Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 13
Series of 2017.

TO : ***ALL CONCERNED***

SUBJECT : ***RULES AND REGULATIONS ON MINIMUM PUBLIC OWNERSHIP (MPO) ON INITIAL PUBLIC OFFERINGS***

WHEREAS, Section 2 of the Securities Regulation Code (SRC) declares that it is the policy of the State, among others, to promote the development of the Philippine capital market and encourage the widest participation of ownership in enterprises;

WHEREAS, Section 8.1 of the SRC provides authority to the Commission to approve applications for registration of securities before being sold, offered for sale or distributed within the Philippines on the basis of the registration statement filed with the Commission;

WHEREAS, Sections 12.1 and 12.2 of the SRC also authorize the Commission to prescribe the form, information and documents that shall be contained in any registration statement, to dispense with any of said requirements and to require additional information or documents;

WHEREAS, Section 12.6 further authorizes the Commission to impose such terms and conditions as may be necessary or appropriate for the protection of investors before taking any action on a filed registration statement

WHEREAS, the public ownership of a company is determined through its public float.

WHEREAS, a higher public ownership increases market depth and is essential for sustaining a continuous market for listed securities to provide liquidity which in turn attracts good-quality and long-term investors;

WHEREAS, the increase in liquidity improves market efficiency, reduces volatility and helps in better price discovery;

WHEREAS, a large and dispersed shareholding lowers the opportunities for collusive market action or price manipulation and encourages good governance;

WHEREAS, a higher public ownership increases the free float market capitalization which enhances the Philippines' relative weight in globally tracked free float-adjusted market capitalization weighted indices and in turn helps attract more capital especially with the ongoing ASEAN integration;

WHEREAS, there is a need to promulgate these rules and regulations to increase the current public ownership level of Philippine publicly listed companies to ensure that the objectives of the SRC are met;

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WHEREAS, the SRC authorizes the Commission to issue rules and regulations to make effective the provisions of the SRC;

NOW, THEREFORE, the Commission hereby issues and promulgates the following rules and regulations governing the public ownership requirement of companies intending to undertake initial public offering as part of the terms and conditions for the registration of securities.

Section 1 - Definition of Terms

A. **Commission** shall refer to the Securities and Exchange Commission.

B. **Public Float** of a company shall refer to the portion of the issued and outstanding shares that are freely available and tradable in the market and are non-strategic in nature or those not meant for the purpose of gaining substantial influence on how the company is being managed.

   Significant shareholdings of 10% or more of the total issued and outstanding shares of the company are considered strategic and thus, excluded in the public float of the company.

C. **Minimum Public Ownership (MPO)** shall refer to the lowest allowable percentage of Public Float of a PLC.

D. **Rules** shall refer to these Rules and Regulations on Minimum Public Ownership (MPO) on Initial Public Offerings.

Section 2 - Coverage

These Rules shall apply to any company applying for the registration of its shares of stocks for the purpose of conducting an initial public offering . Said company shall herein be referred as "covered company".

Section 3 - Minimum Public Ownership Requirement on Initial Public Offerings

A. Upon effectivity of these Rules, a covered company filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float that meets the MPO of 20%;

B. A covered company shall, at all times, maintain an MPO of at least 20%. If the MPO of a covered company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

C. Notwithstanding the quarterly public ownership report requirement of the Exchange, a covered company shall establish and implement an internal policy and procedure to monitor its MPO and shall immediately report to the Commission within the next business day if its public float level has fallen below 20%. Further, a covered company shall submit to the Commission within ten (10) days after knowledge about the deficiency in its MPO, a time-

bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from the date of such decline;

D. A covered company shall submit to the Commission a Public Ownership Report and progress report on submitted business plan within fifteen (15) days after end of each month until such time that its public float reaches the required level;

E. This requirement on MPO shall form part of the requirements for the registration of a covered company's shares of stocks;

Section 4 – Sanctions and Penalties for Non-Compliance

Non-compliance with any of the requirements and procedures herein shall subject a covered company to the administrative sanctions provided under Section 54 of the SRC, including the initiation of suspension and/or revocation proceedings against their Registration Statements pursuant to the pertinent provisions of the SRC, if warranted.

Section 5 - Effect on Rules on Minimum Public Float Issued by an Exchange

Unless otherwise declared by the Commission herein or in any other rules, orders or circulars issued by the Commission, these Rules are not meant to amend the existing rules and/or guidelines of an exchange on minimum public float that have been duly approved by the Commission.

Section 6 – Effectivity

These Rules shall take effect immediately following the completion of its publication in two (2) newspapers of general circulation in the Philippines.

Pasay City, Metro Manila, 1 December 2017.

TERESITA J. HERBOSA
Chairperson

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