



**SEC Memorandum Circular No. 8  
Series of 2024**

TO : **ALL CONCERNED**

SUBJECT : **GUIDELINES FOR CORNERSTONE INVESTORS IN INITIAL PUBLIC OFFERINGS**

DATE : **11 April 2024**

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**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.<sup>1</sup> 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 thereafter<sup>2</sup>;

**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 offer 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 on or prior to the pricing event of the initial public offering. The cornerstone investor shall 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.

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<sup>1</sup> 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>

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

**SEC. 3. Cornerstone investor's access to information** - The issuer shall ensure that cornerstone investors are not provided with any material information beyond what is available to the public and/or 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 final prospectus:

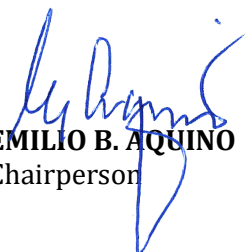
- a. Number of participating cornerstone investors and their respective profile descriptions;
- b. Number and type of securities proposed to be issued or offered to cornerstone investors;
- c. Such other information relevant to the cornerstone investment

**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. 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, 11 April 2024.

  
**EMILIO B. AQUINO**  
Chairperson