

displayed in the whopping number of non-investors who had no interest at all in trading in the stock market. It was also observed that among the investors, a minimal capital was allotted to the investment of stocks. However, there were a few who viewed investing in the stock market as a long-term investment which needed little time and effort for the capital to grow.

A number of the interviewees also expressed the exclusivity of the Philippine stock market, capturing it in the term of an “old boys’ club”. It would seem that the public in general is uninterested in investing as they are not members of the select few who have adequate information to enable them to invest. It is expected that because of this, the public is wary of disposing of capital as they have no access to information that they might need to make the most out of their investment. This was confirmed by the results in the survey when it addressed the situation of investing despite the legality of insider trading. The investors were split in half in deciding whether or not to invest and a few of those willing to invest admitted that they had sources which would help them raise funds even if insider trading was not prohibited. The non-investors, on the other hand, were wary of this condition and majority opted not to invest.

The interviewees also addressed the issue of whether insider trading involves equity considerations as it does not afford the public an even playing field. This was likewise dealt with when most of the non-investors refused to invest if the prohibition against insider trading was removed. More than the instability of the market, the respondents considered the unfair advantage to others with access to non-public information.

The interviewees were all in accord in stating that the absence of insider trading prohibitions would lead to market instability, a situation that would be detrimental for a less developed stock market such as what is found in the Philippines. While the general public was more concerned with the equity side of insider trading, more than a few respondents answered that this would pose a danger to the efficiency of the market as well.

The interviewees, in general, believed that the enforcement of the law is adequate as the surveillance division of both the PSE and SEC have been adamant in pursuing those who violate the prohibition on insider trading. This was contrary to the view of the general public that the laws are not being enforced effectively. The SEC officials conceded that such inadequacy in enforcing the law stems from the fact that the powers and

jurisdiction of the SEC is limited when it comes to prosecuting and penalizing the offenders.

Finally, there were several respondents who did not know what insider trading was, specially the non-investors. Those who claimed that they were aware of the term had difficulty in clearly defining and explaining it. This corresponded to the interviewees' belief that in the Philippines, there is a dearth of knowledge on the matter. This could be attributed to the lack of knowledge of laws in general and the lack of the will of the people to abide by such rules. The results therefore indicated that contemporary problems in the issue of insider trading undoubtedly exist and necessitated a more effective enforcement mechanism from the regulator.

VI. BEYOND THE FAÇADE: CONTEMPORARY ISSUES IN INSIDER TRADING

The evolution of financial markets worldwide is a testament to the need for a continuous re-evaluation of insider trading laws. Decades old economic factors upon which previous legislation were based might no longer be in existence. Technology previously lodged in yesterday's imagination is currently making the headlines. As such, contemporary issues in insider trading reveal the necessity for the law's further development along with the need for a more dynamic system of enforcement.

A. The Multi-Service Dilemma

The dilemma of insider trading is aggravated by the services offered by a number of financial firms. Universal banks for instance are authorized by the General Banking Law of 2000 to exercise the functions of an investment house as well as "invest in non-allied enterprises."²⁵⁴ It may likewise "act as a financial agent and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities;"²⁵⁵ in addition to "...act[ing] as a managing agent, adviser, consultant or administrator of investment management / advisory / consultancy accounts."²⁵⁶ The flow of information however that are received in the course of performing these commitments may be utilized by insiders to reap instantaneous profit. Data obtained by an investment advisory division of a bank may be passed on to its financial agent/business division

²⁵⁴ Rep. Act No. 8791, § 23 (2000). This is the General Banking Law of 2000.

²⁵⁵ § 53(2).

²⁵⁶ § 53(4).

prior to public disclosure. This in turn may be exploited by the clients of the latter department by purchasing or liquidating the shares of stock of the corporation-client of the investment advisory department. The conflicting nature of the legal obligations inherent in such a scenario can be summed up as thus:

(1) The duty owing to the first client to maintain the confidentiality of the inside information in question; (2) The duty owing to the second client to disclose that information to enable the latter to make a reasonable investment decision on the basis of all information then available and (3) the duty... to either disclose that information or abstain from trading on, or recommending the subject securities.²⁵⁷

The evolution of Philippine securities statutes and the enforcement thereof would consequently have to face the impending conflict permeating such scenarios. While these are yet to be exemplified through Philippine jurisprudence, the Securities and Exchange Commission of the United States has already preceded against a number of multi-service firms. The seminal case of *In re Merrill Lynch, Pierce, Fenner and Smith, Inc* is a case in point. In here, the Douglas Aircraft Company obtained the services of Merrill Lynch, a multi-service financial firm to act as an underwriter. In the course of transacting its business, Merrill Lynch acquired information that the earnings of its client were actually lower than previously disclosed. The financial firm began to divest itself of Douglas Aircraft securities and likewise informed its investment clients who also began liquidating their holdings. The end result was that Merrill Lynch and its clients were able to avoid potential losses by selling Douglas Aircraft securities prior to the public disclosure of the firm's decreased earnings.²⁵⁸ Due to these transactions, Merrill Lynch was ordered by the Securities and Exchange Commission to establish inter-department regulations known as "Chinese Walls" to remedy conflict of interest situations. It likewise entered into a settlement with the Commission to prevent further liability.²⁵⁹

The case of *Securities and Exchange Commission v. First Boston Corporation* similarly exhibited the conflict of interest dilemma marring multi-service firms. First Boston Corporation obtained through its corporate

²⁵⁷ Napoleon Poblador, *Chinese Walls in Light of the Insider Trading and Securities Fraud Enforcement Act of 1988*, 70 PHIL. L.J. 356, 359 (1996).

²⁵⁸ Christopher Gorman, *Are Chinese Walls the Best Solution to the Problems of Insider Trading and Conflicts of Interest*, IX(2) FORDHAM L.J. CORP. & FIN 475, 483 (2004), citing *In re Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 43 U.S. S.E.C. 933 (1968) available at http://law.fordham.edu/ihtml/page3g_nob.ihtml?imac=1264&pubID=600&articleid=2483.

²⁵⁹ *Id.*

finance division information that a client was about to publicly announce a \$1.2 billion increase in its reserves. This news was conveyed to an analyst who then disseminated the information to certain individuals. A broker thereafter began trading the shares in issue with the concomitant effect of First Boston itself acquiring substantial profits. As a consequence thereof, First Boston was fined a sizable sum as a penalty and ordered to divest itself of its earnings due to violating insider trading laws.²⁶⁰

The issue of insider trading however encompasses not only the various divisions of a multi-service firm but likewise cuts across international borders. The increasing sophistication of technology enables the easy dissemination of material information throughout the world. Corollary to this, the trading linkages among financial markets enable transactions to be undertaken at a global level. These taken together culminate in a massive crisis of Global Insider Trading.

B. The Global Insider Trading Quandary

With the advent of technology emerged the convergence of the financial markets. On-line transactions which were unconceivable decades ago are now easily achieved through a myriad system of computer software and application. Vast arrays of communication equipment enable information and stock trade demands to be relayed with minimal effort throughout the world. As such, foreign investors easily trade in the securities market of one country to another.

In the Philippines, foreign transactions in the Philippine stock exchange are substantially significant as illustrated in the succeeding table from the aforementioned exchange:

²⁶⁰ US SEC, *Fifty-Second Annual Report*, at 11 (1986), *citing* Securities and Exchange Commission (SEC) v. First Boston, Litigation Release No. 11092 (May 5, 1986), 35 SEC Docket 1157, *available at* <http://www.sec.gov/about/annrep.shtml> or http://www.sec.gov/about/annual_report/1986.pdf.

SELECTED PSE MARKET INDICATORS²⁶¹

MARKET INDICATOR	2003	2004	2005	2006	2007	2007 vs. 2006 % CHANGE
PSE INDEX (PSE), YEAREND CLOSE	1,442.37	1,822.83	2,096.04	2,982.54	3,621.60	21.4%
TOTAL VALUE TRADED (in billion Php)	145.37	206.57	383.52	572.63	1,338.25	133.7%
AVERAGE DAILY VALUE TRADED (in billion Php)	0.59	0.84	1.56	2.32	5.48	136.6%
FOREIGN BUYING (in billion Php)	86.17	121.88	206.88	348.97	690.33	95.0%
FOREIGN SELLING (in billion Php)	89.97	104.05	183.35	280.48	624.76	122.7%
NET FOREIGN BUYING (in billion Php)	-3.80	17.84	23.53	68.49	55.57	-18.9%
SHARE OF FOREIGN INVESTORS IN TOTAL TRADING	60.6%	54.7%	50.9%	55.0%	48.8%	-11.3%
CAPITAL RAISED (in billion Php)	1.72	2.05	51.88	57.23	90.13	57.5%
INITIAL PUBLIC OFFERINGS (in billion Php)	0.19	1.11	29.83	19.02	18.91	-0.6%
ADDITIONAL LISTINGS (in billion Php)	1.53	0.94	22.06	38.20	71.23	86.5%
MARKET CAPITALIZATION, YEAREND	2,973.83	4,766.26	5,948.38	7,172.87	7,978.54	11.2%
DOMESTIC FPMs (in billion Php)	1,313.52	1,629.12	2,129.60	3,352.03	4,267.75	27.3%
FOREIGN FPMs (in billion Php)	1,660.31	3,137.15	3,818.79	3,820.84	3,710.79	-2.9%
N.O. OF LISTED COMPANIES, YEAREND	235	234	236	239	244	2.1%
DOMESTIC	233	232	234	237	242	2.1%
FOREIGN	2	2	2	2	2	0.0%
N.O. OF LISTED ISSUES, YEAREND	316	312	309	313	314	0.3%
DOMESTIC	314	310	307	311	312	0.3%
FOREIGN	2	2	2	2	2	0.0%

In fact, from the years 2003-2006 foreign trade exceeded that of local investors. In the year of 2007, while local investors slightly overtook foreign investments the latter still constituted 48.8% of the market share.²⁶²

Though it is a vital economic policy to encourage foreign investment, instances of insider trading can occur through cross-border transactions. Such activities are difficult to investigate, much less prosecute due to the issues of jurisdiction and bank secrecy laws permeating the situation. Also, while judgments in favor of the government may be obtained, the execution thereof may be problematic particularly in instances where the defendant is a national of another country. As the succeeding cases would show, enforcement of insider trading laws amidst a cross-border environment would be difficult absent any cooperation among the various jurisdictions involved.

In the case of *Securities and Exchange Commission v. Certain Unknown Purchasers of the Common Stock of Santa Fe International Corporation*, securities issued by the Santa Fe International Corporation were bought by unknown purchasers through secret accounts emanating from Switzerland.²⁶³ The acquisition was highly suspicious due to the large amount of securities

²⁶¹ PSE, *Reaching New Heights*, 2007 ANNUAL REPORT 8, available at <http://www.pse.org.ph/html/AboutPSE/pdf/2007PSEAnnualRpt.pdf>.

²⁶² *Id.*

²⁶³ US SEC, *see supra* note 260, at 12, *citing* Securities and Exchange Commission v. Certain Unknown Purchasers of the Common Stock of Santa Fe International Corporation, Litigation Release No. 11012 (Feb. 26, 1986), 35 SEC Docket 207.

obtained prior to the public disclosure of a merger. Information regarding the transaction was acquired from Swiss Officials only upon the invocation of the 1977 Treaty on Mutual Assistance on Criminal Matters between the United States and the Swiss Confederation.²⁶⁴ It was subsequently discovered that the purchasers included nationals of “Lebanon, Lichtenstein, England, Iraq and Kuwait, including a high-ranking Kuwaiti official.”²⁶⁵ As it was revealed that a corporate director was the source of the merger information, a settlement in favor of the Commission was made to the tune of \$7.8 million.²⁶⁶

The suit of *Securities and Exchange Commission v. Banca Della Svizzera Italiana et al* similarly demonstrates global insider trading. Prior to a public announcement for an imminent tender offer for the shares of St. Joe Corporation, Banca Della Svizzera Italiana, a Swiss Bank, purchased several call options on St Joe’s shares by means of its United States securities accounts.²⁶⁷ The investigation was highly protracted due to the reluctance of Swiss banking officials to reveal the identity of their clients. When a United States Court ordered the disclosure of the identity of the bank’s clients, it was discovered that an Italian national, Mr. Giuseppe B. Tome traded on the basis of inside information. He was found liable for an estimated sum of \$5.8 million.²⁶⁸

Cross-border insider trading is likewise exemplified by the infamous case of *Securities and Exchange Commission v. Dennis Levine et al*. Here Dennis Levine, a renowned investment banker, profited by about \$12.6 million through the utilization of “material nonpublic information about actual or proposed tender offers, mergers and other business combinations.”²⁶⁹ Levine traded by means of “two Panamanian companies allegedly under his control, and a Swiss citizen who acted as a broker for Levine’s trades through a Bahamian subsidiary of a Swiss Bank.”²⁷⁰ When the Banks were finally compelled to divulge information regarding the transactions, Levine

²⁶⁴ *Id.*

²⁶⁵ Commissioner Joseph Grundfest, *To Catch a Thief, Recent Developments in Insider Trading Law and Enforcement*, Speech delivered at The National Investor Relations Institute, New York Chapter, Grand Hyatt Hotel, New York, New York, at 9 (Jun. 20, 1986), available at <http://www.sec.gov/news/speech/speecharchive/1986speech.shtml> or <http://www.sec.gov/news/speech/1986/062086grundfest.pdf>.

²⁶⁶ *Id.*

²⁶⁷ US SEC, see *supra* note 260, citing *Securities and Exchange Commission v. Banca Della Svizzera Italiana et al*, Litigation Release No. 11120 (Jun. 9, 1986), 35 SEC Docket 1525.

²⁶⁸ *Id.*

²⁶⁹ US SEC, see *supra* note 260 at 10, citing *Securities and Exchange Commission v. Dennis Levine et al*, Litigation Release No. 11095 (May 12, 1986) 35 SEC Docket 1212.

²⁷⁰ *Id.*

was ordered to disgorge \$11.6 million and barred from engaging in the securities trade.²⁷¹

One of the most recent cases of global insider trading is that of *Securities and Exchange Commission v. Christian de Colli*. In this case de Colli, a resident of Italy, purchased several shares of common stock and call options of DRS Technologies (DRS) prior to the publication of a Wall Street Journal article regarding advanced merger negotiations between DRS and Finmeccanica.²⁷² After the article was released, share prices of DRS substantially increased. De Colli, as a result thereof, profited by about \$2,161,818.42. Investigation revealed that the older brother of De Colli was employed by Finmeccanica. The New York brokerage account utilized by De Colli was also opened only one day prior to the acquisition of DRS shares.²⁷³ Suit was instituted by the Commission against De Colli. As the latter failed to answer, default judgment was obtained against him. De Colli was ordered to disgorge the profit he made and also to pay a penalty in the same amount along with their corresponding interests.²⁷⁴ To ensure partial execution, the court decreed that the remaining shares in De Colli's United States account be liquidated and all his funds therein be forfeited.²⁷⁵ The amount adjudged against De Colli however exceeded the funds in his securities account as the latter contained only about \$2, 605, 240. 40.²⁷⁶

The dawn of Internet technology equally facilitated global insider trading by means of the World Wide Web. Computer files including restricted databases have been the object of interest for software technicians and hackers out to obtain material information. The suit of *Securities and Exchange Commission v. Lohmus Haavel & Viisemann, et al* is a case in point. Defendants in this suit are Lohmus Haavel & Viiseman (LHV), an investment bank located in Estonia along with two Estonian bank employees.²⁷⁷ The defendant-employees opened an account in Business Wire, a web-based information provider. A "spider" was thereafter released by the accused in the Business Wire website which enabled them to access restricted company data prior to their public disclosure. Shares of various

²⁷¹ *Id.*

²⁷² US SEC, Securities and Exchange Commission v. Christian de Colli, Litigation Release No. 20819 (Dec. 2, 2008), Civil Action No. 08-CIV-4520 (S.D.N.Y. May 15, 2008), available at <http://www.sec.gov/litigation/litreleases/2008/lr20819.htm> (last visited December 29, 2009).

²⁷³ *Id.* at 2-3.

²⁷⁴ *Id.* at 5.

²⁷⁵ *Id.* at 5-6.

²⁷⁶ *Id.* at 4.

²⁷⁷ US SEC, Securities and Exchange Commission v. Lohmus Haavel & Viisemann, et al., Litigation Release No. 19450 (Nov. 1, 2005), Civil Action No. 05-9259 (S.D.N.Y. Nov. 1, 2005) Complaint for the Plaintiff, available at <http://www.sec.gov/litigation/litreleases/lr19450.htm> (last visited Dec. 29, 2009).

American companies were subsequently traded through on-line brokers based on the United States for the defendants' benefit.²⁷⁸ A combined profit of about \$7.8 million resulted from these transactions.²⁷⁹ When sued for violating security laws, the defendant Lepik consented to disgorge \$551, 998 and pay a penalty of about \$15, 000.²⁸⁰ Meanwhile, the defendants LHV and Peek agreed to disgorge \$13, 000,000 in profits and pay a penalty and fine amounting to \$2, 000,000.²⁸¹

The conundrum however with situations such as above, when juxtaposed with the Philippine context, is the ambiguity of the case falling under the traditional definitions²⁸² of insider trading. While the law speaks of material information being utilized by an insider or a third person receiving it from the former, it is uncertain whether or not a "hacker" can be considered an insider. The accessed database from which software technicians obtain their information is likewise not included in the law's enumeration of insiders.²⁸³ Future developments of Philippine securities law would therefore have to deal with the problems brought about by technology. The task however would have to confront the blurring lines between the source of material information and the duty to disclose which were similarly problematic for the American Securities and Exchange Commission:

With these technology changes come new legal issues. A computer expert can hack into corporate databases and trade on the basis of what he finds there, often without being detected. Put aside for the moment the issue of how technologists will defend against these attacks, and ask how insider trading law will deal with them. The hacker owes no duty to the hacked company's stockholders, nor does he owe a duty to a law firm, consultancy, financial printer or any employer from whom he spirits information. And if traditional notions of duty can't deal with him, what is the common law to do? Create a new kind of duty? Impute to the hacker an existing insider's duty? Or is this simply too far a stretch for our insider trading law's flexibility?...

²⁷⁸ *Id.* at 2.

²⁷⁹ *Id.* at 11.

²⁸⁰ US SEC, Securities and Exchange Commission v. Lohmus Haavel & Viisemann, et al., Litigation Release No. 19810 (Aug. 22, 2006), C.A. No. 05-9259-RWS (S.D.N.Y.), *Court Enters Final Judgement by Consent Against Defendant Kristjan Lepik*, available at <http://www.sec.gov/litigation/litreleases/2006/lr19810.htm> (last visited Dec. 29, 2009).

²⁸¹ US SEC, Securities and Exchange Commission v. Lohmus Haavel & Viisemann, et al., Litigation Release No. 20134 (May 31, 2007), Civil Action No. 1:06-CV-1260 (S.D.N.Y.), *Court Issues Final Judgement by Consent Against Defendants Oliver Peek and Lohmus, Haavel & Viseman*, available at <http://www.sec.gov/litigation/litreleases/2007/lr20134.htm> (last visited Dec. 29, 2009).

²⁸² See SEC. REG. CODE, § 27.

²⁸³ See SEC. REG. CODE, § 3.8.

Did the trader have an actionable duty to anyone? We can argue about that one. But duty is not what the statute requires. Duty is a subset of the statutory requirement of deception. So in this case, we alleged that the trader had engaged in deception by, among other things, using the spider to fool the newswire service into believing he was authorized to access the information on its servers. I expect we'll to see more cases like this and that these cases will be the source of more case law.²⁸⁴

With the rapid convergence of financial markets coupled with the exponential escalation of technology, the task of regulators worldwide is far from undaunting. Apart from the increasing complexity of financial transactions, the enforcement of insider trading laws is influenced by a myriad of factors which at times call for global action. Nevertheless, fundamental to the successful crusade against insider trading is the role that regulators play. The predicament of the regulator therefore is likewise a predicament of the law's effectivity.

C. The Predicament of the Regulator

As previously noted, the Securities and Exchange Commission is tasked with the enforcement of insider trading laws.²⁸⁵ The Commission however is confronted with certain limitations which hinders it from effectively performing its mandate. Central to these issues is the insufficiency of civil remedies as well as the absence of disgorgement provisions.

Of primary import is the void in the Commission's authority to institute civil proceedings against the violators of insider trading. This is manifest from section 61.1 of the Securities Regulation Code which provides that:

Any insider who violates Subsection 27.1 and any person in the case of a tender offer who violates Subsection 27.4(a)(i), or any rule or regulation thereunder, by purchasing or selling a security while in possession of material information not generally available to the public, shall be liable in any suit brought by any **investor** who, contemporaneous with the purchase or sale of securities that is the subject of the violation, purchased or sold securities of the same class.²⁸⁶ (emphasis added)

²⁸⁴ Thomsen, *supra* note 103.

²⁸⁵ See *supra* note 7.

²⁸⁶ SEC. REG. CODE, § 61.

A cursory reading of the provision above instantly reveals that only an investor can institute civil proceedings against violators. This however is quite problematic given that the word “investor” can be very broad. The number of investors in the Philippine Stock Exchange for instance is more than substantial, with the value turnover of investments amounting to 1.34 trillion pesos in 2007 alone.²⁸⁷ To therefore pinpoint who purchased particular shares of stock contemporaneously with the insider would necessitate costly and complicated information gathering. Brokerage firms might likewise be hesitant to divulge the identity of their clients as well as their respective transactions.²⁸⁸ Additionally, the investors themselves are not always too eager to institute protracted civil proceedings against insider-traders. Thus, the Securities and Exchange Commission is left with almost no civil recourse against the law’s violators.

This is in marked contrast with the enforcement mechanism in the United States which allows the U.S. Securities and Exchange Commission to institute civil proceedings against violators, viz:

1. Whenever it shall appear to the Commission that any person has violated any provision of this title or the rules or regulations thereunder by purchasing or selling a security or security-based swap agreement (as defined in section 206B of the Gramm-Leach-Bliley Act) while in possession of material, nonpublic information in, or has violated any such provision by communicating such information in connection with, a transaction on or through the facilities of a national securities exchange or from or through a broker or dealer, and which is not part of a public offering by an issuer of securities other than standardized options or security futures products, the Commission--

A. may bring an action in a United States district court to seek, and the court shall have jurisdiction to impose, a civil penalty to be paid by the person who committed such violation; and

B. may, subject to subsection (b)(1) of this section, bring an action in a United States district court to seek, and the court shall have jurisdiction to impose, a civil penalty to be paid by a person who, at the time of the violation, directly or indirectly controlled the person who committed such violation.²⁸⁹

²⁸⁷ See *supra* note 261.

²⁸⁸ Felizmenio, *supra* note 191.

²⁸⁹ U. S. Securities and Exchange Act of 1934, § 21A.

Consequently in contrast with the United States, the Philippine civil remedy is placed on a standstill as the latter's implementation virtually depends on the investors. Without the power to initiate proceedings, the Commission would just have to wait until private individuals decide to litigate. Such a solution however does no good for the supposed dynamic enforcement of the law.

Another obstacle to the proper execution of the law is the inexistence of disgorgement powers bestowed on the Commission. "Disgorgement is a broad civil enforcement remedy that enables the SEC to recover profits from violators of the securities laws."²⁹⁰ Its effectivity as an enforcement mechanism lies in its ability to "increase the overall level of deterrence by increasing the total amount of funds paid by (the) law'(s) violators."²⁹¹ In the United States, the Securities and Exchange Commission is given ample authority to institute disgorgement measures against infringers of security statutes.²⁹² Money obtained from such proceedings is placed in a fund for victims of security fraud by virtue of the Sarbanes-Oxley Act of 2002.²⁹³ The Philippine legislature however is yet to authorize the Philippine Securities and Exchange Commission to institute such actions. As such, the Commission is deprived of an effective enforcement weapon in its quest against insider trading.

The campaign against insider trading is fraught with various challenges that demand immediate attention. While the Securities and Exchange Commission might be more than willing to engage into battle, legislative and administrative fiat is necessary to strengthen its weapons of enforcement. Key players in the financial market must likewise realize that the crusade is not the regulator's alone but ultimately that of the entire industry.

VII. WEAVING LEGISLATION AND ENFORCEMENT: A RECOMMENDATION

The success of the struggle against insider trading lies on the seasonable expansion of the law and its dynamic enforcement. Such a

²⁹⁰ Nicolai Law Group P.C., *Subject: SEC Disgorgement Actions (Mar. 1, 2000)* at <http://www.niclawgrp.com/memos/200003.html> (last visited Dec. 29, 2009).

²⁹¹ Letter from Robert Lande, American Anti-Trust Institute to Sec. Donald Clark, Federal Trade Commission (Mar. 29, 2002), *Re: Commission's Request for Comments On The Use Of Disgorgement in Antitrust Matters*, available at <http://www.ftc.gov/os/comments/disgorgement/landerberth.htm> (last visited December 29, 2009).

²⁹² U. S. Securities and Exchange Act of 1934, §§ 21A(d,3), 21B(e).

²⁹³ U. S. Sarbanes-Oxley Act of 2002, § 308.

method necessitates an intricate collaboration among the legislator, the regulator, the exchange, and the investing public. With the innate complexity of financial systems, the central linkages permeating the system must all be strengthened and reinforced.

A. Groundbreaking Legislation

First, Congress must mandate that multi-service providers establish chinese walls to prevent the misuse of material information. Chinese walls are “policies and physical apparatus designed to prevent the improper or unintended dissemination of market sensitive information from one division of a multi-service firm to another... and trading procedures and reviews designed to prevent and detect illegal trading.”²⁹⁴ To ensure its effectivity, minimum standards in the imposition of chinese walls must be provided for. While the current implementing rules of the Securities and Exchange Commission provide for its establishment, the rule as written provides no standard for its implementation:

Any broker dealer which assumes more than one function whether as a dealer, adviser, or underwriter, or which engages in market making transactions, shall maintain proper segregation of those functions within the firm to prevent:

- a. The flow of information between the different parts of its organization which perform each function; and
- b. Any conflict of interest which may result.²⁹⁵

Also, no clear sanctions for the non-compliance thereto are imposed. As a consequence, the effectivity of the regulation as currently worded is seriously in doubt. To remedy the situation, Congress must penalize non-conformance with the regulation. Mandatory minimum standards in the establishment of chinese walls must likewise be imposed. Such standards may include:

- (1) substantial control (preferably by the compliance department) of relevant interdepartmental communications; (2) the review of employee trading through the effective maintenance of some combination of watch, restricted, and rumor lists; (3) dramatic improvement in the memorialization of Chinese Wall procedures and

²⁹⁴ Division of Market Regulation, U.S. SEC, Broker-Dealer Policies and Procedures Designed to Segment the Flow and Prevent the Misuse of Material Nonpublic Information, at 2-3 (Mar. 1990), *available at* <http://www.sec.gov/cgi-bin/txt-srch-sec?section=Entire+Website&text=chinese+walls&sort=rank> or <http://www.sec.gov/divisions/marketreg/brokerdealerpolicies.pdf>.

²⁹⁵ SEC. REG. CODE Amended Implementing Rules and Regulations (2004), Rule 34.1.

documentation of actions taken pursuant to those procedures; and
(4) the heightened review or restriction of proprietary trading while
the firm is in possession of material, nonpublic information.²⁹⁶

Second, Congress must address the growing complexity of financial markets. Issues brought about by technology and capital convergence must be met. Thus, Congress should give significant attention to the dilemma of software raiders. Hackers who utilize nonpublic information must be considered by future legislation as insiders to make them susceptible to insider trading laws. Also, treaties and statutes addressing global insider trading should be ratified. Congress must ensure that bank secrecy laws and other confidentiality policies would not serve as a shield for security raiders. Consequently anti-money laundering laws must be strengthened and employed in order to prevent the “cleansing” of illicit funds acquired through insider trading.

Third, the legislative process must be maximized in order to reinforce the laws against insider trading. Laws enabling the Securities and Exchange Commission to institute civil suits against violators must be enacted. Accordingly, the Commission must be given sufficient personality to file civil actions with no joinder of investors required. Adequate alternative remedies must likewise be granted to the Commission. As such, disgorgement provisions must be incorporated in existing and future legislation.

Legislation, to be effectual must be sufficiently enforced. Thus, imperative to its success is a vibrant enforcement mechanism geared to implement its provisions. While the law serves as the blueprint for concrete action, a dynamic system of execution gives life to what was once merely encapsulated in elaborate words.

B. Dynamic Enforcement

First, the Securities and Exchange Commission must exploit all avenues available for information sharing. The importance of gathering adequate information is recognized by the International Organization of Securities Commissions, viz: “The Authorities recognize the importance and desirability of providing mutual assistance and exchanging information for the purpose of enforcing, and securing compliance with, the Laws and

²⁹⁶ See *supra* note 294, at 18.

Regulations applicable in their respective jurisdictions.”²⁹⁷ Being a member of the said organization,²⁹⁸ the Philippine Securities and Exchange Commission must vigorously endeavor to enter into memorandums of understanding with other member commissions to obtain security-related information on a global level. Such information may include “Notification of remote members/participants joining/leaving the market; transaction information (*e.g.*, details of a trader's positions, large positions, related OTC and cash positions, trading by an issuer's significant shareholders and officers); Specific trading limits, such as price and position limits and any changes thereto; and Reports of abusive practices and illegal behavior, including insider trading activity involving remote market participants.”²⁹⁹ Thus, collaboration with various international commissions is essential in obtaining crucial information necessary in insider trading investigations.

Second, the Securities and Exchange Commission must work closely with the Philippine Stock Exchange in surveillance and monitoring activities. The Exchange is currently equipped with an automated surveillance system which monitors unusual trading volume during business hours.³⁰⁰ It likewise has its own rules mandating disclosure of material information³⁰¹ and a division tasked with ensuring compliance thereto.³⁰² Information generated from these sources must be maximized by the Commission in investigating probable violations of insider trading laws. The Commission must likewise encourage the Exchange to continually upgrade its surveillance machinery to facilitate insider trading investigations. As the identities of share owners do not instantaneously appear in the Exchange's surveillance system, its software must be improved. Investigations therefore would not run the risk of being hampered by evidence lost due to time spent unearthing sources of questionable transactions.³⁰³

²⁹⁷ IOSCO, Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information, at 3 (May 2002), *available at* http://www.iosco.org/search/search_results.cfm?criteria=CONCERNING%20CONSULTATION%20AND%20COOPERATION&moreResults=publicdocs or <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD126.pdf>.

²⁹⁸ IOSCO, *Ordinary Members* (2009), *at* http://www.iosco.org/lists/display_members.cfm?CurrentPage=8&orderBy=jurSortName&alpha=None&memID=1&crows=10 (last visited Dec. 29, 2009).

²⁹⁹ Technical Committee of the IOSCO, Multi-Jurisdictional Information Sharing for Market Oversight, at 12 (February 2007) *available at* http://www.iosco.org/search/search_results.cfm?criteria=CONCERNING%20CONSULTATION%20AND%20COOPERATION&moreResults=publicdocs or <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD232.pdf>.

³⁰⁰ Lim, *supra* note 172.

³⁰¹ PSE Revised Disclosure Rules, § 4.1-4.2.

³⁰² Lim, *supra* note 172.

³⁰³ Felizmenio, *supra* note 191.

Finally, the Securities and Exchange Commission must solicit the cooperation of issuers and brokerage firms in combating insider trading. As the issuers are the first source of information, the Commission must ensure that such companies have adequate internal policies prohibiting the unlawful utilization of material information. Brokerage firms must likewise be required to divulge potential fraudulent transactions with minimal time involved. Revelation of the firm's clients when demanded by the Commission must be also be made within a maximum time period.

Through the elaborate intermarriage of responsive legislation and dynamic enforcement, the challenges posed by insider trading can be met. While the future of financial markets is far from predictable, Congress must always be vigilant in ensuring that the law responds to the times. The regulator for its part must remain steadfast in its mandate towards ensuring compliance with the law. As traditional methods may at times be outdated, the regulator must not balk from utilizing contemporary enforcement techniques. Thus, both the law and the regulator must be ready to respond to the gauntlet posed by an increasingly complex financial industry.

VIII. ADDRESSING THE CONTEMPORARY MARKET: A CONCLUSION

*We have always known that heedless self-interest
was bad morals; we now know that it is [also]
bad economics.*

- Pres. Franklin D. Roosevelt³⁰⁴

It is undisputable that investor confidence plays a crucial role in ensuring a nation's economic stability. For developing countries such as the Philippines, the continuous influx of capital is particularly more essential. As investment facilitates economic growth, it is indispensable that both local and foreign investors be encouraged to venture into Philippine shores. Thus, laws that keep the financial sector efficient are necessary complements to the country's investor stimulus programs.³⁰⁵

The prohibition against insider trading is one of such laws. Geared to encourage market efficiency, insider trading laws endeavour to ensure a fair and competitive financial sector. While current laws strive to combat the

³⁰⁴ Pres. Franklin D. Roosevelt, quote available at *A Brief History of Socially Responsive Investing*, at <http://www.goodmoney.com/srihist.htm> (last visited Dec. 29, 2009).

³⁰⁵ Lee U, *supra* note 185.

conundrum of insider trading, the journey remains far from complete. A highly evolving securities network demand that legislation sufficiently adapt to the needs of the industry. As convergence characterizes contemporary markets, the Philippines must be ready to address both local and international concerns. Thus, legislation must not only be tough but also flexible, imbued with salient features to ensure that while the investor is protected, there is much incentive left for growth.

The Securities and Exchange Commission for its part must give life to the vision encased in the law's words. The law's provisions must be dynamically enforced with the regulator equipped with sufficient arsenal to last a protracted battle. As such, enforcement should transcend traditional dogmatic frameworks and alternatively explore other contemporary avenues for regulation. Consequently, the goals enshrined in existing legislation must not remain ephemeral euphemisms but instead be given fruition through vibrant and proficient enforcement.

Though the challenges posed by tomorrow's financial markets remain enormous, the Philippines must constantly be prepared to uphold the industry's integrity. Insider trading as one of the market's predilections must therefore be eliminated and confined to the analects of yesterday. While the tribulations of the past can no longer be erased, the dawn of the future presents a multitude of opportunities for change. Ultimately the vitality of the law and the dynamism of its enforcement generate much hope that the quest against insider trading may end in a milestone of success.

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ANNEX A

Control Number: _____

Please check the line corresponding to your answer/s.

I. BACKGROUND INFORMATION

1. How long have you been an investor? (locally)

___ 1 – 6 months

___ 1 – 3 years

___ 5 – 7 years

___ 6 months – 1 year

___ 3 – 5 years

___ 7 – 9 years
2. How many stocks do you invest in monthly? (locally)

___ less than 10

___ 25- 50

___ 10 – 25

___ 50 above
3. How much do you invest in monthly? (locally)

___ less than 10,000

___ 25,000 – 50,000

___ 100,000 – 500,000

___ 10,000 – 25,000

___ 50,000 – 100,000

___ above 500,000
4. Why do you invest in the stock market?

___ quick profit

___ others (please specify) _____

___ long-term investment
5. Do you invest in stocks abroad?

___ yes

___ no

Why?

6. What foreign stocks do you invest in? _____

Why?

7. From what country are these foreign stocks? _____

Why there? _____

8. Would you invest more in Philippine stocks or in foreign stocks? _____

Why?

II. TRADING PROPER

9. Who/What convinced you to invest in the stock market? (you may check more than 1)

☐ friends

☐ relatives

☐ other brokers

☐ financial expert

☐ issuer

☐ director/officer

☐ majority stockholder

☐ government employee

☐ politician

☐ company employee

☐ news

☐ fundamentals

☐ others (please specify) _____

10. Do you get adequate information on the stocks that you invest in?

☐ yes

☐ no

Please explain: _____

11. From who/what do you get these information? (you may check more than 1)

☐ friends

☐ relatives

☐ other brokers

☐ financial expert

☐ issuer

☐ director/officer

☐ majority stockholder

☐ government employee

☐ politician

☐ company employee

☐ news

☐ fundamentals

☐ others (please specify) _____

12. When do you get the information regarding the stocks you would invest in?

☐ before it is made public

☐ after media reports

☐ after company disclosures

☐ others (please specify) _____

13. Do you think that directors, officers, majority stockholders, government employees, company employees have more knowledge/information regarding stocks?

☐ yes

☐ no

Please explain: _____

14. Do you know what insider trading is?

☐ yes

☐ no

Please explain: _____

ANNEX B

Control Number: _____

Please check the line corresponding to your answer/ s.

I. BACKGROUND INFORMATION

1. Do you plan to invest in the Philippine stock market?

yes

no (proceed to question 5)

Why?
2. How many stocks do you plan to invest in monthly?

less than 10

25- 50

10 – 25

50 above
3. How much do you plan to invest in monthly?

less than 10,000

25,000 – 50,000

100,000 – 500,000

10,000 – 25,000

50,000 – 100,000

above 500,000
4. Why do you plan to invest in the stock market?

quick profit

others(please specify)

long-term investment
5. Do you plan to invest in stocks abroad?

yes

no (please proceed to question 14)

Why?
6. What foreign stocks do you plan to invest in?

Why?
7. From what country are these foreign stocks?

Why there?
8. Would you invest more in Philippine stocks or in foreign stocks?

Why?

II. TRADING PROPER

9. Who/What convinced you to invest in the stock market? (you may check more than 1)

☐ friends	☐ majority stockholder
☐ relatives	☐ government employee
☐ other brokers	☐ politician
☐ financial expert	☐ company employee
☐ issuer	☐ news
☐ director/officer	☐ fundamentals
	☐ others (please specify) _____

10. Did you get adequate information on the stocks that you plan to invest in?

☐ yes ☐ no

Please explain: _____

11. From who/what do you get these information? (you may check more than 1)

☐ friends	☐ majority stockholder
☐ relatives	☐ government employee
☐ other brokers	☐ politician
☐ financial expert	☐ company employee
☐ issuer	☐ news
☐ director/officer	☐ fundamentals
	☐ others (please specify) _____

12. When did you get the information regarding the stocks you would invest in?

☐ before it is made public	☐ after company disclosures
☐ after media reports	☐ others (please specify) _____

13. Do you think that directors, officers, majority stockholders, government employees, company employees have more knowledge/information regarding stocks?

☐ yes ☐ no

Please explain: _____

14. Do you know what insider trading is?
____yes _____no
Please explain: _____

15. Do you think insider trading is prevalent in the Philippines?
____yes _____no
Please explain: _____

16. Do you think insider trading is prevalent in the world?
____yes _____no
Please explain: _____

17. Would you invest in stocks if insider trading is not regulated?
____yes _____no
Please explain: _____

18. Do you think that the laws on insider trading are enforced effectively?
____yes _____no
Please explain: _____

ANNEX C

SURVEY FOR INVESTORS

Table 1. - How long have you been an investor? (locally)

1 - 6 months	9
6 months - 1 year	3
1 year - 3 years	6
3 years - 5 years	4
5 years - 7 years	2
7 years - 9 years	5
More than 10 years	1

Table 2. - How many stocks do you invest in monthly?

Less than 10	18
10 – 25	10
25 – 50	1
50 above	0

Table 3. - How much do you invest in monthly? (locally)

Less than 10,000	11
10,000 - 25,000	6
25,000 - 50,000	4
50,000 - 100,000	3
100,000 - 500,000	1
Above 500,000	3

Table 4. - Why do you invest in the stock market?

Quick profit	9
Long-term investment	21
Others	
Before, there was higher yield	1
Capital preservation	1
Dividend Yield	1

Table 5-a. - Do you invest in stocks abroad?

Yes	8
No	22

Table 5-b. - Why?

YES	NO
Diversification	No knowledge of stocks abroad/familiarity with the market – 4
Good returns	Too much hassle
Fun	Don’t use computer
Profitability	Lack of opportunity/ inaccessibility
A whole lot safer and less prone to manipulation and insider trading	No access
Easier on-line and responsive customer support	I do not have extra cash to invest abroad
Because the markets abroad are more liquid and stable	Global financial meltdown concerns
	I don’t trust in the stability of the US dollar
	Too risky, pegged to currencies which I have no control
	My capital is not sufficient
	Not interested in foreign market
	Not much update on foreign stocks, not available for me

Table 6-a. - What foreign stocks do you invest in?

DOW	3
NASDAQ	1
ASX	1
HANG SENG	1
CATERPILLAR	1
CITIBANK	1
GOLDMAN SACHS	1
S and P	1
Health & tech stocks	1
Mutual funds (Vanguard)	1
Citigroup	1
McDonalds	1
Microsoft	1
Bank of America	1
Apple	1
Berkshire Hathaway	1

Table 6-b. – Why?

General	DOW and S&P	Mutual funds
Yield	Stability	I don’t know enough about stocks

Table 7-a. - From what country are these foreign stocks?

US	8
Hongkong	1
Australia	1

Table 7-b. – Why there?

US	Australia	Hongkong
Valuation and yield	Valuation and yield	Valuation and yield
Easier. On-line and responsive customer support		
Where else?		
Because they are the leader in capital markets		

Table 8-a. - Would you invest more in Philippine stocks or foreign stocks?

Philippine stocks	11
Foreign stocks	5
Others	
Not sure	1
Both	1
Probably in the future I will invest in Stocks	1

Table 8-b. – Why?

Philippine stocks	Foreign stocks	Both
Better knowledge of market dynamics	I'd have more confidence on foreign stocks for long term investments. They are more transparent with their company's portfolio. Here, we're just looking at the numbers and the whispered tips from our brokers.	Makes sense
Low PE, Fundamentals, insulation from global recession	More choices, greater profit potential	
Access to available information	More stable (comparatively)	
To help the economy		
Encourage more market fluctuations in the Philippines		
I can monitor it		
I am a Filipino and I live and work here		
Dollar to peso value		
I am a new investor		
Because I am more familiar with the companies and demographics here.		

Table 9. - Who/What convinced you to invest in the stock market?

Friends	14
Relatives	11
Other brokers	6
Financial expert	11
Issuer	4
Director/officer	5
Majority stockholder	3
Government employee	2
Politician	2
Company employee	2
News	6
Fundamentals	7
Others	
Nobody, the stocks just yield dividends	1
Accountant	1

Table 10-a. - Do you get adequate information on the stocks that you invest in?

Yes	20
No	10

Table 10-b. – Why?

YES	NO
Want to be sure that my stocks are doing well	They just look promising
Research reports	Rely mostly on recommendations of broker/trustee/manager
Due diligence	Change of address, some communications were not delivered to my new mailing address
If you define general knowledge and hearsay information from the people in my answer above is adequate, then yes	I just watch the news and read the papers
Need	I invest just to keep my money from idling out. For income, I still rely on my desk job, hence I don't pay attention to my stocks.
Annual reports	Although newspapers abound, I am too busy to check regularly
My friends are mostly directors from prospectus and updates online	I just rely on what other people tell me I am still researching media where I can access good information
I think my brokers sufficiently informs(sic) me	
Websites, newspapers, newsletters	

Table 11. – From whom/what do you get these information?

Friends	16
Relatives	8
Other brokers	10
Financial expert	10
Issuer	5
Director/officer	4
Majority stockholder	2
Government employee	2
Politician	2
Company employee	2
News	13
Fundamentals	7
Others	
Nobody	1
Internet	1

Table 12. – When do you get the information regarding the stocks you would invest in?

Before it is made public	11
After media reports	14
After company disclosures	13
Others	0

Table 13-a. - Do you think that directors, officers, majority stockholders, government employees, company employees have more knowledge/information regarding stocks?

Yes	26
No	3
Others	1

Table 13-b. – Why?

YES	NO
They have company info since they are in the company itself	
Access to information is inherent in their work	
Market making information	
Inside information	
They know more about the corporation	
They want to protect their investment interests	
It is inherent in their positions	
They have connections	
It is their work. They’ve got to know more about it	
It’s their job	
They have access to privileged information that can help one in making an informed choice re: stocks.	
They have direct control over it unless, of course, they’re publishing the wrong information.	
They have more access to material	
They have to know	
They are required to know those things	
They are privy to discussion	
They are insiders	
They know more about the company	
They have advance knowledge because they are privy to certain company rules and discussions	

Table14-a. – Do you know what insider trading is?

Yes	23
No	7

Table 14-b. – Explain.

YES	NO
Selling stocks before it is public	I have little knowledge
Unethical use of one’s knowledge of sensitive information from an officer/director/broker in order to benefit or gain from such information	I don’t have a clear picture of what it is.
Information a director or officer has available before a public disclosure which can influence equity prices positively/negatively	Sort of those prohibited by law
Information pertaining to the performance of stocks are released to private individuals beforehand before it becomes known to the public thereby giving said private individuals an opportunity to either buy/dump stocks well ahead of everyone. In this way, the private information are given advantage to make more money or minimize their loss which the rest of the public do not enjoy.”	I can guess those who have inside knowledge on a particular stock’s net value, use that knowledge to further their ends to the detriment of the public
Illegal trades	
I have a vague idea	
Making use of information otherwise not available to the public for personal gain or profit	
Inside information	
Knowing the trend before it happens	
Ugly clandestine methods to research how certain events influence the stock market and take advantage of it	
The practice of stock price manipulation from behind the view of the general public, mostly through speculation or under-the-table trading.”	
I have read about it	
I have a vague idea. I think it’s the selling of stocks before you’re supposed to sell	
When you know a material fact re price determination which the public doesn’t know	
Utilizing information illegally prior to disclosure	
Is getting insider information from an insider in a company and acting on it quickly for a nice quick profit.	

Table 15-a. - Do you think insider trading is prevalent in the Philippines?

Yes	20
No	6
Others Not sure	2

Table 15-b. – Explain.

YES	NO	OTHERS
Everything here is inside, only controlled by a few individuals	Lack of documentation, no paper trail, I think	I really can't tell
I have heard of some instances of insider trading	I don't know anything about insider trading	No proper basis to formulate an opinion
GOCCs, Foreign brokerages, dealers are players in a market with limited volume and liquidity		
Hear so many samples		
There have been various, numerous reports of this happening in TV and newspapers		
BW is just the tip of the iceberg. It's a cultural phenomenon in the Philippine Regulation needs to be upgraded		
I think every person does not want to lose his money rather make it bigger		
My friends say it is very rampant here		
Loose lips		
I heard it's prevalent here		
People find a way to get around the law		
Our stock market is based on price manipulation and insider trading.		

Table 16-a. – Do you think insider trading is prevalent in the world?

Yes	22
No	5
Maybe, possibly in United States	1
Others	2

Table 16-b. – Explain.

YES	NO	OTHERS
Not sure but maybe not as much as here in the Phil	Lack of documentation, no paper trail	“No basis to formulate an opinion”
No idea but I suspect it is	Not sure	I am not sure
I have heard and read of such instances	I think they have stricter laws	No idea
Markets can be influenced to benefit larger institutions and players that have vested interests		
When there’s a will, there’s a way		
As I have said, when it concerns money, people will go to great heights just to earn big bucks		
The Livedoor scandal of Japan and Enron issue in the US among others is indicative of this.”		
But not as blatant as here in the Philippines		
In large economics, it’s easy to find various trading techniques		
Loose lips		
Watching the TV shows		
The Queen of England is “immune” to inside trading. Example, ENRON		

Table 17-a. - Would you continue to invest in stocks if insider trading is not prohibited?

Yes	15
No	15

Table 17-b. – Explain.

YES	NO
I think I have enough information to survive even without the law	The market would be too volatile and subject to more manipulation
Diversify funds	It is unfair to these people who does not have inside information
I believe in survival of the fittest! End result should be profitable investments/decision to deploy capital	The non-regulation or prohibition of stocks/securities will lead to lack of integrity in the system and therefore, more risk for investors
Good returns	I want an even playing field
Only if I'm doing the insider trading''	It would be severely disadvantageous for those who do not have the proper connections and access to said information.
I would not even consider insider trading	It's unfair and scary to invest without regulation
Maybe I still would	
Will invest if I have inside information and will not get caught	
Because that is where the easy money is.	

Table 18-a. - Do you think that the laws on insider trading are enforced effectively?

Yes	1
No	26
Others	
I do not know	1
I can't give a knowledgeable comment at this time	1
No idea	1
Not sure	1

Table 18-b. – Explain.

YES	NO
	People don't care if it's prohibited
	There is only self-regulation
	No laws are enforced effectively in the good old Republic of the Philippines
	Lack of will and implementation; PSE/SEC is still structurally flawed due to the interests of those running these institutions
	A lot of people get away
	In our jurisdiction, no, I don't think the laws on insider trading are properly enforced because of lack of awareness of these laws and non-enforcement of sanctions when such laws are violated
	Whatever happened to the BW bad guys? Erap and Co? Need I say more?
	If it is enforced effectively, it would not happen, would it?
	There is little public knowledge about these things
	A lot of people still do it
	Have you ever heard of anyone in the Philippines convicted of it?
	Laws and enforcement are not that strict
	I have not heard of and news locally regarding this matter.
	Very few laws in our country are enforced efficiently. Laws can be "bought" in this country.

ANNEX D

SURVEY FOR NON-INVESTORS

Table 1-a. – Do you plan to invest in the Philippine stock market?

Yes	12
No	18

Table 1-b. Why?

YES	NO
Future plans	I don’t know a thing about the stock market
Profit	too erratic
I want to diversify	not enough funds - 2
I want a reasonable return on my money, using a method which is legal	not my field of expertise
in the future, as another venue to make money	stock market is not good
I plan to spread my income among different options for increasing it	
good return	

Table 2. - How many stocks do you plan to invest in monthly?

Less than 10	6
10-25	2
25-50	1
50 above	1
Others	
No concrete idea	1
No working idea	1

Table 3. - How much do you plan to invest in monthly?

Less than 10,000	6
10,000-25,000	2
25,000-50,000	2
50,000-100,000	0
100,000-500,000	0
Above 500,000	1
Others	
No concrete plans	1

Table 4. - Why do you plan to invest in the stock market?

Quick profit	5
Long-term investment	8
Others	0

Table 5-a. - Do you plan to invest in stocks abroad?

Yes	5
No	23
Others Don't know yet	1

Table 5-b. - Why?

YES	NO
Depending on the strength of the foreign market, [I] will assume that foreign markets have a bigger chance of profit and tend to remain more stable	I don't have any idea as to how it works either
As another venue to make money	PSE is adequate for my needs
If resources are plenty, and I've the benefit of vast knowledge, I think the return would be greater	assures a greater fallback should businesses in the country flounder”
hassle to do so	I don't live abroad
	I don't have enough money - 4
	not my field
	not much knowledge

Table 6-a. - What foreign stocks do you plan to invest in?

Energy and electricity companies	1
Whatever is a good investment	1
Apple	1
Others I've no working idea	1

Table 6-b. – Why?

Energy and Electricity companies	Apple
As long as energy sources at present are the primary sources of energy, <i>may pera</i>	strong company and products

Table 7-a. - From what country are these foreign stocks?

GCCs	1
Europe	1
Japan	1
China	1
US	1
Others I've no working idea	1

Table 7-b. – Why there?

GCCs and Europe	Japan and China	USA
We've learned from the American recession haven't we?	No recession	Company based there

Table 8-a. - Would you invest more in Philippine stocks or foreign stocks?

Philippine stocks	4
Foreign stocks	2
Others Don't know yet	1

Table 8-b. – Why?

Philippine stocks	Foreign stocks
support your own	more security
it's more risky abroad, less direct knowledge also	I think there's a higher return

Table 9. - Who/What convinced you to invest in the stock market?

Friends	6
Relatives	3
Other brokers	1
Financial expert	4
Issuer	1
Director/officer	2
Majority stockholder	0
Government employee	0
Politician	0
Company employee	0
News	4
Fundamentals	1
Others	
Magazines, articles	1
Myself	1

Table 10-a. - Did you get adequate information on the stocks that you invest in?

Yes	3
No	7

Table 10-b. - Why?

YES	NO
people who advise me have experience and knowledge as regards stocks	no easily understandable materials to guide me
	I really don't know much, I plan to get a stockbroker
	just my friends and relatives
	just rely on my friends

Table 11. - From whom/what do you get these information?

Friends	8
Relatives	6
Other brokers	1
Financial expert	2
Issuer	1
Director/officer	3
Majority stockholder	0
Government employee	0
Politician	0
Company employee	0
News	5
Fundamentals	1
Others	
Reading materials	1

Table 12- When did you get the information regarding the stocks you would invest?

Before it is made public	0
After media reports	7
After company disclosures	3
Others	0

Table 13-a. - Do you think that directors, officers, majority stockholders, government employees, company employees have more knowledge/information regarding stocks?

Yes	11
No	0

Table 13-b. – Why?

YES	NO
they know the company better - whether it's doing okay or not	
I think it's inherent in the positions they hold, since they are familiar with such transactions	
they have inside information	
they know it before anybody else	
inside knowledge, greater access to information	
they have direct, material interest.	
it's the nature of their job	

Table 14-a. - Do you know what insider trading is?

Yes	17
No	13

Table 14-b. – Explain.

YES	NO
<i>Basta nasa law yan. Basta conchabahan yan</i> (It's in the law. It involves conspiring)	
It's the selling of stocks before public disclosure	
This occurs when a person with insider information uses such information to sell/buy stocks	I only know it's illegal
I think it's the sale of stocks before disclosure in the market	
It is the sale of stocks before public disclosure based on inside information	
selling stocks when not yet public	
stock trading before other people know it	
someone from the company knows events that will occur to affect stock prices	
benefiting from knowledge gained by virtue of one's position, etc.	
I saw it in an episode of "The Office", but I can't explain it properly	
manipulation of stock prices by stockbroker or dealer	
corporation law	
when owners of listed corporations try to manipulate the price of their stocks by creating a false demand or movement of their stocks	
trading of stocks before it is allowed	
sale/purchase of stocks before made public	