SEC MEMORANDUM CIRCULAR NO. 2

Series of 2003

REVISED SCALE OF FINES

To further rationalize the penalties being imposed by the Commission, and to ensure strict compliance with the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations, and the Investment Company Act (ICA) and its implementing rules and regulations, the Commission in its meeting of February 11, 2003, approved the following scale of fines:

SRC Provisions	Violations	Penalty for Violation*			
		First Offense	Second Offense**	Third Offense**	Fourth Offense**
Sections 8 and 12	OFFERING OF SECURITIES TO THE PUBLIC WITHOUT PRIOR REGISTRATION OR PERMIT	P10,000per transaction or 1/10 of 1% of the aggregate issuance, whichever is higher.	P20.000 per transaction or 2/10 of 1% of the aggregate issuance, whichever is higher.	P60,000per transaction or 6/10 of 1% of the aggregate issuance, whichever is higher.	P240.000 per transaction or 24/10 of 1% of the aggregate issuance, whichever is higher.
Section 10	LATE FILING OF NOTICE OF EXEMPTION PURSUANT TO SRC RULE10.1(K) (In case of listed companies only)	50,000	100,000	300,000	600,000 and suspension of registration
	NON-COMPLIANCE WITH DISCLOSURE REQUIREMENTS UNDER SRC RULE 10.1	10,000	20,000	60,000	120,000 and suspension of registration
Section 14	FAILURE TO AMEND REGISTRATION STATEMENT IN ACCORDANCE WITH SRC RULE 14	50,000 or 0.5/10 of 1% of the aggregate amount of securities sold under the new terms, whichever is higher.	100,000 or 1/10 of 1% of the aggregate amount of securities sold under the new terms, whichever is higher.	300,000 or 3/10 of 1% of the aggregate amount of securities sold under the new terms, whichever is higher.	600,000 or 6/10 of 1% of the aggregate amount of securities sold under the new terms, whichever is higher, and suspension of

					registration
Section 17.1	LATE OR INCOMPLETE FILING OF CURRENT REPORT (SEC FORM 17-C)	P50.000 ,or 0.5/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P300.000 or 3/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration
	LATE OR INCOMPLETE FILING OF QUARTERLY REPORT (SEC FORM 17-Q)	75,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	150,000 or 2/10 of 1% of Consolidated Net Income / Revenue, whichever is higher,	450,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	900,000 or 9/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration
	LATE OR INCOMPLETE FILING OF ANNUAL REPORT (SEC FORM 17-A)	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	200,000 or 2/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	1,200,000 or 12/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration
Section 18	LATE OR INCOMPLETE FILING OF REPORTS BY 5% OR MORE HOLDERS OF EQUITY SECURITIES (SECFORM18-AOR 18-AS)	50,000 or 0.5/10 of 1% of the maximum aggregate purchase price of acquired securities, whichever is higher.	100,000 or1/10of1%of the maximum aggregate purchase price of acquired securities, whichever is higher.	300,000 or 3/10 of 1% of the maximum aggregate purchase price of acquired securities, whichever is higher.	900,000 or 9/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration
Section 19.1	LATE OR INCOMPLETE FILING OF TENDER OFFER REPORT (SEC FORM 19-1) OR	100,000 or 1/10 of 1%of the maximum aggregate purchase price	200,000 or 2/10 of 1% of the maximum aggregate purchase price	600,000 or 6/10 of 1% of the maximum aggregate purchase price	1,200,000 or 12/10 of 1% of Consolidated Net Income / Revenue,

	FAILURE TO COMPLY WITH ANY REQUIREMENT OF SRC RULE 19-1	of acquired securities, whichever is higher.	of acquired securities, whichever is higher.	of acquired securities, whichever is higher.	whichever is higher, and suspension of registration
Section 20 [in relation with 17.1(b)]	LATE OR INCOMPLETE FILING OF INFORMATION STATEMENT (SEC FORM 20-IS) OR FAILURE TO COMPLY WITH ANY REQUIREMENT OF SRC RULE 20	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	200,000 or 2/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	1,200,000 or 12/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration
Section 22	FAILURE TO OBSERVE MINIMUM INTERNAL CONTROLS AND RECORD KEEPING SYSTEM	P100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P200,000 or 2/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P600.000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P1,200,000 or 12/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration
Section 23	LATE OR INCOMPLETE FILING OF STATEMENT OF BENEFICIAL OWNERSHIP (SEC FORM 23-A OR B)	50,000 or 0.5/10 of 1% of the maximum aggregate purchase price of acquired securities, whichever is higher.	100,000 or 1/10 of 1% of the maximum aggregate purchase price of acquired securities, whichever is higher.	300,000 or 3/10 of 1% of the maximum aggregate purchase price of acquired securities, whichever is higher.	900,000 or 9/10 of 1% of the maximum aggregate purchase price of acquired securities, whichever is higher.
	DIRECTORS / OFFICERS				
	Qualifying or not more than shares (100) shares	10,000	20,000	60,000	180,000
	More than 100 shares but less than 5% of the outstanding equity security	20,000	40,000	120,000	360,000

	More than 5% but less than 10%	35,000	70,000	210,000	630,000
Section 38	FAILURE TO ELECT INDEPENDENT DIRECTOR(S) OR ELECTION OF AN UNQUALIFIED INDEPENDENT DIRECTOR	100,000or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	200,000 or 2/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	1,200,000 or 12/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration
Section 54	MIS-REPRESENTATION, MISLEADING STATEMENTS, OMISSION OF A MATERIAL FACT IN ANY FILINGS REQUIRED TO BE SUBMITTED (This is in addition to the penalty on the principal report, if any.)	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	200,000 or 2/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	1,200,000 or 12/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration

ICA Provisions	Violations	Penalty for Violation*			
		First Offense	Second Offense**	Third Offense**	Fourth Offense**
Sections 7 and 24	VIOLATION OF REGISTRATION REQUIREMENTS	P10,000 per violation or 1/10 of 1%ofthe aggregate issuance, whichever is higher.	P20.000 per violation or 2/10 of 1% of the aggregate issuance, whichever is higher.	P60.000 per violation or 6/10 of 1% of the aggregate issuance, whichever is higher.	P240.000 per violation or 24/10 of 1% of the aggregate issuance, whichever is higher

Section 8	ELECTION OF CERTAIN INELIGIBLE AFFILIATED PERSONS AND UNDERWRITERS	50,000 or 0.5/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	300,000 or 3/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration	
Section 9	UNAUTHORIZED AFFILIATIONS OF DIRECTORS, OFFICERS AND EMPLOYEES	50,000	100,000	300,000	900,000	
Section 10	PROHIBITED OFFERS TO EXCHANGE SECURITIES	10,000 per transaction or 1/10 of 1% of the aggregate issuance, whichever is higher.	20,000 per transaction or 2/10 of 1% of the aggregate issuance, whichever is higher.	60,000 per transaction or 6/10 of 1% of the aggregate issuance, whichever is higher.	240,000 per transaction or 24/10 of 1% of the aggregate issuance, whichever is higher, and suspension of registration	
Section 11	UNAUTHORIZED OR ILLEGAL ACTIVITIES OF INVESTMENT COMPANIES	50,000 or 0.5/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	300,000 or 3/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher, and suspension of registration	
Section 12	UNAUTHORIZED CHANGES IN INVESTMENT POLICY (Imposable on responsible directors and officers)	50,000	100,000	300,000	900,000	

Section 14	UNAUTHORIZED CONTRACTS OF ADVISERS AND UNDERWRITERS (Imposable on responsible directors and officers)	50,000	100,000	300,000	900,000 and five (5) years disqualification as an investment adviser even with a written contract.	
Sections 22 and 23; ICA Rule 35-1 (e)	VIOLATION OF REQUIREMENTS ON DISTRIBUTION, REDEMPTION, AND REPURCHASE OF SECURITIES	50,000 or 0.5/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	300,000 or 3/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher and suspension of registration	
Section 26	EXCESSIVE PERIODIC PAYMENT PLAN	50,000 or 0.5/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	300,000 or 3/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher and suspension of registration	
Sections 25, 27 & 30; ICA Rule 35-1(e)(3)	FAILURE TO SUBMIT REQUIRED REPORTS UNDER THESE SECTIONS AND/OR TO PUBLISH DAILY PRICES	P50.000 or 0.5/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P300.000 or 3/10 of 1%-of Consolidated Net Income / Revenue, whichever is higher	P600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher and suspension of registration	
Section 32	MIS-REPRESENTATIONS	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	200,000 or 2/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	1,200,000 or 12/10 of 1% of Consolidated Net Income / Revenue, whichever is higher and suspension of	

					registration
ICA Rule 35-1 (d)	VIOLATION OF RECITED INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	200,000 or 2/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	1,200,000 or 12/10 of 1% of Consolidated Net Income / Revenue, whichever is higher and suspension of registration
ICA Rule 35-1 (c) (2)	NON-DEPOSIT OF SALES PROCEEDS TO A CUSTODIAN BANK	10,000 per transaction or 1/10 of 1% of the aggregate issuance, whichever is higher.	20,000 per transaction or 2/10 of 1% of the aggregate issuance, whichever is higher.	60,000 per transaction or 6/10 of 1% of the aggregate issuance, whichever is higher.	240,000 per transaction or 24/10 of 1% of the aggregate issuance, whichever is higher, and suspension of registration
ICA Rule 35-1 (c) (3)	REDEMPTION OF ORIGINAL CAPITAL FOR LESS THAN 12 MONTHS	50,000 or 0.5/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	300,000 or 3/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P600,000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher and suspension of registration
ICA Rule 35-1 (i)(2)	LATE FILING OF MONTHLY SALES/REDEMPTION REPORT	50,000 or 0.5/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	100,000 or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	300,000 or 3/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P600.000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher and suspension of registration

ICA Rule 35-1 (e) (3)	FAILURE TO EFFECT REDEMPTION REQUEST WITHIN 7 BANKING DAYS	50,000 per transaction or 0.5/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	100,000 per transaction or 1/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	300,000 per transaction or 3/10 of 1% of Consolidated Net Income / Revenue, whichever is higher.	P600.000 or 6/10 of 1% of Consolidated Net Income / Revenue, whichever is higher and suspension ot registration

The imposition of the foregoing penalties shall be without prejudice to other administrative sanctions or to the filing of criminal charges against the person/s responsible for the violation.

This Circular shall take effect fifteen (15) days from publication in a newspaper of general circulation in the Philippines.

Signed on behalf of the Commission on February 19 . 2003, Mandaluyong City, Philippines.

(Original Signed)

LILIA R. BAUTISTA
Chairperson