

THE REVISED SECURITIES ACT

BATAS PAMBANSA BLG. 178, February 23, 1982

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Be it enacted by the Batasang Pambansa in session assembled:

Chapter I.—Title and Definitions

SECTION 1. Title.—This Act shall be known as the Revised Securities Act. (1a)

SEC. 2. Definitions.—For purposes of this Act:

(a) "Securities" shall include bonds, debentures, notes, evidences of indebtedness, shares in a company preorganization certificates or subscriptions, investments contracts, certificates of interest or participation in a profit sharing agreement, collateral trust certificates, equipment trust certificates (including conditional sale contracts or similar interests or instruments serving the same, purpose), voting trust certificates, certificates of deposit for a security, or fractional undivided interest in oil, gas, or other mineral rights, or, in general, interests or instruments commonly considered to be "securities", or certificates of interests or participation in, temporary or interim certificates for, receipts for, guarantees of, or warrants or rights to subscribe to or buy or sell any of the foregoing; or commercial papers evidencing indebtedness of any person, financial or non-financial entity, irrespective of maturity, issued, endorsed, sold, transferred or in any manner conveyed to another, with or without recourse, such as promissory notes, repurchase agreements, certificates of assignments, certificates of participation, trust certificates or similar instruments; proprietary or non-proprietary membership certificates, commodity futures contracts, transferable stock options, pre-need plans, pension plans, life plans, joint venture contracts, and similar contracts and investments where there is no tangible return on investments plus profits but an appreciation of capital as well as enjoyment of particular privileges and services.

(b) "Person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, any business organization, or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidence by a security.

(c) "Sale" or "sell" shall include every contract of sale or disposition of security or interest in a security, for value. The terms "offer to sell", "offer for sale", or "offer" shall include every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security, for value.

(d) "Buy" and "purchase" shall include any contract to buy, purchase, or otherwise acquire.

(e) "Issuer" means every person who issues or proposes to issue any security; except that with respect to certificates of deposit, voting trust certificates, or certificates of interest or shares in an incorporated investment trust, not having a board of directors or persons performing similar functions or of the fixed restricted management, or unit type, the term "issuer" means any person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued; and except that with respect to fractional undivided rights in oil, gas, or other mineral rights, claims or properties, the term "issuer" means the owner of any such right or property or of any

interest therein, whether whole or fractional, who creates fractional interests therein for the purpose of public offering.

(f) "Dealer" means any person engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include any person insofar as he buys or sells securities for his own account, either individually or in some fiduciary capacity, but not as a part of a regular business.

(g) "Salesman" shall include every natural person, other than a dealer, employed or appointed or authorized by a dealer, issuer or broker to sell securities in any manner. The partners in a partnership and the executive officers of a corporation or other association registered as a dealer shall not be salesmen within the meaning of this definition.

(h) "Broker" means any person engaged in the business of effecting transactions in securities for the account of others but does not include a bank.

(i) "Exchange" means any organization, association, or group of persons, whether incorporated or unincorporated which constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange as that term is generally understood, and includes the market place and the market facilities maintained by such exchange.

(j) "Facility", when used with respect to an exchange, includes its premises, tangible or intangible property, whether on the premises or not, any right to the use of such premises or property or any services thereof for the purpose of effecting or reporting a transaction on an exchange including, among other things any system of communication to or from the exchange, by ticker or otherwise, maintained by or with the consent of the exchange, and any right of the exchange to the use of any property or service.

(k) "Member", when used with respect to an exchange, means (1) any natural person permitted to effect transactions on the floor of exchange without the services of another person acting as broker, (2) any registered broker or dealer with which such a natural person is associated (3) any registered broker or dealer permitted to designate as a representative such a natural person, and (4) any other registered broker or dealer which agrees to be regulated by such exchange and with respect to which the exchange undertakes to enforce compliance with the provisions of this Act, the rules and regulations thereunder, and its own rules.

(l) "Bank" means an institution authorized to operate as such by the Central Bank of the Philippines .

(m) "Director" means any director of a corporation or any person performing similar functions with respect to any organization, whether incorporated or unincorporated.

(n) "Commission" means the Securities and Exchange Commission.

(o) "Clearing agency" means any person who acts as an intermediary in making payments or deliveries or both in connection with transactions in securities or who provides facilities for comparison of data respecting the terms of settlement of securities transactions, to reduce the number of settlements of securities transactions, or for the allocation of securities settlement responsibilities. Such term also means any person, such as a securities depository, who (1) acts as a custodian of securities in connection with a system for the central handling of securities whereby all securities of a particular class or series of any issuer deposited within the system are treated as fungible and may be transferred, loaned, or pledged by bookkeeping entry without physical delivery of securities certificates, or (2) otherwise permits or facilitates the settlement of securities transactions without physical delivery of securities certificates.

(p) "Transfer agent" means any person who engages on behalf of an issuer of securities or on behalf of itself as an issuer of securities in (1) countersigning such securities upon issuance; (2) monitoring the issuance of such securities with a view to preventing unauthorized issuance, a function commonly performed by a person called a registrar; (3) registering the transfer of such securities, (4) exchanging or converting such securities; or (5) transferring record ownership of securities by bookkeeping entry without physical issuance of securities certificates.

(q) "Underwriter" means any person who has purchased from an issuer with a view to, or offers or sells for an issuer in connection with, the distribution of any security, or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors or sellers' commission. As used in this paragraph, the term "issuer" shall include, in addition to an issuer any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer.

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

SEC. 3. Administrative agency. —This Act shall be administered by the Commission which shall continue to have the organization, powers, and functions provided by Presidential Decrees Numbered 902-A, 1653, 1758 and 1799 and Executive Order No. 708. The Commission shall, except as otherwise expressly provided, have the power to promulgate such rules and regulations as it may consider appropriate in the public interest for the enforcement of the provisions hereof. (n)

Chapter II. —Registration of Securities

SEC. 4. Requirement of registration of securities. —

(a) No securities, except of a class exempt under any of the provisions of Section five hereof or unless sold in any transaction exempt under any of the provisions of Section six hereof, shall be sold or offered for sale or distribution to the public within the Philippines unless such securities shall have been registered and permitted to be sold as hereinafter provided.

(b) Notwithstanding the provisions of paragraph (a) of this Section and of the succeeding Sections regarding exemptions, no commercial paper as defined in Section two hereof shall be issued, endorsed, sold, transferred or in any other manner conveyed to the public, unless registered in accordance with the rules and regulations that shall be promulgated in the public interest and for the protection of investors by the Commission. The Commission, however, with due regard to the public interest and the protection of investors, may, by rules and regulations, exempt from registration any commercial paper that may otherwise be covered by this paragraph. In either case, the rules and regulations promulgated by the Commission shall be subject to the approval of the Monetary Board of the Central Bank of the Philippines. The Monetary Board shall, however, have the power to promulgate its own rules on the monetary and credit aspects of commercial paper issues, which may include the imposition of ceilings on issues by any single borrower, and the authority to supervise the enforcement of such

rules and to require issues of commercial papers to submit their financial statements and such periodic reports as may be necessary for such enforcement. As far as practicable, such financial statements and periodic reports, when required by both the Commission and the Monetary Board, shall be uniform.

(c) A record of the registration of securities shall be kept in a Register of Securities in which shall be recorded orders entered by the Commission with respect to such securities. Such register and all documents or information with respect to the securities registered therein shall be open to public inspection at reasonable hours on business days. (4a)

SEC. 5. Exempt securities.— (a) Except as expressly provided, the requirement of registration under subsection (a) of Section four of this Act shall not apply to any of the following classes of securities:

- Any security issued or guaranteed by the Government of the Philippines, or by any political subdivision or agency thereof or by any of its public instrumentalities, or by any person controlled or supervised by, and acting as an instrumentality of said Government, or any certificate of deposit for any of the foregoing.
- Any security issued or guaranteed by the government of any country with which the Philippines is, at the time of the sale or offer of sale thereof, maintaining diplomatic relations, or by any state, province or political subdivision thereof having the power of taxation or assessment, which security is recognized at the time of the sale or the offer to sell in the Philippines as a valid obligation by such foreign government or by such state, province or political subdivision thereof using the same.
- Any security issued or guaranteed by any banking institution authorized to do business in the Philippines the business of which is substantially confined to banking or a financial institution licensed to engage in quasi-banking, and is supervised by the Central Bank.
- Any security issued by a building and loan association, non-stock savings and loan institution, substantially all the business of which is confined to the making of loans to members but does not include any such security where the issuer takes from the total amount paid or deposited by the purchaser, by way of any fee, cash value or other device whatsoever, either upon termination of the investment at maturity or before maturity an aggregate amount in excess of three per centum of the face value of such security; or any security issued by rural credit associations or by cooperative marketing association; which are subject to regulation and supervision by the proper government agency.
- Certificates issued by a receiver or by a trustee in bankruptcy duly approved by the court.
- Any insurance or endowment policy or annuity contract, or optional annuity contract, issued by a corporation subject to the supervision of the Insurance Commission,
- Any security covering any right or interest in real property, including a subdivision lot or a condominium unit, where the sale or transfer of such security is subject to the supervision and regulation of the Ministry of Human Settlements or any of its authorized constituent or attached agencies.
- Pension plans subject to regulation and supervision by the Bureau of Internal Revenue and/or the Insurance Commission.

(b) The Commission may, from time to time and subject to such terms and conditions as may be prescribed after public hearing, add to the foregoing any class of securities similar to these above-enumerated if it finds that the enforcement of this Act with respect to such securities is not necessary in the public interest and for the protection of investors. (5a)

SEC. 6. Exempt transactions. —(a) The requirement of registration under subsection (a) of Section four of this Act

shall not apply to the sale of any security in any of the following transactions:

- At any judicial sale, or sale by an executor administrator, guardian or receiver or trustee in insolvency or bankruptcy.
- By or for the account of a pledge holder, or mortgagee, or any other similar lienholder selling or offering for sale or delivery in the ordinary course of business and not for the purpose of avoiding the provisions of this Act, to liquidate a bona fide debt, a security pledged in good faith as security for such debt.
- An isolated transaction in which any security is sold, offered for sale, subscription or delivery by the owner thereof, or by his representative for the owner's account, such sale or offer for sale, subscription or delivery not being made in the course of repeated and successive transactions of a like character by such owner, or on his account by such representative and such owner or representative not being the underwriter of such security.
- The distribution by a corporation, actively engaged in the 'business, authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus; or the issuance of securities to the security holder or other creditors of a corporation in the process of a bona fide reorganization of such corporation made in good faith and not for the purpose of avoiding the provisions of this Act, either in exchange for the securities of such security holders or claims of such creditors or partly for cash and partly in exchange for the securities or claims of such security holders or creditors; or the issuance of additional capital stock of a corporation sold or distributed by it among its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale or distribution of such increased capital stock.
- The transfer or exchange by one corporation to another corporation of their own securities in connection with a consolidation or merger of such corporations.
- The issuance of bonds or notes secured by mortgage upon real estate or tangible personal property, where the entire mortgage together with all the bonds or notes secured thereby are sold to a single purchaser at a single sale.
- The issue and delivery of any security in exchange for any other security of the same issuer pursuant to right of conversion entitling the holder of the security surrendered in exchange to make such conversion, provided that the security so surrendered has been registered and permitted to be sold under this Act or was, when sold, exempt from the provisions of this Act, and that the security issued and delivered in exchange, if sold at the conversion price, would at the time of such conversion fall within the class of securities entitled to registration under this Act. Upon such conversion the par value of the security surrendered in such exchange shall be deemed the price at which the securities issued and delivered in such exchange are sold.
- Broker's transactions, executed upon customer's orders on any exchange or in the over-the-counter market but not those made upon the solicitation by brokers of such orders.
- Subscriptions for shares of the capital stock of a corporation prior to the incorporation thereof under the Corporation Code, when no expense is incurred, or no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities, and only when the purpose for soliciting, giving or taking, of such subscriptions is to comply with the requirements of such law as to the percentage of the capital stock of a proposed corporation which should be subscribed before it can be registered and duly incorporated.
- The exchange of securities by the issuer with its existing security holders exclusively, where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange.
- Any issuance of any security by a public utility or service corporation which, in compliance with or pursuant to

law, regulation or decree, is intended to broaden its equity base as well as to finance a part of the capital investment thereof through the issuance and sale of stocks.

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

(c) A fee equivalent to one-tenth of one per centum of the maximum aggregate price or issued value of the securities shall be collected by the Commission for granting a general or particular exemption from the registration requirements of this Act. (6a)

SEC. 7. Commodity futures contracts. —Notwithstanding the provisions of paragraph (a) of Section 4 and of Section 5 and 6 regarding exemptions, commodity futures contracts may be registered or otherwise regulated, and futures commission merchants, future brokers, floor brokers, pool operators and advisors licensed and supervised in accordance with the rules and regulations that shall be promulgated in the public interest and for the protection of investors by the Commission, with the approval of the Monetary Board of the Central Bank of the Philippines. Such rules and regulations may, among other things, provide for the establishment and maintenance by futures commission merchants, futures brokers, floor brokers, pool operators and advisor of bank accounts exclusively for margin deposit of and/or other receipts from customers, the monitoring of withdrawals from such account through periodic reports and/or examination, the requirement that at least one of the signatories to fund withdrawals from such account must be a Filipino citizen and a resident of the Philippines, the posting by futures commission merchants, future brokers, floor brokers, pool operators and advisors of a bond in an amount sufficient to meet possible claims against them, taking into account the volume of margin deposits held by them, the establishment of a common compensation fund to be contributed by all futures commission merchants, futures brokers, floor brokers, pool operators and advisors and subject to the control and supervision of the Commission, and the registration and use by futures commission merchants, futures brokers, floor brokers, pool operators and advisors of official receipts to evidence commissions received by them from customers. However, the Commission shall, after proper notice and opportunity for hearing, prohibit transactions with respect to all or specified commodity futures contracts if it shall find that such transactions will be inimical to the economic interest of the country or may cause grave or irreparable injury or prejudice to the investing public. (n)

SEC. 8. Procedure for registration.— (a) All securities required to be registered under subsection (a) of Section four of this Act shall be registered through the filing by the issuer or by any dealer or underwriter interested in the sale thereof, in the office of the Commission, of a sworn registration statement with respect to such securities, containing or having attached thereto, the following:

- Name of issuer and, if incorporated, place of incorporation.
- 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.
- The names and addresses of the directors or persons performing similar functions, and the chief executive, financial and accounting officers, chosen or to be chosen, if the issuer be a corporation, association, trust, or other entity; of all the partners, if the issuer be a partnership; and of the issuer, if the issuer be an individual; and of the promoters in the case of a business to be formed.
- The names and addresses of the underwriters.

- 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.
- 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 as of a date within twenty days prior to the filing of the registration statement.
- 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, if possible, as of one year prior thereto, and the amount of the securities, for which the registration statement is filed, to which such persons have indicated their intention to subscribe.
- 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 value thereof; a description of the respective voting rights, preferences, conversion and exchange rights, rights to dividends, profits, or capital of each class, with respect to each other class, including the retirement and liquidation rights or values thereof.
- A copy of the security for the registration of which application is made.
- A copy of any circular, prospectus, advertisement, letter, or communication to be used for the public offering of the security.
- A statement of the securities, if any, covered by options outstanding or to be created in connection with the security to be offered together with the names and addresses of all persons, if any, to be allotted more than ten (10%) per centum in the aggregate of such options.
- The amount of capital stock of each class issued or included in the shares of stock to be offered.
- The amount of the funded indebtedness outstanding and to be created by the security to be offered, with a brief statement of the date, maturity, and character of such debt, rate of interest, character or amortization provisions, other terms and conditions thereof and the security, if any, therefore. If substitution is permissible, a summarized statement of the conditions under which such substitution is permitted. If substitution is permissible without notice, a specific statement to that effect.
- The specific purposes in detail and the approximate amounts to be devoted to such purposes, so far as determinate, for which the security to be offered is to supply funds, and if the funds are to be raised in part from other sources, the amounts and the sources thereof.
- The remuneration, paid or estimated to be paid, by the issuer or its predecessor, directly or indirectly, during the past year and the ensuing year to (a) the directors or persons performing similar functions, and (b) its officers and other persons, naming them whenever such remuneration exceed sixty thousand (P60,000.00) pesos during any such year.
- The amount of issue of the security to be offered.
- The estimated net proceeds to be derived from the security to be offered.
- The price at which the security is proposed to be offered to the public or the method by which such price is computed and any variation therefrom at which any portion of such security is proposed to be offered to persons

or classes of persons, other than the underwriters, naming them or specifying the class. A variation in price maybe proposed prior to the date of the public offering of the security by filing an amended registration statement.

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

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

- The net proceeds derived from any security sold by the issuer during two years preceding the filing of the registration statement, the price at which such security was offered to the public, and the names of the principal underwriters of such security.

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

- The names and addresses of the vendors and the purchase price of any property or goodwill, acquired or to be acquired, not in the ordinary course of business, which is to be defrayed in whole or in part from the proceeds of the security to be offered, the amount of any commission payable to any person in connection with such acquisition, and the name or names of such person or persons, together with any expenses incurred or to be incurred in connection with such acquisition, including the cost of borrowing money to finance such acquisition.

- Full particulars of the nature and extent of the interest, if any, of every director, principal executive officer, and of every stockholder holding more than ten (10%) per centum in the aggregate of the stock of the issuer, in any property acquired, not in the ordinary course of business of the issuer, within two years preceding the filing of the registration statement or proposed to be acquired at such date.

- The names and addresses of independent counsel who have passed on the legality of the issue.

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

Any contract, whether or not made in the ordinary course of business with any stockholder, whether a natural or juridical person, owning more than ten (10%) per centum of the shares of the issuer shall be deemed a material contract for the purpose of this Act.

- A balance sheet as of a date not more than ninety days prior to the date of the filing of the registration statement showing all of the assets of the issuer, the nature and cost thereof, whenever determinable with intangible items segregated, including any loan to or from any officer, director, stockholder or person directly or indirectly

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

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

- Any liabilities of the issuer to companies controlling or controlled by the issuer shall be disclosed in full detail as to use of the proceeds thereof, the maturity and repayment schedule, nature of security thereof, the rate of interest and other terms and conditions thereof. If the proceeds, or any part of the proceeds, of the security to be issued is to be applied directly or indirectly to the purchase of any business, a profit and loss statement of such business, certified by an independent certified public accountant, meeting the requirements of subparagraph (28) of this subsection, for the three preceding fiscal years, together with a balance sheet, similarly certified, of such business, meeting the requirements of subparagraph (27) hereof of a date not more than ninety days prior to the filing of the registration statement or at the date such business was acquired by the issuer more than ninety days prior to the filing of the registration statement,

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

- A copy of the opinion or opinions of independent counsel in respect to the legality of the issue.

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

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

- The amount of cash to be paid as promotion fees, or of capital stock which is to be set aside and disposed of as promotion stock, and a statement of all stock issued from time to time as promotion stock.

- In connection with securities issued by a person engaged in the business of developing, exploiting or operating mineral claims, a sworn statement of a mining engineer stating the ore possibilities of the mine and such other information in connection therewith as will show the quality of the ore in such claims, and the unit cost of extracting it.
- Unless previously filed and registered with the Commission and brought up to date:
 - (a) A copy of its articles of incorporation with all amendments thereof and its existing by-laws or instruments corresponding thereto, whatever the name, if the issuer be a corporation;
 - (b) A copy of all instruments by which the trust is created or declared and in which it is accepted and acknowledged, if the issuer is a trust;
 - (c) A copy of its articles of partnership or association and all the papers pertaining to its organization, if the issuer is a partnership, unincorporated association, joint-stock company, syndicate, or any other form of organization.
- A copy of the underlying agreements or indentures affecting any stock, bonds, or debentures offered or to be offered by the issuer and outstanding on the part of companies controlling or controlled by the issuer
- Where the issuer or registrant is not formed, organized and existing under the laws of the Philippines or is not domiciled in the Philippines a written power of attorney, certified and authenticated in accordance with law, designating some individual person, who must be a resident of the Philippines, on whom any summons and other legal processes may be served in all actions or other legal proceedings against him and consenting that service and upon such resident agent shall be admitted as valid and proper service upon the issuer or registrant, and if at any time that service cannot be made upon such resident agent, service shall be made upon the Commission.

Additional information or documents including written information from an expert, may be required, or anyone of the above requirements may be dispensed with, depending on the necessity thereof for the protection of the public investors, or their applicability to the class of securities sought to be registered, as the case may be.

The registration statement shall be signed by the issuer its principal executive officer, its principal operating officer its principal financial officer, its comptroller or principal accounting officer or persons performing similar functions, The written consent of the expert named as having certified any part of the registration statement or any document used in connection therewith shall also be filed.

Upon filing of the registration statement, the registrant shall pay to the Commission a fee of not more than one-tenth of one per centum of the maximum aggregate price at which such securities are proposed to be offered and the fact of such filing shall be immediately published by the Commission, at the expense of the registrant, in two newspapers of general circulation in the Philippines, once a week for two consecutive weeks, reciting that a registration statement for the sale of such security has been filed with it, and that the aforesaid registration statement, as well as the papers attached thereto, are open to inspection during business hours, by interested parties, and copies thereof, photostatic or otherwise, shall be furnished to every applicant at such reasonable charge as the Commission may prescribe.

Any interested party may file an opposition to the registration within ten days from the publication.

If after the completion of the aforesaid publication, the Commission finds that the registration statement together with all the other papers and documents attached thereto, is on its face complete and that the requirements and conditions for the protection of the investors have been complied with, and unless there are grounds to reject a registration statement as herein provided, it shall as soon as feasible enter an order making the registration effective, and issue to the registrant a permit reciting that such person, its brokers or agents, are entitled to offer the securities named in said certificate, with such terms and conditions as it may impose in the public interest and

for the protection of investors.

The Commission shall, however, advise the public that the issuance of such permit shall not be deemed a finding by the Commission that the registration statement is true and accurate on its face or that it does not contain an untrue statement of fact or omit to state a material fact, or be held to mean that the Commission has in any way given approval to the security included in the registration statement. Every permit and any other statement, printed or otherwise, for public consumption, that makes reference to such permit shall clearly and distinctively state that the issuance thereof is only permissive and does not constitute a recommendation or endorsement of the securities permitted to be offered for sale. It shall be unlawful to make, or cause to be made, to any prospective purchaser any representation contrary to the foregoing.

Notwithstanding the foregoing, the Commission, for the guidance of investors, may require issuers to submit their securities to rating by securities rating agencies accredited by the Commission, to provide all information necessary therefore, and to report such rating in the registration statement and prospectus, if any, offering the securities.

If any change occurs in the facts set forth in the registration statement, it shall be the obligation of the issuer, dealer or underwriter who filed the original registration statement to submit to the Commission for approval an amended registration statement.

The Commission, in its order, may fix the maximum amount of commission or other form of remuneration to be paid in cash or otherwise, directly or indirectly, for or in connection with the sale or offering for sale of such securities in the Philippines and the maximum amount of compensation which the issuer shall pay for mining claims and mineral rights for which provision is made by the issuer for payment in cash or securities. The amount of compensation which shall be paid the owner or holder of such mining claims or mineral rights shall be fair valuation thereof, as may be fixed by the Commission, after consultation with the Bureau of Mines, and after or receiving such technical information as the issuer or dealer or the owner or owners of such claims may care to in the premises.

A copy of the order of the Commission making the registration effective, together with the registration statement, shall be transmitted to the exchange wherein the security may be listed and shall be available for inspection by any interested party during reasonable hours on any business day.

The order shall likewise be published, at the expense of the registrant, once in a newspaper of general circulation within ten days from its promulgation.

The same rules shall apply to any amendment to the registration statement. (7a)

SEC. 9. Grounds for the rejection of registration.--The Commission may reject a registration statement and refuse to issue a permit to sell the securities included in such registration statement if it finds that—

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

(2) The issuer or registrant—

- (i) is not solvent or not in sound financial condition;
- (ii) has violated or has not complied with the provisions of this Act, or the rules promulgated pursuant thereto, or any order of the Commission;
- (iii) has failed to comply with any of the applicable requirements and conditions that the Commission may, in

the public interest and for the protection of investors, impose before the security can be registered;
(iv) has been engaged or is engaged or is about to engage in fraudulent transactions;
(v) is in any other way dishonest or is not of good repute; or
(vi) does not conduct its business in accordance with law or is engaged in a business that is illegal or contrary to government rules and regulations.

(3) The enterprise or the lousiness of the issuer is not shown to be sound or to be based on sound business principles;

(4) An officer, member of the board of directors, or principal stockholder of the issuer is disqualified to be such officer, director, or principal stockholder; or

(5) The issuer or registrant has not shown to the satisfaction of the Commission that the sale of its security would not work to the prejudice of the public interest or as a fraud upon the purchasers or investors, (n)

SEC. 10. Amendments to the registration statement.—

(a) If a registration statement is on its face incomplete or inaccurate in any material respect, the Commission may, after notice by personal service or by sending a confirmed telegraphic notice to the registrant, issue an order denying action on the registration statement until it has been amended in accordance with such order. When such statement has been amended in accordance with such order the Commission shall act on the amended registration in accordance with the procedure mentioned in Section eight hereof.

(b) An amendment filed after the effective date of the registration statement, shall become effective upon its approval by the Commission.

(c) If the registration statement includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Commission may, after notice by personal service or by sending a confirmed telegraphic notice and after opportunity for hearing has been granted, issue an order suspending the effectivity of the registration statement. If the statement is amended in accordance with requirements, the suspension order shall be lifted.

(d) The Commission may conduct an examination in any case in order to determine whether an order should issue under subsection (c) hereof. In making such examination the Commission or any officer or officers designated by it shall have access to, and may demand the product of, any books and records of, and may administer oaths and affirmations to and examine, the issuer, underwrite, or any other person, in respect of any matter relevant b the examination, and may in its discretion, require the production of the corporate books and records, among others, its assets and liabilities and income statement of the issuer, certified to by a certified public accountant. Failure of the issuer or underwriter to cooperate, his obstruction or refusal to undergo an examination, shall be a ground for the issuance of a suspension order. (n)

SEC. 11. Periodic and other reports.— (a) Every issuer of a security registered pursuant to this Act shall file with the Commission—

- Such information and documents as shall keep reasonably current the information and documents required to be included in or filed with an application or registration statement filed;

- Such annual reports and such periodicals and other reports as may be necessary to update information on the operation of the business of the issuer or registrant; and

- Such copies of all circulars, prospectuses, and other advertising matter, before or at the time of their issuance for publication, as the issuer or any person acting for him may issue from time to time, which shall in all cases fully

set forth the amount and nature of the fees or expenses, payable in cash or securities, for goodwill, organization or promotion and such other matters as may be necessary for the protection of investors.

Every issuer of a security registered with an exchange shall file a duplicate original of such information, documents, and reports with the exchange.

(b) The Commission may prescribe, in regard to reports made pursuant to this Act, the form or forms in which the required information shall be set forth, and the items or details to be shown therein.

(c) If any report required under subsection (a) inapplicable to any specified class or classes of issuers such reports of comparable character as may be applicable to such class or classes of issuers shall be submitted in lieu thereof.

(11a)

SEC. 12. Civil liabilities on account of false registration statement.— (a) 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, unless it is proved that at the time of such acquisition he knew of such untrue statement or omission, may sue in a court of competent jurisdiction:

- Every person who signed the registration statement;

- 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;

- 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;

- 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.

- Every underwriter with respect to such security.

(b) Notwithstanding the provisions of subsection (a) no person, other than the issuer, shall be liable as provided therein if he proves—

- That before the effective date of the part of the registration statement with respect to which his liability is asserted (A) he had resigned from or had taken such steps as are permitted by law to resign from, or ceased or refused to act in, every office, capacity, or relationship in which he was described in the registration statement as acting or agreeing to act, and (B) he had advised the Commission and the issuer in writing that he had taken such action and that he would not be responsible for such part of the registration statement; or

- That (A) as regards any part of the registration statement not purporting to be a copy of or extract from a report or valuation of an expert, and not purporting to be made on the authority of a public official document or statement, he had, after reasonable investigation, reasonable ground to believe and did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (B) as regards any part of the registration statement purporting to be made upon his authority as

an expert or purporting to be a copy of or extract from a report or valuation of himself as an expert, (i) he had, after reasonable investigation, reasonable ground to believe and did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) such part of the registration statement did not fairly represent his statement as an expert or was not fair copy of or extract from his report or valuation as an expert; and (C) as regards any part of the registration statement purporting to be made on the authority of an expert (other than himself) or purporting to be a copy of or extract from a report or valuation of an expert (other than himself), he had no reasonable ground to believe and did not believe, at the time such part of the registration statement became effective, that the statements therein were untrue or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such part of the registration statement did not fairly represent the statement of the expert or was not a fair copy of or extract from the report or valuation of the expert; and (D) as regards any part of the registration statement purporting to be a statement made by a public official or purporting to be a copy of or extract from a public official document, he had no reasonable ground to believe and did not believe, at the time such part of the registration statement became effective, that the statements therein were untrue, or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such part of the registration statement did not fairly represent the statement made by the public official or was not a fair copy of or extract from the public official document.

(c) In determining, for the purpose of paragraph (2) of subsection (b) of this Section, what constitutes reasonable investigation and reasonable ground for belief, the standard of reasonableness shall be that required of a prudent man in the management of his own property.

(d) The suit authorized under subsection (a) may be filed to recover such damages as shall represent double the difference between the amount paid and committed to be paid for the security, not exceeding the price at which the security was offered to the public, and (1) the value thereof as of the time such suit was brought, or in case the security has been disposed of, (2) the price at which such security shall have been disposed of in the market before the suit, or (3) the price at which such security shall have been disposed of after the filing of the suit but before judgment. No underwriter shall be liable in any suit or as a consequence of suits authorized under subsection (a) hereof for damages in excess of the total price at which the securities underwritten by him and distributed to the public were offered to the public.

In any suit under this or any other section of this Act, the court may, in its discretion, require an undertaking for the payment of the costs of such suit, including reasonable attorney's fees. Costs may be allowed by the Court to the prevailing party litigant in accordance with Rule 142 of the Rules of Court.

Exemplary damages may also be awarded in cases of bad faith, fraud, malevolence or wantonness in the violation of this Act or the rules and regulations promulgated thereunder.

(e) The persons specified in subsection (a) hereof shall be jointly and severally liable for the payment of damages, However, any person who becomes liable for the payment of such damages may recover contribution from any other person who, if sued separately, would have been liable to make the same payment, unless the former was guilty of fraudulent representation and the latter was not.

(f) In no case shall the amount recoverable under this Section exceed double the price at which the security was offered to the public and such exemplary damages as may be awarded by the court.

(g) Notwithstanding any provision of law to the contrary, all persons, including the issuer, held liable under this Section, shall contribute equally to the total liability adjudged herein. In no case shall the principal stockholders,

directors and other officers of the issuer or persons occupying similar positions therein, recover their contribution to the liability from the issuer. However, the right of the issuer to recover from the guilty parties the amount it has contributed under this Section shall not be prejudiced. (n)

SEC. 13. Civil liabilities arising in connection with prospectuses, communications and reports.— (a) Any person who—

- offers to sell or sells a security in violation of Chapter II, or

- offers to sell or sells a security, whether or not exempted by the provisions of this Act, by the use of any means or instruments of transportation or communication, by means of a prospectus or oral communication, which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading, the purchaser not knowing of such untruth or omission, and who shall fail in the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of such untruth or omission, shall be liable to the person purchasing such security from him, who may sue, in any court of competent jurisdiction, to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if he no longer owns the security.

Exemplary damages may likewise be awarded in cases of bad faith, fraud, malevolence or wantonness.

(b) Any person who shall make or cause to be made any statement in any report, or document filed pursuant to this Chapter or any rule or regulation thereunder, which statement was at the time and in the light of the circumstances under which it was made false or misleading with respect to any material fact, shall be liable to any person who, not knowing that such statement was false or misleading, and relying upon such statement, shall have purchased or sold a security at a price which was affected by such statement, for damages caused by such reliance, unless the person sued shall prove that he acted in good faith and had no knowledge that such statement was false or misleading. In any such suit the court may discretion, require an undertaking for the payment of the costs of such suit, and assess reasonable costs, including reasonable attorney's fees against either party litigant.

Every person who becomes liable to make payment under this subsection may recover contribution as in cases of contract from any person who, if joined in the original suit, would have been liable to make the same payment. (n)

SEC 14. Limitation of action. —(a) No action shall be maintained to enforce any liability created under Section 12 or Section 13 of this Act unless brought within two years after the discovery of the untrue statement or the omission, or, if the action is to enforce a liability created under Section 13 (a) (1), unless brought within two years after the violation upon which it is based. In no event shall any such action be brought to enforce a liability created under Section 12 or 13(a) (1) more than five years after the security was bona fide offered to the public, or under Section 13 (a) (2) more than five years after the sale.

(b) No action shall be maintained to enforce any liability created under Section 13 (b) or any other provision of this Act unless brought within two years after the discovery of the facts constituting the cause of action and within five years after such cause of action accrued. (n)

SEC. 15. Suspension of registration. —If, at any time, the information contained in the statement filed is or has become misleading, incorrect, inadequate or incomplete, or the sale or offering for sale of the security may work or tend to work a fraud, the Commission may require from the person filing such statement such further information as may in its judgment be necessary to enable the Commission to ascertain whether the registration of such security should be revoked on any ground specified in this Act, and the Commission may also suspend the right to sell such security pending further investigation, by entering an order specifying the grounds for such

action, and by notifying by mail or personally or by telephone confirmed in writing, or by telegraph, the person filing such statement and every dealer and broker who shall have notified the Commission of an intention to sell such security. The refusal to furnish information required by the Commission, within a reasonable time to be fixed by the Commission, may be a proper ground for the entry of such order of suspension. Upon the entry of any such order of suspension, no further sales of such security shall be made until the Commission orders otherwise. Any such sale shall be void.

In the event of such entry of such order of suspension, the Commission shall give prompt hearing to the parties interested. If upon such hearing, the Commission shall determine that the sale of any such security should be revoked on any ground specified in this Act, it shall make the necessary findings and enter a final order prohibiting sales of such security. Until the entry of such final order, the suspension of the right to sell, though binding upon the persons notified thereof, shall be deemed confidential, and shall not be published, unless it shall appear that the order of suspension has been violated after notice. If, however, upon such hearing the Commission finds that the sale of the security will neither be fraudulent nor result in fraud, it shall forthwith enter an order revoking such order of suspension, and such security shall be restored to its status as a security registered under this Act, as of the date of such order of suspension. (n)

SEC. 16. Revocation of registration of securities. —(a) The Commission may, after due notice and hearing, revoke the registration of any security and the permit to sell such security by issuing an order to this effect, setting forth its findings in respect thereto, if upon examination it shall appear that the issuer:

- Is insolvent;
- Has violated any of the provisions of this Act, or the rules promulgated pursuant thereto, or any order of the Commission of which the issuer has notice;
- Has been or is engaged or is about to engage in fraudulent transactions;
- Is in any other way dishonest or has made any fraudulent representation in any prospectus or in any circular or other literature that has been distributed concerning the issuer of its securities; or
- Does not conduct its business in accordance with law.

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

Whenever the Commission may deem it necessary, it may also require the submission of such balance sheet or income or profit statement, or both, with such particulars as the Commission shall point out or brought down to the latest practicable date.

If any issuer shall refuse to permit an examination to be made by the Commission, its refusal shall be proper ground for the revocation of the registration of and permission to sell its securities.

If the Commission deems it necessary, it may issue an order suspending the right to sell securities pending any investigation. The order shall state the grounds for taking such action, but such order of suspension, although binding upon the persons notified thereof, shall be deemed confidential, and shall not be published. Upon the issuance of the suspension order, no further sale of such security shall be made until the same is lifted or set aside by the Commission. Any such sale shall be void.

Notice of issuance of such order shall be given by mail, or personally, or by telephone, confirmed in writing, or by

telegram, to the issuer and every dealer and broker who shall have notified the Commission of an intention to sell such security.

(b) A registration statement may be revoked by the Commission upon petition made for its withdrawal by the issuer only with the consent of the Commission and in accordance with such rules and regulations which the Commission may prescribe: Provided, That no party stands to suffer damage thereby. (12a)

SEC. 17. Promotion fees.—If the statement containing information as to securities to be registered, as provided for in Section eight of this Act, shall disclose that any such securities or any securities senior thereto shall have been or shall be intended to be issued for goodwill, or for organization or promotion fees or expenses, or that payment in cash shall have been or will be made for organization or promotion fees or expenses or for goodwill, the amount and nature thereof shall be fully set forth in the notification published by the Commission as required in Section 8 of this Act, and in all prospectuses, circulars, or other advertisements of the issuer, and should also appear upon the face or on the back of the security itself. (13)

SEC. 18. Substituted service upon the Commission. —Whenever service of summons or other process shall be made upon the Commission in actions or legal proceedings against an issuer or any person liable under this Act who is not domiciled in the Philippines or is not formed, organized and existing under the laws of the Philippines, the Commission shall within ten (10) days thereafter, transmit by registered mail a copy of such summons and the complaint or other legal process to such issuer or person at his last known address or principal office. The sending thereof by the Commission, the expenses for which shall be advanced by the party at whose instance it is made, shall complete such service. (10a)

Chapter III-Brokers, Dealers and Salesmen

SEC. 19. Registration of brokers, dealers and salesmen. —No broker, dealer or salesman shall engage in business in the Philippines as such broker dealer or salesman or sell any securities, including securities exempted under this Act, except in exempt transactions, unless he has been registered as a broker, dealer, or salesman pursuant to the provisions of this Section.

An application for registration in writing in the office of the Commission in such form as the Commission may prescribe, duly verified under oath, which shall state the principal office of the applicant, whenever situated and its principal office and all branch offices in the Philippines, if any; the name or style of doing business; the corporate or business names; residences and business addresses of all persons interested in the business as principals, co-partners, officers and directors, specifying as to each his capacity and title; and the character of the business and the length of time the applicant has been engaged in said business. The Commission may also require such additional information, under oath, as to applicant's previous history, record and connection with other companies, as it may deem necessary to establish the good reputation in business of the applicant.

There shall be filed with such application an irrevocable written consent to the service of process upon the Commission in actions against such broker or dealer in the manner and form as herein provided.

If the Commission finds that the applicant is of good reputation and has complied with the provisions of this Act, including the payment of the fee herein provided, it shall register such applicant as a broker or dealer upon his filing a bond, or other security in lieu thereof, in such sum as may be fixed by the Commission which it may deem adequate for the protection of the public, running to the Government of the Philippines, and conditioned upon the faithful compliance with the provisions of this Act by said broker or dealer and by all salesmen registered by the latter while acting for him. Such bond shall be executed by a surety company authorized to do business in the Philippines. In lieu of such bond, he may file bonds of the Government of the Philippines. If a bond is filed, any

person damaged by the failure of such broker or dealer or of any salesman registered by the latter while acting for him, to comply with the provisions of this Act, shall be entitled to sue the sureties under such bond and to recover the damages so suffered thereunder. If other securities are filed in lieu thereof, such person may subject such securities to the payment of such damage.

Upon the written application of a registered dealer or broker and general satisfactory showing as to good character and the payment of the fee prescribed in this Act, the Commission shall register as salesman of such dealer or broker such natural person as the dealer or broker may request. Such registration shall cease upon the termination of employment of such salesman by such dealer or broker.

The names and addresses of all persons approved for registration as brokers, dealers or salesmen and all orders with respect thereto shall be recorded in a Register of Brokers, Dealers and Salesmen kept in the office of the Commission which shall be open to public inspection. Every registration under this Section shall expire on the thirty-first day of December in each year, but new registration for the succeeding year shall be issued upon written application and upon payment of the fee as hereinafter provided, without filing of further statements or furnishing any further information unless specifically required by the Commission. Application for renewals must be made not less than thirty nor more than sixty days before the first day of the ensuing year, otherwise they shall be treated as original applications. The fee for such registration and for each annual renewal shall be in such reasonable amount as may be determined by the Commission.

Changes in registration occasioned by changes in the personnel of a partnership or in the principals, co-partners, officers or directors of any broker or dealer may be made from time to time by written application setting forth the facts with respect to such change.

Every registered broker or dealer who intends to offer any security for sale shall notify the Commission in writing of his intention to do so. The notice shall contain the name of the broker or dealer and shall state the name of the security to be offered for sale. Whenever a broker or dealer shall have prepared such notice and shall have forwarded the same by registered mail, postage pre-paid and properly addressed to the Commission, such dealer or broker, as to the contents of such notice and the filing thereof, shall be deemed to have complied with the requirements of this paragraph. Any issuer of a security required to be registered under the provisions of this Act, selling such securities except in exempt transactions as defined in this Act, shall be deemed a dealer within the meaning of this Section and required to comply with all the provisions hereof. (14a)

SEC. 20. Revocation of broker's, dealer's and salesman's registration.—Registration under this Act may be refused, or any registration granted may be revoked, by the Commission if, after reasonable notice and hearing, the Commission determines that such applicant or registrant so registered:

- Has violated any provision of this Act or any regulation made hereunder; or
- Has made a material false statement in the application for registration; or
- Has been guilty of a fraudulent act in connection with any sale of securities, or has been or is engaged or is about to engage in making fictitious or pretended sales or purchases of any of such securities or has been or is engaged or is about to engage in any practice or sale of securities which is fraudulent or in violation of the law; or
- Has demonstrated his unworthiness to transact the business of broker, dealer or salesman.

In cases of charges against a salesman, notice thereof shall also be given the broker or dealer employing such salesman.

Pending the hearing, the Commission shall have the power to order the suspension of such broker's, dealer's or

salesman's registration: Provided, That such order shall state the cause for such suspension.

Until the entry of a final order, the suspension of such broker's or dealer's registration, though binding upon the persons notified thereof, shall be deemed confidential, and shall not be published, unless it shall appear that the order of suspension has been violated after notice.

The order of the Commission refusing or revoking a registration as hereinabove provided, together with its findings, shall be entered in the Register of Brokers, Dealers and Salesmen. The suspension or revocation of the registration of a dealer or broker shall also automatically suspend or revoke the registration of all his salesmen.

It shall be sufficient cause for refusal or cancellation of registration in case of a partnership or any officer or director of the corporation or association has been guilty of any act or omission which would be cause for refusing or revoking the registration of an individual dealer, broker or salesman. (15a)

Chapter IV.—Trading in Securities

SEC. 21. Use of facilities of unregistered exchange prohibited.—It shall be unlawful for any broker, dealer, salesman or exchange, directly or indirectly, to make use of any facility of an exchange in the Philippines to effect any transaction in a security or to report such transaction, unless a registration is effective as to such security or such security is exempted from registration under the provisions of this Act and such exchange is registered as a securities exchange under this Act, or is exempted from such registration upon application by the exchange because, in the opinion of the Commission, by reason of the limited volume of transactions effected on the exchange, it is not practicable and not necessary or appropriate in the public interest or for the protection of investors to require such registration. (16a)

SEC. 22. Registration of exchange. —(a) Any exchange may be registered with the Commission as an exchange under the terms and conditions hereinafter provided in this Section, by filing a registration statement in such form as the Commission may prescribe, setting forth the information and accompanied by the following supporting documents below specified:

- An undertaking to comply and enforce compliance by its members with the provisions of this Act, and any amendment thereto, and the implementing rules or regulations made or to be made thereunder;
- Such data as to its organization, rules of procedure, and membership, and such other information as the Commission may, by rules and regulations, require as being necessary or appropriate for the public interest or for the protection of investors;
- Copies of its constitution, articles of incorporation with all amendments thereto, and of its existing by-laws or rules or instruments corresponding thereto whatever be the name, which are hereinafter collectively referred to as the “rules of the exchange”;
- An undertaking to furnish to the Commission copies of any amendments to the rules of the exchange forthwith upon their adoption; and
- An undertaking that in the event a member firm becomes insolvent or when the exchange shall have found that the financial condition of its member firm has so deteriorated that it cannot readily meet the demands of its customers for the delivery of securities and/or payment of sales proceeds, the exchange shall, upon order of the Commission, take over the operation of the insolvent member firm and immediately proceed to settle the member firm’s liabilities to its customers: Provided, That stock exchanges in operation upon the effectivity of this Act shall have one year within which to submit the undertaking;

(b) No registration of an exchange shall be granted or remain in force unless the rules thereof include provision

for the expulsion, suspension, or disciplining of a member for conduct or proceeding inconsistent with just and equitable principles of fair trade.

(c) Nothing in this Act shall be construed to prevent any exchange from adopting and enforcing any rule not inconsistent with this Act and with the rules and regulations thereunder, or with any other law.

(d) If it appears to the Commission that the exchange applying for registration is so organized as to be able to comply with the provisions of this Act and the rules and regulations thereunder, and the rules of the exchange are just and adequate to insure fair dealing and to protect investors, the Commission shall cause such exchange to be registered as a securities exchange.

(e) Within ninety days after the filing of the application the Commission may issue an order either granting or, after appropriate notice and opportunity for hearing, denying registration as a securities exchange, unless the exchange applying for registration shall withdraw its application or shall consent to the Commission's deferring action on its application for a stated longer period after the date of filing. The filing with the Commission of an application for registration by an exchange shall be deemed to have taken place upon the receipt thereof. Amendments to an application may be made upon such terms as the Commission may prescribe.

(f) Upon the registration of a securities exchange pursuant to the provisions of this Act, it shall pay within twelve (12) months such reasonable fee as the Commission may fix.

(g) Upon appropriate application in accordance with the rules and regulations of the Commission and upon such terms as the Commission may deem necessary for the protection of investors, an exchange may withdraw its registration or suspend its operations or resume the same. (17a)

SEC. 23. Margin Requirements. —(a) For the purpose of preventing the excessive use of credit for the purchase or carrying of securities, the Commission, in accordance with the credit and monetary policies that may be promulgated from time to time by the Monetary Board, shall prescribe rules and regulations with respect to the amount of credit that may be extended on any security other than an exempted security. For the extension of credit, such rules and regulations shall be based upon the following standard:

An amount not greater than whichever is the higher of—

- Sixty-five (65%) per centum of the current market price of the security, or
- One hundred (100%) per centum of the lowest market price of the security during the preceding thirty-six calendar months, but not more than seventy-five (75%) per centum of the current market price.

However, the Monetary Board, by an affirmative vote of five (5) of its members, may increase or decrease the above percentages, in order to achieve the objectives of the Central Bank during an economic crisis or national emergency.

Such rules and regulations may make appropriate provision with respect to the carrying of undermargined accounts for limited periods and under specified conditions; the withdrawal of funds or securities; the transfer of accounts from one lender to another; special or different margin requirements for delayed deliveries, short sales, arbitrage transactions, and securities to which number 2 of the second paragraph of this subsection does not apply; the bases and methods to be used in calculating loans, and margins and market prices; and similar administrative adjustments and details.

(b) It shall be unlawful for any member of an exchange or any broker or dealer, directly or indirectly, to extend or maintain credit or arrange for the extension or maintenance of credit to or for any customer—

- On any security other than an exempted security, in contravention of the rules and regulations which the Commission shall prescribe under subsection (a) of this Section;

- Without collateral or on any collateral other than securities, except (i) to maintain any credit initially extended in conformity with the rules and regulations which the Commission and (ii) in cases where the extension or maintenance of credit is not for the purpose of purchasing or carrying securities or of evading or circumventing the provisions of subparagraph (1) of this subsection.

(c) It shall be unlawful for any person not subject to subsection (b) hereof to extend or maintain credit or to arrange for the extension or maintenance of credit for the purpose of purchasing or carrying any security, in contravention of such rules and regulations as the Commission shall prescribe to prevent the excessive use of credit for the purchasing or carrying of or trading in securities in circumvention of the other provisions of this Section. Such rules and regulations may imposed upon all loans made for the purpose of purchasing or carrying securities limitations similar to those imposed upon members, brokers, or dealers by subsection (b) of this Section and the rules and regulations thereunder. This subsection and the rules and regulations thereunder shall not apply (i) to a credit extension made by a person not in the ordinary course of business, (ii) to a credit extension on an exempted security, (iii) to a loan to a dealer to aid in the financing of the distribution of securities to customers not through the medium of a securities exchange (iv) to a credit extension by a bank on a collateral other than an equity security, or (v) to such other credit extension as the Commission shall, by such rules and regulations as it may deem necessary or appropriate in the public interest, or for the protection of investors exempt, either unconditionally or upon specified terms and conditions or for stated periods, from the operation of this subsection and the rules and regulations thereunder. (18a)

SEC. 24. Restrictions on borrowings by members, brokers, and dealers.—It shall be unlawful for any registered broker or dealer, member of a securities exchange, or any broker or dealer who transacts a business in securities through the medium of any member of a securities exchange, directly or indirectly—

- To permit in the ordinary course of business as a broker his aggregate indebtedness to all persons including customers' credit balances (but excluding indebtedness by exempted securities), to exceed such percentage of the net capital (exclusive of fixed assets and value of exchange membership) employed in the business, but not exceeding in any case two thousand (2,000%) per centum, as the Commission may by rules and regulations prescribe as necessary or appropriate in the public interest or for the protection of investors.

- To pledge, mortgage or otherwise encumber or arrange for the pledge, mortgage or encumbrance of any security carried for the account of any customer under circumstances—(1) that will permit the commingling of his securities, without his written consent, with the securities of any customer; (2) that will permit such securities to be commingled with the securities of any person other than a bona fide customer; or (3) that will permit such securities to be pledged, mortgaged or encumbered, or subjected to any lien or claim of the pledgee, for a sum in excess of the aggregate indebtedness of such customers in respect of such securities. However, the Commission, having due regard to the protection of investors, may, by rules and regulations, allow certain transactions that may otherwise be prohibited under this subsection.

- To lend or arrange for the lending of any security carried for the account of any customer without the written consent of such customer or in contravention of such rules and regulations as the Commission shall prescribe for the protection of investors. (19a)

SEC. 25. Enforcement of margin requirements and restrictions on borrowings.—To prevent indirect violations of the margin requirements under Section 23 hereof, the broker or dealer shall require the customer in nonmargin transactions to pay the price of the security purchased for his account within such period as the Commission may

prescribe, which shall in no case exceed three trading days; otherwise, the broker shall sell the security purchased starting on the next trading day but not beyond ten trading days following the last day for the customer to pay such purchase price, unless such sale cannot be effected within said period for justifiable reasons. The sale shall be without prejudice to the right of the broker or dealer to recover any deficiency from the customer. To prevent indirect violation of the restrictions on borrowings under Section 24 of this Act, the broker shall, unless otherwise directed by the customer, pay the net sales price of the securities sold for a customer within the same period as above prescribed by the Commission: Provided, That the customer shall be required to deliver the instruments evidencing the securities as a condition for such payment upon demand by the broker. (n)

SEC. 26. Manipulation of security prices. —(a) It shall be unlawful for any person, directly or indirectly—

(1) For the purpose of creating a false or misleading appearance of active trading in any security registered on a securities exchange, or a false or misleading appearance with respect to the market for any such security:

(i) To effect any transaction in such security which involves no change in the beneficial ownership thereof, or

(ii) To enter an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, time and price, for the sale of any such security, has or have been or will be entered by or for the same or different parties, or

(iii) To enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, time and price for the purchase of any such security, has or have been or will be entered by or for the same or different parties.

(2) To effect, alone or with one or more other persons, a series of transactions in securities that (i) raises their price for the purpose of inducing the purchase of a security, whether of the same or a different class, of the same issuer or of a controlling, controlled, or commonly controlled company by others, (ii) depresses their price for the purpose of inducing the sale of a security, whether of the same or a different class, of the same issuer or of a controlling, controlled, or commonly controlled company by others, or (iii) creates active trading, actual or apparent, for the purpose of inducing such a purchase for sale.

(3) If a dealer or broker, or other person selling or offering for sale, or purchasing or offering to purchase, the security, to induce the purchase or sale of any security registered on a securities exchange by the circulation or dissemination in the ordinary course of business of information to the effect that the price of any such security will or is likely to rise or fall because of market operations of anyone or more persons conducted for the purpose of raising or depressing the price of such security.

(4) If a dealer or broker or other person selling or offering for sale or purchasing or offering to purchase the security, to make, regarding any such security registered on a securities exchange, for the purpose of inducing the purchase or sale of such security, any statement which was at the time and in the light of the circumstances under which it was made, false or misleading with respect to any material fact, and which he knew or had reasonable ground to believe was so false or misleading.

(5) For a consideration received directly or indirectly from a dealer or broker or other person selling or offering for sale or purchasing or offering to purchase the security, to induce the purchase or sale of any security registered on a securities exchange by the circulation or dissemination of information to the effect that the price of any such security will or is likely to rise or fall because of the market operations of anyone or more persons conducted for the purpose of raising or depressing the price of such security.

(6) To effect, either alone or with one or more other persons, any series of transactions for the purchase and/or sale of any security registered in a securities exchange for the purpose of pegging, fixing or stabilizing the price of

such security.

(b) It shall be unlawful for any person to effect, by the use of any facility of a securities exchange —

- Any transaction in connection with any security whereby any party to such transaction acquires any put, call, straddle, or other option or privilege of buying the security from or selling the security to another without being bound to do so; or
- Any transaction in connection with any security with relation to which he has, directly or indirectly, any interest in any such put, call, straddle, option or privilege;
- Any transaction in any security for the account of any person who has reason to believe has, and who actually has, directly or indirectly, any interest in any such put, call, straddle, option or privilege with relation to such security.

(c) it shall be unlawful for any member of a securities exchange, directly or indirectly, to endorse or guarantee the performance of any put, put, call, straddle, option or privilege in relation to any security registered on a securities exchange.

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

(e) Any person who wilfully participates in any act or transaction in violation of subsection (a), (b) or (c) of this Section shall be liable to any person who shall purchase or sell any security at price which was affected by such act or transaction, and the person so injured may sue in any court of competent jurisdiction to recover the damages sustained as a result of any such act or transaction. The court may, in its discretion, require an undertaking for the payment of the costs of any such suit, and assess reasonable costs, including reasonable attorney's fees, against either party litigant. Every person who becomes liable to make payment under this subsection may recover contribution as in cases of contract from any person who, if joined in the original suit, would have been liable to make the same payment. No action shall be maintained to enforce any liability created under this Section, unless brought within two (2) years after the discovery of the facts constituting the violation and within five (5) years after such violation.

(f) The provisions of this Section shall apply to an exempted security.

(g) The foregoing provisions notwithstanding, the Commission, having due regard to the public interest and the protection of investors, may, by rules and regulations, allow certain acts or transactions that may otherwise be prohibited under Section. (20a)

SEC. 27. Manipulative and deceptive devices. — It shall be unlawful for any person, directly or indirectly, by the use of any facility of any exchange —

- To effect a short sale, or to use or employ any stop-loss order in connection with the purchase or sale of any security registered on a securities exchange, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.
- To use or employ, in connection with the purchase or sale of any security, any manipulative or deceptive device or contrivance. (21a)

SEC. 28. Artificial measures of price control. — It shall be unlawful for any exchange to adopt and enforce artificial measures of price control of any nature whatsoever without the prior approval of the Commission which may be given only if it serves public interest and benefits the investors. (21-Aa)

SEC. 29. Fraudulent transaction.—(a) It shall be unlawful for any person, directly or indirectly, in connection with the purchase or sale of any securities —

- To employ any device, scheme, or artifice to defraud, or
- To obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or
- To engage in any act, transaction, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

(b) It shall be unlawful for any person to describe a security to a second person, without purporting to offer it for a consideration received or to be received directly or indirectly from the issuer, any other person interested in buying or selling the security, an underwriter, broker, dealer, or investment adviser, or a controlling, controlled, or commonly controlled person of any such person, unless he concurrently discloses the source of the consideration or the nature of or reason for his employment or if the second person or his agent in the transaction is identified, that information is known to the second person.

The above paragraph does not apply to the usual remuneration received by (1) a newspaper, periodical, or radio or television station for publishing in good faith advertisement that clearly appears to be the statement of another person published at his expense, or (2) an employee or other person who prepares an advertisement or other description that appears over the name of the person for whom it is prepared rather than the person preparing it.

The Commission shall promulgate rules that it may deem necessary or appropriate in the public interest or for the protection of investors to implement this Section.

(c) This Section shall also apply to exempt securities and exempt transactions. (n)

SEC. 30. Insider's duty to disclose when trading. — It shall be unlawful for an insider to sell or buy a security of the issuer, if he knows a fact of special significance with respect to the issuer or the security that is not generally available, unless (1) the insider proves that the fact is generally available or (2) if the other party to the transaction (or his agent) is identified, (a) the insider proves that the other party knows it, or (b) that other party in fact knows it from the insider or otherwise.

(b) "Insider" means (1) the issuer, (2) a director or officer of, or a person controlling, controlled by, or under common control with, the issuer, (3) a person whose relationship or former relationship to the issuer gives or gave him access to a fact of special significance about the issuer or the security that is not generally available, or (4) a person who learns such a fact from any of the foregoing insiders as defined in this subsection, with knowledge that the person from whom he learns the fact is such an insider.

(c) A fact is "of special significance" if (a) in addition to being material it would be likely, on being made generally available, to affect the market price of security to a significant extent, or (b) a reasonable person would consider it especially important under the circumstances in determining his course of action in the light of such factors as the degree of its specificity, the extent of its difference from information generally available previously, and its nature and reliability.

(d) This section shall apply to an insider as defined in subsection (b) (3) hereof only to the extent that he knows a fact of special significance by virtue of his being an insider. (n)

SEC. 31. Segregation and limitation of functions of members, brokers, and dealers. — (a) The Commission shall prescribe such rules and regulations as it deems necessary or appropriate in the public interest or for the protection

of investors (1) to regulate floor trading by members of securities exchanges, directly or indirectly, for their own account or for discretionary accounts, (2) to prevent such excessive trading on the exchange but off the floor by members, directly or indirectly, for their own account, as the Commission may deem detrimental to the maintenance of a fair and orderly market, and (3) to restrict a broker from directly or indirectly dealing in securities or otherwise segregate and limit the function of a broker and dealer. It shall be unlawful for a member to effect any transaction in a security in contravention of such rules and regulations, but such rules and regulations may make such exemptions for arbitrage transactions, for transactions in exempted securities, and, within the limitations subsection (b) of this Section, for transactions by odd-lot dealers and specialists, as the Commission may deem necessary or appropriate in the public interest or for the protection of investors.

(b) Unless otherwise prohibited by such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors, the rules of a securities exchange may permit —

- a member to be registered as an odd-lot dealer and as such to buy and sell for his own account so far as may be reasonably necessary to carry on such odd-lot transactions, or

- a member to be registered as a specialist. If under the rules and regulations of the Commission, a specialist is permitted to act as a dealer, or is limited to acting as a dealer, such rules and regulations shall restrict his dealing so far as practicable to those, reasonably necessary to permit him to maintain a fair and orderly market, and/or to those necessary to permit him to act as an odd-lot dealer. It shall be unlawful for a specialist or an official of the exchange to disclose information in regard to orders placed with such specialist which is not available to all members of the exchange, to any person other than an official of the exchange, a representative of the Commission or a specialist who may be acting for such specialist; but the Commission shall have power to require disclosure to all members of the exchange of all orders placed with specialists, under such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. It shall also be unlawful for a specialist acting as a broker to effect on the exchange any transaction except upon a market or limited price order.

(c) If because of the limited volume of transactions effected on an exchange, it is impracticable and not necessary or appropriate in the public interest or for the protection of investors to apply any of the foregoing provisions of this Section or to the rules and regulations thereunder, the Commission shall have the power, upon application of the exchange and on a showing that the rules of such exchange are otherwise adequate for the protection of investors, to exempt such exchange and its members from any such provision or rules and regulations.

(d) It shall be unlawful for a member of a securities exchange who is both a dealer and a broker, or for any person who both as a broker and a dealer transacts a business in securities through the medium of a member or otherwise, to effect through the use of any facility of a securities exchange, or otherwise in the case of a member —

- Any transaction in connection with which, directly or indirectly, he extends or maintains or arranges for the extension or maintenance of credit to or for a customer on any security other than an exempted security which was a part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within six months prior to such transaction: Provided, That credit shall not be deemed extended by reason of a bona fide delayed delivery of any such security against full payment of the entire purchase price thereof upon such delivery within thirty-five days after such purchase, or

- Any transaction with respect to any security other than exempted security unless, if the transaction is with a customer, he discloses to such customer in writing at or before the completion of the transaction whether he is acting as a dealer for his own account as a broker for such customer, or as a broker for some other person. (22a)

SEC. 32. Reports. — (a) (1) Any person who, after acquiring directly or indirectly the beneficial ownership of any equity security of a class which is registered pursuant to this Act, is directly or indirectly the beneficial owner of more than ten (10%) per centum of such class shall, within ten days after such acquisition or such reasonable time as fixed by the Commission, submit to the issuer of the security, to the stock exchanges the security is traded, and to the Commission a sworn statement containing the following information and such other information, as the Commission may require in the public interest or for the protection of investors:

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

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

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

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

(2) If any material change occurs in the facts; set forth in the statements, an amendment shall be transmitted to the issuer, the exchange and the Commission in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

(3) The Commission, by rule or regulation or by order, may permit any person to file in lieu of the statement required by paragraph (1) of this subsection, a notice stating the name of such person, the shares of any equity securities subject to paragraph (1) which are owned by him, the date of their acquisition and such other information as the Commission may specify, if it appears to the Commission that such securities were acquired by such person in the ordinary course of his business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer nor in connection with any transaction having such purpose or effect.

(b) (1) It shall be unlawful for an issuer which has a class of equity securities registered pursuant to this Act, to purchase any equity security issued by it if such purchase is in contravention of such rules and regulations as the Commission, in the public interest or for the protection of investors, may adopt (a) to define acts and practices which are fraudulent, deceptive, or manipulative, and (b) to prescribe means reasonably designed to prevent such acts and practices. Such rules and regulations may require such issuer to provide holders of equity securities of such class with such information relating to the reasons for such purchase, the source of funds, the numbers of shares to be purchased, the price to be paid for such securities, the method of purchase, and such additional information as the Commission deems necessary or appropriate in the public interest or for the protection of investors, or which the Commission deems to be material to a determination whether such security should be purchased.

(2) For the purpose of this subsection, a purchase by or for the issuer or any person controlling, controlled by, or under common control with the issuer, or a purchase subject to the control of the issuer or any such person, shall be deemed to be purchase by the issuer. The Commission shall have the power to make rules and regulations

implementing this paragraph in the public interest and for the protection of investors, including exemptive rules and regulations covering situations in which the Commission deems it unnecessary or inappropriate that a purchase of the type described in this paragraph shall be deemed to be a purchase by the issuer for the purpose of some or all of the provisions of paragraph (1) of this subsection. (n)

SEC. 33. Tender offers. — (a) (1) It shall be unlawful for any person directly or indirectly, to make a tender offer for, or a request or invitation for tenders of, any class of any equity security which is registered pursuant this Act if, after consummation thereof, such person would directly or indirectly, be the beneficial owner of more than ten (10%) per centum of such class, or such reasonable percentage as fixed by the Commission, unless, at the time copies of the offer or request or invitation are first Published or sent or given to security holders, such person has filed with the Commission and furnished the issuer a statement containing such of the information required in Section 32 of this Act as the Commission may prescribe. All requests or invitations for tender, or advertisements making a tender offer or requesting or inviting tenders of such a security, shall be filed as a part of such statement and shall contain such of the information contained in such statement as the Commission may prescribe. Copies of any additional material soliciting or requesting such tender offers subsequent to the initial solicitation or request shall contain such information as the Commission may prescribe as necessary or appropriate, in the public interest or for the protection of investors, and shall be filed with the Commission and sent to the issuer not later than the time copies of such materials are first published or sent or given to security holders.

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

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

(4) Where any person makes a tender offer, or request or invitation for tenders, for less than all the outstanding equity securities of a class, and where a greater number of securities is deposited pursuant thereto within ten days after copies of the offer or request or invitation are first published or sent or given to security holders than such person is bound or willing to take up and pay for, the securities taken up shall be taken up as nearly as maybe pro rata disregarding fractions, according to the number of securities deposited by each depositor. The provisions of this subsection shall also apply to securities deposited within ten days after notice of an increase in the consideration offered to security holders, as described in sub-paragraph (5) of this subsection, is first published or sent or given to security holders.

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

(b) The provisions of subsection (a) of Section 32 and subsection (a) of this Section shall not apply to any offer for, or request or invitation for tenders of, any security—

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

(ii) Which the Commission, by rules or regulations or by order, shall exempt as not entered into for the purpose

of, not having the effect of, changing or influencing the control of the issuer or otherwise as not comprehended within the purpose of said Sections.

(c) When two or more persons act as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding, or disposing securities of an issuer, such syndicate or group shall be deemed a “person” for the purposes of Section 32 and subsection (a) of Section.

(d) In determining, for purposes of Section 32 and subsection (a) of this Section, any percentage of a class of any security, such class shall be deemed to consist of the amount of the outstanding securities of such class, exclusive of any securities of such class held by or for the account of the issuer or a subsidiary of the issuer.

(e) It shall be unlawful for any person to make any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or to engage in any fraudulent, deceptive, or manipulative acts or practices, in connection with any tender offer or request or invitation for tenders, or any solicitation of security holders in opposition to or in favor of any such offer, request, or invitation, The Commission shall, for the purposes of this subsection, by rules and regulations define, and prescribe means reasonably designed to prevent, such acts and practices as are fraudulent, deceptive, or manipulative, (n)

SEC. 34. Proxies. — (a) It shall be unlawful for any person, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate the public interest or for the protection of investors, to solicit or to permit the use of his name to solicit any proxy or consent or authorization in respect of any security registered pursuant to this Act.

(b) It shall be unlawful for any member of a securities exchange, or any broker or dealer, contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors, to give, refrain from giving a proxy, consent, or authorization in respect of any security registered pursuant to this Act and carried for the account of a customer.

(c) Unless proxies, consents, or authorizations in respect of a security registered pursuant to this Act are solicited by or on behalf of the management of the issuer from the holders of record of such security in accordance with the rules and regulations prescribed under subsection (a) of this Section, such issuer shall, prior to any annual or other meeting of the holders of such security and in accordance with rules and regulations prescribed by the Commission, file with the Commission and transmit to all holders of record of such security information substantially equivalent to the information which would be required to be transmitted if a solicitation were made. (24a)

SEC. 35. Over-the-counter markets.— It shall be unlawful, in contravention of such rules and regulations as the Commission may prescribe as necessary and appropriate in the public interest or to insure to investors protection comparable to that provided by and under authority of this Act in the case of securities exchanges—

- For any broker or dealer, singly or with any other person, to make or create, or enable another to make or create, a market, otherwise than in a securities exchange, for both the purchase and sale of any security, other than an exempted security or commercial paper, bankers' acceptances, or commercial bills, or securities which have not previously been registered or listed with an exchange, or

- For any broker or dealer to use any facility of any such market.

Such rules and regulations may provide for the regulation of all transactions by brokers and dealers on any such market, for the registration with the Commission of dealers or brokers making or creating such a market, and for the registration of the securities for which they make or create a market, and may make special provision with

respect to securities or specified classes thereof listed, or entitled to unlisted trading privileges, upon any exchange on the effective date of this Act, which securities are not registered under the provisions hereof. (25a)

SEC. 36. Directors, officers and principal stockholders. — (a) Every person who is directly or indirectly the beneficial owner of more than ten per centum of any class of any equity security which is registered pursuant to this Act, or who is a director or an officer of the issuer of such security, shall file, at the time of registration of such security on a securities exchange or by effective date of a registration statement or within ten days after he becomes such a beneficial owner, director, or officer, a statement with the Commission and, if such security registered on a securities exchange, also with the exchange, of the amount of all equity securities of such issuer of which he is the beneficial owner, and within ten days after the close of each calendar month thereafter, if there has been a change in such ownership during such month, shall file with the Commission, and if such security is registered on a securities exchange, shall also file with the exchange, a statement indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during such calendar month.

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

(c) It shall be unlawful for any such beneficial owner, director, or officer, directly or indirectly, to sell any equity security of such issuer if the person selling the security or his principal (1) does not own the security sold, or (2) if owning the security, does not deliver it against such sale within twenty days thereafter, or does not within five days after such sale deposit it in the mails or other usual channels of transportation; but no person shall be deemed to have violated this subsection if he proves that notwithstanding the exercise of good faith he was unable to make such delivery or deposit within such time, or that to do so would cause undue inconvenience or expense.

(d) The provisions of subsection (b) of this Section shall not apply to any purchase and sale, or sale and purchase and the provisions of subsection (c) of this Section shall not apply to any sale, of an equity security not then or thereafter held by him in an investment account, by a dealer in the ordinary course of his business and incident to the establishment or maintenance by him of a primary or secondary market, otherwise than on an exchange, such security. The Commission may, by such rules and regulations as it deems necessary or appropriate in the public interest, define and prescribe terms and conditions with respect to securities held in an investment account and transaction made in the ordinary course of business and incident to the establishment or maintenance of a primary or secondary market. (26a)

SEC. 37. Account and records, reports, examination of exchanges, members, and other. — (a) Every exchange, every member thereof, every broker or dealer who transacts a business in securities through the medium of any such member, shall make, keep and preserve for such periods, such accounts, correspondence, memoranda, papers books, and other records, and make such reports, as the Commission by its rules and regulations may prescribe as

necessary or appropriate in the public interest or for the protection of investors. Such accounts, correspondence, memoranda, papers books, and other records shall be subject at any time from time to time to such reasonable periodic, special or other examinations by examiner or other representatives of the Commission as the Commission may deem necessary or appropriate in the public interest or for the protection of investors, provided that the Commission give notice of the purpose of such examination, and if such examination is for the purpose of investigating any complaint filed with the Commission, or any information received by the Commission, that a copy of such complaint or a statement of such information be furnished by the Commission to such exchange, member, broker or dealer at least five days prior to the commencement of such examination.

(b) Any broker, dealer or other person pending credit who is subject to the rules and regulations prescribed by the Commission pursuant to this Act, shall make such reports to the Commission as may be necessary or appropriate to enable it to perform the functions conferred upon it by this Act. (27a)

SEC. 38. Powers with respect to exchanges and securities.—(a) The Commission is authorized, if in its opinion such action is necessary or appropriate for the protection of investors:

- After appropriate notice and opportunity for hearing, to suspend for a period not exceeding twelve months, or to withdraw the registration of a securities exchange, if such exchange has violated any provision of this Act or of the rules and regulations thereunder, or has failed to enforce compliance therewith by a member or by an issuer of a security registered thereon.

- After appropriate notice and opportunity for hearing, to suspend for a period not exceeding twelve months or to expel from a securities exchange any member or officer thereof who has violated any provision of this Act or the rules and regulations thereunder, or has effected, directly or indirectly, any transaction for any person who is violating in respect of such transaction any provision of this Act or the rules and regulations thereunder.

- And if the public interest so requires, summarily to suspend trading in any registered security on any securities exchange for a period not exceeding thirty days or, with the approval of the President of the Philippines, summarily to suspend all trading on any securities exchange for a period of more than thirty days but not exceeding ninety days.

(b) The Commission is further authorized, if after making appropriate request in writing to a securities exchange that such exchange effect on its own behalf specified changes in its rules and practices and, after appropriate notice and opportunity for hearing, it determines that such exchange has not made the changes so requested, and that such changes are necessary or appropriate for the protection of investors or to insure fair dealing in securities traded upon such exchange or to insure fair administration of such exchange, by rules or regulations or by order, to alter or supplement the rules of such exchange (insofar as necessary or appropriate to effect such changes) in respect of such matters as —

- Safeguards in respect of the financial responsibility of members and adequate provisions against the evasion of financial responsibility through the use of corporate forms or special partnership;

- The limitation or prohibition of the registration or trading in any security within a specified period after the issuance or primary distribution thereof;

- The listing or striking from listing of any security;

- Hours of trading;

- The manner, method, and place of soliciting business;

- Fictitious accounts;

- The time and method of making settlements, payments, and deliveries, and of closing accounts;
- The reporting of transactions on the exchange upon tickets maintained by or with the consent of the exchange, including the method of reporting short sales, stopped sales, sales of securities of issuers in default, bankruptcy or receivership, and sales involving other special circumstances;
- The fixing of reasonable rates of commission, interest, listing, and other charges;
- Minimum units of trading;
- Odd-lot purchases and sales; and
- Minimum deposits on margin accounts.

(c) Wherever two or more exchanges exist, the Commission may require and enforce uniformity of trading regulations in and/or between or among said exchanges.

(d) The Commission shall have the authority to determine the number, size and location of stock exchanges and commodity exchanges and other similar organizations in the light of national or regional requirements for such activities with the view to promote, enhance, protect, conserve or rationalize investment. (28a)

SEC. 39. Clearance and settlement of securities transactions.— The Commission, having due regard to the public interest, the protection of investors, the safeguarding of securities and funds, and maintenance of fair competition among brokers, dealers, clearing agencies, and transfer agents, shall promulgate rules and regulations for the prompt and accurate clearance and settlement of securities transactions, (n)

SEC. 40. Power of the Commission with respect to securities related organizations.—The Commission shall have the power to grant license as a condition for, and to regulate, supervise, examine, suspend or otherwise discontinue, the operation of organizations whose operations are related to or connected with the securities market such as but not limited to clearing houses, securities depositories, transfer agents, registrars, fiscal and paying agents, computer services, news disseminating services, proxy solicitors, statistical agencies, securities rating agencies, and securities information processors which are engaged in the business of: (1) collecting, processing, or preparing for distribution or publication, or assisting, participating in, or coordinating the distribution or publication of, information with respect to transactions in or quotations for any security or (2) distributing or publishing, whether by means of a ticker tape, a communications network, a terminal display device, or otherwise, on a current and continuing basis, information with respect to such transactions or quotations, (n)

SEC. 41. Securities investors protection funds.—The Commission may establish or facilitate the establishment of trust funds which shall be contributed by exchanges, brokers, dealers, underwriters, transfer agents, salesmen and other persons transacting in securities, as the Commission may require, for the purpose of compensating investors for the extraordinary losses or damage they may suffer due to business failure or fraud or mismanagement of the persona with whom they transact, under such rules and regulations as the Commission may from time to time prescribe or approve in the public interest. The Commission may, having due regard to the public interest or the protection of investors, regulate, supervise, examine, suspend or otherwise discontinue such and other similar funds under such rules and regulations which the Commission may promulgate, and which may include taking custody and management of the fund itself as well as investments in and disbursements from the fund under such forms of control and supervision by the Commission as it may from time to time require. The authority granted to the Commission under this Section shall also apply to all funds established for the protection of investors, whether established by the Commission or otherwise. (n)

SEC. 42. Association of Securities brokers, dealers, underwriters, transfer agents and salesmen. —The Commission

may prescribe rules and regulations which are necessary or appropriate in the public interest or for the protection of investors to govern associations of brokers, dealers, underwriters, transfer agents and/or salesmen. (n)

SEC. 43. Certificates. —The Commission may, having regard to the public interest and the protection of investors, require the printing by the Central Bank Security Printing Plant, at the issuer's expense, of the instruments evidencing securities, and regulate the issuance and release thereof. (n)

Chapter V. —General Provisions

SEC. 44. Liabilities of controlling person.—(a) Every person who, by or through stock ownership, agency, or otherwise, or in connection with an agreement understanding with one or more other persons by or through stock ownership, agency or otherwise, controls any person liable under this Act, 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.

(b) It shall be unlawful for any person, directly or indirectly, to do any act or thing which would be unlawful such person to do under the provisions of this Act or any rule or regulation thereunder through or by means of any other person.

(c) It shall be unlawful for any director or officer of or any owner of any securities issued by, any issuer of any security registered in accordance with this Act, without just cause, to hinder, delay or obstruct the making or filing of any document, report, or information required to be filed under this Act or any rule or regulation thereunder. (29a)

SEC. 45. Investigations, injunctions and prosecution of offenses.— (a) The Commission may, in its discretion, make such investigations as it deems necessary to determine whether any person has violated or is about to violate any provision of this Act or any rule or regulation thereunder, and may require or permit any person to file with it a statement in writing, under oath or otherwise, as the Commission shall determine, as to all facts and circumstances concerning the matter to be investigated. The Commission is authorized, in its discretion, to publish information concerning any such violations, and to investigate any fact, condition, practice or matter which it may deem necessary or proper to aid in the enforcement of the provisions of this Act, in the prescribing: of rules and regulations thereunder, or in securing information to serve as a basis for recommending further legislation concerning the matters to which this Act relates: Provided, however, That no such investigation shall be conducted unless the person investigated is furnished with a copy of any complaint which may have been the cause of the initiation of the investigation or is notified in writing of the purpose of such investigation: Provided, further, That all criminal complaints for violations of this Act, and the implementing rules and regulations enforced or administered by the Commission shall be referred to the National Prosecution Service of the Ministry of Justice for preliminary investigation and prosecution before the proper court: and, Provided, finally, That the investigation, prosecution, and trial of such cases shall be given priority.

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

(c) Any person who, without just cause, fails or refuses to comply with any order, decision or subpoena issued by the Commission, in the proper exercise of its authority and jurisdiction under subparagraph (b) or subparagraph

(c) of this Section or Section 47 of this Act, if in the power of such person to do so, shall after due notice and hearing, be guilty of contempt of the Commission and shall be subject to discipline by the Commission as in the case of contempt of court, either by a fine in such reasonable amount as the Commission may determine, or when such failure or refusal is a clear and open defiance of the Commission's order, decision or subpoena, by detention under an arrest order, as may be issued by the Commission, at the discretion of the Commission, until such order, decision or subpoena is complied with.

(d) The powers of the Commission under this Section shall be in addition to any other powers granted under existing laws. (31a)

SEC. 46. Administrative sanctions. — If, after proper notice and hearing, the Commission finds that there is a violation of this Act, its rules, or its orders or that any registrant has, in a registration statement and its supporting papers and other reports required by law or rules to be filed with the Commission, made any untrue statement of a material fact, or omitted to state any material fact required to be stated therein or necessary to make statements therein not misleading, or refused to permit any lawful examination into its affairs, it shall, in its discretion, impose any or all of the following sanctions:

- Suspension, or revocation of its certificate of registration and permit to offer securities;
- A fine of no less than two hundred (P200.00) pesos nor more than fifty thousand (P50,000.00) pesos plus not more than five hundred (P500.00) pesos for each day of continuing violation;
- Disqualification from being- an officer, member of the board of directors or principal stockholder of an issuer whose securities are or are about to be registered pursuant to this Act; and
- Other penalties within the power of the Commission under existing laws.

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

The Commission shall have the power to issue writs of execution to enforce the provisions of this Section and to enforce payment of the fees and other dues collectible under this Act. (n)

SEC. 47. Cease and desist order.—The Commission, after proper investigation or verification, motu proprio, or upon verified complaint by any aggrieved party, may issue a cease and desist order without the necessity of a prior hearing if in its judgment the act or practice, unless restrained may cause grave or irreparable injury or prejudice to the investing public or may amount to fraud or violation of the disclosure requirements of this Act and the rules and regulations of the Commission.

Such cease and desist order shall be confidential until after the sanctions mentioned in the next preceding Section shall have been imposed and have become final and executory.

Immediately upon the issuance of such order, the Commission shall, with due notice to the parties involved, schedule a hearing, on a date not later than fifteen days after service of notice, on whether to lift such order or to impose the administrative sanctions provided for in the next preceding Section. (n)

SEC. 48. Special accounting rules. —The Commission shall have the authority, subject to the approval of the Minister of Finance to make, amend, and rescind such accounting rules and regulations as may be necessary to carry out the provisions of this Act, including rules and regulations governing registration statements and prospectuses for various classes of securities and issuers, and defining accounting, technical, and trade terms used in this Act. Among other things, the Commission shall have authority, for the purpose of this Act, to prescribe, with the approval of the Minister of Finance, the form or forms in which require information shall be set forth, the

items or details to be shown in the balance sheet and earning statement, and the methods to be followed in the preparation of the accounts, appraisal or valuation of assets and liabilities, determination and depreciation and depletion, differentiation of recurring and nonrecurring income, differentiation of investment and operating income, and in the preparation, where the Commission deems it necessary or desirable, of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer. (n)

SEC. 49. Revelation of information filed with the Commission. —(a) All information file with the Commission in compliance with the requirements of this Act shall be made available to any member of the general public, upon request, in the premises and during regular office hours of the Commission, except as set forth in this Section.

(b) Nothing in this Act shall construed to require, or to authorize the Commission to require, the revealing of trade secrets or processes in any application, report, or document filed with the Commission.

(c) Any person filing any such application, report or document may make written objection to the public disclosure of information contained therein, stating the grounds for such objection, and the Commission is authorized to hear objections in any such case as it deems advisable. The Commission may, in such cases, make available to the public the information contained in any such application, report, or document only when a disclosure of such information is required in the public interest or for the protection of investors; and copies of information so made available may be furnished to any person having a legitimate interest therein at such reasonable charge and under such reasonable limitations as the Commission may prescribe.

(d) It shall be unlawful for any member, officer, or employee of the Commission to disclose to any person other than a member, officer or employee of the Commission or to use for personal benefit, any information contained in any application, report, or document filed with the Commission which is not made, available to the public pursuant to subsection (c) of this Section. (34a)

SEC. 50, Effect of action of Commission and unlawful representations with respect thereto.—No action or failure to act by the Commission in the administration of this Act shall be construed to mean that the Commission has in any way passed upon the merits of or given approval to any security or any transaction or transactions therein, nor shall such action or failure to act with regard to any statement or report filed with or examined by the Commission pursuant to this Act or the rules and regulations thereunder to be deemed a finding by the Commission that such statement or report is true and accurate on its face or that it is not false or misleading. It shall be unlawful to make, or cause to be made, to any prospective purchaser or seller of a security any representation that any such action or failure to act by the Commission is to be so construed or has such effect.

Nothing herein contained shall, however, be construed as an exemption from liability of any employee or officer of the Commission for any nonfeasance, misfeasance or malfeasance in the discharge of his official duties. (36a)

SEC. 51. Effect on existing law.—The rights and remedies provided by this Act shall be in addition to any and all other rights and remedies that may now exist. However, except as provided in Section twelve hereof, no person permitted to maintain a suit for damages under the provisions of this Act shall recover, through satisfaction of judgment in one or more actions, a total amount in excess of his actual damages on account of the act complained of: Provided, That the court may award exemplary damages in cases of bad faith, fraud, malevolence or wantonness in the violation of this Act or the rules and regulations promulgated thereunder. (37a)

SEC. 52. Class actions; consolidation of actions. —The Commission may promulgate rules and regulations as may be necessary or appropriate in the public interest or for the protection of investors which will govern (1) class actions involving any violation of this Act or the rules promulgated by the Commission, (2) the consolidation of

actions brought pursuant to Act or rules promulgated by the Commission, and (3) the compensation of counsel in class actions, (n)

SEC. 53. Validity of contracts.—(a) Any condition, stipulation, provision binding any person to waive compliance with any provision of this Act or of any rule or regulation thereunder, or of any rule of an exchange required thereby, as well as the waiver itself, shall be void.

(b) Every contract made in violation of any provision of this Act or of any rule or regulation thereunder, and every contract, including any contract for listing a security on an exchange heretofore or hereafter made, the performance of which involves the violation of, or the continuance of any relationship or practice in violation of, any provision of this Act, or any rule or regulation thereunder, shall be void:

- As regards the rights of any person who, in violation of any such provision, rule or regulation, shall have made or engaged in the performance any such contract, and

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

(c) Nothing in this Act shall be construed—

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

- To afford a defense to the collection of any debt, obligation or the enforcement of any lien by any person who shall have acquired such debt, obligation or lien in good faith, for value and without actual knowledge of the violation of any provision of this Act or any rule or regulation thereunder affecting the legality of such debt, obligation or lien. (38a)

SEC. 54. Additional fees of stock exchanges.—In addition to the registration fee prescribed in Section 22 of this Act, every securities exchange shall pay to the Commission, on or before March fifteen of each calendar year, a fee in an amount not more than one one-hundredth of one per centum of the aggregate amount of the sales of securities transacted on such securities exchange during the preceding calendar year, for the privilege of doing business as a securities exchange, during the preceding calendar year any part thereof. (39a)

SEC. 55. Effectivity of rules and regulations. —The rules and regulations promulgated by the Commission shall be published in two newspapers of general circulation in the Philippines or in the Official Gazette, at the option of the Commission, and unless otherwise prescribed by the Commission, the same shall be effective fifteen (15) days after the date of last publication. (n)

SEC. 56. Penalties. —Any person who violates any of the provisions of this Act, or the rules and regulations promulgated by the Commission under the authority thereof, or any person who, in a registration statement filed under this Act, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, shall, upon conviction, suffer a fine of not less than five thousand (P5,000.00) pesos nor more than five hundred thousand (P500,000.00) pesos or imprisonment of not less than seven (7) years nor more than twenty one (21) years, or both in the discretion of the court. If the offender corporation, partnership or association or other juridical entity, the penalty shall be imposed

upon the officer or officers of the corporation, partnership, association or entity responsible for the violation, and if such officer is an alien, he shall, in addition to the penalties prescribed, be deported without further proceedings after service of sentence. (40a)

SEC. 57. Transitory provisions. —The Commission, reorganized pursuant to Presidential Decrees Numbered 902-A, 1653, 1758 and 1799, shall continue to exist and exercise its powers, functions and duties until otherwise provided by law.

All securities which at the time of the effectivity of this Act have been registered with the Commission and have been permitted to be sold under the provisions Commonwealth Act No. 83, as amended, shall be considered as registered and permitted to be sold under this Revised Securities Act: Provided, however, That any further requirements of this Act shall be complied with within such reasonable time as the Commission may determine but not exceeding one year from the approval of this Act.

Violations committed prior to the effectivity of this Act shall be punished in accordance with the provisions of the laws then in force. (n)

SEC. 58. Separability provisions. —If any provision of this Act shall be held invalid, the remainder of the Act not otherwise affected shall remain in full force and effect. (41a)

SEC. 59. Repealing clause.—Commonwealth Act No. Eighty-three, as amended, is hereby repealed in its entirety. All other laws, orders, rules and regulations, or parts thereof, inconsistent with any provision of this Act are hereby repealed or modified accordingly. (42a)

SEC. 60. Effective date.—This Act shall take effect immediately upon its approval. (44a)

Approved, February 23, 1982.

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