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**INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSION  
PRINCIPLES AND THE  
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION  
By Lilia R. Bautista**

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**Three Basic Objectives of Securities Regulation**

1. Protecting investors
2. Ensuring that markets are fair, efficient, and transparent
3. Reducing systemic risk

**Compliance with IOSCO Principles**

1. Principles relating to the regulator
  - a. Operationally independent
  - b. Clearly defined responsibilities
  - c. Adequate powers and resources
  - d. Consistent regulatory processes
  - e. Highest degree of professionalism
2. Principles for self-regulation
  - a. Appropriate use of self-regulatory organizations
  - b. Awareness of the oversight function of the SEC
3. Principles of Enforcement
  - a. Comprehensive inspection, investigation, and surveillance power
  - b. Enforcement powers – power to issue cease and desist orders
  - c. Effective and credible use of enforcement powers
    - Suspend or revoke the effectivity of registration
    - Power to impose fines for each day of continuing violation
    - Can seek assistance of civil and military authorities to enforce orders and decisions
4. Principles on cooperation in regulation
  - a. Sharing of public and nonpublic information with domestic and foreign counterparts
  - b. Information-sharing mechanism – Continuous dialogue with market participants
  - c. Assistance to foreign regulators
5. Principles for issuers

- a. Full, timely, and accurate disclosure of material information
  - b. Fair and equitable treatment of securities holders
  - c. Observance of internationally accepted accounting and auditing standards
6. Principles for collective investment schemes
- a. Standards set for licensing and regulating market companies
  - b. Legal form and structure; segregation, and protection of client assets
  - c. Full disclosure requirements
  - d. Proper basis for asset valuation and redemption – trust fund for pre-need companies
7. Principles for market intermediaries
- a. Minimum standards – net cap requirements/paid up capital
  - b. Prudential requirements – dealing with market failure – guarantee fund
  - c. Internal organization to protect clients
  - d. Dealing with market failures (guarantee fund)
8. Principles for the secondary market
- a. Establishment of trading system-exchange subject to regulations and oversight
  - b. Measure to ensure integrity of the market
    - Once demutualized no person may own 5% of voting rights of the Exchange
    - Majority of board of directors of the Exchange must be non-brokers
  - c. Transparency in trading – to reduce risk of manipulation or unfair trading practices
  - d. Detection of manipulation and unfair trading
  - e. Monitoring large exposures that can disrupt the market
  - f. Reduction of systemic risk
    - In case of insolvency of a member, the Exchange will take over
    - Expulsion, suspension, or disciplining of member for conduct inconsistent with fair trade
    - Investors' protection fund