

REPUBLIC ACT NO. 8366 (AN ACT LIBERALIZING THE PHILIPPINE INVESTMENT HOUSE INDUSTRY. AMENDING CERTAIN SECTIONS OF PRESIDENTIAL DECREE NO. 129, AS AMENDED, OTHERWISE KNOWN AS THE...

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This Memorandum Circular is issued in order to implement Section 3 of the above-mentioned Law amending Section 8 of Presidential Decree No. 129, as amended, which took effect November 14, 1997, to wit:

SECTION 3. x x x

SECTION 8. Capital Requirements. — In the case of newly-organized Investment Houses the minimum paid-in capital shall be Three hundred million pesos (P 300,000,000.00). The Minimum paid-in capital of the existing Investment Houses shall be Three hundred million pesos (P 300,000,000.00) to be built up in two (2) years after the effectivity of this Act in the following manner: Two hundred million pesos (P 200,000,000.00) after the effectivity of this Act and an additional Fifty million pesos (P 50,000,000.00) for every year thereafter until the minimum capitalization is attained. The Monetary Board may prescribe a higher minimum capitalization in order to promote and ensure the stability of the Philippine capital market and the competitiveness of the investment house industry in line with the national economic goals. The Monetary Board shall, within six (6) months prescribe a risk assets to capital ratio and other capital adequacy ratios in order to provide broader protection to the investing public."

Henceforth, any corporation applying for a license to act as an Investment House shall have a minimum paid-in capital of P 300,000,000.00

Existing duly licensed Investment Houses whose paid-in capital is less than P 300,000,000 shall be required to build up the required minimum paid-in capital in accordance with the following schedule:

*By June 14, 1998 P 200,000,000.00

*By November 14, 1998 P 250,000,000.00

*By November 14, 1999 P 300,000,000.00

For purposes of this Circular, the term "paid-in capital" is defined as all payments on subscriptions to the authorized capital of an Investment House, including premiums paid in excess of par.

No Investment House shall undertake underwriting commitments for its own account in an aggregate outstanding amount exceeding twenty (20) times its unimpaired capital and surplus. Unimpaired capital and surplus means the total paid-in capital (including paid-in surplus), earned surplus and undivided profits, net of (a) such unbooked valuation reserves and other capital adjustments as may be required by the SEC and (b) total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, all stockholders, and their related interests (DOSRI). Any appraisal surplus or appreciation credit as a result of appreciation or an increase in book value of assets shall be excluded. An investment house should not at any time allow its unimpaired capital and surplus to fall below the prescribed amount of paid-in capital requirement.

It shall be the responsibility of the investment house's board of directors and senior management to ensure full

compliance with the required minimum capitalization/capital build-up requirement. Any or all of the following sanctions may be imposed by the Commission on any investment house which fails to comply with the minimum capital requirement or having complied, shall fail to maintain thereafter such minimum capital requirement, or which fails to comply with the capital build-up requirement within the prescribed deadline:

1. Cease and desist order;
2. Prohibition from underwriting securities;
3. Prohibition against declaration of cash dividends;
4. Prohibition from extending new loans or making new investments;
5. Suspension of the privilege to establish and/or open approved branches, agencies or offices;
6. Other sanctions prescribed under existing pertinent laws, rules and regulations.

This Memorandum Circular shall take effect immediately.

Adopted: 27 Feb. 1998

(SGD.) PERFECTO R. YASAY, JR.
Chairman

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