

**[ SEC, December 21, 2006 ]**

**THE 2006 RULES OF PROCEDURE OF THE SECURITIES AND EXCHANGE COMMISSION**

Pursuant to the Securities Regulation Code (R.A. 8799), Corporation Code of the Philippines (B.P. 68), Presidential Decree No. 902-A, as amended, and other related laws, and in the interest of a just, speedy and inexpensive resolution of disputes and complaints over which the SEC has jurisdiction, the Commission hereby promulgates the following rules of procedure to govern actions and proceedings before it.

**RULE I**  
**General Provisions**

SEC. 1-1. Title. These Rules shall be known as the "The 2006 Rules of Procedure of the Securities and Exchange Commission".

SEC. 1-2. Definitions. For purposes of these Rules, the following terms shall mean:

- a. Commission - the Securities and Exchange Commission (SEC).
- b. The Code, The SRC - the Securities Regulation Code or Republic Act (R.A.) 8799.
- c. Commissioner - the Chairperson or any of the Commissioners.
- d. Commission En Banc - the Commissioners appointed pursuant to the Securities Regulation Code acting as a collegial body; it is the highest governing body of the Commission.
- e. Operating Department - refers to the Company Registration and Monitoring Department (CRMD), Compliance and Enforcement Department (CED), Corporation Finance Department (CFD), Market Regulation Department (MRD), Non-Traditional Securities and Instruments Department (NTD), and Extension Offices (EOs).
- f. Hearing Panel or Officer - any officer, body or panel duly designated or created through the pertinent office order by the Director (or Officer-in-Charge) of an Operating Department, or by the Commission pursuant to these Rules or by Resolution of the En Banc, to hear and decide a case or complaint. At least one member of the hearing panel shall be a member of the Philippine Bar.
- g. Order - any directive, other than a Decision of a Hearing Panel or Officer.
- h. Decision - means the whole or any part of the final disposition issued by a Hearing Panel or Officer, Operating Department or the Commission En Banc pertaining to any matter within its jurisdiction.
- i. Corporation - also refers to a partnership, association or any other entity registered or licensed by the Commission.
- j. Office of the General Accountant (OGA) - the office that advises, assists and provides technical support to the Commission and SEC Operating Departments on issues relating to accounting and auditing.

- k. Office of the General Counsel (OGC) – the office that advises and assists the Commission and its Directors on legal issues that may be brought before them, and it may be assigned such other functions as may be delegated by the Commission En Banc.

SEC. 1-3. Construction. These rules shall be liberally construed in order to promote public interest and assist the parties in obtaining a just, prompt, expeditious, and inexpensive resolution, settlement, and/or disposition of all actions brought before the Commission and to carry out the objectives of the laws it is mandated to implement.

The following rules shall be used in the interpretation of certain words and phrases found in these Rules:

- (a) "Action" shall include any case, complaint or petition filed by a party before the Commission;
- (b) "Complaint" or "complainant" shall have the same meaning as "petition" or "petitioner", respectively;
- (c) Unless otherwise specified, the duties and responsibilities of a Director of an Operating Department as provided for in these Rules shall likewise devolve upon the Officer-in-Charge of the said department;
- (d) The words "he" and "his" shall be construed as a collective reference to persons and not meant to give preferential treatment to the male gender.

SEC. 1-4. Nature of Proceedings. Subject to the requirements of due process, the proceedings before the Commission shall be summary in nature and the technical rules of evidence used in the regular courts shall, whenever practicable, be supplementary to these Rules.

SEC. 1-5. Venue of Hearings. As a general rule, all actions brought under these Rules shall be commenced and heard at the principal office of the Commission in Metro Manila. In cases where it involves a corporation, the principal office of which is located in a place where the Commission has an extension office, the action or complaint may be filed in the said extension office, provided that unless specified in the next following section or when the Commission en banc orders otherwise, the hearing of the action shall be held at the principal office of the Commission in Metro Manila.

SEC. 1-6. Jurisdiction of Operating Departments, Extension Offices and Special Offices over cases filed before the Commission. The Operating Departments, Extension Offices and Special Offices shall take jurisdiction over cases in accordance with their respective core functions.

SEC. 1-7. Assignment of Cases. All actions filed with the Commission shall be assigned to a hearing panel or officer duly designated by the Director or Officer in Charge of the Operational Department which has jurisdiction over them, as the case may be, unless otherwise determined by the Commission En Banc.

SEC. 2-1. Who may be Parties. Only natural or juridical persons or entities authorized by law or a party in interest acting through an attorney-in-fact, where applicable, may be parties to any action before the Commission.

SEC. 2-2. Parties in Interest. All actions filed with the Commission must be pursued and defended in the name of the real party in interest. All persons who have an interest in the subject of an action and in obtaining the relief demanded shall be joined as complainants. All persons who claim an interest in the controversy, or the subject thereof which is adverse to that of the complainant, or is necessary for a complete resolution or settlement of the action shall be joined as respondents.

SEC. 2-3. Intervention. A natural or juridical person may, at any stage of the proceedings, be permitted by the Hearing Panel or Officer to intervene in an action or complaint if he has a legal interest therein or when he is so situated as to be adversely affected by the decision of the Commission.

The said party may file a motion to intervene or oppose the subject action before the Hearing Panel or Officer stating therein the reason for his intervention or opposition.

The motion should contain all the relevant supporting documents and, if allowed, shall be treated as a complaint-in-intervention. The Hearing Panel or Officer may require the original parties to the action to answer or comment on the intervention as the case may warrant or require them to submit their arguments against it in their position papers or memoranda prior to the submission of the action for resolution.

An answer to the intervention, when required by the Hearing Panel or Officer, should be filed within five (5) days from receipt of the corresponding order.

### RULE III Commencement of Action

SEC. 3-1. Commencement of Actions. An action filed under these Rules shall be commenced by filing a verified complaint with supporting documents with the Operating Department that has jurisdiction over the subject matter.

SEC. 3-2. Definition of Action. An action refers to the right of a party to avail of the procedures provided in these Rules to protect his interests and to expect a resolution based on the facts of the case and applicable laws.

SEC. 3-3. Pleadings Allowed. The only pleadings that may be filed in any action are the complaint, answer, reply and rejoinder, if necessary, and motions in intervention.

SEC. 3-4. Verification. The complaint and answer shall be verified by an affidavit that states that the affiant has read the complaint or answer and that the allegations therein are true and correct of his own personal knowledge and/or based on authentic records. A verification based on "information and belief," or which lacks the proper form of verification, shall be considered as improper and may cause the summary dismissal of the complaint or the expunging of the answer.

SEC. 3-5. Non-Forum Shopping. The complainant shall certify under oath that: (a) he has not commenced any action or filed any complaint involving the same subject matter or issues in any court, tribunal or agency and, to the best of his knowledge, no such other action is pending therein; (b) if there is such other pending action, a complete statement of its present status; and (c) if he should thereafter learn that the same or similar action has been filed or is pending, he shall report that fact within five (5) days from such knowledge to the Operating Department concerned.

Failure to comply with any of the foregoing requirements shall result in the dismissal without prejudice of the complaint. The submission of a false certification or non-compliance with any of the undertakings enumerated in the preceding paragraph shall constitute indirect contempt of the Commission and may give rise to the imposition of administrative and criminal sanctions. If the acts of the party or his counsel constitute willful forum shopping, the same shall be considered a justifiable ground for the summary dismissal with prejudice of the action and constitute direct contempt of the Commission with the attendant administrative and criminal consequences.

SEC. 3-6. Prohibited Pleadings. The following pleadings or any submission that is filed or made under a similar guise or title shall not be allowed:

- a) Motion to Dismiss
- b) Motion for a Bill of Particulars
- c) Motion for New trial, Reconsideration of Judgment or Order, or Reopening of Trial;
- d) Petition for relief from judgment;
- e) Motion for extension of time to file pleadings, affidavits, or any other submission of similar intent;
- f) Motion to declare a party in default;
- g) Motion for postponement and any other motions of similar intent; and
- h) Motion for leave to amend pleadings.

Should one be filed, said prohibited pleadings or submissions shall be automatically expunged from the records of the case.

Notwithstanding sub-paragraph "g" above, the Hearing Panel or Officer may, for a compelling and valid reason, reset a hearing or conference not later than ten (10) business days thereafter.

SEC. 3-7. Duty of the Director of the Operating Department. The Director shall, from an initial examination of the allegations or averments in the complaint and such evidence that may be attached to it, dismissed the complaint if he finds that it is insufficient in form and substance. Otherwise, he shall refer it to a Hearing Panel or Officer for investigation or examination. If the complaint has a valid and legal basis, he shall issue the appropriate summons to the parties concerned. All orders emanating from an Operating Department under this section shall be under the signature of its Director or Officer-in-Charge, as the case may be.

SEC. 3-8. Form of Pleadings. All pleadings filed shall be written, printed or typed on bond paper in English or Pilipino.

Each pleading shall contain a caption stating the name of the Commission, the

Operating Department that has jurisdiction over the action, the title of the case, the case number, if any, and a description of the pleading.

The original and three (3) signed copies of the pleading shall be filed with the Commission. All respondents shall be furnished with copies of the pleadings, except the complaint which shall be furnished by the Commission to the respondent as an attachment to the summons. Except for the initiatory pleading, there shall be filed as many additional signed copies of the said pleadings as there may be respondents.

No pleading shall be accepted by the Commission unless it conforms to the formal requirements provided for in these Rules.

SEC. 3-9. Verified Complaint. The complaint shall contain the following information: (a) the names and residences of the parties; (b) a concise statement of the ultimate facts constituting the complainant's cause(s) of action; (c) a brief statement of the right(s) sought to be enforced; (d) the law, rule or regulation on which the complaint is based; (e) a summary of the complainant's claims; (f) a statement of the issues to be resolved; (g) the affidavits of witnesses, copies of documentary and other pieces of evidence; and (h) the relief(s) sought.

This rule notwithstanding, the Commission may, *motu proprio*, accept and take cognizance of a complaint filed under a different form in the interest of public service and social justice, or to protect the investing public.

SEC. 3-10. Capacity. The facts showing the capacity of a party to sue or be sued, or the authority of a party to sue or be sued in a representative capacity, or the legal existence of an organized association of persons that is made a party to an action must be averred. A party desiring to raise an issue on the legal existence of any party or the capacity of any party to sue or be sued in a representative capacity shall do so by specific denial and shall be supported by evidence that is within his knowledge. Failure to comply with this requirement shall be deemed a waiver of the right to question the capacity or authority of a party to sue or be sued.

SEC. 3-11. Answer. Within fifteen (15) days from the service of summons, the respondent shall file his answer to the complaint and serve a copy thereof to the complainant. The answer shall contain the affidavits of witnesses and copies of documentary evidence, if any.

SEC. 3-12. Effect of Failure to Answer. If the respondent fails to answer the complaint within the abovestated period, he shall be considered as in default. The Hearing Panel or Officer shall, *motu proprio*, proceed to render judgment granting the complainant such relief as the complaint may warrant, unless the Hearing Panel or Officer determines that the complainant should be required to submit *ex parte* additional evidence.

SEC. 3-13. Reply and Rejoinder. Within ten (10) days from the service of the answer, the complainant may rebut any new matter raised in the answer by way of a reply. A rejoinder to the reply may be submitted by the respondent within five (5) days from receipt of the reply. The reply and rejoinder shall likewise contain the affidavits of witnesses and supporting documentary evidence, if any. The Hearing Panel or Officer may disallow the filing of a reply and rejoinder if in its/his opinion the same are not necessary under the circumstances.