



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

**OMNIBUS RULES AND REGULATIONS FOR
INVESTMENT HOUSES AND UNIVERSAL BANKS
REGISTERED AS UNDERWRITERS OF SECURITIES**

Whereas, Presidential Decree No. 129, as amended, otherwise known as "The Investment Houses Law" governs the establishment, operation and regulation of Investment Houses;

Whereas, to effectively carry out the provisions of P.D. 129, the Commission promulgated the Basic Rules and Regulations to Implement the Provisions of P.D. 129 on July 9, 1973;

Whereas, the said rules and regulations have become outdated due to recent significant changes in the securities regulation landscape through the enactment of various laws, rules and regulations dealing with Investment Houses; and

Whereas, under the General Banking Law of 2000 (R.A. 8791) and its predecessor, the General Banking Act (R.A. 337), Universal Banks are authorized to perform the activities of Investment Houses;

Whereas, under SEC Memorandum Circular No. 01, Series of 1996, reiterated in SEC Resolution No. 60, Series of 2000 and in the Memorandum of Agreement between the Commission and the Bangko Sentral ng Pilipinas signed on 07 June 2001, all universal banks are required to register with the Commission as Underwriter of Securities before they can undertake the function of underwriting of securities; and

Whereas, it is imperative to revise, reexamine and restructure the existing regulatory framework pertaining to Investment Houses and to rationalize the rules pertaining to Universal Banks engaged in the underwriting of securities in order for the Commission to be more potent, responsive and effective regulator of Investment Houses.

NOW, THEREFORE, the Commission by virtue of its powers vested by the Securities Regulation Code, Presidential Decree No. 902-A, the Corporation Code of the Philippines and other existing laws, do hereby order, decree and promulgate the following:

SECTION 1. Scope of Applicability – These Omnibus Rules and Regulations shall apply to Investment Houses and Universal Banks registered as Underwriter of Securities.

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SECTION 2. Definitions – The following terms as used in P.D. 129 and these rules shall be understood to mean as follows:

A) **Investment House** is any enterprise which primarily engages, whether regularly or on an isolated basis, in the underwriting of securities of another person or enterprise, including securities of the Government or its instrumentalities.

B) **Underwriting of Securities** is the act or process of guaranteeing by an Investment House duly licensed under P.D. 129 or a Universal Bank registered as an Underwriter of Securities with the Commission, the distribution and sale of securities issued by another person or enterprise, including securities of the Government or its instrumentalities. The distribution and sale may be on a public or private placement basis: *Provided*, That nothing shall prevent an Investment House or Universal Bank registered as Underwriter of Securities from entering into a contract with another entity to further distribute securities that it has underwritten.

C) **Securities** are shares, participation or interests in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract, instrument, whether written or electronic in character. It includes:

- (i) Shares of stock, bonds, debentures, notes, evidences of indebtedness, asset-backed securities;
- (ii) Investment contracts, certificates of interest or participation in a profit sharing agreement, certificates of deposit for a future subscription;
- (iii) Fractional undivided interests in oil, gas or other mineral rights;
- (iv) Derivatives like option and warrants;
- (v) Certificates of assignments, certificates of participation, trust certificates or similar instruments;
- (vi) Proprietary or nonproprietary membership certificates in corporations; and
- (vii) Other instruments as may in the future be determined by the Commission. (n)

D) **Private Placement** refers to the sale of securities to less than 20 persons or enterprises.

E) **Public distribution** refers to the sale of securities to at least 20 persons or enterprises.

F) **Voting Stock** is that portion of the authorized capital stock of an Investment House subscribed and entitled to vote.

G) **Paid-in Capital** are payments on subscriptions to the authorized capital of an Investment House, including premiums paid in excess of par.

H) **Officer** shall be understood to mean a senior officer of an Investment House or Universal Bank, which includes, but not limited to the President, Executive Vice-President, General Manager, Vice-President, Assistant Vice-President, Corporate Secretary, Head of an Operating Department and Branch Manager and such other officers mentioned as officers of the Investment House or Universal Bank as the Commission may require, in consultation with the Bangko Sentral ng Pilipinas (BSP).

I) **Managerial Staff** are the officers of an Investment House or the Universal Bank mentioned under Section 2H of these Rules. Where an Investment House is under a management contract, the term shall be understood to include the officers of the management firm who are designated to oversee their operations.

J) **Networth (or combined capital accounts)** means the total of capital stock, retained earnings and profit and loss summary, net of (a) deferred income tax, (b) unbooked valuation reserves and other capital adjustments as may be required by the BSP and SEC, (c) for Investment Houses with Quasi-Banking Functions (IHQB) only, total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI) in accordance with the pertinent provisions of the BSP Manual of Regulations.

K) **Quasi-Banking Function** refers to the function of borrowing funds for the borrower's own account from 20 or more persons or corporate lenders at any one time, through the issuance, endorsement, or acceptance of debt instruments of any kind other than deposits which may include but need not be limited to acceptances, promissory notes, participations, certificates of assignment or similar instruments with recourse, trust certificates or of repurchase agreements for purposes of relending or purchasing of receivables and other obligations. (n)

L) **Investment Management Activity (IMA)** refers to any activity resulting from a contract or agreement primarily for financial return whereby the investment manager binds itself to handle or manage investible funds or any investment portfolio in a representative capacity as financial or managing agent, adviser, consultant or administrator of financial or investment management, advisory, consultancy or any similar arrangement which does not create or result in a trusteeship. (n)

M) **Trust** is a relationship or an arrangement whereby a person called a trustee is appointed by a person called a trustor to administer, hold and manage funds and/or property of the trustor for the benefit of a beneficiary. (n)

N) **Universal Bank (UB)** is a bank whose authority include, in addition to commercial banking powers, the authority to exercise the powers of Investment Houses, invest in the equity of allied and non-allied undertakings and own up to 100% of the equity of a financial intermediary.

O) **SRC** means the Securities Regulation Code (n)

P) **BSP** means the Bangko Sentral ng Pilipinas. (n)

Q) **Commission** means the Securities and Exchange Commission (SEC).

SECTION 3. Organization and Registration

A. Investment Houses shall be organized in the form of stock corporations in accordance with the provisions of the Corporation Code of the Philippines, subject to the following requirements:

i. At least forty percent (40%) of the voting stock of any Investment House shall be owned by citizens of the Philippines. In determining the percentage of foreign-owned voting stocks in Investment Houses, the basis for the computation shall be the citizenship of each stockholder, and, if the stockholder is a corporation, the citizenship of the individual stockholders holding voting shares in that corporation. In approving foreign equity applications in Investment Houses, the Commission shall approve such applications only if the same or similar rights are enjoyed by Philippine national in the applicant's country. (n)

ii. Foreign nationals may become members of the board of directors to the extent of their foreign participation in the equity of the Investment House. (n)

iii. Foreign equity participation shall be registered or reported with the Board of Investments and to the appropriate department of the BSP in accordance with the rules and regulations of the said Offices, prior to or simultaneous with the registration with the Commission.

iv. The corporation shall have a minimum initial paid-in capital of Three Hundred Million Pesos (P300,000,000.00) or such amount as the BSP may prescribe, at the time of incorporation.

v. Resident foreign directors or officers of an Investment House, if any, shall register with the Bureau of Immigration and Deportation.

vi. Except as may be authorized by the Monetary Board, no director or officer of an Investment House shall concurrently be a director or officer of a bank, as defined in Section 3.1 of the General Banking Law of 2000 (R.A. 8791 or the General Banking Law). In no event can a person be authorized to be concurrently an officer of an Investment House and of a bank except where the majority or all of the equity of the Investment House is owned by the bank.

vii. The Commission may, whenever it deems necessary, impose other requirements in addition to those enumerated herein. (n)

B. Procedure – The organizers shall file with the Commission, a sworn application for registration signed by the Chairman, President or any member of the Board of Directors in accordance with the prescribed form (SEC Form IHU) in triplicate, together with the following documents:

- i. Copy of the Articles of Incorporation and By Laws;
- ii. Continuing authorization for the Commission's duly authorized representative/s to verify the applicant's bank accounts. The ~~Authorization shall be for all banks wherein accounts are~~ maintained by the applicant;
- iii. Verified bio-data with picture (taken at least 6 months prior to the date of filing) of proposed directors/officers;
- iv. Compliance with paid-in capital requirements;

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- v. Valid work permit of foreigners employed in any capacity by the applicant issued by the Department of Labor and Employment;
- vi. Registration approval from the Bureau of Immigration and Deportation of resident foreign directors and officers, if any;
- vii. Written Supervision and Control Procedures to ensure compliance with the applicable rules pertaining to P.D. 129 and the SRC, including procedures for establishing and maintaining a "Chinese Wall" in accordance with SRC Rule 34.1-3 when it is performing broker dealer functions;
- viii. For existing corporations, latest Annual Audited Financial Statements and latest Interim Financial Statements as of the end of the month prior to filing the application;
- ix. Organizational chart, including branch offices, if applicable;
- x. A certified copy of the board resolution attesting to the particulars contained in the application;
- xi. Business plan regarding proposed operations, including investment projections and volume; a one (1) year projected statement of assets and liabilities; a tentative program of operation for one (1) year;
- xii. Applicants with foreign equity participation shall submit a certification from the Embassy of the country of which the applicant is a national or a duly authenticated certification by the authorized official of the appropriate foreign government of that country or state of the applicant allowing Filipino citizens and corporations the same or similar rights;
- xiii. In the case of Universal Banks, verification that the applicant has a UB license from the BSP and a copy of the favorable 2nd endorsement from the BSP;
- xiv. Payment of filing fee of Fifty Thousand Five Hundred (P50,500.00) Pesos or such other amount as the Commission may prescribe; and
- xv. NBI Clearance of directors and officers. (n)

C. Issuance of License to Operate as an Investment House/Certificate of Registration as an Underwriter of Securities - The Commission shall issue a License to Operate as an Investment House or a Certificate of Registration as an Underwriter of Securities (for universal banks) to the applicant, which shall be renewable annually, after complying with all the requirements of P.D. 129, these rules and the terms and conditions for its issuance, and that the Commission is satisfied that the formation of the Investment House or the registration of Underwriter of Securities will promote public interest and economic growth. (n)

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D. **Annual Fees** – On or before the thirty-first day of January of each year, and for as long as its license to operate remains in effect, each Investment House shall pay the appropriate annual fee:

- i. Investment House/Underwriter of Securities - - - - - P20,200.00
- ii. Investment House/Underwriter of Securities engaged in dealing in government securities - - - - - P30,300.00;

or such amount as the Commission may prescribe. (n)

Any filing for renewal after the prescribed period shall be treated as a new application and the applicant shall be assessed the filing fee for a new registrant. (n)

E. **Branch Operations** – No Investment House shall open, maintain or operate a branch without first securing from the Commission a license to operate a branch in a particular locality. An application for a license to operate a branch shall be acted upon by the Commission after submission of such documents as may be required by the Commission.

F. **Use of the Term "Investment"** – No association, partnership or corporation, other than those duly licensed as an Investment House/Underwriter of Securities in accordance with these rules and regulations, shall advertise or hold itself out as being engaged in the business of an Investment House/Underwriter of Securities.

Neither shall the word "*Investment*" be used as part of the corporate or partnership name by corporations or partnerships not organized as an Investment House, Investment Company or a holding company. (n)

SECTION 4. Underwriting Requirements – Underwriting agreements entered into by Investment Houses and Underwriters of Securities with respect to the public distribution of securities, including the fees to be charged in connection therewith, shall be subject to the approval of the Commission. The Commission may impose such terms and conditions as may be necessary in the public interest and for the protection of investors. Likewise, it may require the submission of such documents as may be necessary to ascertain compliance with such standards of operations as it may establish. The draft of the underwriting agreements covering the issuance of exempt securities under Section 9 of the SRC together with the relevant attachments including the prospectus, need not be submitted to the Commission for prior approval. However, the duly notarized and executed copy of said underwriting agreements shall be submitted to the Commission for its acknowledgement, notation and reference.

SECTION 5. Due Diligence.

A. For the protection of the investing public and in furtherance of the full disclosure requirements imposed by Sections 12, 13, 14, 56 and 57 of the SRC, all underwriters of securities shall exercise such thorough due diligence investigations of all matters relating to the issuer and the issue whether in initial or additional offering to the public to ensure that investors receive complete and accurate material information prior to purchasing share/s in the offering.

B. Pursuant to Section 56 of the SRC, an underwriter shall be liable for damages suffered by 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, unless it is proved that such person knew of such untrue statement or omission at the time of such acquisition.

SECTION 6. Corporate Governance.

Investment Houses and Underwriters of Securities shall submit a Corporate Governance Manual which shall comply with the requirements of the Code of Corporate Governance of the Philippines.

In keeping with the internationally accepted best practices, Investment Houses and Underwriters of Securities shall elect independent director/s in their Board. (n)

SECTION 7. Money Laundering Prevention Programs

Investment Houses and Underwriters of Securities shall formulate and submit to the Commission their money laundering prevention programs in accordance with the provisions of the Anti-Money Laundering Act of 2001 (AMLA) and its implementing rules regulations, including, but not limited to, information dissemination on money laundering activities and their prevention, detection and reporting, and the training of their responsible officers subject to such guidelines as may be prescribed by the Commission and approved by the Anti-Money Laundering Council (AMLC).

Every money laundering program shall establish detailed procedures implementing a comprehensive, institution-wide "know-your-client" policy, set-up an effective dissemination of information on money laundering activities and their prevention, detection and reporting, adopt internal policies, procedures and controls, designate compliance officers at management level, institute adequate screening and recruitment procedures, and set-up an audit function to test the system.

Likewise Investment Houses and Underwriters of Securities shall adopt, as part of their money laundering programs, a system of flagging and monitoring transactions that qualify as suspicious transactions, regardless of amount or covered transactions involving amounts below the threshold to facilitate the process of aggregating them for purposes of future reporting to the AMLC when their aggregated amounts breach the threshold. Investment Houses and Underwriters of Securities shall incorporate in their money laundering programs the provisions of the implementing rules and regulations of the AMLA and such other guidelines for the voluntary reporting to the AMLC of all transactions that engender the reasonable belief that a money laundering offense is about to be, is being, or has been committed. (n)

SECTION 8. Initial Public Offering (IPO) Distribution Process

A. Book-Building Process (30%)

A "book-building" program for the domestic market shall be undertaken simultaneously with the international tranche, if any. The international tranche of any IPO shall not be sold or distributed in the domestic market except thru Investments Houses duly licensed under P.D. 129 or thru Universal Banks duly licensed by the BSP and the SEC. Only qualified institutional buyers (QIBs) may be allowed to participate in

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the book-building. QIBs shall be limited to the following: mutual funds; pension or retirement funds; commercial or universal banks; trust companies; investment houses; insurance companies; investment companies; finance companies; venture capital firms; government financial institutions; trust departments of investment houses, thrift banks, commercial or universal banks; non-bank quasi-banking institutions; member-brokers of the PSE for their dealer accounts; non-stock savings and loan associations; educational assistance funds; and such other person as the Commission may by rule determine as qualified buyers, on the basis of such factors as financial sophistication, networth, knowledge, and experience in financial and business matters, or amount of assets under management.

Thirty percent (30%) of the amount of the IPO shall be available to QIBs under the book-building exercise. This percentage however may be adjusted depending upon the reception of the market to the IPO.

Since the book building will be done after the registration statement is filed but before it becomes effective, the following shall be strictly observed:

i. Sales, payments or deposits on subscription and contracts to sell are prohibited. No offer to buy the securities can be accepted and no part of the purchase price can be received until the registration statement has become effective. Such offer may be withdrawn or revoked, without obligation or commitment of any kind, at any time prior to notice of its acceptance after the effective date.

ii. A preliminary prospectus (red herring) which meets the requirements of SRC Rule 8.1-1: The Prospectus Delivery Rule and which has been filed with the registration statement may be circulated to potential investors. No other selling material shall be circulated prior to the effectiveness of the registration statement.

B. Local Small Investors (10%)

The allocation to the "local small investors" shall be at least ten percent (10%) of the entire IPO, which shall be offered only after the effectivity of the registration statement and during the formal offering period. The Commission, however, may prescribe a different percentage if warranted under prevailing market situation.

The term "local small investor" is defined as a "share subscriber" who is willing to subscribe to a minimum board lot or whose subscription does not exceed P20,000.00 or such other amount as the Commission may prescribe as warranted under prevailing market situation. Depending on market conditions, however, this 10% allocation for the "local small investors" can be supplemented from the allocations set for book building process and/or the general public. In the event of an oversubscription in this 10% offer or under any other circumstances, priority shall be given to the "local small investors" as herein defined.

If oversubscription occurs for the subscriptions of a minimum board lot or whose subscription does not exceed P20,000.00, a balloting/raffle shall be conducted to determine the applicants who will be given the opportunity to subscribe. To ensure fairness and transparency, the balloting process shall be supervised by an independent auditor.

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The distribution outlets for the 10% offer to "local small investors" may be branches of participating Universal Banks, Investment Houses as well as securities brokers. Application forms shall be published in a newspaper of general circulation, which can be cut out by an applicant and submitted to any distribution outlet together with the check payment.

C. General Public (60%)

The balance of sixty percent (60%) may be distributed by the underwriters directly to their clients/general public, to include institutional investors and high-networth individuals.

The distribution of IPOs is the primary responsibility of the underwriters in accordance with the above IPO distribution system. (n)

SECTION 9. Management of Funds – The Commission, by Circular or Order shall provide limitations on investments of discretionary accounts under the management of an Investment House.

An Investment House that engages in the management of funds as authorized by the BSP, must at all times adhere to the due diligence rule and shall ensure that the interest of the funds managed is promoted and that the operation of the funds is undertaken on an arms' length basis.

SECTION 10. Underwriting Fees – Except in highly meritorious cases, as approved by the Commission, an Investment House shall not collect underwriting fees in excess of five percent (5%) of the amount generated by the underwriter for the issuer.

SECTION 11. Prohibitions –

A. No Investment House shall undertake underwriting commitments in an amount exceeding twenty (20) times its networth.

B. The board of directors and senior management shall ensure full compliance with the required minimum capitalization. Any or all of the following sanctions may be imposed by the Commission on any Investment House which fails to comply with the minimum capital requirement or having complied, shall fail to maintain thereafter such minimum capital requirement, or which fails to comply with the capital build-up requirement within the prescribed deadline, to wit:

- i. Cease and desist order;
- ii. Prohibition from underwriting;
- iii. Prohibition against declaration of cash dividends;
- iv. Prohibition from extending new loans or making new investments;

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- v. Suspension of the privilege to establish and/or open approved branches, agencies or offices; and/or
- vi. Other sanctions prescribed under existing pertinent laws, rules and regulations. (n)

C. Whenever an Investment House is engaged in the management of funds, its officer/s and other personnel directly involved in the management of funds are prohibited from simultaneously or concurrently buying or selling the shares of stock of the same firm that the funds are buying and selling.

D. No Investment House shall engage in banking operations as defined in Section 3.1 of the General Banking Law.

E. No advances to directors, officers and stockholders owning at least 10% of the outstanding capital of an Investment House shall be allowed, unless sufficiently collateralized, as required by BSP.

SECTION 12. Fee-based Income Requirement. - All Investment Houses shall derive at least 25% of their annual gross income from underwriting and other fee-based activities.

Fee-based income includes all income related to the underwriting functions, i.e. trading gain in the sale of underwritten securities purchased; trading gain in the dealership of securities/equity shares being underwritten by another investment house; trading gain in the dealership of private securities which are bought and sold on the same day. (n)

SECTION 13. Capital Adequacy Requirements - Investment Houses shall comply with the capital adequacy requirements as prescribed by the Monetary Board of the BSP.

SECTION 14. Reportorial Requirements - Every registered Investment House and Underwriter of Securities shall file with the Commission the following reports, in a form prescribed by the Commission:

A. **Quarterly Progress Report** – a report of the results of its underwriting operations and activities of funds managed on all commitments for the quarter as well as its quarterly financial statements and additional disclosures, if any, to be submitted within fifteen (15) days from the end of each quarter, signed under oath by any authorized and responsible officer.

B. **Annual Report** – a report concerning its operational activities for the year just ended, signed by its Chairman, President or Executive Vice-President to be submitted on or before March 31 of each year. A copy shall be filed with the BSP.

C. **General Information Sheet (GIS)** – to be submitted within thirty (30) calendar days following the date of the actual annual stockholders' meeting. The GIS should be certified and sworn to by the Corporate Secretary, or by the President or any duly authorized officer of the Investment House and Underwriter of Securities. If no meeting was held, the Investment House and Underwriter of Securities shall submit the GIS together with an affidavit of non-holding of meeting within thirty (30) calendar days from the date of the scheduled annual/special meeting as provided for in their By-laws. (n)

D. **Annual Audited Financial Statements (AAFS)** - duly stamped "RECEIVED" by the Bureau of Internal Revenue to be submitted within 120 days after the end of the fiscal year as specified in the By-Laws of the company and shall be accompanied by a Statement of Management's Responsibility in accordance with SRC Rule 68, as amended.

E. **SEC Form IHU-A** – a report of any change/s in the information contained in SEC Form IHU or any significant events to be submitted within seven (7) days after the occurrence of the event. (n)

SECTION 15. Books and Records Rule.

Every registered Investment House and Underwriter of Securities shall maintain and preserve records of all transactions and other documents as the Commission may prescribe for five (5) years from the dates of the transactions. With respect to closed accounts, the records on customer identification, account files and business correspondence, shall be preserved and safely stored for at least five (5) years from the dates when they were closed. However, if a money laundering case based on any record kept by the Investment House and Underwriter of Securities has been filed in court, said file must be retained beyond the period stipulated above, as the case may be, until it is confirmed that the case has been finally resolved or terminated by the court. (n)

SECTION 16. Accounting Principles, Rules and Regulations.

All Investment Houses and Underwriters of Securities shall file their Annual Audited Financial Statements to the Commission in conformity with the generally accepted accounting principles. Unless otherwise specified, the term financial statements when used in this Rule, shall include a balance sheet, a statement of income, statement of changes in equity and a statement of cash flows, together with all notes to the statements and related schedules, as defined in Statement of Financial Accounting Standards No. 1 (Presentation of Financial Statements) or other subsequent amendments thereto.

The preparation, presentation and interpretation of financial statements shall be in accordance with the standards set by the Accounting Standards Council (ASC). Exception will be those included in SRC Rule 68, as amended, and those that will be subsequently issued or announced by the Commission.

The financial statements filed with the Commission are primarily the responsibility of the management of the reporting company and accordingly, the fairness of the representations made therein is an implicit and integral part of the management's responsibility. (n)

SECTION 17. Stockbrokerage or Dealership Functions - If an Investment House engages in the business of a stockbroker or dealer pursuant to P.D. 129, it shall comply with the provisions of SRC and its implementing rules and regulations: *Provided*, however, that an Investment House need not obtain a separate license under Section 28 of the SRC. However, for monitoring purposes, Investment Houses shall disclose to the Commission that they are engaged in the business of dealing in government securities.

Notwithstanding the provisions of Section 23 of the General Banking Law, Universal Banks are required to register with the Commission before engaging in underwriting of securities function, unless said function are performed indirectly through their subsidiary. Likewise, Universal Banks registered as Underwriter of Securities are required to disclose to the Commission that they are engaged in the business of dealing in government securities. (n)

SECTION 18. BSP Rules - Investment Houses opting to engage in quasi-banking, trust functions, investment management activities and foreign exchange operations shall first secure the necessary license from the BSP and consequently be subject to its supervision and other applicable rules and regulations. Investment Houses with Financing Company license shall spin-off their financing company activities within one (1) year from the effectivity of these rules. (n)

SECTION 19. Visitorial Power - The Commission shall, having due regard to the public interest and the protection of investors, conduct examinations and investigations, as it deems necessary to determine whether or not an Investment House is complying with any of the provisions of P.D. 129 or of any applicable laws, rules and regulations. It shall determine all the facts and circumstances concerning the matter to be investigated for the imposition of sanctions/penalties or remedial or preventive measures. (n)

SECTION 20. Penalties - Any violation of P.D. 129 or of these rules and regulations, shall be penalized by suspension or revocation of the License to Operate as an Investment House and Certificate of Registration as an Underwriter of Securities, after proper notice and hearing. In appropriate cases, a fine not exceeding P200,000 per day or such amount as the Commission may prescribe during which period such violation continues, shall be imposed upon the Investment House, the Underwriters of Securities and the Officer/s or Director/s who ordered or authorized the violation, without prejudice to the criminal liabilities provided in the second paragraph of Section 16 of P.D. 129.

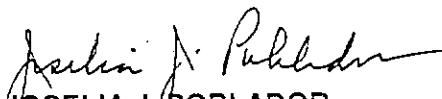
In the exercise of its regulatory powers, the Monetary Board may issue a cease-and-desist order upon an Investment House which is not complying with BSP rules and regulations pertaining to non-bank intermediaries or in appropriate cases, rules governing quasi-banking functions of Investment Houses. Failure to comply with the cease-and-desist order shall subject the Investment House to a fine to be imposed by the Monetary Board.

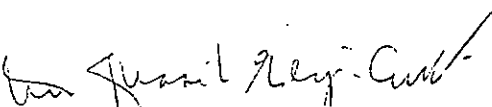
SECTION 21. Effectivity – These rules shall take effect fifteen (15) days upon completion of its publication in two (2) newspapers of general circulation.

Mandaluyong City, Philippines, July 23, 2002.


LILIA R. BAUTISTA
Chairperson


FE ELOISA C. GLORIA
Commissioner


JOSELIA J. POBLADOR
Commissioner


MA. JUANITA E. CUETO
Commissioner


JESUS ENRIQUE G. MARTINEZ
Commissioner

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