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THIRTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
First Regular Session

RECEIVED BY: 

SENATE

S. No. 212

Introduced by Senator S. R. Osmeña III

EXPLANATORY NOTE

Republic Act 8799, otherwise known as The Securities Regulation Code, was enacted is a landmark legislation seeking the achievement of a free market that is self-regulating. Among its objectives are: 1) to encourage wide participation of ownership in enterprises; 2) to enhance democratization of wealth; 3) to promote the development of capital market; 4) to ensure disclosure about securities; and 5) to minimize, if not totally eliminate insider trading and other devices and practices which distort the free market.

Despite the noble intentions of the authors of this law, it has failed to create a more fair and vibrant market it envisioned. This bill seeks to provide the remedy by amending some of the provisions of RA 8799 to further remove the restrictions or enhance regulations that have impaired activity and development in the Philippine capital markets.

In view of the foregoing, early passage of this bill is earnestly requested.


SERGIO OSMEÑA III
Senator

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AN ACT
AMENDING REPUBLIC ACT NUMBERED EIGHT THOUSAND SEVEN
HUNDRED NINETY NINE, OTHERWISE KNOWN AS "THE SECURITIES
REGULATION CODE", AND FOR OTHER PURPOSES

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

1 SECTION 1. Subsection 19.1 (a) and 19 (d) of Republic Act No. 8799,
2 otherwise known as the "Securities Regulation Code", are hereby amended to
3 read as follows:

4 "Section 19. *Tender Offers* – 19.1. (a) Any person or group of
5 persons acting in concert who [intends to] acquireS, **THROUGH**
6 **PRIVATELY NEGOTIATED PURCHASES**, at least [fifteen percent (15%)]
7 **THIRTY-FIVE PERCENT (35%)** of any class of any equity security of a
8 listed corporation or of any class of any equity security of a corporation
9 with assets of at least Fifty million pesos (P50,000,000.00) and having two
10 hundred (200) or more stockholders with at least one hundred (100)
11 shares each [or who intends to acquire at least thirty percent (30%) of
12 such equity over a period of twelve (12) months,] shall make a tender offer
13 to **ALL THE OTHER** stockholders **FOR THE REMAINDER OF THE**
14 **OUTSTANDING EQUITY SECURITIES OF THE CORPORATION IN**
15 **ACCORDANCE WITH SUCH RULES AS THE COMMISSION MAY**
16 **PRESCRIBE: PROVIDED, THAT A PERSON OR GROUP OF PERSONS**
17 **WHO HAVE NOT MADE ANY PRIVATELY NEGOTIATED PURCHASES**

1 OF THE EQUITY SECURITIES OF THE CORPORATION MAY MAKE A
2 VOLUNTARY TENDER OFFER FOR LESS THAN ALL OF THE
3 OUTSTANDING EQUITY SECURITIES OF THE CORPORATION IN
4 ACCORDANCE WITH SUCH RULES AS THE COMMISSION MAY
5 PRESCRIBE. THE PERSON OR GROUP OF PERSONS MAKING A
6 TENDER OFFER SHALL FILE [by filing] with the Commission a
7 declaration to that effect, [and] furnish the issuer, a statement containing
8 such of the information required in Section 17 of this Code as the
9 Commission may prescribe. [Such person group of persons shall] **AND**
10 publish all requests or invitations for tender, or materials making a tender
11 offer or requesting or inviting letters of such a security. Copies of any
12 additional material soliciting or requesting such tender offers subsequent
13 to the initial solicitation or request shall contain such information as the
14 Commission may prescribe and shall be filed with the Commission and
15 sent to the issuer not later than the time copies of such materials are first
16 published or sent or given to security holders."

17 "x x x"

18 "(d) IN CASES OF VOLUNTARY TENDER OFFERS AND where the
19 securities offered exceed that which a person or group of persons is
20 bound or willing to take up and pay for, the securities that are subject of
21 the tender offer shall be taken up as early as may be pro rata,
22 disregarding fractions, according to the number of securities deposited by
23 each depositor. The provisions of this subsection shall also apply to
24 securities deposited within ten (10) days after notice of an increase in the
25 consideration offered to security holders, as prescribed in paragraph (e) of
26 this subsection, is first published or sent or given to security holders."

27 "x x x"

28 "(d) **IN CASES OF VOLUNTARY TENDER OFFERS AND** where
29 the securities offered exceed that which a person or group of persons is

1 bound or willing to take up and pay for, the securities that are subject of
2 the tender offer shall be taken up as early as may be pro rata,
3 disregarding fractions, according to the number of securities deposited by
4 each depositor. The provisions of this subsection shall also apply to
5 securities deposited within ten (10) days after notice of an increase in the
6 consideration offered to security holders, as prescribed in paragraph (e) of
7 this subsection, is first published or sent or given to security holders.”

8 SEC. 2. Subsection 28.4 (b) of the same Act is hereby amended to read
9 as follows:

10 *“Section 28. Registration of Brokers, Dealers, Salesmen and*
11 *Associated Persons.*

12 “28.4. The Commission shall promulgate rules and regulations
13 prescribing the qualifications for registration for each category of applicant
14 which shall, among other things, require the condition for registration: x x x

15 “(d) In the case of a broker or dealer, the applicant satisfy a
16 minimum net capital **AND OTHER CAPITAL ADEQUACY RATIOS** as
17 prescribed by the **RELEVANT SELF-REGULATORY ORGANIZATION**
18 [Commission], and provide a bond or other security as the **SELF-**
19 **REGULATORY ORGANIZATION** [Commission] may prescribe to secure
20 compliance with the provisions of this Code; and”

21 “x x x”

22 SEC. 3. Section 30.1 of the same Act is hereby amended to read as
23 follows:

24 *“Section 30. Transactions and Responsibility of Brokers and*
25 *Dealers. – 30.1 THE RELEVANT SELF-REGULATORY ORGANIZATION*
26 **SHALL ISSUE THE NECESSARY RULES AND REGULATIONS TO**
27 **ENSURE FULL DISCLOSURE OF TRANSACTIONS OF A [no] broker or**
28 **dealer [shall deal in or otherwise buy or sell, for its own account or for the**
29 **account of customers,] IN securities listed on an Exchange issued by any**

1 corporation where any stockholder, director, **OFFICER OR EMPLOYEE**
2 **OF SUCH BROKER OR DEALER IS ALSO A STOCKHOLDER,**
3 **DIRECTOR, OFFICER OR EMPLOYEE OF SUCH CORPORATION.**

4 [associated person or salesman, or authorized clerk of said broker or
5 dealer and all of the relatives of the foregoing within the fourth civil degree
6 of consanguinity or affinity, is at the time holding office in said issuer
7 corporation as a director, president, vice-president, manager, treasurer,
8 comptroller, secretary or any office of trust and responsibility, or is a
9 controlling person of the issuer.”]

10 SEC. 4. Subsection 33.2 (c) and (f) of the same Act are hereby amended
11 to read follows:

12 “Section 33. *Registration of Exchanges.* – 33.1 x x x

13 “33.2 Registration of an Exchange shall be granted upon
14 compliance with the following provisions: x x x

15 ‘(c) Where the Exchange is organized as stock corporation, that no
16 person may beneficially own or control, directly or indirectly, more than
17 five person (5%) of the voting rights of the Exchange and no **PERSON**
18 **TOGETHER WITH ITS AFFILIATES OR RELATED PARTIES,** [industry
19 group or business group] may beneficially own or control, directly or
20 indirectly, more than twenty person (20%) of the voting rights of the
21 Exchange. *Provided, however,* That the Commission may adopt rules,
22 regulations or issue an order, upon application, exempting an applicant
23 from this prohibition where it finds that such ownership or control will not
24 negatively impact on the exchange’s ability to effectively operate in the
25 public interest.”

26 “x x x”

27 “(f) That the brokers in the board of the Exchange shall comprise of not
28 more than forty-nine percent (49%) of such board [and shall
29 proportionately represent the Exchange membership in terms of volume/

1 value of trade and paid up capital], and that any natural person associated
2 with a juridical entity that is a member shall himself be deemed to be a
3 member for this purpose: *Provided*, That any registered Exchange existing
4 prior to the effectivity of this Code shall immediately comply with this
5 requirement;”

6 “x x x”

7 SEC. 6. Section 34.1 of the same Act is hereby repealed and Sections
8 34.2 and respectively.

9 SEC. 7. Section of the same Act is hereby amended to read as follows:

10 “Section 35. *Additional Fees of Exchanges*. – In addition to the
11 registration fee prescribed in Section 33 of this Code, every Exchange
12 shall pay to the Commission, on a semestral basis on or before the tenth
13 day of the end of every semester of the calendar year, a fee in such an
14 amount as the Commission shall prescribe, but not more than **ONE FIVE**
15 **HUNDREDTH** [one-hundredth] of one per centum (1%) of the aggregate
16 amount of the sales of securities transacted on such Exchange during the
17 preceding calendar year, for the privilege of doing business during the
18 preceding calendar year or any part thereof.”

19 SEC. 8. Section 36.3 of the same Act is hereby amended to read as
20 follows:

21 “Section 36. *Powers with Respect to Exchanges and Other Trading*
22 *Markets*. - - x x x

23 “36.3 In addition to the existing Philippine Stock Exchange, the
24 Commission shall have the authority to determine the number size and
25 location of stock Exchanges, other trading markets and commodity
26 Exchanges and other similar organizations in the light of national or
27 regional requirements for such activities with the view to promote,
28 enhance, protect, conserve or rationalize investment [.] **PROVIDED,**
29 **THAT ANY SECURITIES REGISTERED WITH THE COMMISSION AND**

1 **APPROVED FOR LISTING IN AN EXCHANGE SHALL NOT BE**
2 **DEEMED AUTOMATICALLY LISTED IN ANY OTHER EXCHANGE.”**

3 SEC. 9. This Act shall take effect fifteen (15) days after its complete
4 publication in at least two (2) national newspapers of general circulation.

Approved,