

**[SEC-BED MEMORANDUM CIRCULAR NO. 04, S.
1997, November 20, 1997]**

IPO DISTRIBUTION PROCESS

The Commission has been receiving reports criticizing the Initial Public Offering (IPO) distribution process. There have been complaints on the fact that the general public could not gain access to IPOs if they are not existing clients of the PSE brokers/dealers or investment houses. Others criticize the fact that IPOs, particular those with foreign tranches, did not consider the local market sentiment. Over the last year, the SECIHAP and the PSE, exerted efforts to develop an IPO distribution process that will meet the concerns raised. Thus, in order to achieve the objectives of wider dispersal of shares IPOs and expansion of local investors, the SEC, in consultation with all concerned, hereby mandates the following IPO distribution process:

I. BOOK-BUILDING PROCESS (30%)

A "book-building" program for the domestic market shall be undertaken simultaneously with the international tranche, if any. Only qualified institutional buyers (QIBs) may be allowed to participate in 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 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 other institutions of similar nature.

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 must be strictly observed:

1. 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 accepted and no part of the purchase price can be received until the registration statement has become effective, and any such offer may be withdrawn or revoked, without obligation or commitment of any kind, at any time prior to notice of its acceptance after the effective date.

2. A preliminary prospectus (red herring) which meets the requirements of RSA Rule 8(a)(10)-1: The Prospectus Delivery Rule and has been filed with the