



NOTICE TO THE PUBLIC

Subject: EXPOSURE DRAFT OF MEMORANDUM CIRCULAR ON THE PROPOSED GUIDELINES FOR CORNERSTONE INVESTORS IN INITIAL PUBLIC OFFERINGS

The public is advised that the Commission *En Banc*, in its meeting held on 18 January 2024 resolve to expose the draft Memorandum Circular on the *Guidelines for Cornerstone Investors in Initial Public Offerings*.

The Commission hereby requests for comments, suggestions and/or inputs from all concerned on the proposed draft Memorandum Circular by submitting written comments on or before February 1, 2024 through email at msrds submission@sec.gov.ph and ggjarugay@sec.gov.ph with our proposed subject of “**COMMENTS ON THE PROPOSED GUIDELINES FOR CORNERSTONE INVESTORS IN INITIAL PUBLIC OFFERINGS**”

Issued on 19 January 2024.



**SEC Memorandum Circular No. ____
Series of 2024**

TO : ALL CONCERNED

SUBJECT : PROPOSED GUIDELINES FOR CORNERSTONE INVESTORS IN INITIAL PUBLIC OFFERINGS

DATE : __ January 2024

WHEREAS, cornerstone investors have been a feature in some initial public offerings (IPO) in the Philippines and in various jurisdictions;

WHEREAS, cornerstone investors have been shown to stimulate investor demand in an IPO, and, for some investors, lend credibility to the company that is proposing to IPO.¹ In the same light, having cornerstone investors in an IPO are seen to boost confidence and deliver a positive signal to the market. Their participation not only promotes the success of the IPO but also upholds a degree of confidence in the stability of the company's share price thereafter²;

WHEREAS, in line with the Commission's function to formulate policies and recommendations on issues concerning the securities market, it is hereby imperative for issuers in an IPO and intending cornerstone investors to observe these guidelines during an IPO;

WHEREFORE, IN VIEW OF THE FOREGOING, the Commission shall require issuers and cornerstone investors to comply with the following guidelines:

SEC. 1. Definition of a cornerstone investor - A cornerstone investor is an investor in the initial public offering of a registrant's shares to whom offer shares are preferentially placed with a guaranteed allocation at the final offer price, provided that, the final offer price is within the purchase price range preferred by the cornerstone investor and agreed with the issuer.

SEC. 2. Cornerstone investment agreements - The allocation to a cornerstone investor shall be guaranteed in a cornerstone agreement which must be signed at the latest prior to the submission of the issuer's preliminary prospectus to the Commission. The cornerstone investor shall

¹ 2012, August 23. *Market trends in cornerstone*. Retrieved from Clifford Chance: <https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2012/08/market-trends-in-cornerstone-investment.pdf>

² Low, C. K. (2009). Cornerstone Investors and Initial Public Offerings on the Stock Exchange of Hong Kong. *Fordham Journal of Corporate & Financial Law*, 649.

firmly commit to purchase the shares, provided that the final offer price falls within the preferred range as agreed upon.

Cornerstone investment agreements shall form part of the material contracts in the issuer's registration statement required to be submitted to the Commission.

SEC. 3. Cornerstone investor's access to information - The issuer shall ensure that cornerstone investors are not provided with any material information beyond that to be contained in the final prospectus.

SEC. 4. Disclosures in the IPO prospectus - The following information pertaining to cornerstone investors shall be disclosed in the issuer's prospectus:

- a. Number of participating cornerstone investors and their respective profile descriptions;
- b. Number and type of securities proposed to be issued or offered to cornerstone investors;
- c. Nature of sales or subscriptions;
- d. Number and characteristics of securities which are sold privately to cornerstone investors;
- e. Prices applied to cornerstone investors;
- f. Such other information relevant to the cornerstone investment

SEC. 5. The following requirements shall apply whenever an IPO has a cornerstone investor:

- a. Cornerstone investors shall be identified in the final prospectus;
- b. A cornerstone investor's placing must be at IPO price;
- c. The IPO shares placed is subject to a lock-up for a period of thirty (30) days starting from listing date;
- d. Each cornerstone investor may have representation in the board of the registered issuer, provided it owns the minimum required shares for election.

SEC. 6. Effectivity - This circular shall take effect immediately after its complete publication in the *Official Gazette* or in at least two (2) newspapers of general circulation in the Philippines.

Makati City, Metro Manila, _____ 2024.

EMILIO B. AQUINO
Chairperson