

COMMISSION RELEASE ANNOUNCING ADOPTION OF FULL DISCLOSURE RULES

SEC, July 24, 1996

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With this release the Securities and Exchange Commission (“Commission”) announces the adoption of the full disclosure rules which establish an integrated disclosure system for registration statements and other reports which must be filed with the Commission and disseminated to investors.

This integrated disclosure system revolves around two core rules and numerous other related rules and forms which implement them. The core rules are RSA Rule 3-3, dealing with non financial aspects of filings, and RSA Rule 48, dealing with the financial aspects.

The Commission received a number of comment letters in response to publication of the rules for comment in April, 1996. These comments were helpful in suggesting modifications to make the rules less burdensome while at the same time preserving the Commission’s objective of ensuring the availability of timely and accurate information for investors.

Several important changes have been included in the final rules. While it is the Commission’s intention eventually to include all types of securities into the integrated disclosure system, it has decided that until the substantive rules governing certain securities have been reviewed, these securities should not be incorporated into the system. As a result, all references to long term and short term commercial paper, warrants, and asset backed securities have been removed from RSA Rule 3-3. For these securities, the Commission’s current rules continue to apply.

The Commission has made significant changes to the first few pages of the prospectus in order to make it more readable and usable for investors. These simplified summary pages may be used by issuers and underwriters to publicize the offering and circulate information to potential investors.

In adopting these rules, the Commission is establishing a new process for the registration of any public offerings that will be listed on the Philippine Stock Exchange. The new requirements will result in the issuer filing its registration statement with the Commission while simultaneously filing an application with the Philippine Stock Exchange for listing. The Commission and the Exchange will review the filings simultaneously. Once the review of the registration statement is completed, and the Commission is satisfied with the disclosures, then the issuer will file its final amendment to the registration statement and the prospectus thereby setting the public offering price and the Commission will declare the registration effective.

Once the registration statement has been declared effective, the entire offering must commence within two business days. It is expected that listing on the PSE will also occur within the same time period. If the issuer and its underwriters are not ready to commence the offering, the Commission will delay declaring the registration effective until such time as they are ready. However, in the intervening period, the company must keep the registration statement current. As a result of these new procedures, issuers and underwriters will be required to time the filing of the registration statement with the Commission much more carefully.

In adopting these full disclosure rules, the Commission emphasizes that the requirements set forth in these rules, including the filing of annual, quarterly and current reports and distribution of proxy statements, are only applicable to “public companies”. These companies are defined in companies that are listed, and companies that have P50 million in assets and at least 200 shareholders each holding 100 shares.

Finally, the Commission wishes to alert interested persons to the list of rule rescissions which is included in this release. With the adopting of the full disclosure rules, the Commission is rescinding a large number of rules which have heretofore governed registration and filing requirements for registered issuers.

The Commission believes that the adoption integrated disclosure system and these implementing rules signals an important milestone in its continuing effort to modernize the operations of the Commission and the securities industry in the Philippines. The Commission believes that public companies should disclose fully information on all aspects of their operations so that knowledgeable investment decisions can be made by their stockholders and potential investors.

New Rules[*] Adopted by the Commission

Rule 3-3 Requirements for Filings Pursuant to the RSA and the Corporation Code of the Philippines

Rule 3-4 General Rules and Regulations for Filing of SEC Forms with the SEC.

Rule 3-5 Incorporation by Reference Requirements

Rule 8 (a)-1 Requirement to File Registration Statements

Rule 11(a)-1 Requirements to File Annual, Quarterly, Current, Predecessor and Successor Reports.

Rule 11(a)-2 Notification of Inability to Timely File All or Any Required Portion of an SEC Form 11-A or Form 11-Q

Rule 34(a)-1 The Proxy Rule

Rule 34(b)-1 Distribution of Proxies by Broker or Dealer

Rule 34(c)-1 Information Statement Rule

Rule 36(a)-1 Reports to be Filed by Directors, Officers, and Principal Stockholders

Rule 48 Rules and Regulations Covering Form and Content of Financial Statements

Old Rules Rescinded by the Commission

- Terms and Conditions of the Permit to Sell Securities to the Public, SEC Circular No. 4a and b, Series of 1984 (Nov. 5, 1984)
- Terms and Condition of the Permit to Sell Securities to the Public, SEC Circular No. 5a and b, Series of 1984 (April 4, 1984)
- Terms and Conditions of the Permit to Sell Securities to the Public, SEC Circular No. 6a and b, Series of 1984 (Nov. 5, 1994)
- Terms and Conditions of the Permit to Sell Securities to the Public, SEC Circular No. 7a and b, Series of 1984 (Nov. 5, 1994)
- Interim Guidelines for Registration of Bonds adopted Dec. 14, 1987.
- Rules Governing the Grants of Stock Options (Feb. 25, 1977).
- Requirements and Procedures Relative to Applications for Registration of Securities Under the Revised Securities Act (Attached: SEC Form RSA I) adopted Oct. 22, 1970.
- Requirements and Procedures for the Revocation of Registration of Securities adopted July, 1984.
- Rules Requiring Disclosure of Material Facts by Corporations Whose Securities are Listed in Any Stock Exchange or Registered/Licensed Under the Revised Securities Act, adopted Feb. 8, 1973.
- Rules Requiring Filing of Minutes Approving Certain Corporate Actions of Interest to the Public adopted Aug. 6, 1973.
- Periodic and Other Reports Pursuant to Section 11 of the Revised Securities Act, BED Circular No. 1, Series of 1987 (Jan. 30, 1987).
- Amendment of Circular No. 1 on Periodic and Other Reports Pursuant to Section 11 of the Revised Securities Act, BED Circular No. 1-A, Series of 1987 (March 24, 1987).
- Annual Reports, SEC-BED Memorandum Circular No. 7, Series of 1988 (Aug. 16, 1988).
- Deposit of Proceeds from Sale of Securities, SEC-BED Memo. Circular No. 11, Series of 1989 (Oct. 31, 1989).
- Rules Governing the Dissemination of News, Tips or Rumors About the Issuer Corporation or Its Securities adopted Sept. 3, 1969.
- Rules Requiring Attendance of SEC Representative in Press Conferences or Interviews given by listed Companies adopted April 18, 1974.
- Payment of Filing Fee, SEC-BED Circular No. 10, Series of 1989 (Oct. 9, 1989) .
- Circular No. 7, December 27, 1982, Untitled.
- Management's Acknowledgment of Responsibility Over the Financial Statements of their Corporations, Circular No. 2 (march 26, 1987).
- Rules Requiring the Keeping of Accounting Records and Filing of Annual Financial Statements by Corporations (as Amended) adopted on March 26, 1958.

— Rules Prescribing the Penalties for Non-Filing or Late Filing of Annual Financial Statements (as Amended) adopted on April 24, 1970.

— Amendment to the Rules Requiring the Annual Filing of Corporate Financial Statements by Corporation by Making Them Available for Public Inspection adopted on May 5, 1970.

— Submission of Additional Financial Statements, Memorandum Circular No. 9, SMD Series, 1987 (Feb. 24, 1987).

— Regulating the Examination of Financial Statements by private Parties, SEC Memorandum Circular No. 1 (Oct. 6, 1961).

— Publication of Application for Listing of Securities, Memorandum Circular No. 15, Series of 1987 (Sept. 18, 1987).

— Amendment to the Revised Rules governing the Registration and/or Listing of Securities of Corporations, SEC-BED Memo. Circular No. 5, Series of 1989 (Feb. 8, 1989).

— BED Circular No. 2, Series of 1987, Untitled (Feb. 26, 1987).

— Compromise Penalties for Non-Filing/Late Filing of Reportorial Requirements by Corporations Under the Terms and Conditions of Their Permit to Sell Securities to the Public SMB Memorandum Circular No. 5, Series of 1993 (Dec. 21, 1993).

— Requirements and Procedure for Listing and Delisting of Securities, Brokers and Exchanges Dept., Undated.

Effective Date of the New Rules

The new rules contained in this Release shall take effect fifteen (15) days after their publication in two (2) newspapers of general circulation in the Philippines.

Adopted: 24 July 1996

(SGD.) PERFECTO R. YASAY, JR.

Chairman

Securities and Exchange Commission

(SGD.) FE ELOISA C. GLORIA

Associate Commissioner

(SGD.) ROSALINDA U. CASIGURAN

Associate Commissioner

(SGD.) EDIGER A. MARTINEZ

Associate Commissioner

[*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Q.C.

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