

MALACAÑANG  
RESIDENCE OF THE PRESIDENT OF THE PHILIPPINES  
MANILA

PRESIDENTIAL DECREE No. 129  
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;

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 (Act 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. 3. *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.

SEC. 10. *Reports*.—Investment Houses shall submit to the Securities and Exchange Commission and to the Central Bank a semi-annual report of operations and financial condition, signed under oath by its chief accountant and verified by its president.

The Securities and Exchange Commission may, at its discretion, require Investment Houses to include their underwriting commitments as contingent accounts in their financial statements.

SEC. 11. *Regulations*.—Within six months after the approval of this Decree, the Securities and Exchange Commission, in coordination with the Central Bank, shall promulgate the necessary rules and regulations implementing the provisions of this Decree.

SEC. 12. *Central Bank regulatory powers*.—Investment Houses shall be subject to such regulations of the Central Bank on non-bank financial intermediaries as may be promulgated pursuant to Section 2-B of Republic Act No. 337, as amended. The regulations which may include, but need not be limited to (a) minimum size of fund acceptance or receipt, (b) methods of marketing and distribution, (c) terms of placement and maturities, and (d) uses of funds may be modified by the Monetary Board insofar as they apply to Investment Houses.

The Monetary Board may, at its discretion, determine whether Investment Houses may be permitted to perform quasi-banking functions as defined in Section 2-D, subsection (b) of Republic Act No. 337, as amended. The Monetary Board is hereby authorized, at its discretion, to require any enterprise which is engaged or proposes to engage in quasi-banking functions to incorporate as an Investment House. If the Monetary Board decides to permit Investment Houses to engage in quasi-banking functions, the Board may require as a condition precedent the obtaining of a certificate of authority for the purpose from the Monetary Board.

Whenever the Monetary Board authorizes an Investment House to engage in quasi-banking functions, in accordance with the provisions of this section, the Board may subject Investment Houses to further regulations, pursuant to Republic Act 337, as amended, which may include but need not necessarily be limited to (a) liquidity reserve

requirements; (b) capital-to-risk assets ratios; (c) interest rate ceilings; and (d) such other constraints as the Board may deem necessary.

In the exercise of its authority in this section, the Monetary Board may, whenever it determines that the circumstances so warrant subject an Investment House to special examination.

Whenever on the basis of the reports submitted by, or upon examination of the books and records of, an Investment House, the Central Bank finds that the Investment House is not complying with the provisions of this section, with the pertinent provisions of this Decree, of other laws, or of orders, instructions, rules or regulations issued by the Monetary Board pertaining to non-bank financial intermediaries and quasi-banking activities, said Board shall forthwith issue a cease-and-desist order upon the Investment House concerned. Failure on the part of an Investment House to comply with the cease-and-desist order shall subject said Investment House to a fine not exceeding two hundred (P200) pesos for every day the order is violated, to be imposed by the Monetary Board, without prejudice to the penalties provided in Section 16 of Decree.

SEC. 13. *Applicability of Securities Act.*—An Investment House may engage in the business of a dealer or a broker under the Securities Act without obtaining a separate license for the purpose as required in Section 14 of the Securities Act (C. A. No. 83, as amended).

SEC. 14. *Applicability of Corporation Law.*—The provisions of the Corporation Law (Act No. 1459, as amended) insofar as they are not in conflict or inconsistent with the provisions of this Decree shall apply to Investment Houses.

SEC. 15. *Transitory provisions.*—Existing enterprises which are operating as Investment Houses shall, within one year following the approval of this Decree, comply with the requirements hereof, except with respect to the filing of an information sheet which shall be complied with within six months as provided in the last paragraph of Section 4 of this Decree.

SEC. 16. *Penalties for violation.*—Upon proof that an Investment House is violating or not complying with the provisions of this Decree, of other pertinent laws, of the terms or conditions of its certificate of registration or charter, or of orders, decisions, rulings or regulations issued by the Securities and Exchange Commission or by the Central Bank of the Philippines, the Securities and Exchange Commission shall impose upon the Investment House and collect a fine of not exceeding two hundred (P200) pesos per day for every day during which such

violation or non-compliance continues, and/or suspend its certificate of registration. The officer or director of the Investment House who ordered or authorized the violation or non-compliance shall be solidarily liable. The fine so imposed shall be paid to the Government of the Philippines through the Securities and Exchange Commission.

Without prejudice to the provisions of the preceding paragraph any person, or any director or officer of an Investment House who violates or does not comply with the provisions of this Decree, of other pertinent laws, of the terms or conditions of its certificate of registration or charter, or of orders, decisions, rulings or regulations issued by the Securities and Exchange Commission or by the Central Bank of the Philippines, shall be punished by a fine of not more than twenty thousand (P20,000) pesos, or an imprisonment of not more than five years or both, at the discretion of the Court.

SEC. 17. *Separability clause.*—The provisions of this Decree are hereby declared separable, and if any clause, sentence, provision or section hereof, or its application to any person or circumstance should be declared invalid, such invalidity shall not affect the other provisions of this Decree which can be given force and effect without the provisions which have been declared invalid.

SEC. 18. *Repeal.*—All Acts and existing laws inconsistent with this Decree are hereby repealed.

SEC. 19. *Effectivity.*—This Decree shall take effect immediately.

Done in the City of Manila, this 15th day of February, in the year of Our Lord, nineteen hundred and seventy-three.

(Sgd.) FERDINAND E. MARCOS  
President  
Republic of the Philippines

By the President:

(Sgd.) ALEJANDRO MELCHOR  
Executive Secretary

C. B. No. 32

[BATAS PAMBANSA BLG. 66]

AN ACT AMENDING PRESIDENTIAL DECREE NO. 129, AS AMENDED, OTHERWISE KNOWN AS "THE INVESTMENT HOUSES LAW".

*Be it enacted by the Batasang Pambansa in session assembled:*

SECTION 1. Section 6 of Presidential Decree No. 129 is hereby amended to read as follows:

"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 except where the majority or all of the equity of the Investment House is owned by the bank.

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

SEC. 2. Section 7 of the same Decree is hereby amended to read as follows:

"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 of securities; deal in options, rights or warrants relating to securities and such other powers which a dealer may exercise under the Securities Act (Commonwealth Act 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;

"(8) Encourage companies to go public, and initiate and/or promote, whenever warranted, the formation, merger, consolidation, reorganization, expansion or recapitalization of productive enterprises, by providing assistance or participate 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;

"(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;

"(13) Subject to prior approval by the Monetary Board, the provisions of Chapter IV of the Central Bank Charter, and such rules and regulations as may be issued by the Monetary Board, engage in foreign exchange operations which the Monetary Board identifies as directly related to and supportive of the activities specified under Subsection 8 of this section; and

"(14) Act as trustee of a trust fund or trust property, subject to the provisions of Chapter VII of the General Banking Act.

"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. 3. The same Decree is hereby amended by adding a new section after Section 7 to read as follows:

"SEC. 7-A. Subject to applicable laws and regulations and with prior approval of the Monetary Board, an Investment House may be converted into a commercial bank authorized to operate under an expanded commercial banking authority pursuant to Section 21-B of Republic Act No. 337, as amended."

SEC. 4. All Acts or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 5. This Act shall take effect upon its approval.

Approved, April 1, 1980.

MALACAÑANG  
RESIDENCE OF THE PRESIDENT OF THE PHILIPPINES  
MANILA

PRESIDENTIAL DECREE No. 1797

AMENDING FURTHER PRESIDENTIAL DECREE NO.  
129, AS AMENDED, OTHERWISE KNOWN AS  
"THE INVESTMENT HOUSES LAW"

WHEREAS, there must be greater cooperation among governmental agencies to ensure the accomplishment of desired objectives;

WHEREAS, there is a need to provide flexibility to government authorities in setting the capitalization requirement for investment houses in order to enhance the capability of the latter to compete and to finance the requirements of economic development;

NOW, THEREFORE, I FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order as follows:

SECTION 1. The third paragraph of Section 4 of Presidential Decree No. 129, as amended, is hereby amended to read as follows:

"In determining compliance with the provisions of subsections (b) and (c) above, the Securities and Exchange Commission shall consult with and act pursuant to such recommendation as the Monetary Board of the Central Bank of the Philippines may make."

SEC. 2. Section 8 of the same Decree is hereby amended to read as follows:

"SEC. 8. The minimum initial paid-in capital of any Investment House shall be Twenty Million (P20,000,000) Pesos: *Provided*, That the Monetary Board of the Central Bank may prescribe a higher

minimum capitalization if warranted by the circumstances."

SEC. 3. The first paragraph of Section 16 of the same Decree is hereby amended to read as follows:

"SEC. 16. *Penalties for violation.*—Upon proof that an Investment House is violating or not complying with the provisions of this Decree, of other pertinent laws, of the terms or conditions of its certificate of registration or charter, or of orders, decisions, rulings or regulations issued by the Securities and Exchange Commission, the Commission shall impose upon the Investment House and collect a fine of not exceeding two hundred (P200.00) pesos per day for every day during which such violation or non-compliance continues, and/or suspend its certificate of registration. The officer or director of the Investment House who ordered or authorized the violation or non-compliance shall be solidarily liable. The fine so imposed shall be paid to the Government of the Philippines through the Securities and Exchange Commission."

SEC. 4. All laws, decrees, rules and regulations inconsistent with this Decree are hereby repealed or modified accordingly.

SEC. 5. This Decree shall take effect immediately.

Done in the City of Manila this 16th day of January, in the year of Our Lord, nineteen hundred and eighty-one.

(Sgd.) FERDINAND E. MARCOS  
President of the Philippines

BY THE PRESIDENT:

(Sgd.) JUAN C. TUVERA  
Presidential Executive Assitant

**MGA BATAS REPUBLIKA**  
(REPUBLIC ACTS)

Begun and held in Metro Manila, on Monday, the twenty-eighth day of July, nineteen hundred and ninety-seven.

S. No. 1490  
H. No. 7658

REPUBLIC ACT No. 8366

AN ACT LIBERALIZING THE PHILIPPINE INVESTMENT HOUSE INDUSTRY, AMENDING CERTAIN SECTIONS OF PRESIDENTIAL DECREE NO. 129, AS AMENDED, OTHERWISE KNOWN AS THE INVESTMENT HOUSES LAW

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

**SECTION 1. Declaration of Policy.**—It is the policy of the State to expand and strengthen the capital base of the economy in order to ensure sustained economic growth and development. Toward this end, the Philippine investment house industry is hereby liberalized, increasing foreign equity participation and raising the minimum capitalization of investment houses to enable them to meet the present and future demands of the market.

**SEC. 2.** Section 5 of Presidential Decree No. 129, as amended, otherwise known as the Investment Houses Law, is hereby further amended, to read as follows:

**“SEC. 5. Citizenship Requirements.**—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.

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In approving foreign equity applications in Investment Houses, the Securities and Exchange Commission shall approve such applications only if the same or similar rights are enjoyed by Philippine nationals in the applicant's country.

“Foreign nationals may become members of the board of directors to the extent of the foreign participation in the equity of said enterprise.”

**SEC. 3.** Section 8 of the same Decree is hereby amended to read as follows:

**“SEC. 8. Capital Requirements.**—In the case of newly-organized Investment Houses, the minimum paid-in capital shall be Three hundred million pesos (P300,000,000). The minimum paid-in capital of the existing Investment Houses shall be Three hundred million pesos (P300,000,000) to be built up in two (2) years after the effectivity of this Act in the following manner. Two hundred million pesos (P200,000,000) after the effectivity of this Act and an additional Fifty million pesos (P50,000,000) for every year thereafter until the minimum capitalization is attained. The Monetary Board may prescribe a higher minimum capitalization in order to promote and ensure the stability of the Philippine capital market and the competitiveness of the investment house industry in line with the national economic goals. The Monetary Board shall, within six (6) months, prescribe a risk assets to capital ratio and other capital adequacy ratios in order to provide broader protection to the investing public.”

**SEC. 4.** This Act shall take effect fifteen (15) days from its publication in a newspaper of general circulation.

Approved, October 21, 1997.