so organized and has the capacity to be able to carry out the  
 18 purposes of this Act and to comply with, and to enforce compliance by its members and  
 19 persons associated with its members, with the provisions of this Act, the rules and  
 20 regulations thereunder, and the rules of the association.

21 (B) The rules of the association, notwithstanding anything in the Corporation Code  
 22 to the contrary, provide that:

- 23 (i) Any registered broker or dealer may become a member of the association;
- 24 (ii) There exist a fair representation of its members to serve on the board of
- 25 directors of the association and in the administration of its affairs, and that any
- 26 natural person associated with a juridical entity that is a member shall himself be
- 27 deemed to be a member for this purpose;

1 (iii) The board of directors of the association includes in its composition: (a)  
 2 The president of the association and (b) Persons who represent the interests of  
 3 issuers and public investors and are not associated with any broker or dealer or  
 4 member of the association; that the president and other management of the  
 5 association not be a member or associated with any broker, dealer or member of the  
 6 association;

7 (iv) For the equitable allocation of reasonable dues, fees, and other charges  
 8 among members and issuers and other persons using any facility or system which  
 9 the association operates or controls;

10 (v) For the prevention of fraudulent and manipulative acts and practices, the  
 11 promotion of just and equitable principles of trade, and, in general, the protection of  
 12 investors and the public interest;

13 (vi) That its members and persons associated with its members shall be  
 14 appropriately disciplined for violation of any provision of this Act, the rules or  
 15 regulations thereunder, or the rules of the association;

16 (vii) That a fair procedure for the disciplining of members and persons  
 17 associated with members, the denial of membership to any person seeking  
 18 membership therein, the barring of any person from becoming associated with a  
 19 member thereof, and the prohibition or limitation by the association of any person  
 20 with respect to access to services offered by the association or a member thereof.

21 41.4. (A) A registered securities association shall deny membership to any person  
 22 who is not a registered broker or dealer.

23 (B) A registered securities association may deny membership to, or condition the  
 24 membership of, a registered broker or dealer if such broker or dealer:

25 (i) Does not meet the standards of financial responsibility, operational  
 26 capability, training, experience, or competence that are prescribed by the rules of the  
 27 association; or



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1 (ii) Has engaged, and there is a reasonable likelihood it will again engage, in  
2 acts or practices inconsistent with just and equitable principles of fair trade.

3 (C) A registered securities association may deny membership to a registered broker  
4 or dealer not engaged in a type of business in which the rules of the association require  
5 members to be engaged: *Provided, however,* That no registered securities association may  
6 deny membership to a registered broker or dealer by reason of the amount of business done  
7 by the broker or dealer.

8 A registered securities association may examine and verify the qualifications of an  
9 applicant to become a member in accordance with procedures established by the rules of the  
10 association.

11 (D) A registered securities association may bar a salesman or person associated with  
12 a broker or dealer from being employed by a member or set conditions for the employment  
13 of a salesman or associated if such person:

14 (i) Does not meet the standards of training, experience, or competence that  
15 are prescribed by the rules of the association; or

16 (ii) Has engaged, and there is a reasonable likelihood he will again engage,  
17 in acts or practices inconsistent with just and equitable principles of fair trade.

18 A registered securities association may examine and verify the qualifications of an  
19 applicant to become a salesman or associated person employed by a member in accordance  
20 with procedures established by the rules of the association. A registered association also  
21 may require a salesman or associated person employed by a member to be registered with  
22 the association in accordance with procedures prescribed in the rules of the association.

23 41.5. In any proceeding by a registered securities association to determine whether a person  
24 shall be denied membership, or barred from association with a member, the association shall  
25 provide notice to the person under review of the specific grounds being considered for denial, afford  
26 him an opportunity to defend against the allegations, and keep a record of the proceedings. A

1 determination by the association to deny membership shall be supported by a statement setting forth  
2 the specific grounds on which the denial is based.

3 **SECTION 42. Powers with Respect to Self-Regulatory Organizations.**---

4 42.1. Upon the filing of an application for registration as an Exchange under Section 37, a  
5 registered securities association under Section 41, a registered clearing agency under Section 44, or  
6 other self-regulatory organization under this Section, the Commission shall have ninety days within  
7 which to either grant registration or institute a proceeding to determine whether registration should  
8 be denied. In the event proceedings are instituted, the Commission shall have 270 days within  
9 which to conclude such proceedings at which time it shall, by order, grant or deny such registration.

10 42.2. Every self-regulatory organization shall comply with the provisions of this Act, the  
11 rules and regulations thereunder, and its own rules, and enforce compliance therewith,  
12 notwithstanding any provision of the Corporation Code to the contrary, by its members, persons  
13 associated with its members or its participants.

14 42.3. (A) Each self-regulatory organization shall submit to the Commission for prior  
15 approval any proposed rule or amendment thereto, together with a concise statement of the reason  
16 and effect of the proposed amendment.

17 (B) Within sixty (60) days after submission of a proposed amendment, the Commission  
18 shall, by order, approve the proposed amendment. Otherwise, the same may be made effective by  
19 the self-regulatory organization.

20 (C) In the event of an emergency requiring action for the protection of investors, the  
21 maintenance of fair and orderly markets, or the safeguarding of securities and funds, a self-  
22 regulatory organization may put a proposed amendment into effect summarily: *Provided, however,*  
23 That a copy of the same shall be immediately submitted to the Commission.

24 42.4. If after making appropriate request in writing to a self-regulatory organization to effect  
25 on its own behalf specified changes in its rules and practices and, after due notice and hearing to all  
26 interested parties, it determines that such changes have not been effected as requested, the  
27 Commission may alter, abrogate or supplement the rules of such self-regulatory organization:

1 *Provided, however,* That such changes are necessary to protect investors, to insure fair dealing, to  
2 insure fair administration of the self-regulatory organization, to conform its rules to the  
3 requirements of this Act or to otherwise further its purposes. The Commission may without  
4 limitation take such action in respect of such matters as:

5 (A) Safeguards in respect of the financial responsibility of members and adequate  
6 provision against the evasion of financial responsibility through the use of corporate forms  
7 or special partnerships;

8 (B) The supervision of trading practices;

9 (C) The listing or striking from listing of any security;

10 (D) Hours of trading;

11 (E) The manner, method, and place of soliciting business;

12 (F) Fictitious accounts;

13 (G) The time and method of making settlements, payments, and deliveries, and of  
14 closing accounts;

15 (H) The transparency of securities transactions and prices;

16 (I) The fixing of reasonable rates of fees, interest, listing and other charges, but not  
17 rates of commission;

18 (J) Minimum units of trading;

19 (K) Odd-lot purchases and sales;

20 (L) Minimum deposits on margin accounts; and

21 (M) The supervision, auditing and disciplining of members or participants.

22 42.5. The Commission is authorized, by order, if it is necessary in the public interest, for the  
23 protection of investors, or otherwise in furtherance of the purposes of this Act, after due notice and  
24 hearing:

25 (A) To suspend for a period not exceeding twelve months or to revoke the registration of a  
26 self-regulatory organization, or to censure or impose limitations on the activities, functions, and  
27 operations of such self-regulatory organization, if the Commission finds that such a self-regulatory

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1 organization has willfully violated or is unable to comply with any provision of this Act or of the  
2 rules and regulations thereunder, or its own rules, or has failed to enforce compliance therewith by a  
3 member of, person associated with a member, or a participant in such self-regulatory organization;

4 (B) To suspend for a period not exceeding twelve months or to expel from a self-regulatory  
5 organization any member thereof or any participant therein who is subject to an order of the  
6 Commission under Section 33 of this Act or is found to have willfully violated any provision of this  
7 Act, any other laws administered by the Commission, or the rules and regulations thereunder, or  
8 effected, directly or indirectly, any transaction for any person who, such member or participant had  
9 reason to believe, was violating in respect of such transaction any of such provisions; and

10 (C) To remove from office or censure any officer or director of a self-regulatory  
11 organization if it finds that such officer or director has willfully violated any provision of this Act,  
12 any other law administered by the Commission, the rules or regulations thereunder, or the rules of  
13 such self-regulatory organization, willfully abused his authority, or without reasonable justification  
14 or excuse has failed to enforce compliance with any of such provisions.

15 42.6. (A) A self-regulatory organization is authorized to discipline a member of or  
16 participant in such self-regulatory organization, or any person associated with a member, including  
17 the suspension or expulsion of such member or participant, and the suspension or bar from being  
18 associated with a member, if such person has engaged in acts or practices inconsistent with just and  
19 equitable principles of fair trade or in willful violation of any provision of the Act, any other law  
20 administered by the Commission, the rules or regulations thereunder, or the rules of the self-  
21 regulatory organization. In any disciplinary proceeding by a self-regulatory organization (other than  
22 a summary proceeding pursuant to paragraph (B) of this subsection) the self-regulatory organization  
23 shall bring specific charges, provide notice to the person charged, afford the person charged with an  
24 opportunity to defend against the charges, and keep a record of the proceedings. A determination to  
25 impose a disciplinary sanction shall be supported by a written statement of the offense, a summary  
26 of the evidence presented and a statement of the sanction imposed.

1 (B) A self-regulatory organization may summarily: (i) Suspend a member, participant or  
 2 person associated with a member who has been or is expelled or suspended from any other self-  
 3 regulatory organization; or (ii) Suspend a member who the self-regulatory organization finds to be  
 4 in such financial or operating difficulty that the member or participant cannot be permitted to  
 5 continue to do business as a member with safety to investors, creditors, other members, participants  
 6 or the self-regulatory organization: *Provided*, That the self-regulatory organization immediately  
 7 notifies the Commission of the action taken. Any person aggrieved by a summary action pursuant  
 8 to this paragraph shall be promptly afforded an opportunity for a hearing by the association in  
 9 accordance with the provisions of paragraph (A) of this subsection. The Commission, by order,  
 10 may stay a summary action on its own motion or upon application by any person aggrieved thereby,  
 11 if the Commission determines summarily or after due notice and hearing (which hearing may  
 12 consist solely of the submission of affidavits or presentation of oral arguments) that a stay is  
 13 consistent with the public interest and the protection of investors.

14 42.7. A self-regulatory organization shall promptly notify the Commission of any  
 15 disciplinary sanction on any member thereof or participant therein, any denial of membership or  
 16 participation in such organization, or the imposition of any disciplinary sanction on a person  
 17 associated with a member or a bar of such person from becoming so associated. Within thirty (30)  
 18 days after such notice, any aggrieved person may appeal to the Commission from, or the  
 19 Commission on its own motion within such period, may institute review of, the decision of the self-  
 20 regulatory organization, at the conclusion of which, after due notice and hearing (which may consist  
 21 solely of review of the record before the self-regulatory organization), the Commission shall affirm,  
 22 modify or set aside the sanction. In such proceeding the Commission shall determine whether the  
 23 aggrieved person has engaged or omitted to engage in the acts and practices as found by the self-  
 24 regulatory organization, whether such acts and practices constitute willful violations of this Act, any  
 25 other law administered by the Commission, the rules or regulations thereunder, or the rules of the  
 26 self-regulatory organization as specified by such organization, whether such provisions were

1 applied in a manner consistent with the purposes of this Act, and whether, with due regard for the  
2 public interest and the protection of investors the sanction is excessive or oppressive.

3 Chapter XI - Acquisition and Transfer of Securities and Settlement of Transactions in Securities

4 **SECTION 43. *Prohibition on Use of Unregistered Clearing Agency.***---It shall be unlawful  
5 for any broker, dealer, salesman, associated person of a broker or dealer, or clearing agency, directly  
6 or indirectly, to make use of any facility of a clearing agency in the Philippines to make deliveries in  
7 connection with transactions in securities or to reduce the number of settlements of securities  
8 transactions or to allocate securities settlement responsibilities or to provide for the central handling  
9 of securities so that transfers, loans and pledges and similar transactions can be made by  
10 bookkeeping entry or otherwise to facilitate the settlement of securities transactions without  
11 physical delivery of securities certificates, unless such clearing agency is registered as such under  
12 Section 44 of this Act or is exempted from such registration upon application by the clearing agency  
13 because, in the opinion of the Commission, by reason of the limited volume of transactions which  
14 are settled using the clearing agency, it is not practicable and not necessary or appropriate in the  
15 public interest or for the protection of investors to require such registration.

16 **SECTION 44. *Registration of clearing agencies.***---

17 44.1 Any clearing agency may be registered as such with the Commission under the terms  
18 and conditions hereinafter provided in this Section, by filing an application for registration in such  
19 form and containing such information and supporting documents as the Commission by rule shall  
20 prescribe, including the following:

21 (A) An undertaking to comply and enforce compliance by its participants with the  
22 provisions of this Act, and any amendment thereto, and the implementing rules or  
23 regulations made or to be made thereunder, and the clearing agency's rules;

24 (B) The organizational charts of the Exchange, its rules of procedure, and a list of its  
25 officers and participants;

26 (C) Copies of the clearing agency's rules.

1 44.2. No registration of a clearing agency shall be granted unless the rules of the clearing  
2 agency include provision for:

3 (A) The expulsion, suspension, or disciplining of a participant for violations of this  
4 Act, or any other Act administered by the Commission, the rules, regulations and orders  
5 thereunder, or the clearing agency's rules;

6 (B) A fair procedure for the disciplining of participants, the denial of participation  
7 rights to any person seeking to be a participant, and the prohibition or limitation of any  
8 person from access to services offered by the clearing agency;

9 (C) The equitable allocation of reasonable dues, fees, and other charges among  
10 participants;

11 (D) Prevention of fraudulent and manipulative acts and practices, promotion of just  
12 and equitable principles of trade, and, in general, protection of investors and the public  
13 interest; and

14 (E) The transparent, prompt and accurate clearance and settlement of transactions in  
15 securities handled by the clearing agency.

16 44.3. In the case of an application filed pursuant to this Section, the Commission shall grant  
17 registration if it finds that the requirements of this Act and the rules and regulations thereunder with  
18 respect to the applicant have been satisfied, and shall deny registration if it does not make such  
19 finding.

20 44.4. Upon appropriate application in accordance with the rules and regulations of the  
21 Commission and upon such terms as the Commission may deem necessary for the protection of  
22 investors, a clearing agency may withdraw its registration or suspend its operations or resume the  
23 same.

24 44.5. Section 42 of this Act shall apply to every registered clearing agency.

25 **SECTION 45. *Uncertificated Securities.***—Notwithstanding Section 63 of the Corporation  
26 Code of the Philippines:

1 45.1. A corporation whose securities are registered pursuant to this Act or listed on a  
2 securities Exchange may:

3 (A) If so resolved by its Board of Directors and agreed by a securities intermediary,  
4 issue shares to, or record the transfer of some or all of its shares into the name of, that  
5 securities intermediary in the form of uncertificated securities. The use of uncertificated  
6 securities in these circumstances shall be without prejudice to the rights of the securities  
7 intermediary subsequently to require the corporation to issue a certificate in respect of any  
8 shares recorded in its name; and

9 (B) If so provided in its articles of incorporation and by-laws, issue all of the shares  
10 of a particular class in the form of uncertificated securities and subject to a condition that  
11 investors may not require the corporation to issue a certificate in respect of any shares  
12 recorded in their name.

13 45.2. The Commission by rule may allow other corporations to provide in their articles of  
14 incorporation and by-laws for the use of uncertificated securities.

15 45.3. Transfers of securities, including an uncertificated securities, may be validly made and  
16 consummated by appropriate book-entries in the securities accounts maintained by securities  
17 intermediaries and such bookkeeping entries shall be binding on the parties to the transfer. A  
18 transfer under this subsection has the effect of the delivery of a security in bearer form or duly  
19 indorsed in blank representing the quantity or amount of security or right transferred, including the  
20 unrestricted negotiability of that security by reason of such delivery.

21 However, nothing in the provisions of this Act shall preclude compliance by banking and  
22 other institutions under the supervision of the *Bangko Sentral ng Pilipinas* and their stockholders  
23 with the applicable ceilings on shareholdings prescribed under pertinent banking laws and  
24 regulations.

25 **SECTION 46. Best Evidence.**—Notwithstanding Section 63 of the Corporation Code, the  
26 official records and book entries of a securities intermediary in which the securities of an issuer  
27 have been lodged shall constitute the best evidence title of such securities



1           **SECTION 47. *Pledging a Security or Interest Therein.***---In addition to other methods  
 2 recognized by law, a pledge of, or release of a pledge of, a security, including an uncertificated  
 3 security, is properly constituted and the instrument proving the right pledged shall be considered  
 4 delivered to the creditor under Articles 2093 and 2095 of the Civil Code if a securities intermediary  
 5 indicates by book-entry that such security has been credited to a specially designated pledge account  
 6 in favor of the pledgee. A pledge under this subsection has the effect of the delivery of a security in  
 7 bearer form or duly indorsed in blank representing the quantity or amount of such security or right  
 8 pledged. In the case of a registered clearing agency, the procedures by which, and the exact time at  
 9 which, such book-entries are created shall be governed by the registered clearing agency's rules.

10           **SECTION 48. *Issuer's Responsibility for Wrongful Transfer to Registered Clearing***  
 11 ***Agency.***---The registration of a transfer of a security into the name of and by a registered clearing  
 12 agency or its nominee shall be final and conclusive unless the clearing agency had notice of an  
 13 adverse claim before the registration was made. The above provision shall be without prejudice to  
 14 any rights which the claimant may have against the issuer for wrongful registration in such  
 15 circumstances.

16           **SECTION 49. *Power of the Commission With Respect to Securities Ownership.***---The  
 17 Commission is authorized, having due regard to the public interest and the protection of investors,  
 18 to promulgate rules and regulations which:

- 19           49.1. Validate the transfer of securities by book-entries rather than the delivery of physical  
 20 certificates;
- 21           49.2. Establish when a person acquires a security or an interest therein and when delivery of  
 22 a security to a purchaser occurs;
- 23           49.3. Establish which records constitute the best evidence of a person's interests in a security  
 24 and the effect of any errors in electronic records of ownership;
- 25           49.4. Codify the rights of investors who choose to hold their securities indirectly through a  
 26 registered clearing agency and/or other securities intermediaries;

1 49.5. Codify the duties of securities intermediaries (including clearing agencies) who hold  
2 securities on behalf of investors; and

3 49.6. Give first priority to any claims of a registered clearing agency against a participant  
4 arising from a failure by the participant to meet its obligations under the clearing agency's rules in  
5 respect of the clearing and settlement of transactions in securities, in a dissolution of the participant,  
6 and any such rules and regulations shall bind the issuers of the securities, investors in the securities,  
7 any third parties with interests in the securities, and the creditors of a participant of a registered  
8 clearing agency.

9 **SECTION 50. *Immunity for Registered Clearing Agency.*—**

10 50.1. No civil liability shall be incurred by a registered clearing agency or any of its  
11 directors, officers or employees in respect of anything done, or omitted to be done, by it or him in  
12 good faith in the performance or purported performance of any function under this Chapter of this  
13 Act, or the rules and regulations adopted by the Commission hereunder, or the rules of such clearing  
14 agency.

15 50.2. A person who complies, in good faith, with a requirement made under this Chapter of  
16 this Act, or the rules and regulations adopted by the Commission hereunder, or the rules of a  
17 registered clearing agency, shall not incur any liability to any person by reason only of that  
18 compliance.

19 **CHAPTER XII - Margin and Credit**

20 **SECTION 51. *Margin Requirements.*—**

21 51.1. For the purpose of preventing the excessive use of credit for the purchase or carrying  
22 of securities, the Commission, in accordance with the credit and monetary policies that may be  
23 promulgated from time to time by the agency of the Government of the Philippines authorized to set  
24 such policies, shall prescribe rules and regulations with respect to the amount of credit that may be  
25 extended on any security. For the extension of credit, such rules and regulations shall be based  
26 upon the following standard:

27 An amount not greater than whichever is the higher of -

1 (A) Sixty-five (65%) *per centum* of the current market price of the security, or

2 (B) One hundred (100%) *per centum* of the lowest market price of the security  
3 during the preceding thirty-six calendar months, but not more than seventy-five (75%) *per*  
4 *centum* of the current market price.

5 However, the agency of the Government which sets credit and monetary policies may  
6 increase or decrease the above percentages, in order to achieve the objectives of the Government  
7 with due regard for promotion of the economy and prevention of the use of excessive credit.

8 Such rules and regulations may make appropriate provision with respect to the carrying of  
9 undermargined accounts for limited periods and under specified conditions; the withdrawal of funds  
10 or securities; the transfer of accounts from one lender to another; special or different margin  
11 requirements for delayed deliveries, short sales, arbitrage transactions, and securities to which letter  
12 (B) of the second paragraph of this subsection does not apply; the bases and the methods to be used  
13 in calculating loans, and margins and market prices; and similar administrative adjustments and  
14 details.

15 51.2. No member of an Exchange or broker or dealer shall, directly or indirectly, extend or  
16 maintain credit or arrange for the extension or maintenance of credit to or for any customer:

17 (A) On any security unless such credit is extended and maintained in accordance  
18 with the rules and regulations which the Commission shall prescribe under this Section  
19 including rules setting credit in relation to net capital of such member, broker or dealer;

20 (B) Without collateral or on any collateral other than securities, except (i) to  
21 maintain a credit initially extended in conformity with the rules and regulations of the  
22 Commission and (ii) in cases where the extension or maintenance of credit is not for the  
23 purpose of purchasing or carrying securities or of evading or circumventing the provisions  
24 of paragraph (A) of this subsection.

25 51.3. Any person not subject to Subsection 51.2 hereof shall extend or maintain credit or  
26 arrange for the extension or maintenance of credit for the purpose of purchasing or carrying any  
27 security, only in accordance with such rules and regulations as the Commission shall prescribe to

1 prevent the excessive use of credit for the purchasing or carrying of or trading in securities in  
2 circumvention of the other provisions of this Section. Such rules and regulations may impose upon  
3 all loans made for the purpose of purchasing or carrying securities limitations similar to those  
4 imposed upon members, brokers, or dealers by Subsection 51.2 and the rules and regulations  
5 thereunder. This subsection and the rules and regulations thereunder shall not apply: (A) To a credit  
6 extension made by a person not in the ordinary course of business; (B) To a loan to a dealer to aid in  
7 the financing of the distribution of securities to customers not through the medium of an Exchange;  
8 or (C) To such other credit extension as the Commission shall exempt from the operation of this  
9 subsection and the rules and regulations thereunder upon specified terms and conditions or for  
10 stated period.

11 **SECTION 52. *Restrictions on Borrowings by Members, Brokers, and Dealers.***—It shall  
12 be unlawful for any registered broker or dealer, or member of an Exchange, directly or indirectly:

13 52.1. To permit in the ordinary course of business as a broker or dealer his aggregate  
14 indebtedness including customers' credit balances, to exceed such percentage of the net capital  
15 (exclusive of fixed assets and value of Exchange membership) employed in the business, but not  
16 exceeding in any case two thousand *per centum* (2,000%), as the Commission may by rules and  
17 regulations prescribe as necessary or appropriate in the public interest or for the protection of  
18 investors.

19 52.2. To pledge, mortgage, or otherwise encumber or arrange for the pledge, mortgage or  
20 encumbrance of any security carried for the account of any customer under circumstances: (A) That  
21 will permit the commingling of his securities, without his written consent, with the securities of any  
22 customer; (B) That will permit such securities to be commingled with the securities of any person  
23 other than a bona fide customer; or (C) That will permit such securities to be pledged, mortgaged or  
24 encumbered, or subjected to any lien or claim of the pledgee, for a sum in excess of the aggregate  
25 indebtedness of such customers in respect of such securities. However, the Commission, having  
26 due regard to the protection of investors, may, by rules and regulations, allow certain transactions  
27 that may otherwise be prohibited under this subsection.

1           52.3. To lend or arrange for the lending of any security carried for the account of any  
2 customer without the written consent of such customer or in contravention of such rules and  
3 regulations as the Commission shall prescribe.

4           **SECTION 53. *Enforcement of Margin Requirements and Restrictions on Borrowing.***---

5 To prevent indirect violations of the margin requirements under Section 51, the broker or dealer  
6 shall require the customer in non-margin transactions to pay the price of the security purchased for  
7 his account within such period as the Commission may prescribe, which shall in no case exceed the  
8 prescribed settlement date. Otherwise, the broker shall sell the security purchased starting on the  
9 next trading day but not beyond ten trading days following the last day for the customer to pay such  
10 purchase price, unless such sale cannot be effected within said period for justifiable reasons. The  
11 sale shall be without prejudice to the right of the broker or dealer to recover any deficiency from the  
12 customer. To prevent indirect violation of the restrictions on borrowings under Section 52, the  
13 broker shall, unless otherwise directed by the customer, pay the net sales price of the securities sold  
14 for a customer within the same period as above prescribed by the Commission: *Provided*, That the  
15 customer shall be required to deliver the instruments evidencing the securities as a condition for  
16 such payment upon demand by the broker.

17                           CHAPTER XIII - Exclusions from Corporation Code

18           **SECTION 54. *Special Provisions for Publicly-Held Companies.***---

19           54.1. Notwithstanding any provision in the Corporation Code to the contrary, the following  
20 shall apply to corporations of the types specified in Subsection 54.2:

21                   (A) Founders' shares classified as such in the articles of incorporation of such a  
22 corporation shall not, by reason of such classification, possess voting or other rights and  
23 privileges not enjoyed by the owners of other stock.

24                   (B) The authorized capital stock of such a corporation may through amendment to  
25 the articles of incorporation be increased or decreased, and bonded indebtedness may be  
26 incurred, created or increased, upon approval by a majority vote of the board of directors  
27 and by a majority of the votes of outstanding capital stock entitled to vote at a stockholders'

1 meeting called for such purpose, or upon the vote of such greater percentage as may be  
2 provided in the articles of incorporation.

3 (C) The articles of incorporation of such a corporation may deny pre-emptive rights  
4 to its stockholders upon approval of an amendment providing for such denial by a majority  
5 of the votes of outstanding capital stock entitled to vote at a stockholders' meeting called for  
6 such purpose, or upon the vote of such greater percentage as may be provided in the articles  
7 of incorporation.

8 (D) (i) Unless otherwise provided in its articles of incorporation or by-laws, the  
9 board of directors of such a corporation may declare and pay stock and property dividends  
10 out of unrestricted retained earnings without the approval of stockholders.

11 (ii) The board of directors of such a corporation is permitted to retain surplus profits  
12 for any lawful purpose.

13 (E) (i) Unless a greater percentage is provided in its articles of incorporation, a  
14 director of such a corporation may be removed from office by a majority of the votes of  
15 outstanding capital stock entitled to vote at a stockholders' meeting called for such purpose.

16 (ii) The board of directors may fix reasonable compensation for service as a director,  
17 which may be a per diem, annual stipend or other remuneration: *Provided, however,* That  
18 such compensation may be changed or rescinded by a majority of the votes of outstanding  
19 capital stock entitled to vote at a regular or special stockholders' meeting at which such  
20 action is considered. The fixing of compensation of directors shall not be limited to any  
21 percentage of net income before income tax of such corporation during the preceding year.

22 (iii) In the case only of a corporation of the type specified in subsection 54.2 (A), the  
23 board of directors thereof shall consist of at least two independent directors or such  
24 independent directors shall constitute at least twenty percent (20%) of the members of such  
25 board, whichever is the lesser. For this purpose, an "independent director" shall mean a  
26 person other than an officer or employee of the corporation, its parent or subsidiaries, or any

1 other individual having a relationship with the corporation, which would interfere with the  
2 exercise of independent judgment in carrying out the responsibilities of a director.

3 (F) The president and other officers of such a corporation shall not be required to be  
4 directors and, except for the treasurer and secretary, need not be residents in the Philippines.

5 (G) Every officer and director shall exercise such care in the management of the  
6 affairs of such a corporation as is required of a prudent man in the management of his own  
7 property, and shall be liable to the corporation and its shareholders for damages resulting  
8 from the intentional or negligent failure to exercise such care: *Provided, however,* That no  
9 liability shall be incurred for any business judgment exercised in good faith and upon  
10 consideration of all facts material to the act or transaction.

11 54.2. Subsection 54.1. shall apply to--

12 (A) Any corporation with a class of equity securities listed for trading on an  
13 Exchange;

14 (B) Any corporation with assets in excess of ₱50,000,000 and having 200 or more  
15 holders, at least of 200 of which are holding at least 100 shares of a class of its equity  
16 securities; and

17 (C) Any corporation which has sold a class of equity securities to the public pursuant  
18 to an effective registration statement in compliance with Section 8 hereof.

19 54.3. In conjunction with the filing of a registration statement for a public offering of a class  
20 of equity securities pursuant with Section 8 hereof, a corporation shall be subject to paragraphs (B),  
21 (C), and (F) of Subsection 54.1: *Provided, however,* That if, prior to its effectivity, such registration  
22 statement is refused or withdrawn, or if the sale of such class of equity security does not occur after  
23 the registration statement is declared effective, such paragraphs shall have no further application or  
24 effect with respect to such corporation.

CHAPTER XIV - General Provisions

SECTION 55. *Liabilities of Controlling Persons, Aider and Abettor and Other Secondary*

*Liability.*---

55.1. Every person who, by or through stock ownership, agency, or otherwise, or in connection with an agreement or understanding with one or more other persons, controls any person liable under this Act or the rules or regulations of the Commission thereunder, shall also be liable jointly and severally with and to the same extent as such controlled persons to any person to whom such controlled person is liable, unless the controlling person proves that, despite the exercise of due diligence on his part, he has no knowledge of the existence of the facts by reason of which the liability of the controlled person is alleged to exist.

55.2. It shall be unlawful for any person, directly or indirectly, to do any act or thing which it would be unlawful for such person to do under the provisions of this Act or any rule or regulation thereunder.

55.3. It shall be unlawful for any director or officer of, or any owner of any securities issued by, any issuer required to file any document, report or other information under this Act or any rule or regulation of the Commission thereunder, without just cause, to hinder, delay or obstruct the making or filing of any such document, report, or information.

55.4. It shall be unlawful for any person to aid, abet, counsel, command, induce or procure any violation of this Act, or any rule, regulation or order of the Commission thereunder.

55.5. Every person who substantially assists the act or omission of any person primarily liable under Sections 17, 18, 19, and 21 of this Act, with knowledge or in reckless disregard that such act or omission is wrongful, shall be jointly and severally liable as an aider and abettor for damages resulting from the conduct of the person primarily liable: *Provided, however,* That an aider and abettor shall be liable only to the extent of his relative contribution in causing such damages in comparison to that of the person primarily liable, or the extent to which the aider and abettor was unjustly enriched thereby, whichever is greater.



1           **SECTION 56. *Accounts and Records, Reports, Examination of Exchanges, Members,***  
2 ***and Others.—***

3           56.1. Every Exchange, broker or dealer, transfer agent, clearing agency, registered securities  
4 association, and other self-regulatory organization, shall make, keep and preserve for such periods,  
5 such accounts, correspondence, memoranda, papers, books, reports and other records, furnish such  
6 copies thereof, as the Commission by its rules and regulations may prescribe. Such accounts,  
7 correspondence, memoranda, papers, books, and other records shall be subject at any time to such  
8 reasonable examinations by representatives of the Commission as the Commission may deem  
9 necessary or appropriate in the public interest or for the protection of investors.

10           56.2. Any broker, dealer or other person extending credit, who is subject to the rules and  
11 regulations prescribed by the Commission pursuant to this Act, shall make such reports to the  
12 Commission as may be necessary or appropriate to enable it to perform the functions conferred  
13 upon it by this Act.

14           **SECTION 57. *Investigations, Injunctions and Prosecution of Offenses.—***

15           57.1. The Commission may, in its discretion, make such investigations as it deems necessary  
16 to determine whether any person has violated or is about to violate any provision of this Act, any  
17 rule, regulation or order thereunder, or any rule of an Exchange, registered securities association,  
18 clearing agency, other self-regulatory organization, and may require or permit any person to file  
19 with it a statement in writing, under oath or otherwise, as the Commission shall determine, as to all  
20 facts and circumstances concerning the matter to be investigated. The Commission may publish  
21 information concerning any such violations, and to investigate any fact, condition, practice or matter  
22 which it may deem necessary or proper to aid in the enforcement of the provisions of this Act, in the  
23 prescribing of rules and regulations thereunder, or in securing information to serve as a basis for  
24 recommending further legislation concerning the matters to which this Act relates: *Provided,*  
25 *however,* That any person requested or subpoenaed to produce documents or testify in any  
26 investigation shall simultaneously be notified in writing of the purpose of such investigation:  
27 *Provided, further,* That all criminal complaints for violations of this Act, and the implementing rules

1 and regulations enforced or administered by the Commission shall be referred to the Department of  
2 Justice for preliminary investigation and prosecution before the proper court: *Provided, finally*, That  
3 the investigation, prosecution, and trial of such cases shall be given priority.

4 57.2. For the purpose of any such investigation, or any other proceeding under this Act, the  
5 Commission or any officer designated by it is empowered to administer oaths and affirmations,  
6 subpoena witnesses, compel attendance, take evidence, require the production of any book, paper,  
7 correspondence, memorandum, or other record which the Commission deems relevant or material to  
8 the inquiry, and to perform such other acts necessary in the conduct of such investigation or  
9 proceedings.

10 57.3. Whenever it shall appear to the Commission that any person has engaged or is about to  
11 engage in any act or practice constituting a violation of any provision of this Act, any rule,  
12 regulation or order thereunder, or any rule of an Exchange, registered securities association, clearing  
13 agency or other self-regulatory organization, it may issue an order to such person to desist from  
14 committing such act or practice: *Provided, however*, That the Commission shall not charge any  
15 person with violation of the rules of an Exchange or other self regulatory organization unless it  
16 appears to the Commission that such Exchange or other self-regulatory organization is unable or  
17 unwilling to take action against such person. After finding that such person has engaged in any  
18 such act or practice and that there is a reasonable likelihood of continuing, further or future  
19 violations by such person, the Commission may issue: (A) an order of permanent or temporary  
20 injunction after due notice and hearing; or (B) an *ex parte* temporary restraining order for a  
21 maximum period of 20 days, enjoining the violation and compelling compliance with such  
22 provision. The Commission may transmit such evidence as may be available concerning any  
23 violation of any provision of this Act, or any rule, regulation or order thereunder, to the Department  
24 of Justice, which may institute the appropriate criminal proceedings under this Act.

25 57.4. Any person who, within his power but without cause, fails or refuses to comply with  
26 any lawful order, decision or subpoena issued by the Commission under Subsection 57.2 or  
27 Subsection 57.3 or Section 59 of this Act, shall after due notice and hearing, be guilty of contempt

1 of the Commission. Such person shall be fined in such reasonable amount as the Commission may  
2 determine, or when such failure or refusal is a clear and open defiance of the Commission's order,  
3 decision or subpoena, shall be detained under an arrest order issued by the Commission, until such  
4 order, decision or subpoena is complied with.

5 **SECTION 58. *Administrative Sanctions.***—

6 58.1. If, after due notice and hearing, the Commission finds that: (A) There is a willful  
7 violation of this Act, its rules, or its orders; (B) Any registered broker or dealer, associated person  
8 thereof has failed reasonably to supervise, with a view to preventing violations, another person  
9 subject to supervision who commits any such violation; (C) Any registrant or other person has, in a  
10 registration statement or in other reports, applications, accounts, records or documents required by  
11 law or rules to be filed with the Commission, made any untrue statement of a material fact, or  
12 omitted to state any material fact required to be stated therein or necessary to make the statements  
13 therein not misleading; or, in the case of an underwriter, has failed to conduct an inquiry with  
14 reasonable diligence to insure that a registration statement is accurate and complete in all material  
15 respects; or (D) Any person has refused to permit any lawful examinations into its affairs, it shall, in  
16 its discretion, and subject only to the limitations hereinafter prescribed, impose any or all of the  
17 following sanctions as may be appropriate in light of the facts and circumstances:

18 (i) Suspension, or revocation of any registration for the offering of securities;

19 (ii) A fine of no less than ten thousand (P10,000.00) pesos nor more than one million  
20 (P1,000,000.00) pesos plus not more than two thousand (P2,000.00) pesos for each day of  
21 continuing violation;

22 (iii) In the case of a violation of Subsections 23.5, 25.5, 29, 31 and 32,  
23 disqualification from being an officer, member of the board of directors, or person  
24 performing similar functions, of an issuer required to file reports under Section 14 of this  
25 Act or any other act, rule or regulation administered by the Commission;

1 (iv) In the case of a violation of Section 32, a fine of no more than three times the  
2 profit gained or loss avoided as a result of the purchase, sale or communication proscribed  
3 by such Section; and

4 (v) Other penalties within the power of the Commission to impose.

5 58.2. The imposition of the foregoing administrative sanctions shall be without prejudice to  
6 the filing of criminal charges against the individuals responsible for the violation.

7 58.3. The Commission shall have the power to issue writs of execution to enforce the  
8 provisions of this Section and to enforce payment of the fees and other dues collectible under this  
9 Act.

10 **SECTION 59. Cease and Desist Order.—**

11 59.1. The Commission, after proper investigation or verification, *motu proprio*, or upon  
12 verified complaint by any aggrieved party, may issue a cease and desist order without the necessity  
13 of a prior hearing if in its judgment the act or practice, unless restrained, will operate as a fraud on  
14 investors or is otherwise likely to cause grave or irreparable injury or prejudice to the investing  
15 public.

16 59.2. Until the Commission issues a cease and desist order, the fact that an investigation has  
17 been initiated or that a complaint has been filed, including the contents of the complaint, shall be  
18 confidential. Upon issuance of a cease and desist order, the Commission shall make public such  
19 order and a copy thereof shall be immediately furnished to each person subject to the order.

20 59.3. Any person against whom a cease and desist order was issued may, within five days  
21 from receipt of the order, file a formal request for a lifting thereof. Said request shall be set for  
22 hearing by the Commission not later than fifteen days from its filing and the resolution thereof shall  
23 be made not later than ten days from the termination of the hearing. If the Commission fails to  
24 resolve the request within the time herein prescribed, the cease and desist order shall automatically  
25 be lifted.

26 **SECTION 60. Substituted Service Upon the Commission.—**Service of summons or other  
27 process shall be made upon the Commission in actions or legal proceedings against an issuer or any

2

1 person liable under this Act who is not domiciled in the Philippines. Upon receipt by the  
2 Commission of such summons, the Commission shall within ten (10) days thereafter, transmit by  
3 registered mail a copy of such summons and the complaint or other legal process to such issuer or  
4 person at his last known address or principal office. The sending thereof by the Commission, the  
5 expenses for which shall be advanced by the party at whose instance it is made, shall complete such  
6 service.

7 **SECTION 61. *Revelation of Information Filed with the Commission.***—

8 61.1. All information filed with the Commission in compliance with the requirements of this  
9 Act shall be made available to any member of the general public, upon request, in the premises and  
10 during regular office hours of the Commission, except as set forth in this Section.

11 61.2. Nothing in this Act shall be construed to require, or to authorize the Commission to  
12 require, the revealing of trade secrets or processes in any application, report, or document filed with  
13 the Commission.

14 61.3. Any person filing any such application, report or document may make written  
15 objection to the public disclosure of information contained therein, stating the grounds for such  
16 objection, and the Commission may hear objections as it deems necessary. The Commission may,  
17 in such cases, make available to the public the information contained in any such application, report,  
18 or document only when a disclosure of such information is required in the public interest or for the  
19 protection of investors; and copies of information so made available may be furnished to any person  
20 having a legitimate interest therein at such reasonable charge and under such reasonable limitations  
21 as the Commission may prescribe.

22 61.4. It shall be unlawful for any member, officer, or employee of the Commission to  
23 disclose to any person other than a member, officer or employee of the Commission or to use for  
24 personal benefit, any information contained in any application, report, or document filed with the  
25 Commission which is not made available to the public pursuant to Subsection 61.3.

26 61.5. Notwithstanding anything in Subsection 61.4 to the contrary, on request from a foreign  
27 enforcement authority of any country whose laws grant reciprocal assistance as herein provided, the

1 Commission may provide assistance in accordance with this subsection, including the disclosure of  
 2 any information filed with or transmitted to the Commission, if the requesting authority states that it  
 3 is conducting an investigation which it deems necessary to determine whether any person has  
 4 violated, is violating, or is about to violate any laws relating to securities or commodities matters  
 5 that the requesting authority administers or enforces. Such assistance may be provided without  
 6 regard to whether the facts stated in the request would also constitute a violation of law of the  
 7 Philippines.

8 **SECTION 62. *Effect of Action of Commission and Unlawful Representations with***  
 9 ***Respect Thereto.*** –

10 62.1. No action or failure to act by the Commission in the administration of this Act shall be  
 11 construed to mean that the Commission has in any way passed upon the merits of or given approval  
 12 to any security or any transaction or transactions therein, nor shall such action or failure to act with  
 13 regard to any statement or report filed with or examined by the Commission pursuant to this Act or  
 14 the rules and regulations thereunder to be deemed a finding by the Commission that such statements  
 15 or report is true and accurate on its face or that it is not false or misleading. It shall be unlawful to  
 16 make, or cause to be made, to any prospective purchaser or seller of a security any representation  
 17 that any such action or failure to act by the Commission is to be so construed or has such effect.

18 62.2. Nothing contained in Subsection 62.1 shall, however, be construed as an exemption  
 19 from liability of an employee or officer of the Commission for any nonfeasance, misfeasance or  
 20 malfeasance in the discharge of his official duties.

21 **SECTION 63. *Special Accounting Rules.***—The Commission shall have the authority to  
 22 make, amend, and rescind such accounting rules and regulations as may be necessary to carry out  
 23 the provisions of this Act, including rules and regulations governing registration statements and  
 24 prospectuses for various classes of securities and issuers, and defining accounting, technical and  
 25 trade terms used in this Act. Among other things, the Commission may prescribe the form or forms  
 26 in which required information shall be set forth, the items or details to be shown in the balance sheet  
 27 and income statement, and the methods to be followed in the preparation of accounts, appraisal or

1 valuation of assets and liabilities, determination of depreciation and depletion, differentiation of  
2 recurring and non-recurring income, differentiation of investment and operating income, and in the  
3 preparation, where the Commission deems it necessary or desirable, of consolidated balance sheets  
4 or income accounts of any person directly or indirectly controlling or controlled by the issuer, or  
5 any person under direct or indirect common control with, the issuer.

6 **SECTION 64. *Effect on Existing Law.***—The rights and remedies provided by this Act  
7 shall be in addition to any and all other rights and remedies that may now exist. However, except as  
8 provided in Section 16 hereof, no person permitted to maintain a suit for damages under the  
9 provisions of this Act shall recover, through satisfaction of judgment in one or more actions, a total  
10 amount in excess of his actual damages on account of the act complained of: *Provided*, That  
11 exemplary damages may be awarded in cases of bad faith, fraud, malevolence or wantonness in the  
12 violation of this Act or the rules and regulations promulgated thereunder.

13 **SECTION 65. *Class Actions; Consolidation of Actions.***—The Commission may  
14 promulgate rules and regulations as may be necessary or appropriate in the public interest or for the  
15 protection of investors which will govern:

16 65.1. Class actions involving any violation of this Act or the rules promulgated by the  
17 Commission;

18 65.2. The consolidation of actions brought pursuant to this Act or rules promulgated by the  
19 Commission; and

20 65.3. The compensation of counsel in class actions.

21 **SECTION 66. *Judicial Review of Commission Orders.***—Any person aggrieved by an  
22 order of the Commission may appeal the order to the Court of Appeals by petition for review in  
23 accordance with the pertinent provisions of the Rules of Court.

24 **SECTION 67. *Validity of Contracts.***—

25 67.1 Any condition, stipulation, provision binding any person to waive compliance with any  
26 provision of this Act or of any rule or regulation thereunder, or of any rule of an Exchange required  
27 thereby, as well as the waiver itself, shall be void.

1 67.2. Every contract made in violation of any provision of this Act or of any rule or  
2 regulation thereunder, and every contract, including any contract for listing a security on an  
3 Exchange heretofore or hereafter made, the performance of which involves the violation of, or the  
4 continuance of any relationship or practice in violation of, any provision of this Act, or any rule or  
5 regulation thereunder, shall be void:

6 (A) As regards the rights of any person who, in violation of any such provision, rule  
7 or regulation, shall have made or engaged in the performance of any such contract, and

8 (B) As regards the rights of any person who, not being a party to such contract, shall  
9 have acquired any right thereunder with actual knowledge of the facts by reason of which  
10 the making or performance of such contract was in violation of any such provision, rule or  
11 regulation.

12 67.3. Nothing in this Act shall be construed:

13 (A) To affect the validity of any loan or extension of credit made or of any lien  
14 created prior or subsequent to the effectivity of this Act, unless at the time of the making of  
15 such loan or extension of credit or the creating of such lien, the person making such loan or  
16 extension of credit or acquiring such lien shall have actual knowledge of the facts by reason  
17 of which the making of such loan or extension of credit or the acquisition of such lien is a  
18 violation of the provisions of this Act or any rules or regulations thereunder; or

19 (B) To afford a defense to the collection of any debt, obligation or the enforcement  
20 of any lien by any person who shall have acquired such debt, obligation or lien in good faith,  
21 for value and without actual knowledge of the violation of any provision of this Act or any  
22 rule or regulation thereunder affecting the legality of such debt, obligation or lien.

23 **SECTION 68. Rules and Regulations; Effectivity.**—

24 68.1. The Commission may issue, amend, and rescind such rules and regulations and orders  
25 necessary or appropriate to effect the provisions and purposes of this Act, including rules and  
26 regulations defining accounting, technical, and trade terms used in this Act, and prescribing the  
27 form or forms in which information required in registration statements, applications, and reports to



1 the Commission shall be set forth. For purposes of its rules or regulations, the Commission may  
 2 classify persons, securities, and other matters within its jurisdiction, prescribe different requirements  
 3 for different classes of persons, securities, or matters, and by rule or order, conditionally or  
 4 unconditionally exempt any person, security, or transaction, or class or classes of persons, securities  
 5 or transactions, from any or all provisions of this Act.

6 68.2. The rules and regulations promulgated by the Commission shall be published in two  
 7 newspapers of general circulation in the Philippines, and unless otherwise prescribed by the  
 8 Commission, the same shall be effective fifteen (15) days after the date of the last publication.

9 **SECTION 69. Penalties.**—Any person who violates any of the provisions of this Act, or  
 10 the rules and regulations promulgated by the Commission under authority thereof, or any person  
 11 who, in a registration statement filed under this Act, makes any untrue statement of a material fact  
 12 or omits to state any material fact required to be stated therein or necessary to make the statements  
 13 therein not misleading, shall, upon conviction, suffer a fine of not less than fifty thousand  
 14 (P50,000.00) pesos nor more than five million (P5,000,000.00) pesos or imprisonment of not less  
 15 than seven (7) years nor more than twenty one (21) years, or both in the discretion of the court. If  
 16 the offender is a corporation, partnership or association or other juridical entity, the penalty may in  
 17 the discretion of the court be imposed upon such juridical entity and upon the officer or officers of  
 18 the corporation, partnership, association or entity responsible for the violation, and if such officer is  
 19 an alien, he shall in addition to the penalties prescribed, be deported without further proceedings  
 20 after service of sentence.

21 **SECTION 70. Transitory Provisions.**—The Commission, as organized under existing  
 22 laws, shall continue to exist and exercise its powers, functions and duties under such laws and this  
 23 Act.

24 All further requirements herein shall be complied with upon approval of this Act: *Provided,*  
 25 *however,* That compliance may be deferred for such reasonable time as the Commission may  
 26 determine but not to exceed one year from approval of this Act; *Provided, further,* That securities  
 27 which are being offered at the time of effectivity of this Act pursuant to an effective registration and

1 permit, may continue to be offered and sold in accordance with the provisions of the Revised  
2 Securities Act in effect immediately prior to approval of this Act: *Provided, furthermore* , That the  
3 Chairman and Associate Commissioners appointed pursuant to Section 2 of P.D. 902-A, as  
4 amended, and serving in such positions on the effective date of approval of this Act, shall thereupon  
5 assume and for the remaining unexpired term of such positions serve in the capacities of  
6 Commissioners under Section 4 hereof, and the Chairman appointed under Section 2 of P.D. 902-A,  
7 as amended, and so serving on such effective date shall also thereupon assume and serve as  
8 Chairman pursuant to Section 4 hereof.

9       **SECTION 71. *Repealing Clause.***—The Revised Securities Act (Batas Pambansa Blg.  
10 178), as amended, in its entirety, and Sections 2 and 4 of Presidential Decree 902-A as amended, are  
11 hereby repealed. All other laws, orders, rules and regulations, or parts thereof, inconsistent with any  
12 provision of this Act are hereby repealed or modified accordingly.

13       **SECTION 72. *Separability Clause.***—If any portion or provision of this Act is declared  
14 unconstitutional or invalid, the other portions or provisions hereof, which are not affected thereby  
15 shall continue in full force and effect.

16       **SECTION 73. *Effectivity.***—This Act shall take effect fifteen (15) days after its publication  
17 in the *Official Gazette* or in two (2) newspapers of general circulation.

18       Approved,



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SCHEDULE A

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(1) Name of issuer and, if incorporated, place of incorporation.

(2) The location of the issuer's principal business office, and if such issuer is a non-resident or its place of office is outside of the Philippines, the name and address of its agent in the Philippines authorized to receive notice.

(3) The names and addresses of the directors or persons performing similar functions, and the chief executive, financial and accounting officers and other principal executive officers, chosen or to be chosen, if the issuer be a corporation, association, trust or other entity; of all the partners, managing agents, trustees or other persons performing similar functions, if the issuer be a partnership, trust, unincorporated association or similar entity; and of the issuer, if the issuer be an individual; and also of the promoters in the case of a business to be formed.

(4) The names and addresses of the underwriters.

(5) The general character of the business actually transacted or to be transacted by, and the organization and financial structure of, the issuer including identities of all companies controlling, controlled by or commonly controlled with the issuer.

(6) The names and addresses of all persons, if any, owning of record or beneficially, if known, more than ten (10%) *per centum* in the aggregate of the outstanding stock of the issuer, or in excess of such lesser *per centum* the Commission by rule may prescribe, as of a date within twenty days prior to the filing of the registration statement.

(7) The amount of securities of the issuer held by any person specified in subparagraph (3), (4) and (6) of this subsection, as of a date within twenty days prior to the filing of the registration statement, and the amount of the securities, for which the registration statement is filed, to which such persons have indicated their intention to subscribe.

(8) A statement of the capitalization of the issuer and of all companies controlling, controlled by or commonly controlled with the issuer, including the authorized and outstanding amounts of its capital stock and the proportion thereof paid up; the number and classes of shares in which such capital stock is divided; par value thereof, or if it has no par value, the stated or assigned

1 value thereof, a description of the respective voting rights, preferences, conversion and Exchange  
2 rights, rights to dividends, profits, or capital of each class, with respect to each other class, including  
3 the retirement and liquidation rights or values thereof.

4 (9) A specimen certificate, if applicable, of the security to be offered.

5 (10) A copy of any circular, prospectus, advertisement, letter, or other communication to be  
6 used for the public offering of the security.

7 (11) A statement of the securities, if any, covered by options outstanding or to be created in  
8 connection with the security to be offered, together with the names and addresses of all persons, if  
9 any, to be allotted more than ten (10%) *per centum* in the aggregate of such options, or in excess of  
10 such lesser *per centum* the Commission by rule may prescribe.

11 (12) The amount of capital stock of each class issued or included in the shares of stock to be  
12 offered.

13 (13) The amount of the funded indebtedness outstanding and to be created by the security to  
14 be offered, with a brief statement of the date, maturity, and character of such debt, rate of interest,  
15 character or amortization provisions, other terms and conditions thereof and the security, if any,  
16 therefor. If substitution of any security is permissible, a summarized statement of the conditions  
17 under which such substitution is permitted. If substitution is permissible without notice, a specific  
18 statement to that effect.

19 (14) The specific purposes in detail and the approximate amounts to be devoted to such  
20 purposes, so far as determinable, for which the security to be offered is to supply funds, and if the  
21 funds are to be raised in part from other sources, the amounts and the sources thereof.

22 (15) The remuneration paid, or estimated to be paid, by the issuer or its predecessor, directly  
23 or indirectly, during the past year and the ensuing year to (a) the directors or persons performing  
24 similar functions, and (b) its officers or such other persons, naming each of them whose  
25 remuneration exceeded during any such year such amount as the Commission by rule may  
26 prescribe.

27 (16) The amount of issue of the security to be offered.

1 (17) The estimated net proceeds to be derived from the security to be offered.

2 (18) The price at which the security is proposed to be offered to the public or the method by  
3 which such price is computed and any variation therefrom at which any portion of such security is  
4 proposed to be offered to persons or classes of persons, other than the underwriters, naming them or  
5 specifying the class. A variation in price may be proposed prior to the date of the public offering of  
6 the security by filing an amended registration statement.

7 (19) All commissions or discounts paid or to be paid, directly or indirectly, by the issuer to  
8 the underwriters in respect of the sale of the security to be offered. Commissions shall include all  
9 cash, securities, contracts, or anything of value, paid, to be set aside, or disposed of, or  
10 understandings with or for the benefit of any other person in which any underwriter is interested,  
11 made in connection with the sale of such security. A commission paid or to be paid in connection  
12 with the sale of such security by a person in which the issuer has an interest or which is controlled  
13 by, or under common control with, the issuer shall be deemed to have been paid by the issuer.  
14 Where any such commission is paid, the amount of such commission paid to each underwriter shall  
15 be stated.

16 (20) The amount or estimated amounts, itemized in reasonable detail, of expenses, other  
17 than commission specified in the next preceding paragraph, incurred or to be incurred by or for the  
18 account of the issuer in connection with the sale of the security to be offered or properly chargeable  
19 thereto, including legal, engineering, certification, authentication, and other charges.

20 (21) The net proceeds derived from any security sold by the issuer during the two years  
21 preceding the filing of the registration statement, the price at which such security was offered to the  
22 public or sold in any exempt transaction under Section 7 hereof, and the names of the principal  
23 underwriters of such security if any.

24 (22) Any amount paid within two years preceding the filing of the registration statement or  
25 intended to be paid to any promoter and the consideration for any such payment.

26 (23) The names and addresses of the vendors and the purchase price of any property or  
27 goodwill, acquired or to be acquired, not in the ordinary course of business, which is to be defrayed

1 in whole or in part from the proceeds of the security to be offered, the amount of any commission  
2 payable to any person in connection with such acquisition, and the name or names of such person or  
3 persons, together with any expense incurred or to be incurred in connection with such acquisition,  
4 including the cost of borrowing money to finance such acquisition.

5 (24) Full particulars of the nature and extent of the interest, if any, of every director,  
6 principal executive officer, and of every stockholder holding more than ten (10%) *per centum* in the  
7 aggregate of the stock of the issuer, or in excess of such other lesser *per centum* the Commission by  
8 rule may prescribe, in any property acquired, not in the ordinary course of business of the issuer,  
9 within two years preceding the filing of the registration statement or proposed to be acquired at such  
10 date.

11 (25) The names and addresses of independent counsels who have passed on the legality of  
12 the issue.

13 (26) Dates of and parties to, and the general effect concisely stated of every material  
14 contract made, not in the ordinary course of business, which contract is to be executed in whole or  
15 in part at or after the filing of the registration statement or which has been executed not more than  
16 two years before such filing. Any management contract or contracts providing for special bonuses  
17 or profit-sharing arrangements, and every material patent or contract for a material patent right, and  
18 every contract by or with a public utility company or an affiliate thereof, providing for the giving or  
19 receiving of technical or financial advice or service shall be deemed a material contract.

20 Any contract, whether or not made in the ordinary course of business with any director or  
21 officer, or any stockholder, whether a natural or juridical person, owning more than ten (10%) *per*  
22 *centum* of the shares of the issuer, or in excess of such lesser *per centum* as the Commission by rule  
23 may prescribe, involving in excess of an amount prescribed by the Commission, shall be deemed a  
24 material contract for the purpose of this subparagraph.

25 (27) A balance sheet as of a date not more than ninety days prior to the date of the filing of  
26 the registration statement showing all of the assets of the issuer, the nature and cost thereof,  
27 whenever determinable with intangible items segregated, including any loan to or from any officer,

1 director, stockholder or person directly or indirectly controlling or controlled by the issuer, or  
 2 person under direct or indirect common control with the issuer. In the event any such assets consist  
 3 of shares of stock in other companies, the balance sheet and profit and loss statements of such  
 4 companies for the past three years shall likewise be enclosed. All the liabilities of the issuer,  
 5 including surplus of the issuer, showing how and from what sources such surplus was created, all as  
 6 of date not more than ninety days prior to the filing of the registration statement. If such statement  
 7 is not certified by an independent certified public accountant, in addition to the balance sheet  
 8 required to be submitted under this schedule, a similar detailed balance sheet of the assets and  
 9 liabilities of the issuer, certified by an independent certified public accountant, of a date not more  
 10 than one year prior to the filing of the registration statement, shall be submitted.

11 (28) A profit and loss statement of the issuer showing earnings and income, the nature and  
 12 source thereof, and the expenses and fixed charges in such detail and such form as the Commission  
 13 shall prescribe for the latest fiscal year for which such statement is available and for the two  
 14 preceding fiscal years, year by year, or, if such issuer has been in actual business for less than three  
 15 years, then for such time as the issuer has been in actual business, year by year. If the date of the  
 16 filing of the registration statement is more than six months after the close of the last fiscal year, a  
 17 statement from such closing date to the latest practicable date. Such statement shall show what the  
 18 practice of the issuer has been during the three years or less period as to the character of the charges,  
 19 dividends or other distributions made against its various surplus accounts, and as to depreciation,  
 20 depletion, and maintenance charges, and if stock dividends or avails from the sale of rights have  
 21 credited to income, they shall be shown separately with statement of the basis upon which credit is  
 22 computed. Such statement shall also differentiate between recurring and non recurring income and  
 23 between any investment and operating income. Such statement shall be certified by an independent  
 24 certified public accountant.

25 (29) Any liabilities of the issuer to companies controlling or controlled by the issuer shall be  
 26 disclosed in full detail as to use of the proceeds thereof, the maturity and repayment schedule, nature  
 27 of security thereof, the rate of interest and other terms and conditions thereof. If the proceeds, or



1 any part of the proceeds, of the security to be issued is to be applied directly or indirectly to the  
2 purchase of any business, a profit and loss statement of such business, certified by an independent  
3 certified public accountant, meeting the requirements of subparagraph (28) hereof, for the three  
4 preceding fiscal years, together with a balance sheet, similarly certified, of such business, meeting  
5 the requirements of subparagraph (27) hereof of a date not more than ninety days prior to the filing  
6 of the registration statement or at the date such business was acquired by the issuer more than ninety  
7 days prior to the filing of the registration statement.

8 (30) A copy of any agreement or agreements or, if identical agreements are used, the forms  
9 thereof made with any underwriter, including all contracts and agreements referred to in  
10 subparagraph (19) hereof.

11 (31) A copy of the opinion or opinions of independent counsel in respect to the legality of  
12 the issue.

13 (32) A copy of all material contracts referred to in subparagraph (26) hereof, but no  
14 disclosure shall be required by the Commission of any portion of any such contract if the disclosure  
15 of such portion would impair the value of the contract and would not be necessary for the protection  
16 of the investors.

17 (33) A detailed statement showing the items of cash, property, services, patents, goodwill,  
18 and any other consideration for which securities have been or are to be issued in payment.

19 (34) The amount of cash to be paid as promotion fees, or of capital stock which is to be set  
20 aside and disposed of as promotion stock, and a statement of all stock issued from time to time as  
21 promotion stock.

22 (35) In connection with securities issued by a person engaged in the business of developing,  
23 exploiting or operating mineral claims, a sworn statement of a mining engineer stating the ore  
24 possibilities of the mine and such other information in connection therewith as will show the quality  
25 of the ore in such claims, and the unit cost of extracting it.

26 (36) Unless previously filed and registered with the Commission and brought up to date:

1 (a) A copy of its articles of incorporation with all amendments thereof and its existing by-  
2 laws or instruments corresponding thereto, whatever the name, if the issuer be a corporation;

3 (b) A copy of all instruments by which the trust is created or declared and in which it is  
4 accepted and acknowledged, if the issuer is a trust;

5 (c) A copy of its articles of partnership or association and all the papers pertaining to its  
6 organization, if the issuer is a partnership, unincorporated association, joint-stock company,  
7 syndicate, or any other form of organization.

8 (37) A copy of the underlying agreements or indentures affecting any stock, bonds, or  
9 debentures offered or to be offered by the issuer and outstanding on the part of companies  
10 controlling or controlled by the issuer.

11 (38) Where the issuer or registrant is not formed, organized and existing under the laws of  
12 the Philippines or is not domiciled in the Philippines, a written power of attorney, certified and  
13 authenticated in accordance with laws, designating some individual person, who must be a resident  
14 of the Philippines, on whom any summons and other legal processes may be served in all actions or  
15 other legal proceedings against him, and consenting that service upon such resident agent shall be  
16 admitted as valid and proper service upon the issuer or registrant, and if at anytime that service  
17 cannot be made upon such resident agent, services shall be made upon the Commission.

18 (39) For each promoter, director, chosen or to be chosen, principal executive officer, partner,  
19 managing agent or other person performing similar functions, and for each underwriter and each  
20 director and principal executive officer of such underwriter, a description of the following events  
21 (whether or not occurring in the Philippines) insofar as they are material to an evaluation of the  
22 ability or integrity of such person:

23 (a) the filing of a petition for, or a judicial declaration of insolvency or bankruptcy with  
24 respect to any business with which such person was associated, or a judicial declaration that such  
25 person is a spendthrift or incapacitated to contract.

1 (b) the conviction of such person, whether after trial, upon plea of guilty or similar plea, or  
2 the pendency of a pending criminal proceeding against such person (excluding traffic and other  
3 minor offenses).

4 (c) the issuance of a judicial or administrative order, judgment or decree, not subsequently  
5 reversed, suspended or vacated, prohibiting or limiting the involvement of such person in any type  
6 of securities, commodities, banking, real estate, insurance or other business activities, or enjoining  
7 or sanctioning such person for violations of applicable law in connection with such activities.

8 (d) the judicial or administrative finding in a civil proceeding, whether after hearing or upon  
9 consent, that such person has violated securities, commodities, banking, real estate or insurance  
10 laws, or has engaged in fraud, embezzlement, theft, or estafa.

11 (40) A statement of risk factors associated with the business of the issuer and with investing  
12 in the securities to be offered by the registration statement.

**Draft as of 18 September 1998**

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