

## Excerpt from RA 8799 The Securities Regulations Code Chapter VII Prohibition of Fraud, Manipulation and Insider Trading

### SEC. 24. *Manipulation of Security Prices; Devices and Practices.*

- 24.1 It shall be unlawful for any person acting for himself or through a dealer or broker, directly or indirectly:
- a) To create a false or misleading appearance of active trading in any listed security traded in an Exchange or any other trading market (hereafter referred to purposes of this Chapter as "Exchange"):
    - (i) By effecting any transaction in such security which involves no change in the beneficial ownership thereof;
    - (ii) By entering an order or orders for the purchase or sale of such security with the knowledge that a simultaneous order or orders of substantially the same size, time and price, for the sale or purchase of any such security, has or will be entered by or for the same or different parties; or
    - (iii) By performing similar act where there is no change in beneficial ownership.
  - b) To effect, alone or with others, a series of transactions in securities that:
    - (i) Raises their price to induce the purchase of a security, whether of the same or a different class of the same issuer or of a controlling, controlled, or commonly controlled company by others;
    - (ii) Depresses their price to induce the sale of a security, whether of the same or a different class, of the same issuer or of a controlling, controlled, or commonly controlled company by others; or
    - (iii) Creates active trading to induce such a purchase or sale through manipulative devices such as marking the close, painting the tape, squeezing the float, hype and dump, boiler room operations and such other similar devices.
  - c) To circulate or disseminate information that the price of any security listed in an Exchange will or is likely to rise or fall because of manipulative market operations of any one or more persons conducted for the purpose of raising or depressing the price of the security for the purpose of inducing the purchase or sale of such security.
  - d) To make false or misleading statement with respect to any material fact, which he knew or had reasonable ground to believe was so false or misleading, for the purpose of inducing the purchase or sale of any security listed or traded in an Exchange.
  - e) To effect, either alone or others, any series of transactions for the purchase and/or sale of any security traded in an Exchange for the purpose of pegging, fixing or stabilizing the price of such security, unless otherwise allowed by this Code or by rules of the Commission.

- 24.2. No person shall use or employ, in connection with the purchase or sale of any security any manipulative or deceptive device or contrivance. Neither shall any short sale be effected nor any stop-loss order be executed in connection with the purchase or sale of any security except in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.
- 24.3. The foregoing provisions notwithstanding, the Commission, having due regard to the public interest and the protection of investors, may, by rules and regulations, allow certain acts or transactions that may otherwise be prohibited under this Section.

**SEC. 25. Regulation of Option Trading.** - No member of an Exchange shall, directly or indirectly endorse or guarantee the performance of any put, call, straddle, option or privilege in relation to any security registered on a securities exchange.

The terms “put”, “call”, “straddle”, “option”, or “privilege” shall not include any registered warrant, right or convertible security.

**SEC. 26. Fraudulent Transactions.** - It shall be unlawful for any person, directly or indirectly, in connection with the purchase or sale of any securities to:

- 26.1. Employ any device, scheme, or artifice to defraud;
- 26.2. Obtain money or property by means of any untrue statement of a material fact of any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- 26.3. Engage in any act, transaction, practice or course of business which operates or would operate as a fraud or deceit upon any person.

**SEC. 27. Insider's Duty to Disclose When Trading.** -

- 27.1. It shall be unlawful for an insider to sell or buy a security of the issuer, while in possession of material information with respect to the issuer or the security that is not generally available to the public, unless: (a) The insider proves that the information was not gained from such relationship; or (b) If the other party selling to or buying from the insider (or his agent) is identified, the insider proves: (i) that he disclosed the information to the other party, or (ii) that he had reason to believe that the other party otherwise is also in possession of the information. A purchase or sale of a security of the issuer made by an insider defined in Subsection 3.8, or such insider's spouse or relatives by affinity or consanguinity within the second degree, legitimate or common-law, shall be presumed to have been effected while in possession of material non-public information if transacted after such information came into existence but prior to dissemination of such information to the public and the lapse of a reasonable time for the market to absorb such information: *Provided, however,* That this presumption shall be rebutted upon a showing by the purchaser or seller that he was not aware of the material non-public information at the time of the purchase or sale.
- 27.2. For purposes of this Section, information is “material non-public” if: (a) It has not been generally disclosed to the public and would likely affect the market price of the security after being disseminated to the public and the lapse of a reasonable time for the market to absorb the information; or (b) would be considered by a reasonable person important under the circumstances in determining his course of action whether to buy, sell or hold a security.
- 27.3. It shall be unlawful for any insider to communicate material non-public information about the issuer or the security to any person who, by virtue of the communication, becomes an insider as defined in Subsection 3.8, where the insider communicating the information knows or has

reason to believe that such person will likely buy or sell a security of the issuer while in possession of such information.

- 27.4. a) It shall be unlawful where a tender offer has commenced or is about to commence for:
- (i) Any person (other than the tender offeror) who is in possession of material non-public information relating to such tender offer, to buy or sell the securities of the issuer that are sought or to be sought by such tender offer if such person knows or has reason to believe that the information is non-public and has been acquired directly or indirectly from the tender offeror, those acting on its behalf, the issuer of the securities sought or to be sought by such tender offer, or any insider of such issuer; and
  - (ii) Any tender offeror, those acting on its behalf, the issuer of the securities sought or to be sought by such tender offer, and any insider of such issuer to communicate material non-public information relating to the tender offer to any other person where such communication is likely to result in a violation of Subsection 27.4 (a)(i).
- (b) For purposes of this subsection the term “securities of the issuer sought or to be sought by such tender offer” shall include any securities convertible or exchangeable into such securities or any options or rights in any of the foregoing securities.

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