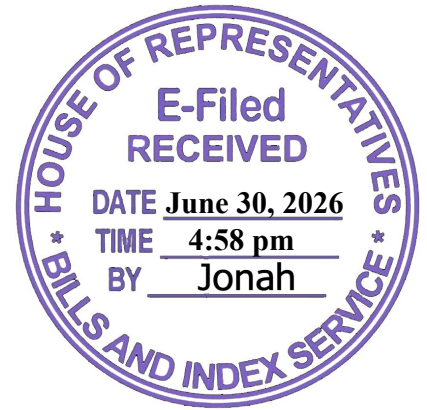


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 9979



Introduced by Representative Jan “Atty. JP” D. Padiernos

EXPLANATORY NOTE

The integrity of the Philippine capital market is a vital engine for economic growth, anchored by the Initial Public Offering (IPO) process. As a rigorous gatekeeper, the IPO ensures that only financially stable and transparent companies solicit public investment. However, the rise of "Backdoor Listings", which occurs when private entities bypass these rigors by acquiring dormant shell companies, presents an opportunity to modernize standards and better safeguard small investors from asset stripping and market volatility.

The “Capital Market Integrity and Backdoor Listing Prevention Act of 2026” aims to uphold transparency and accountability across the market. This Bill requires backdoor listings to meet the same strict compliance standards and/or undergo the exact same strict vetting process as a standard IPO. It likewise protects small investors by allowing them a veto vote, also called the "majority-of-the-minority" vote, and compels acquiring entities to reveal their true owners. In addition, it implements market safeguards, such as immediate trading suspensions and strict asset-stripping bans, to guarantee that listing on the Exchange remains a merit-based privilege.

In light of the foregoing, the approval of this bill is earnestly sought.


Rep. Jan “Atty. JP” D. Padiernos
GP (GALING SA PUSO) Partylist

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House Bill No. **9979**

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**AN ACT PRESCRIBING RIGID STANDARDS FOR CORPORATE
RESTRUCTURING RESULTING IN BACKDOOR LISTINGS, AMENDING FOR
THE PURPOSE THE SECURITIES REGULATION CODE, AND PROVIDING
PENALTIES FOR VIOLATIONS THEREOF**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. – This Act shall be known as the “Capital Market Integrity and Backdoor Listing Prevention Act of 2026.”

SECTION 2. Declaration of Policy. – It is the policy of the State to protect the investing public and ensure the transparency of the capital markets. The State recognizes that while corporate acquisitions are vital to the economy, the use of "shell companies" to circumvent the rigorous disclosure and track-record requirements of an Initial Public Offering (IPO) undermines market integrity.

SECTION 3. Definition of Terms. – As used in this Act, the following terms shall be understood to mean:

- a. Acquiring Entity – refers to the non-listed person, partnership, or corporation that, through a transaction or series of transactions, gains control of a listed corporation.
- b. Backdoor Listing – occurs when a listed corporation undergoes a transaction resulting in a change of control in favor of a non-listed entity, a substantial change in business or assets, and the failure of the surviving entity to meet standard IPO track-record requirements at the time of the transaction.
- c. Exchange – refers to the Philippine Stock Exchange or any other organized market for the trading of securities.
- d. Majority of the Minority – refers to a voting requirement where a transaction must be approved by the majority of the shares held by stockholders other than the controlling interest and the acquiring entity.
- e. Re-Compliance – the process by which a corporation must prove its suitability for listing after a change in control or business.
- f. Ultimate Beneficial Owner (UBO) – refers to the natural person(s) who ultimately owns or controls the acquiring entity.

SECTION 4. Definition of Backdoor Listing. – For purposes of this Act, a "Backdoor Listing" occurs when a listed corporation, directly or indirectly, undergoes a transaction or series of transactions that result in:

1. A change in control of the listed corporation in favor of a non-listed person or entity;
2. A substantial change in the primary business or assets of the listed corporation; and
3. The surviving entity failing to meet the suitability and track-record requirements prescribed for an IPO at the time of the transaction.

SECTION 5. Mandatory Re-Compliance. – Any transaction deemed by the Securities and Exchange Commission (SEC) or the Exchange as a Backdoor Listing shall be subject to Re-Compliance Requirements, which shall include:

- a. Track Record: The acquiring private entity must demonstrate a minimum of three (3) years of profitable operations and cumulative earnings equivalent to the requirements of the Main Board of the Exchange.
- b. Public Offering Requirement: Within six (6) months of the closing of the transaction, the entity must conduct a public offering of at least 20% of its issued and outstanding capital stock to ensure price discovery and liquidity.
- c. Approval Threshold: The transaction must be approved by a vote of at least three-fourths (3/4) of the outstanding capital stock, with a mandatory "majority of the minority" vote requirement to protect small-scale investors.

SECTION 6. Anti-Shadow Governance Measures. –

1. Ultimate Beneficial Ownership (UBO) Disclosure: No Backdoor Listing shall be approved without the full disclosure of the UBO of the acquiring entity to the third degree of consanguinity or affinity.
2. Director Disqualification: Any director or officer of the acquiring entity who has been involved in a failed or fraudulent listing within the last ten (10) years shall be disqualified from holding a board seat in the surviving listed corporation.

SECTION 7. Trading Suspension. – The Exchange shall automatically impose a trading suspension on the shares of the listed corporation upon the announcement of a memorandum of agreement or any definitive document that may result in a Backdoor Listing. Such suspension shall only be lifted upon the SEC's certification that the entity has met all "Re-Compliance" standards.

SECTION 8. Moratorium on Asset Stripping. – For a period of twenty-four (24) months following the backdoor entry, the surviving corporation is prohibited from disposing of more than 10% of its total assets as declared at the time of listing, unless such disposal is in the ordinary course of business or approved by the SEC.

SECTION 9. Penalties. – Any person or corporation found to have intentionally bypassed the IPO process through structured "shell" acquisitions to avoid disclosure shall be liable for:

1. Administrative Fines: Up to Five Hundred Million Pesos (₱500,000,000.00).
2. Delisting: Permanent revocation of listing status.

3. Criminal Liability: Imprisonment of seven (7) to fifteen (15) years for responsible officers if fraud or market manipulation is proven.

SECTION 10. Implementing Rules and Regulations. – The SEC, in coordination with the Philippine Stock Exchange, shall issue the IRR within sixty (60) days from the effectivity of this Act.

SECTION 11. Separability Clause. – If any portion or provision of this Act is declared unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in force and effect.

SECTION 12. Repealing Clause. – Any law, presidential decree or issuance, executive order, letter of instruction, or any part thereof, which is inconsistent with any of the provisions of this Act is hereby repealed or modified accordingly.

SECTION 13. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved.