

[PRESIDENTIAL DECREE NO. 129, February 15, 1973]

GOVERNING THE ESTABLISHMENT, OPERATION, AND REGULATION OF INVESTMENT HOUSES

WHEREAS, there were pending before Congress, prior to the promulgation of Proclamation No. 1081, dated September 21, 1972, urgent measures proposing the regulation of the so-called investment banks;

WHEREAS, an extensive survey and study of the Philippine financial system had been undertaken in order to determine its adequacy in Philippine economic development, and an integrated set of recommendations were submitted; and

WHEREAS, the recommendations, as endorsed with modifications by the monetary authorities and made the basis of this Decree, advocated the enactment of the statutory framework within which the underwriting of securities may be governed and, to the extent that these entities perform quasi-banking functions, to harmonize their operations with national monetary goals;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree and make part of the law of the land the following:

SECTION 1. Title. — This Decree shall be known as "The Investment Houses Law."

SEC. 2. Scope. — Any enterprise which engages in the underwriting of securities of other corporations shall be considered an "Investment House" and shall be subject to the provisions of this Decree and of other pertinent laws.

Nothing in this Decree shall be understood to preclude other enterprises from engaging in the mere buying and selling of short-term securities of other persons or enterprises.

SEC. 3. Definitions. — For the purpose of this Decree, unless the context otherwise indicates, the following definition of terms are hereby adopted:

- (a) "Underwriting" is the act or process of guaranteeing the distribution and sale of securities of any kind issued by another corporation;
- (b) "Securities" are written evidences of ownership, interest, or participation, in an enterprise, or written evidences of indebtedness of a person or enterprise. It includes, but is not limited to the instruments enumerated in Section 2 of the Securities Act (Commonwealth Act No. 83, as amended).

SEC. 4. Organization and registration. — Investment Houses shall be organized in the form of stock corporations.

The Securities and Exchange Commission shall not register the articles of incorporation of any Investment House, or any amendment thereto, unless it is

satisfied from the evidence submitted to it:

- (a) That all the requirements of this Decree and of existing laws or regulations to engage in the business have been complied with;
- (b) That the proposed enterprise will not be in conflict with public interest and economic growth;
- (c) That the amount of capital, the proposed organization, direction and administration, as well as the integrity, experience and expertise of the organizers and the proposed managerial staff, provide reasonable assurance that the enterprise will be conducted with financial prudence.

In determining compliance with the provisions of Subsections (b) and (c) above, the Securities and Exchange Commission shall consult the Monetary Board of the Central Bank of the Philippines.

All applications for registration of the articles of incorporation of Investment Houses shall be accompanied by:

- (1) At least three copies of the proposed articles of incorporation;
- (2) A statement under oath of the educational background and experience of the organizers, directors, and the proposed managerial staff, as well as information on any position concurrently held by them in other financial or banking institutions, if any;
- (3) A projected statement of assets and liabilities of the proposed Investment House;
- (4) A tentative program of operation for one year, including its investment direction and volume; and
- (5) Such other information as the Securities and Exchange Commission may require in support of the application and to enable the Commission to determine the justifiability of establishing the proposed enterprise.

Any enterprise already in operation and exercising the powers of an Investment House prior to the effectivity of this Decree shall, within six months therefrom, file an information sheet with the Securities and Exchange Commission in such form and containing such data as the Securities and Exchange Commission may, at its discretion, require, to enable the Commission to determine, in consultation with the Monetary Board, whether the enterprise meets the requirements of this Decree.

SEC. 5. *Citizenship requirements.* — The majority 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, with respect to corporate owners of voting stock, the citizenship of the individual owners of voting stock in the corporation holding shares in that Investment House.

The majority of the members of the Board shall be citizens of the Philippines.

SEC. 6. *Prohibitions.* — 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 2 of Republic Act No. 337, as amended; Provided, however, That in no event can a person be authorized to be concurrently an officer of an Investment House and of a bank.

No Investment House shall engage in banking operations as defined in Section 2 of Republic Act No. 337 as amended.

SEC. 7. Powers. — In addition to the powers granted to corporations in general, an Investment House is authorized to do the following:

- (1) Arrange to distribute on a guaranteed basis securities of other corporations and of the Government or its instrumentalities;
- (2) Participate in a syndicate undertaking to purchase and sell, distribute or arrange to distribute on a guaranteed basis securities of other corporations and of the Government or its instrumentalities;
- (3) Arrange to distribute or participate in a syndicate undertaking to purchase and sell on a best-efforts basis securities of other corporations and of the Government or its instrumentalities;
- (4) Participate as soliciting dealer or selling group member in tender offers, block sales, or exchange offering or securities; deal in options, rights or warrants relating to securities and such other powers which a dealer may exercise under the Securities Act (C.A. No. 83, as amended);
- (5) Promote, sponsor, or otherwise assist and implement ventures, projects and programs that contribute to the economy's development;
- (6) Act as financial consultant, investment adviser, or broker;
- (7) Act as portfolio manager, and/or financial agent, but not as trustee of a trust fund or trust property as provided for in Chapter VII of Republic Act No. 337, as amended;
- (8) Encourage companies to go public, and initiate and/or 'promote, whenever warranted, the formation, merger, consolidation, reorganization, or recapitalization of productive enterprises, by providing assistance or participation in the form of debt or equity financing or through the extension of financial or technical advice or service;
- (9) Undertake or contract for researches, studies and surveys on such matters as business and economic conditions of various countries, the structure of financial markets, the institutional arrangements for mobilizing investments;
- (10) Acquire, own, hold, lease or obtain an interest in real and/or personal property as may be necessary or appropriate to carry on its objectives and purposes;
- (11) Design pension, profit-sharing and other employee benefits plans; and
- (12) Such other activities or business ventures as are directly or indirectly related to the dealing in securities and other commercial papers, unless otherwise governed or prohibited by special laws, in which case the special law shall apply.

Nothing in this section shall preclude other enterprises not covered by this Decree from engaging in the activities listed under Subsections (3) to (11) of this section, except as may otherwise be governed by special laws.

SEC. 8. Capital. — The minimum initial paid-in capital of any Investment House shall be twenty million (P20,000,000) pesos.

SEC. 9. Credit policies. — Investment Houses shall coordinate their credit policies with the general credit policies of the Monetary Board of the Central Bank.