

[BATAS PAMBANSA BLG. 178, February 23, 1982]

THE REVISED SECURITIES ACT

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)

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:

1. 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.
2. 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.
3. 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.

4. 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.
5. Certificates issued by a receiver or by a trustee in bankruptcy duly approved by the court.
6. Any insurance or endowment policy or annuity contract, or optional annuity contract, issued by a corporation subject to the supervision of the Insurance Commission,
7. 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.
8. 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:

1. At any judicial sale, or sale by an executor administrator, guardian or receiver or trustee in insolvency or bankruptcy.
2. 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.
3. 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.
4. 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