



SECURITIES AND EXCHANGE COMMISSION
ANNUAL REPORT 2008

Integrity Integrity

Accountability Accountability

Professionalism Professionalism

Independence Independence

Initiative Initiative

Integrity Integrity

Accountability Accountability

Professionalism Professionalism

Independence Independence

Initiative Initiative

www.sec.gov.ph
email: mis@sec.gov.ph

SEC Building, EDSA, Greenhills
Mandaluyong City, Metro Manila, Philippines



Integrity
Accountability
Professionalism
Independence
Initiative

Our Cover

Our cover highlights the values which guide and underpin the work ethic at the SEC. While the adverse effects of the global financial crisis lingered in 2008, the values of Integrity, Accountability, Professionalism, Independence, and Initiative inspired the SEC in weathering the difficulties in the corporate world and the securities and capital markets.

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OUR MISSION

To strengthen the corporate and capital market infrastructure in the Philippines, and to maintain a regulatory system based on international best standards and practices, that promotes the interests of investors in a free, fair and competitive business environment.

We shall be guided in this mission by the values of Integrity, Professionalism, Accountability, Independence and Initiative.

OUR VALUES

INTEGRITY

We are morally upright, honest and sincere in our private and public lives..

PROFESSIONALISM

We consistently implement the law, provide timely and accurate information to investors, and render efficient and competent service to the public.

ACCOUNTABILITY

We abide by prescribed ethical and work standards in government service.

INDEPENDENCE

We act without fear or favor, and render sound judgment in the performance of our duties and responsibilities.

INITIATIVE

We are strategic and forward-looking in the fulfillment of our developmental and regulatory functions.



SECURITIES AND EXCHANGE COMMISSION



“In the coming year, the SEC shall lay down policies and procedures that will encourage Philippine business enterprises to be conscious of and responsive to their corporate social responsibility to their employees, community stakeholders and our country.”

SEC 2009 Vision Statement

MESSAGE OF THE COMMISSION

We are pleased to present the 2008 Annual Report of the Securities and Exchange Commission which summarizes our accomplishments for the year.

The year 2008 was marked by economic slowdown due to high inflation, increasing oil prices and the deepening global financial crisis. This notwithstanding, the Philippine economy showed its resiliency as it ended the year with a GDP growth of 4.6 percent supported by continually strong influx of remittances from overseas Filipinos.

The Commission's contribution to the national economic growth included the continued implementation of reforms in the capital market, promotion and advocacy of good corporate governance practices and strict enforcement and monitoring of the implementation of the rules on disclosure and accountability. Among these reforms was the passage by Congress of the Credit Information Systems Act [RA 9510] mandating the creation of an organized credit information system for the collection and dissemination of fair and accurate credit information on all participants in the financial system. The Commission actively participated in the provision of technical assistance during the Congressional deliberations that led to the passage of this piece of legislation.

During the year in review, the Commission sustained its investor information and advocacy campaigns in targeted urban centers across the country. Its registration and intensified surveillance and monitoring activities resulted in a net contribution of over P900 million to the government coffers.

This Report highlights the accomplishments of the Commission in three core areas: capital market development, registration, and enforcement.

As we confront the challenges of the years ahead and take advantage of the opportunities that will come our way, we remain resolute in fulfilling our institutional duties and responsibilities as our contribution towards achieving the societal goal of sustainable economic development for our country and people.

Mabuhay!

Chair Fe B. Barin
Commissioners Maria Juanita E. Cueto, Raul J. Palabrica
and Thaddeus E. Venturanza

2008 VISION

We foresee that, by December 31, 2008, the Self-Regulatory Organizations will be able to function effectively and maintain discipline within their ranks with the minimum of intervention by the Securities and Exchange Commission.

CY 2008 AT A GLANCE

Accomplishments by Major Final Output (MFO)

PLANNED

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MFO 1: Capital Market Development Services

Policy-formulation, rulemaking, and inter-agency cooperation services to facilitate the development of a globally competitive Philippine capital market

1. Formulate and implement policies, plans, and programs to strengthen the regulatory framework and enhance the liquidity and stability of the capital market

- Provided data and research assistance for the enactment of the Credit Information System Act (Republic Act No. 9510) and coordinated the drafting of its Implementing Rules and Regulations.
- Submitted ten (10) position papers on proposed laws on several subjects, such as, Real Investment Trusts; Personal Equity and Retirement Account (PERA); codification of pre-need regulations and creation of a Pre-Need Insurance Corporation; rehabilitation and liquidation of financially distressed juridical entities; anti-trust measures and restrictions on monopolies and combinations in restraint of trade; and accreditation of non-governmental organizations (NGOs) by local government units.
- Issued twelve (12) Memorandum Circulars concerning new procedures for the filing of financial statements, rules governing Qualified Buyers, participation in the Corporate Governance Survey, and various guidelines on reporting and attestation of pro-forma financial information, the use of corporate and partnership names, on-site verification of financial records, registration of outstanding shares prior to listing in the stock exchange, and determination of retained earnings available for dividend declaration.
- Prepared and released Interpretative Bulletin No. 1 s. 2008 to guide pre-need corporations and their actuaries, valuers, and/or external auditors on the implementation of the amended Rule 31 (1)(A)(11-13) on Accounting Standards for Pre-Need Plans and the Pre-Need Uniform Chart of Accounts.
- Participated in the initiative to develop disclosure standards for equities and debt disclosure to facilitate cross-border offerings of companies within the ASEAN region.

2. Undertake joint activities with local and foreign institutions, industry groups, and professional organizations for mutual assistance in implementing capital market development initiatives and related regulatory efforts

- Pursued a joint initiative with the Institute of Corporate Directors, and the Philippine Stock Exchange on the conduct of a Corporate Governance survey for Publicly-Listed Companies, assess their actual governance practices, and identify areas for improvement thereon.
- Developed a Certification Program for Fixed Income Market Salesmen and, for this purpose, collaborated with the PhilSEC Institute Foundation on the implementation of an Automated Testing System, a computer-based examination system with the capability to generate a random set of test questions.
- Participated in the activities of inter-agency committees/working groups, viz., agency commitments and inputs for the ratification of the Fifth Protocol to the WTO-General Agreement on Trade in Services (GATS), regional framework agreements on trade and

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investments (e.g., ASEAN-China, ASEAN-European Union, ASEAN-Korea and the ASEAN-Australia-New Zealand), and the compilation of statistics on foreign direct investments and realized investments

- Participated and supported initiatives and advocacies across the country on, among others:
 - Investment promotion, trade facilitation, cutting red tape, and/or business climate improvement efforts by public and private sector institutions and organizations, such as, the Department of Trade and Industry, Board of Investments, and the National Economic Research and Business Assistance Centers in the regions.
 - Activities of the inter-agency committee chaired by the Commission on Higher Education on Transnational Education to rationalize the entry and operations of entities engaged in transnational education.
 - Inter-agency efforts led by DTI towards developing the Master Plan and Pilot System of a National Public Key Infrastructure for digital signature in the Philippines, the Philippine Business Registry project, and consultation meetings on the implementation of the Consumer Act of the Philippines.

MFO 2: Services for the generation and dissemination of information

Services related to the generation and dissemination of information about SEC, its registered entities, and the capital market, to promote understanding and adherence to SEC-administered laws and regulations, enhance public awareness and participation in capital formation, and protect the interest of the investing public

3. Provide investor education and assistance, investment promotion, and information dissemination activities

- Distributed 12,425 citizen's manuals and other investor information materials
- Responded to 53,051 queries in person, by phone, and through e-mail
- Issued 28 legal opinions to queries about the interpretation of certain provisions of the Corporation Code, Securities Regulation Code, and other SEC administered laws
- Processed 171,101 requests for corporate records, certifications, company listings and statistics from public researchers and government agencies
- Conducted six (6) public seminars across the country. Officials and personnel from the Head Office also served as resource persons in trade briefings conducted by investment promotion agencies and seminars organized by industry groups. Officials and personnel from the Extension Offices likewise gave lectures and/or acted as resource persons in various fora (including radio and TV appearances) to encourage public participation in the capital market by explaining the basics of investing, SEC registration procedures and requirements, investor-protection efforts, and compliance-monitoring and enforcement activities
- Undertook certification seminars for licensing purposes and to enhance Associated Persons' and Salesmen's knowledge of and adherence to certain laws and regulations so they may be able to effectively perform their functions
- Sustained the conduct of student orientation programs to inform participants about

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ACHIEVED

4. Conduct studies and researches on corporate performance and industry trends

the powers and functions of SEC, its registration and reportorial requirements, and the basics of investing, among others. These briefings involved 496 students from 11 academic institutions in Metro Manila and the provinces. Furthermore, 107 students from 22 educational institutions were given the opportunity to undertake on-the-job training in the Head Office

- Published the book Philippines 8000 (Top 8,000 Corporations, 2008 Edition) containing the evaluation made on the performance and industry ranking of the top firms based on information gathered from their annual audited financial statements
- Processed 293 requests for corporate information, company and industry listings, and related company registration and investment statistics

5. Manage the development, implementation, and maintenance of information systems, databases, and the SEC website

- Through the web-enabled SEC-iView module of the SEC-iReport system, made possible the online viewing and printing of digitized documents. By year-end, the system has approximately 32 million document pages, including the 3.64 million pages uploaded during the year. Apart from reducing person-to-person transactions at the head office, the SEC-iView has given the public the flexibility and convenience of viewing and printing documents, such as, company registration documents, periodic reports and disclosures, and financial statements in the confines of their homes, offices, and internet shops. Additionally, around 90% of walk-in clients at the Public Reference Unit were served within one hour, which is a substantial improvement compared to the less than 10% served in 2001 (using the old document imaging system), wherein other clients had to return on another day either to claim their requested documents and/or re-file their request

- The SEC-iRegister made possible the processing on a daily average of 1,873 requests for verification of company names and reservation of proposed company names, as follows:

- Verification: 1,519
 - a. Online (through the internet, 24x7): 1,225
 - b. Walk-ins at the Head Office (8 hours, Mondays to Fridays): 294
- Reservation: 354
 - a. Online (24x7): 242
 - b. Walk-ins (8x5): 112

- Posted at the SEC website 454 various materials on registration procedures, reportorial requirements, and schedule of fees. The Cease and Desist Orders issued to errant entities and advisories were also posted at the website to alert the public on irregularities committed by those firms. Apart from educating the public on detecting and avoiding illegal investment schemes and scams, they were encouraged to report the same to SEC and/or the authority concerned so that action can be undertaken against unscrupulous firms and individuals.

MFO 3: Registration, enforcement, regulation and monitoring

Services related to the registration, licensing, and accreditation of firms and individuals, registration of securities and market instruments, monitoring and/or evaluation of corporate reports, financial disclosures and registration statements, and the enforcement of SEC-administered laws and regulations by investigating potential legal infractions and imposing penalties against errant entities

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6. Register stock and non-stock corporations, record articles of partnership, issue license to foreign corporations

- Registered 13,265 stock corporations and 8,550 non-stock corporations; recorded 2,362 articles of partnership; and granted licenses to 79 foreign branch offices and 62 representative offices of foreign corporations and 18 regional headquarters of multinationals
- Processed and approved 15,575 various applications, among others: 7,738 applications for amendments of Articles of Incorporation and By-Laws; 1,355 increase of capital stock; 46 corporate mergers and consolidations; 153 dividend declarations, 171 dissolutions, 36 decrease of capital stock; 932 applications for amended Articles of Partnerships including Deeds of Assignment, Affidavit of Withdrawal, and Dissolution of Partnership; and various Foreign Investments Act (FIA)-related applications, such as, 59 applications for increase in foreign equity

7. Register/license capital market participants, and securities and investment instruments

- Registered/issued licenses to 3,773 institutions, such as, securities brokers and dealers, investment houses, financing companies, investment companies, government securities eligible dealers, transfer agents, pre-need plan dealers and general agents, surety companies, and mutual fund distributors; and 31,076 individuals, such as, associated persons, salesmen, certified investment solicitors, compliance officers, and pre-need salesmen
- Accredited one (1) credit rating agency, 159 auditing firms and 768 external auditors and granted probationary accreditations to 30 auditing firms and 198 external auditors
- Evaluated applications and issued 49 Certificates of Eligibility (COE) covering non-performing assets worth P 2.23 billion
- Registered P 105.8 billion worth of securities and pre-need plans, broken down as follows: P 69.27 billion equity securities (of which, 71% consists of initial public offerings), P 14.26 billion debt securities, P 1.16 billion proprietary and non-proprietary shares/certificates, and P 21.11 billion pre-need plans

8. Examine, inspect, verify, and/or evaluate corporate reports, financial disclosures, and registration statements

- Continued the process of monitoring compliance with reportorial requirements under Section 141 of the Corporation Code of the Philippines. Monitored 18,093 corporations of which, 5,637 corporations were fined and 170 revocation orders were lifted. For the year in review, SEC sustained its monitoring activities on foundations and foreign companies
- Monitored/reviewed 54,558 financial reports, disclosures, and other periodic reports of regulated entities, and conducted oversight audits of Self-Regulatory Organizations (SROs)
- Monitored covered institutions' compliance with the Anti-Monetary Laundering Act (AMLA). Among others, thematic audits were conducted on 12 broker-dealers and three (3) investment houses, and sent corresponding show-cause orders to firms which failed to submit the required AMLA Compliance Forms within the prescribed period

9. Conduct enforcement, regulatory compliance-monitoring,

- Sustained the monitoring of market trading participants and their daily transactions through the use of a real-time market surveillance system for detecting unusual price and volume movements to identify and/or address any potentially problematic or fraudulent stock transaction in its early stage

PLANNED

ACHIEVED

**surveillance,
and intelligence
activities**

- Processed 99 complaints from the public, 26 from local and foreign law enforcement agencies, and 13 referrals from within the SEC
- Received 34 investigation reports and evaluation made thereon resulted in the filing of 12 complaint affidavits in the SEC, four (4) criminal information, and 11 administrative petitions in court
- Terminated 43 cases and acted on 470 Petitions to Lift Orders of Revocation, among others

Other activities undertaken to deliver on SEC's MFOs---

**10. Observe
prudence in the
administration of
SEC's resources**

- Adhered to auditing and accounting rules and regulations prescribed by the Commission on Audit (COA). For the year in review, there was no material observation, adverse finding/exception on collections and disbursements noted by the COA regarding the SEC's financial transactions and internal control processes
- For the last five years, the SEC has maintained its ratio of expenditures versus income at less than 50%. In 2008, SEC gave a net contribution of P 906.3 million to the government coffers. Its total collections reached P 1.448 billion, while expenditures stood at only P 523.3 million.

COMPANY REGISTRATION COMPANY REGISTRATION AND MONITORING DEPARTMENT

ACCOMPLISHMENTS

I. Company Registration

The Department processed and approved 18,570 registration applications. Domestic stock corporations accounted for 11,387 registrations or 61.32 percent, while domestic non-stock corporations totaled 5,110 or 27.52 percent of total registrations (Table I).

Table I. Company Registrations, CY 2008

Type	Number	Percent
Registered Domestic Corporations		
A. Stock	11,387	61.32
B. Non-Stock	5,110	27.52
Recorded Articles of Partnership	1,982	10.67
Licensed Foreign Corporations		
A. Representative Office	67	0.361
Licensed Multinationals		
A. RHQ/ROHQ	24	0.129
TOTAL	18,570	100.00





Registers domestic corporations and partnerships.

Approves amendments to articles of incorporation/partnership, by-laws, increase in capital stock and mergers and acquisitions.

Grants licenses to foreign corporations to do business and to multinational companies to establish regional headquarters in the Philippines.

Conducts monitoring or supervision activities on compliance by corporations with applicable laws.

Among the top registered corporations were five realty corporations with a combined capital of P1.3 billion (Table 2).

Table 2. Top Corporations Registered, CY 2008 (based on Initial Paid-up Capital)

Ranking	Name of Corporation	Paid-up Capital	Nature of Business
1	MDC 100, Inc.	P700,000,000.00	Realty
2	SMPI GSIS Joint Venture Corp.	P300,000,000.00	Realty
3	La Vista Investment & Holdings Inc.	P265,047,000.00	Holdings
4	KGLI-NM Holdings, Inc.	P169,208,050.00	Holdings
5	Ascendas Business Park Corp.	P100,000,000.00	Realty
	Vitezon Inc.	P100,000,000.00	Realty
	Kinobe, Inc.	P100,000,000.00	Realty
	Foundation International Construction, Corp.	P100,000,000.00	Construction
	Century Huan Guang Smelting Inc.	P100,000,000.00	Metallic Core Mining
6	Smartmatic Sahi Technology	P90,000,000.00	Computer Technology
7	Sunrise World Corporation	P80,000,000.00	Holdings
8	CNMC Mining & Development Corp.	P62,500,000.00	Metallic Core Mining
9	Top Frontier Investment Holdings, Inc.	P62,000,000.00	Holdings
10	Robinsons and Daiso Diversified Corp.	P60,000,000.00	Trading

II. Other Applications Approved

The Department approved 16,840 other applications in 2008 (Table 3).

Table 3. Other Applications Approved, CY 2008

	TOTAL	16,840
Certifications Issued		7,282
Amended Articles of Incorporation		5,506
Increase of Capital Stock		1,162
Amended Articles of Partnership/Affidavit of Withdrawal/Dissolution of Partnership		932
Amended By-Laws/New By-Laws		893
Dissolution		155
Dividend Declaration		153
Voting Trust Agreement		129
Extension of Corporate Term		71
Confirmation of Exemption/Valuation of Properties		67

Increase in Foreign Equity	59
Merger/Consolidation	46
Decrease of Capital Stock	36
Equity Restructuring	32
By-Laws	26
Withdrawal of License of Foreign Corporation	11
Additional Paid-up Capital	6
Accreditation of Appraisers	5

III. Other Registration-Related Activities

During the year, the Department worked in partnership with various government agencies and institutions in further improving and enhancing public awareness on its registration processes and procedures. The Department participated and/or provided resource persons to the following: (a) registration briefings for local and foreign investors and a Filipino-American Entrepreneurs' delegation; (b) inter-agency meeting on Philippine Investment Schedule for the ASEAN-Australia-New Zealand Free Trade Agreement (FTA) and Investment Text of Korea FTA, (c) Working Group on "Growth and Investment Climate" (WG-GIC) - small group meeting on Streamlined Business Processes and Regulations, (d) consultation meetings on "The Consumer Act of the Philippines", (e) 8th e-Services Philippines DTI Annual International Exhibit, and (f) Workshop-Meeting on the Usage of Results Based Management Systems and Forms National Consultation on Republic Act No. 9501.

The Department also participated in a number of private sector consultation meetings and workshops on the SEC registration procedures, accreditation guidelines, and cutting red-tape in government operations.

IV. Monitoring Activities

The scope of the Department's monitoring activities is limited to corporations that are not registered under the Securities Regulation Code, or listed in the Philippine Stock Exchange, or grantees of a secondary license from the SEC.

The Department monitors the corporations' compliance with the SEC's reportorial requirements, such as, the General Information Sheet (GIS) and the Financial Statements, and with the other applicable laws, rules and regulations vis-à-vis

the contents of the reports.

The following circulars were issued in 2008 in line with the Department's monitoring function:

- No. 1, "Publication of notices in newspapers," directing certain corporate actions that are imbued with public interest (e.g. material changes in the registration statements and decrease of capital stock) to be published in a newspaper of general circulation before they become effective. The circular also aims to inform affected parties of proposed corporate actions to enable them to submit their comments or opposition, whenever applicable.
- No. 4, "Finality of the Mass Revocation Orders," providing for specific periods within which covered corporations may file their Petitions to Set Aside the Order of Revocation with the Commission. The corporations covered are those whose registrations were revoked en masse by virtue of the Revocation Orders for non-filing of reportorial requirements for the years stated in the table provided in the circular. More importantly, the circular provides that the Revocation Orders become final and executory if the Petitions to Set Aside the Order of Revocation are filed beyond the stated periods.
- No. 5, "Guidelines and Procedures on the Use of Corporate Partnership Names," setting the guidelines and procedures on the use of corporate and partnership names. Among others, the circular provides that the name of a corporation or partnership that has been dissolved or whose registration has been revoked shall not be used by another corporation or partnership within three years from the approval of the dissolution or six years from the date of revocation, unless its use has been allowed at the

time of the dissolution or revocation by the stockholders, members or partners who represent a majority of the outstanding capital stock or membership of the dissolved corporation or partnership, as the case may be.

- No. 7, a notice to all corporations whose fiscal year ends on December 31, 2008, providing for different dates for the filing of the Financial Statements (FS) depending on the last numerical digit of their registration or license number. This is to prevent the recurrence of the rush of “deadline filers.”

The following table shows the relevant statistics on corporations monitored in 2008.

**Table 4. Company Monitoring
CY 2008**

Number of corporations monitored	13,389
Number of corporations fined	5,472
Number of corporations whose Orders of Revocation were set aside	170

SEC EXTENSION OFFICES

The SEC's seven (7) Extension Offices located in the cities of Baguio (BEO), Cagayan de Oro (CDOEO), Cebu (CEO), Davao (DEO), Iloilo (IEO), Legaspi (LEO), and Zamboanga (ZEO) accomplished the following in 2008:

Table 1. Company Registration, CY 2008

	BEO	CDOEO	CEO	DEO	IEO	LEO	ZEO	TOTAL
Registered Domestic Corporations								
A. Stock	209	535	1,017	505	482	97	87	2,932
B. Non-Stock	803	568	477	786	503	335	240	3,712
Recorded Articles of Partnership	85	43	133	117	68	28	13	487

The other applications approved by the SEC Extension Offices in 2008 are shown below:

Table 2. Other Applications Approved, CY 2008

	BEO	CDOEO	CEO	DEO	IEO	LEO	ZEO	TOTAL
Amended Articles of Incorporation	158	54	409	233	135	43	57	1,089
Amended by-laws/New By-Laws	63	8	72	47	31	11	18	250
By-Laws		1,100	1,495	1,285	983	432	327	5,622
Dissolution	-	-	8	-	-	3	5	16
Increase of Capital Stock	-	11	100	40	26	5	11	193
Confirmation of Exemption	-	-	-	-	-	-	17	17

Relevant statistics on corporations monitored in 2008 by these SEC Extension Offices is shown in Table 3.

Table 3. Company Monitoring, CY 2008

	BEO	CDOEO	CEO	DEO	IEO	LEO	ZEO	TOTAL
Number of corporations monitored	2,124	-	1,567	-	-	-	1,013	4,704
Number of corporations fined	-	-	-	-	-	-	165	165

CAPITAL MARKET DEVELOPMENT CORPORATION FINANCE DEPARTMENT



Registers securities before they are sold or offered for sale to the public and ensures availability of adequate information on said securities.

Ensures that investors have access to all material disclosures on securities of public companies and their offering to the public.

Monitors compliance by issuers with the SRC and its implementing rules and regulations embodied therein and transmits infractions thereof to the Compliance and Enforcement Department.

ACCOMPLISHMENTS

I. Registration, Licensing and Monitoring of Market Participants

New securities registered during the year amounted to P84.690 billion, the bulk of which consisted of equity securities in the aggregate amount of P69.273 billion, followed by debt securities amounting to P14.259 billion. Among these securities were the new equity issuances through initial public offerings (IPOs) of San Miguel Brewery, Inc. and Pepsi Cola Products, Inc. with issue sizes of P41.136 billion and P 8.291 billion, respectively.

Table I. Amount of Securities Registered CY 2008

Type of Securities	2008	2007
Equity Securities	P 69,273,769,089.80	P 120,054,051,117.26
Debt Securities	14,259,000,000.00	11,100,000,000.00
Proprietary and Non-Proprietary Shares/Certificates	1,158,000,000.00	3,741,388,200.00
TOTAL	P 84,690,769,089.80	P 134,895,439,317.26

A total of 642 market participants were registered during the year bringing to 2,221 the market participants registered as of the end of 2008 (Table 2). The new registrants were 328 lending companies and 278 financing companies.

Table 2. Registration CY 2008

Type of Market Participant	Registered as of December 31, 2007	New Registrants for the Year 2008	Revoked during 2008	Surrendered C/A during 2008	Registered as of December 31, 2008
Companies listed on the Exchange	244	2	-	-	246
Registered Issuers of Securities to the Public (Unlisted)	133	-	-	-	133
Public Companies /1	-	30	-	-	30
Investment Companies	43	3	1	-	45
Financing Companies					
• Head Office	609	11	3	18	599
• Branch	570	267	-	7	830
Lending Companies /2	8	328	-	-	336
Rating Agency	1	1	-	-	2
TOTAL	1,608	642	4	25	2,221

/1 not registered issuers but covered by regulation by carrying a minimum of P50 million total assets and having at least 200 stockholders owning 100 shares of stock each.

/2 secured Certificate/s of Authority to Operate as a Lending Company during the year.

A total of 9,357 reports by market participants were analyzed and evaluated by the Department (Table 3).

Table 3. Number of Reports Evaluated CY 2008

Issuers of Securities to the Public	Total for 2008
Annual Reports (SEC Form 17-A)	402
Quarterly Reports (SEC Form 17-Q)	1,291
Current Reports (SEC Form 17-C)	3,895
Beneficial Ownership Reports (SEC Form 23 A/B)	2,349
Information Statements (SEC Form 20-IS)	683
Commercial Paper Issuers' Reports	-
Mutual Funds Reports	552
Financing Companies Reports	191
Lending Companies Reports	34
TOTAL	9,357

During the year in review, three additional investment or mutual fund companies registered with the SEC, bringing to 45 the total number of registered companies. These companies are: DWS Deutsche Philippine Equity Fund, ALFM Growth Fund and DWS Deutsche Philippine Fixed Income Fund. The mutual fund industry generated sales of P23.360 billion in 2008, down by 48.11 percent from the previous year's sales level of P45.020 billion due to the global financial crisis.

II. Technical assistance in the passage of the CISA Law

The Department provided technical assistance during the deliberations of Republic Act No. 9510, otherwise known as an "Act Establishing the Credit Information System, and for Other Purposes" which was enacted into law on September 8, 2008. This new law mandates the creation of an organized credit information system for the collection and dissemination of fair and accurate information relative to the credit and credit-related activities of all entity participants in the financial system, such as, banks, quasi-banks, their subsidiaries and affiliates, life insurance companies, credit card companies, and other credit providers. It will directly address the need for reliable credit information concerning the credit standing and credit history records of borrowers. It appointed the SEC as the lead implementing agency and its Chairperson as ex-officio Chairman of its Board.

III. Participation in the conduct of the 2008 Corporate Governance Survey

To monitor the compliance by covered companies with corporate governance requirements, the Department actively collaborated with the Institute of Corporate Directors (ICD) and the PSE in the annual conduct of the 2008 corporate governance survey using the CG Scorecards as survey instrument. The Scorecard contained questionnaires on the current corporate governance practices of listed companies, including, among others, its management composition, internal control and operational procedures. For the 2008 Corporate Governance survey, the SEC issued Memorandum Circular No. 8, series of 2008, enjoining anew all publicly-listed companies to participate as respondents in the CG survey.

The 2008 survey revealed significant findings. First, the number of respondents increased to 169 publicly-listed companies (PLCs) or 22 percent over the 138 participating PLCs in 2007. Second, the average CG score in 2008 increased to 72 percent

(Best) from 65 percent (Fair) in 2007. Third, the median CG score was 66 percent (Better). Fourth, in terms of sectoral distribution, the PLCs that garnered the highest average CG scores include the Banks followed by firms engaged in the Electricity, Energy, Power and Water, Education and Media, and Food, Beverage and Tobacco businesses. The results of the 2008 survey also revealed areas for improvement particularly in two of the five CG categories, namely: Role of Stakeholders and Board Responsibility.

IV. Compliance with the Anti-Money Laundering Act

In compliance with the Act, 37 financing companies submitted copies of their Manual on Statement of Policies on Anti-Money Laundering and on Corporate Governance, and 32 companies filed the required AMLA Compliance Forms within the prescribed period after the issuance of their Certificate of Authority. The appropriate "show-cause" letters were sent to non-compliant companies.

Table 4. Amount of Penalties Imposed and Collected CY 2008

Law/rules Violated	Amount of Penalties Collected
Financing Company and its Implementing Rules	711,580
SRC and its Implementing Rules and Regulations	
• Violations of SRC Rules 8 and 12	1,020,000
• Violations of SRC Rules 17 and 20	1,410,900
• Violations of SRC Rule 19	54,500
• Violations of Section 54	647,500
• Violations of SRC Rule 68	867,200
Violations of ICA Rule	38,400
Violations of Section 141 of the Corporation Code	1,644,600
TOTAL	6,394,680

V. Financial Performance

The Department generated revenue amounting to over P 88.2 million, broken down as follows:

Table 5. Department Revenues Generated CY 2008

Revenue Centers	Amount
Registration Fees	32,709,486.00
Exemption Fees	5,886,363.42
Penalties	14,238,730.00
Other Filing Fees	35,432,092.21
TOTAL	88,266,651.00

MARKET REGULATION DEPARTMENT

ACCOMPLISHMENTS

I. Licensing and Monitoring

The Department issued new licenses to 332 institutional and 4,606 individual market participants (Table 1).

Table 1. Amount of Securities Registered CY 2008

Type of Market Participant	Institutional	Individual
Broker – Dealers	149	-
Broker – Dealers – Branch offices	18	-
Investment Houses/Securities underwriters	35	-
Government securities eligible dealers	62	-
Investment company advisers	14	-
Mutual fund distributors	12	-
Transfer agents	27	-
Surety companies	11	-
Other market participants	4	-
Associated persons	-	166
Salesmen (Equities)	-	99
Salesmen with provisional license (fixed income)	-	3,411
Certified investment solicitors	-	847
Compliance officers	-	83
TOTAL	332	4,606





Monitors and regulates all market participants, such as, broker-dealers, securities underwriters, transfer agents, clearing houses, exchanges, Self-regulatory Organizations (SRO), depository registries, and other capital market entities.

Ensures compliance with the registration requirements and transmits infractions of the SRC and its Implementing Rules and Regulations to the Compliance and Enforcement Department.

The Department also developed a Certification and Examination Program for Salesmen of the Fixed Income Market with the objective of educating and certifying or accrediting the salesmen of dealers/brokers engaged in the buying and selling of fixed income securities for the protection of the public.

The Department, in coordination with the PhilSEC Institute Foundation, Inc., launched the SEC Automated Testing System (ATS) for the Certification Program for Fixed Income Market Salesmen. The ATS is a specially developed network-based computer software/program that will house the test questions and administer the examinations with the capability of generating random sets of test questions. As of December 2008, 1,026 examinees passed the Examinations. The year also saw the full implementation of the registration of the fixed income market participants, both for the institutions and the salesmen.

The Department monitored the compliance of registered entities with the SRC and other laws being implemented by the SEC, and 2,286 reports of covered entities were monitored by the Department (Table 2).

Table 2. Number of Reports Monitored, CY 2008

Type of Report	Total of 2008
RBCA Report	1,788
SEC Form 28T (Termination Notices)	167
SEC Form 28 S/AP (amendments)	32
SEC Form 30.I	101
SEC Form IHU-A	38
SEC Form 28-BDA	10
SEC Form IHU/GSED-CO-AP	23
SEC Form ICA-CIS-CO-T	13
SEC Form IH-QPR	114
TOTAL	2,286

II. New Rules and Regulations

At the forefront of the Department's efforts was the expansion of the scope and scale of the fixed income market. In line with this, the Department formulated and recommended the approval of the Rules Governing Registrars of Qualified Buyers (SEC Memorandum Circular No. 3, s. 2008), laying down the rules and procedures on the registration of qualified buyers. To date, six (6) entities have registered as Registrars of Qualified Buyers.

III. Compliance with the Anti-Money Laundering Act

The Department also conducted a thematic audit on 12 broker-dealers and three investment houses on their compliance with the provisions of the Anti-Money Laundering Act, as amended, and its rules and regulations.

NON-TRADITIONAL SECURITIES AND INSTRUMENTS DEPARTMENT



Registers and grants licenses for non-traditional securities and instruments, including but not limited to pre-need plans, commodity futures contracts, proprietary or non-proprietary shares or membership certificates, and other similar instruments.

Monitors compliance with rules and transmits infractions thereof to the Compliance and Enforcement Department.

ACCOMPLISHMENTS

I. Pre-Need Sales Performance

From the 2007 figures of 228,952 plans sold, the number of plans sold in 2008 reached 253,678 or an increase of 10.8 percent. Life plans were the best seller with a 63.8 percent growth in sales. Education plans lost ground with a 58.7 percent decrease in number, while pension plans posted a decline of 29.9 percent. The pre-need industry registered sales of P15.309 billion, representing a 8.9 percent decrease from the 2007 sales figures of P 18.939 billion.

Table I. Sales of Pre-Need Corporations

Type of Pre-Need Plan	January-December 2008		January-December 2007		Percent Growth/ (Decline) Rate
	Total	Percent to Total P/	Total	Percent to Total P/	
Number of Plans Sold	253,678	100.00	228,952	100.00	(10.80)
Education	10,152	4.00	24,603	10.75	(58.74)
Life	175,336	69.12	107,070	46.77	63.76
Pension	68,190	26.88	97,279	42.49	(29.90)
Sales (Peso Amount)	15,309,229,834	100.00	18,939,932,358	100.00	(18.88)
Education	1,727,203,557	11.28	3,849,181,603	20.32	(55.13)
Life	6,271,538,890	40.97	4,069,238,594	21.48	56.76
Pension	7,310,487,387	47.75	11,021,512,161	58.19	(33.67)
Initial Collection (In pesos) //	1,514,524,168	100.00	2,014,812,454	100.00	(24.83)
Education	191,642,191	12.67	332,397,901	16.50	(42.29)
Life	384,690,503	25.40	317,050,299	15.74	21.33
Pension	937,991,474	61.93	1,365,364,253	67.77	(31.30)

Note: Details may not add up to totals due to rounding off of figures.

P/ Preliminary figures.

// Initial Collection is the first payment made by the planholder upon purchase of a plan depending on his mode of payment.

II. Trust Fund Status

SEC Memorandum Circular No. 4, series of 2007, otherwise known as the "Guidelines on the Management of the Trust Fund of Pre-Need Corporations," gave the trustees an updated and more flexible multiple array of investments. It was issued to promote stability, enhance safety and soundness of the investments of the pre-need trust funds and improve the performance of the pre-need industry in general.

As of December 31, 2008, the trust fund stood at P94.309 billion, of which P69.485 billion or 73.68 percent, was invested in government securities. Equities accounted for P11.776 billion or 12.49 percent while real estate was at 8 percent (Table 2).

Table 2. Investment Portfolio of the Trust Fund for Pre-Need Corporations as of December 31, 2008

Investment Instruments	Amount	Percent to Total
Total Trust Fund Equity	P 94,309,654,012	100.00
Government Securities	69,485,146,902	73.68
Equities	11,776,065,451	12.49
Real Estate	7,543,210,786	8.00
Time Deposit	3,834,506,707	4.07
Collective Investment Schemes	2,325,092,138	2.47
Others	(654,367,971)	-0.69

III. Pre-Need Securities Registered and Licenses Issued

During the year, the Department registered the sale of P14.6 billion worth of securities, broken down as follows:

Table 3. Pre-Need Securities Registered CY 2008

Type of Pre-Need Securities	Amount(In Billion)	Percent to Total
TOTAL	14,596	100.00
Education Plan	1,026	7.03
Life Plan	3,650	25.01
Pension Plan	9,920	67.96

The Department issued 27,300 pre-need salesmen licenses to 26 pre-need corporations with dealers' licenses. To better serve a wider reach of planholders, the Department granted licenses to 53 new pre-need branches nationwide.

IV. New Regulatory Issuances

The Department issued Interpretative Bulletin No. 1, series of 2008, to guide pre-need corporations, pre-need actuaries/validators and pre-need external auditors in the implementation of Rule 31 (1) (A)(11-13), as amended, on Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts. The Bulletin provided, among others, the prescribed validation/valuation certificate, the impact/adjustment of the transition from using the old actuarial reserve liabilities account to pre-need reserves account under Pre-Need Rule 31, as amended.

2009 COMMISSIONERS



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Commissioner
Ma. Juanita E. Cueto

Chair Fe B. Barin

Commissioner
Raul J. Palabrica

Commissioner
Manuel Huberto B. Gaité



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Ma. Gracia F. Casals-Diaz,
OIC, Office of the General Accountant

CA Gerard M. Lukban
Commission Secretary

Vernette G. Umali-Paco
General Counsel

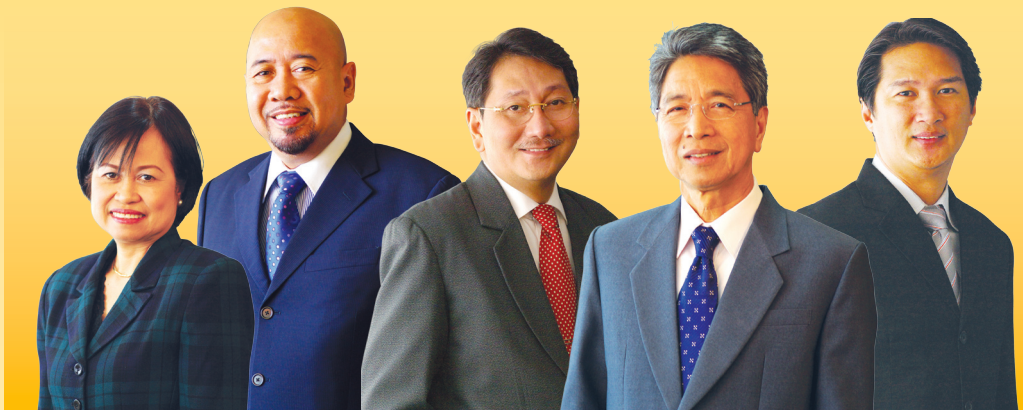
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Corporation Finance Department

Vicente Graciano P. Felizmenio, Jr.
OIC, Market Regulation Department

Jose P. Aquino
Non-Traditional Securities
and Instruments Department

Benito A. Cataran
Company Registration
and Monitoring Department

Hubert Dominic B. Guevara
Compliance and
Enforcement Department



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Extension Office



ENFORCEMENT COMPLIANCE AND ENFORCEMENT DEPARTMENT



Ensures compliance of all market participants, issuers and individuals, with Philippine regulations and governing legislation.

Recommends sanctions to be imposed on revocation, suspension of licenses and other actions for approval of the Commission.

Develops procedures for interacting with prosecutors, other agencies and foreign jurisdictions and for making referrals to other government agencies.

Prosecutes before the court those with violations of securities laws.

ACCOMPLISHMENTS

I. Complaints received and acted on

The Department acted on 138 complaints and requests for assistance from the public, law enforcement and government agencies, both local and foreign, and from other SEC departments. The breakdown of these complaints and requests for assistance is shown in Tables 1 to 3:

Table 1. Complaints/Requests for assistance from the public

Walk-in	98
E-mail	1
TOTAL	99

Table 2. Complaints/Requests for assistance from law enforcement and government (local and foreign) agencies:

Bangko Sentral ng Pilipinas	1
Department of Foreign Affairs	2
Department of Trade and Industry	3
Office of the President	1
Anti-Money Laundering Council	2
National Bureau of Investigation	2
Interpol	11
Securities Futures Commission-Hongkong	1
Australian Securities and IC	1
Commercial Affairs Dept.-Singapore Police	1
U.S. Securities and Exchange Commission	1
TOTAL	26

Table 3. Complaints received from other SEC Departments

Non- Traditional Securities and Instruments Department	1
Market Regulation Department	1
Corporation Finance Department	3
Company Registration and Monitoring Department	1
Office of the Chairman	4
Extension Offices	3
TOTAL	13
GRAND TOTAL	138

II. Results of Investigations

As shown in Table 4, 34 investigation reports were received and evaluated by the Department, 12 complaint-affidavits were filed with the SEC, and four criminal information and 11 administrative petitions were filed in court. Two certificates of registration were revoked, three settlement offers were accepted and two cease and desist orders were issued. Penalties amounting to P413,325.00 were collected from two corporations.

Table 4. Results of Investigations

Category	Description	No.
Complaint Affidavits Filed	1) Unregistered Securities	4
	2) Falsification	5
	3) Sec. 16 of the SRC in relation to Pre-Need Rules No. 3, 15.1 & 16.4	2
	4) Perjury	1

Category	Description	No.
Criminal Information Filed in Court		4
Administrative Petition Filed	1) Serious Misrepresentation	5
	2) Fraud in the procurement of certificate of registration	5
	3) Non-submission of reportorial Requirements	1
Certificate of Registration		
Revoked	1) Serious Misrepresentation	2
	2) Fraud in the procurement of certificate of registration	
	3) Non-submission of reportorial requirements	
Settlement Offer Accepted	1) Unregistered Securities	1
	2) Non-filing of Reportorial Requirements	2*
Cease and Desist Order	1) Offering of unregistered securities	2
TOTAL		34

*two (2) violations committed by one (1) corporation

I. Inter-Agency Collaboration

The Department received 12 inquiries about boiler room operations, corporate documents and SEC registered entities. Foreign entities, such as, Interpol Vilnos-Sirene, Interpol-NCB-Helsinki, Interpol-London, Interpol Wiesbaden, Interpol-Berne and the Interpol Sub-directorate for drugs and criminal organizations coursed their requests through the Interpol-Philippine National Police, which referred them to the Department. Similar cases acted upon by the Department were those referred by other foreign entities like the Financial Services Agency, Japan and the FBI, US Embassy and local bodies, such as the Office of the Solicitor General, the Department of Trade and Industry, the Bangko Sentral ng Pilipinas and the Anti-Money Laundering Council.

MEMORANDUM CIRCULARS ISSUED IN 2008

Number	Title	Date of Promulgation	Salient Provisions
1	Publication of Notices in Newspapers	January 25, 2008	Reiterates the provisions of the Corporation Code, Securities Regulation Code and other similar Laws requiring certain corporate actions that are imbued with public interest, or may affect certain sectors of the public, to be published in a newspaper of general circulation before they become effective.
2	Guidelines on Reporting and Attestation of Pro-Forma Financial Information	February 15, 2008	Sets the guidelines to be followed for pro-forma financial information that should be submitted with the registration statement in the registration of securities for initial public offerings or follow-on offerings.
3	Rules Governing Registrars of Qualified Buyers	January 24, 2008	Sets the rules and procedures on the registration of qualified buyers by Self-Regulatory Organizations (SRO) and other entities.
4	Finality of the Mass Revocation Orders	May 15, 2008	Applies to corporations registered in 1936 to 2000 whose certificates were revoked en masse for non-filing of reports, such as, the General Information Sheet and the Financial Statements. Moreover, the Circular also provides for the dates at which these corporations may file their Petitions to Set Aside the Order of Revocation with the Commission, otherwise the Revocation Order shall become final and executory.
5	Guidelines and Procedures on the Use of Corporate and Partnership Names	July 17, 2008	Sets the guidelines and procedures in the registration of corporate and partnership names.
6	Guidelines on On-Site Verification of Financial Records Relative to Certain Applications Filed with the Commission	July 30, 2008	Sets the guidelines governing the requirements on on-site verification of financial records and its verification procedures. It also lists the documents that should be submitted with the applications covered by the Circular.

7	New Procedures for Filing of Annual Financial Statements	August 1, 2008	Sets the new procedures and deadlines in the filing of the Annual Financial Statements of all corporations, including branch offices, representative offices, regional headquarters and regional operating headquarters of foreign corporations. The dates of submission shall depend on the last numerical digit of the SEC Registration or license number.
8	Participation in the Corporate Governance Survey	October 10, 2008	Directs all Publicly Listed Companies to participate (as respondents) in the Corporate Governance (CG) Survey using the CG Scorecard. The companies shall accomplish the said score card after a self-assessment of their CG practices. The survey aims to provide the regulators and the companies with empirical data on the current state of CG as well as to help these companies develop or strengthen their CG structures or mechanisms in line with global CG principles.
9	Guidelines on the Registration of All Outstanding Shares Prior to Listing in the Philippine Stock Exchange	November 7, 2008	Sets the guidelines on the registration of shares that will be offered to the public by way of primary or secondary offering, or both, and all unregistered outstanding shares of listed companies or companies that plan to list at the Philippine Stock Exchange (PSE).
10	Amendments to Philippine Accounting Standard 39 and Philippine Financial Reporting Standard 7	November 14, 2008	Requires all companies to adopt the amendments of the Philippine Accounting Standard 39 (PAS 39) - Financial Instruments: Recognition and Measurement, and the Philippine Financial Reporting Standard 7 (PAS 7) - Financial Instruments: Disclosures.
11	Guidelines on the Determination of Retained Earnings Available for Dividend Declaration	December 5, 2008	Sets forth the guidelines to be adopted in determining the appropriate amount of Retained Earnings available for dividend distribution taking into consideration the effective accounting standards and rules of the Commission.
12	"Amendment to SEC Memorandum Circular No. 5, s.2008"	December 23, 2008	Amends Section 4 of SEC Memorandum Circular No. 5 s. 2008 (Guidelines and Procedures on the Use of Corporate and Partnership Names) dated July 17, 2008, i.e. "4. Business or trade name which is different from the corporate or partnership name shall be indicated in the articles of incorporation or partnership. A Company may have more than one business or trade name."

SPECIAL OFFICES

OFFICE OF THE

GENERAL ACCOUNTANT

The Office of the General Accountant advises the Commission in the areas of accounting and auditing. For 2008, the Office's accomplishments are as follows:

Enhancement of Capital Market Regulation

I. Adoption of International Accounting Standards and Practices

In 2008, the office actively participated in the deliberations of the Philippine Financial Reporting Standards Council and Philippine Interpretations Committee relative to the adoption of international accounting standards and their interpretations.

The office recommended to the Commission the approval and adoption of the following standards and interpretations to align the rules of the Commission with international accounting standards and practices:

- PAS 39 and PFRS 7 (Reclassification of Financial Instruments);
- Improvements to Philippine Financial Reporting Standards;
- Amendments on Cost of an Investment under PFRS 1 and PAS 27;
- PFRS 3 (rev. 2008) Business Combinations;
- PAS 27 (rev. 2008) Consolidated and Separate Financial Statements;
- Amendments on Puttable Financial Instruments under PAS 32 and PAS 1;
- Amendments to Share-based Payment Standard under PFRS 2;
- PFRS 8 (Operating Segments);
- IFRIC-11 (Group and Treasury Share Transactions);
- IFRIC-12 (Service Concession Arrangements);
- IFRIC-13 (Customer Loyalty Programmes); and
- IFRIC-14 (PAS 19-The Limit on a Defined Asset, Minimum Funding Requirements and their Interaction)

The following transitional reliefs were recommended for adoption by the Commission after due consideration of the necessary adjustments that Philippine companies must undergo to fully comply with the requirements of the standards and interpretations:

PFRS 7 -

Financial Instruments: Disclosures

An entity that applies PFRS 7 for annual periods beginning on or after January 1, 2007 need not present comparative information for the disclosures required in certain paragraphs of the standard unless the disclosure was previously required under PAS 30 and PAS 32.

IFRIC 15 -

Agreements for the Construction of Real Estate

The mandatory application of this Interpretation has been deferred for a period of three (3) years or from January 1, 2009 to January 1, 2012. An earlier implementation of which is, however, permitted.

II. Adoption of International Auditing Standards and Practices

The office recommended the adoption of the following auditing standards and practice statements as part of the rules and regulations of the Commission:

- Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services and Preface to the Philippine Standards on Quality Control, Auditing, Review, Other Assurance and Related Services;
- Philippine Auditing Practice Statement (PAPS) 1001Ph, Guidance in Dealing with Tentative Financial Statements;
- Philippine Standard on Auditing (PSA) 240 (Redrafted), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements;
- PSA 300 (Redrafted), Planning an Audit of Financial Statements;
- PSA 315 (Redrafted), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment; and
- PSA 330 (Redrafted), The Auditor's Responses to Assessed Risks.

III. Integration of ASEAN Capital Markets

The office submitted comments and recommendations relative to the ASEAN Equity Disclosure Standards and ASEAN Debt

Disclosure Standards. The promulgation of the said standards is a part of the process of the planned integration of the region's capital markets to facilitate the cross-border offerings of companies within the ASEAN region.

IV. Issuance of Implementing Guidelines

To further improve the quality of financial reports submitted to the Commission, the office prepared and recommended for approval the following Guidelines: (a) Guidelines on Reporting and Attestation of Pro-Forma Financial Information (SEC Memorandum Circular No. 2, Series of 2008); (b) Revised Guidelines on the Evaluation of Audit Work of Applicant-External Auditors (Annex A of SEC Memorandum Circular No. 13, Series of 2006); (c) Guidelines on On-Site Verification of Financial Records Relative to Certain Applications Filed with the Commission (SEC Memorandum Circular No. 6, Series of 2008); and, (d) Guidelines on the Determination of Retained Earnings Available for Dividend Declaration.

Strengthening Regulatory Compliance

V. Accreditation of External Auditors and Auditing Firms

For the year 2008, the office imposed monetary fines on 10 accredited external auditors for violation of the Guidelines on Accreditation and Reportorial Requirements of External Auditors. The penalties were imposed due to the material deficiencies and deviations noted on the financial statements of the auditors' corporate clients.

The accreditation of 15 external auditors was downgraded during the year for failure to comply with the required level of audit quality as accredited auditors of the Commission.

The following tables show the comparative number of accredited auditors and firms in 2007 and 2008 by category:

3-year Accreditation

Category	Auditing Firm		External Auditor	
	2008	2007	2008	2007
A	42	40	217	197
B	18	15	50	50
C	81	69	393	343
D	18	11	108	52
TOTAL	159	135	768	639

Probationary Accreditation

Category	Auditing Firm		External Auditor	
	2008	2007	2008	2007
A	4	-	5	-
B	-	-	1	-
C	20	6	95	39
D	6	3	97	39
TOTAL	30	9	198	78

Based on the above, the office processed and recommended for approval 294 applications for 2008 from 24 auditing firms and 129 external auditors for a 3-year accreditation; and 21 auditing firms and 120 external auditors for probationary accreditation.

VI. Evaluation of Financial Statements of Registered Corporations

For the year 2008, the office reviewed the 2007 audited financial statements of 1,584 corporations to determine their compliance with the requirements of applicable accounting standards and rules of the Commission. This is broken down as follows:

Companies listed with the Philippine Stock Exchange and other secondary licensees, such as, pre-need companies, broker-dealers of securities (<i>the review was conducted as an oversight of the evaluation made by the consultant-professors of UP-CBA</i>)	70
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Broker-Dealers of Securities	25
Financing Companies	50
Ordinary Corporations <i>(with total assets of at least P5 Million)</i>	824
Foundations <i>(with total assets of at least P10 Million)</i>	27
Various Corporations <i>(the AFS were reviewed relative to applications for accreditation as external auditors)</i>	588
TOTAL	1,584

The office issued comment letters to the above corporations for their appropriate explanation with the corresponding Board or Audit Committee resolution on the matter.

VII. Dissemination of Information

The office participated in the seminars and activities conducted by the following organizations to facilitate the dissemination of information on the implementation and enforcement of the adopted accounting/auditing standards and other rules

and regulations of the Commission: a) Philippine Institute of Certified Public Accountants; b) Association of Certified Public Accountants in Public Practice; c) Association of Certified Public Accountants in Commerce and Industry; d) Association of Certified Public Accountants in Education; e) Financial Executives of the Philippines; f) University of the Philippines Law Center-Institute of Judicial Administration; g) Asian Development Bank.

VIII. Implementation of the SPV Law

The office evaluated applications for Certificates of Eligibility (COE) pursuant to the Special Purpose Vehicle Act, as amended, and its Implementing Rules and Regulations.

Forty nine COEs were issued by the office for the period ending December 31, 2008, covering an aggregate amount of Two Billion Two Hundred Twenty Five Million Seven Hundred Seventy Five Thousand Two Hundred Ninety Five Pesos (P2,225,775,295.00) of non-performing assets.

OFFICE OF THE GENERAL COUNSEL

As part of its responsibility to provide legal counsel to the SEC, the Office of the General Counsel rendered decisions on 43 cases and issued 28 legal opinions to queries on the interpretation of certain provisions of the Corporation Code, Securities Regulation Code and other laws. The details of these accomplishments are as follows:

I. Disposition of Regular Cases and Appeals

As the office mandated to oversee certain cases and appeals to the Commission En Banc, the OGC rendered decisions on 43 cases, broken down as follows: 33 cases and 10 En Banc cases. These cases were concluded as a result of the 121 hearings/conferences conducted, and the 492 interlocutory orders issued.

II. Petitions to Set Aside Order of Revocation

During the year in review, the OGC took cognizance of 470 petitions to set aside orders of revocation filed after the lapse of three years reckoned from the date of revocation. Since these cases require exercise of discretion as compared to those filed within the three-year period, the office devised a procedure for their proper and speedy disposition. This resulted in the termination of 333, or 71%, of the petitions under review.

III. Position Papers on Proposed Pieces of Legislation

As the Commission's legislative liaison, the office assisted Congress in the enactment into law of bills by the submission of 10 position papers on the following: a) Real Investment Trusts (REIT) Bill or Senate Bill No. 63, b) codification of regulations on Pre-Need Companies and the creation of the Philippine Pre-Need Insurance Corporation (Senate Bill No. 2077 and House Bill Nos. 159, 294 and 295), c) restrictions on monopolies and business combinations in restraint of trade and the anti-trust bills (Senate Bill No. 1122 and House Bill Nos. 1678, 3009 and 3856), d) the Personal Equity and Retirement Account (PERA) Bill, e) accreditation of Non-Governmental Organizations (NGOs) by local government units (House Bill Nos. 381 and 2957) and by a proposed national government agency (House Bill No. 4219), f) the rehabilitation and liquidation of financially distressed juridical entities (House Bill Nos.

132, 293, 3542 and 4960), and g) the Infant and Young Child Feeding Bill or House Bill No. 878.

IV. Opinions

The office rendered 28 legal opinions in 2008. Noteworthy are the following legal opinions:

Employment of aliens in nationalized activities

The office reiterated the Department of Justice's opinion that when there is a special law authorizing the employment of foreign personnel in certain areas of nationalized activities, the special law is deemed to supersede provisions of the general law, like the Anti-Dummy Law.

Sections 1 and 2, Rule XVIII of the PEZA Law's IRR provide that: Ecozone Enterprises may employ foreign national in executive, supervisory, technical and advisory positions: Provided that the executive positions shall pertain only to the president, vice president, treasurer and general manager, or their equivalents, provided further that the total number of foreign nationals employed by an Ecozone Enterprise in above-stated positions shall not at anytime exceed five (5%) percent of its workforce, unless expressly authorized and certified by the Secretary of Labor and Employment that no Filipino within the Ecozone possesses the required technical skills. Further, employment of foreign nationals should not exceed five (5) years from its registration, extendible within limited periods depending upon the need of the Ecozone Enterprise as determined by PEZA. Provided further, that the enterprise seeking such extension must have satisfactorily complied with the training program required. (Opinion No. 08-06, January 23, 2008)

Real property acquired for administrative purpose

Real property acquired for administrative purposes, that is, to house the corporation's principal office and operating departments is not an "investment" that falls within the prescribed 25% limit on investments in real estate acquisition under the Financing Act. The intended acquisition should strictly conform with

the guidelines under the Philippine Accounting Standards and said corporation shall set forth the criteria for the investment property to be disclosed in its financial statement pursuant to paragraph 75 of Philippine Accounting Standards 40. (Opinion No. 08-13, June 6, 2008)

Foreign Investment in manufacturing and wholesale of coffee beans

The manufacture of coffee beans qualifies as one of the preferred activities listed in the Priority Investment Areas in agriculture or agribusiness and fishery. This also covers the production and processing of agriculture and fishery products (including their by-products and waste). The processing of agricultural products by the firm must be integrated with its own production/plantation or with contract growing arrangement. Further, the latest Foreign Investment Negative List does not contain any prohibition or limit to the extent of foreign participation in manufacturing and wholesale of coffee beans.

In line with the policy to promote foreign investments, foreigners can wholly own a corporation engaged in the business of manufacturing and wholesale distribution of coffee beans, considering that the activities are not nationalized industries, hence, aliens are not prohibited from engaging therein. (Opinion No. 08-19, September 4, 2008)

Nationality Requirement for domestic and international air commerce

By definition, an air freight forwarder is considered an air carrier since such, is a person who undertakes to engage in air transport or air commerce. Therefore, it must comply with the citizenship requirement found in Section 12 of RA No 776 which provides "Except as otherwise provided in the Constitution and existing treaty or treaties, a permit authorizing a person to engage in domestic air commerce and/or air transportation shall be issued only to citizens of the Philippines."

A corporation that is not a citizen of the Philippines may not engage in domestic freight forwarding although it is allowed to engage in purely international freight forwarding. In addition, the constitutional prohibition limiting foreigners from owning more than 40% equity participation, does not apply to utility firms engaged exclusively in international commerce. (Opinion 08-21, October 29, 2008)

Prospective application of R. A. 9474 (Lending Company Registration Act of 2007)

The basic rule of statutory construction is that statutes are to be construed as having only prospective operation, unless the intent of the legislature is to give them a retroactive effect which should be expressly declared or is necessarily implied from the language used. The reason for the rule is that "law is a rule established to guide actions with no binding effect until it is enacted; hence, it has no application to past but only future times." Additionally, retroactive application of statutes is frowned upon, the rationale of which is that it divests rights that have already become vested or impairs the obligations of contract and hence, is unconstitutional.

Considering that Section 6 of the Lending Company Registration Act of 2007 is silent as to the retroactive effect of its provision, then, it should be applied prospectively. (*Opinion 08-22, October 13, 2008*)

SUPPORT SERVICES ECONOMIC RESEARCH AND INFORMATION DEPARTMENT

ACCOMPLISHMENTS

The significant accomplishments of the Department during the year in review consist of the following.

I. Implementation of the SEC's computerization program

The Department continued its coordination of the development and deployment of critical modules of the SEC i-Register and the SEC i-Report systems. The SEC i-Register system was launched in 2002 to provide the public with a convenient facility for the online verification and reservation of company names 24/7 and the filling up of articles of incorporation, partnerships or by-laws. The system has validations based on the requirements for registering a company with the SEC. These include the required endorsement from another agency, minimum capital requirement and the extent of foreign equity participation allowed for certain industries.

Since 2006, the SEC-BIR linkage was established through this SEC i-Register system enabling the SEC to assign pre-generated Taxpayers Information Number (TIN) provided by the Bureau of Internal Revenue to a newly registered company at the time its registration certificate is issued by the SEC. The linkage provided more efficiency for the two government agencies through sharing of corporate information that is vital in their regulatory functions. The year 2008 saw some "birthing pains" problems and concerns associated with the implementation of this module. Among the problems encountered include intermittent slowdown, inability of the system to generate SEC registration numbers and problems associated with post-generation encoding.

The Department instituted workaround procedures to ensure continuity in the delivery of SEC services while dealing with the problems. It also coordinated the formulation of the Terms of Reference for a new Company Registration System.

The SEC i-Report, on the other hand, is a modular system that provides the public with convenient access to SEC's database. Its first module, called the SEC i-View launched in November 2005, allows the public to view and print the documents submitted to the SEC. Through this system, the public need not go to the SEC to get information about certain companies. They only have to buy and use the PIN mailer which works just like the mobile phone pre-paid cards. Other modalities are being looked into to make available the PIN mailers in the SEC Extension Offices and also to make possible access to the SEC i-View through the mobile phone.



Provides investors' assistance, research, and education services.

Serves as the technical lead department for the Commission on application program development, operation and maintenance, hardware and software specification and configuration, and the establishment and maintenance of information network.

Takes the lead in the conduct of corporate planning and related economic researches including the monitoring of the Capital Market Development Plan (Blueprint).

During the year, the e-PMS cashiering and the e-PMS pre-paid card management modules were deployed in production. The e-PMS cashiering module automates the payment posting and reconciliation of bank reports, while the e-PMS pre-paid card management module generates and monitors pre-paid load services to access the SEC i-View. In addition, among the notable development activities pursued during the year were the following: (a) enhancement of the SEC website design and content; (b) the Paper submission module covering submission of paper documents and reports that will be converted to electronic or digitized format; (c) the Online submission module covering documents and reports from business enterprises for compliance monitoring and evaluation; (d) the Reverse Search facility that provides the users' access to company information they wish to search like incorporators, company affiliations and case relationship; and, (e) the e-Bayad, an internet or SMS-based payment facility to complement the e-PMS cashiering module for user loads for the SEC i-View.

II. Intensified investor assistance and information services

The Department sustained its efforts to provide public assistance and information to investors through face-to-face transactions, online through the SEC webpage or through telephone inquiries. It continued to make available to the public free copies of Citizens' Manuals that provide relevant information on the following: (a) SEC mandate and functions; (b) registration or incorporations and partnerships; (c) SEC fees and charges; (d) reportorial requirements; and (e) do's and don'ts for investors. To provide a wider reach of investors, these Citizens' Manuals were translated into the Cebuano dialect and distributed in the SEC Extension Offices in the Visayas and Mindanao. During the year, 11,500 copies of the Citizens Manuals were distributed to investors on demand.

In 2008, the Department pursued the establishment of the e-library system envisioned to improve the provision of library services of the Commission using the state of the art technology. Through the e-Library, internal and external

library users can access the SEC library holdings more efficiently. Orientation and trainings for the prospective users were undertaken during the year. The Department resumed the publication of the SEC Bulletin, which summarizes the various SEC regulatory issuances and opinions issued during the year. In 2008, the Department responded to 53,051 public queries regarding registration requirements and procedures [see Fig. 1]. More than half or 66 percent of these public queries were from walk-in clients while the remaining 34 percent were made through phone or e-mails.

Number of Queries Attended to in 2008

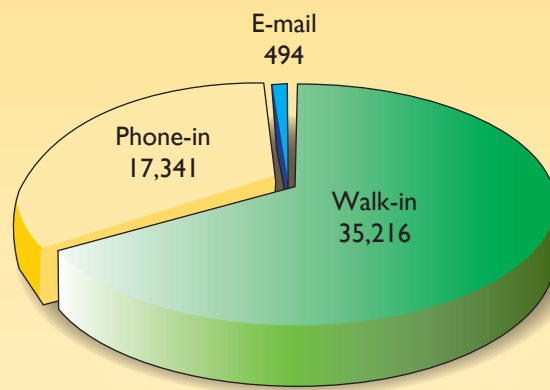


Fig. 1. Number of Queries attended to in 2008 totaled 53,051

Moreover, the Department coordinated the publication of the Philippines Top 8000 corporations, an annual SEC publication that ranks the SEC-regulated companies in terms of revenues, profits, assets, liabilities and stockholders' equity. Beginning 2008, the coverage of the publication was expanded from the original top 5000 Philippine corporations.

III. Inter-agency collaboration

During the year in review, the Department participated in various inter-agency activities and committees, notably the following: (a) Foreign Trade and Investment Agreements being negotiated by the Philippines and the ASEAN member economies like the ASEAN-China, ASEAN – EU and the ASEAN- Australia-New Zealand; (b) the bilateral agreement

with Japan, known as JPEPA; (c) the Technical Working Group (TWG) on realized investment; (d) the TWG on Foreign Investment Statistics chaired by the National Statistical Coordination Board; (e) the inter-agency Steering Committee for Developing Micro-insurance Project lead by the Department of Finance; (f) the Philippine Business Registry Project chaired by the Department of Trade and Industry; (g) the Technical Committee on Transnational Education chaired by the Commission on Higher Education; and, (h) the Inter-Agency Committee for the Development of the Master Plan and Pilot System of a National Public Key Infrastructure for digital signature in the Philippines chaired by DTI.

IV. Corporate planning, research and related services

The Department coordinated and facilitated the conduct of the 2009 strategic planning workshop on April 18 to 21, 2008 at the Baguio Country Club. With the theme *“Planning Together to enhance SEC Internal Capacities,”* the workshop was participated in by the Commissioners and

Department and Extension Office Directors. Prior to the Workshop, two focused group discussions (FGDs) were held to flesh out issues, concerns and proposed measures. Specific activities were identified towards realizing the Commission’s deliverables and performance commitments for 2008 and 2009, which focus on the Medium-Term Development Plan (MTPDP), the Philippine Capital Market Development (Blueprint) Action Plan, and the SEC Vision statement. During the Workshop proper, the respective operational plans and capacity-enhancement measures proposed by the various departments and offices were subjected to management review and approval.

V. Revenue contribution

During the year in review, the Department earned for the National Government **thirteen million four hundred eighty five thousand six hundred four pesos** (Php 13,485,604.00) from the sale of PIN mailers, SEC publications particularly the Philippines Top 8000 corporations, SEC materials, listings and reproductions.

HUMAN RESOURCE AND ADMINISTRATIVE DEPARTMENT



Oversees all human resource and administrative support functions and activities.

Oversees the responsibilities of departments in the areas of recruitment, benefits, performance appraisal, administration of salary policies, internal and external training program, procurement, mail and facility security.

Ensures SEC's compliance with Philippine labor laws and coordinates with related government agencies as necessary in establishing policies and practices and addressing employee grievances.

ACCOMPLISHMENTS

I. Personnel Development

For 2008, the Department devoted its efforts in strengthening the core capability of its employees through the conduct of Technical Training, Organizational Development and Skills Training. Sessions on health and wellness, personal enhancements and livelihood provided an interesting and welcome respite from the daily grind of office work. Table I gives a summary of training programs conducted and coordinated by the Department:

Table I. Summary of Training Programs

Training Classification	Number of Sessions/Programs	Number of Participants
I. SEC In-House Training for Employees		
a. Technical Training	24	347
b. Organizational Development	13	586
c. Skills Training	2	23
d. Brown Bag Sessions	4	48
e. Echo Sessions	11	261
TOTAL	54	1,265

II. External Training for SEC Employees		
f. Foreign	13	11
g. Local	77	152
TOTAL	90	163
III. SEC Student On-The-Job Training Program		
h. Universities/Schools	23	107
IV. Student Orientation		
i. Universities/Schools	11	609
TOTAL	34	716
V. Special Events		
j. In-House	2	1088
k. External	5	66
TOTAL	7	1,154
GRAND TOTAL	190	3,255

The Department lent support to other government agencies by sending representatives to holiday celebrations and taking part in the various socio-civic activities, such as, Medical-Dental Missions and charity donations.

In 2008, the Department partnered with 23 universities and schools within Metro Manila and neighboring provinces which deployed

107 student trainees to all SEC departments. The Department provided administrative assistance to the SEC Speakers Bureau in its effort to promote investor information and protection through the conduct of student orientation during their educational tour at the SEC. The Department also extended administrative support to the bureau's public seminars held in key cities as shown in the table below.

Table 2. Orientation and Public Seminars Conducted

Name of University	Date Conducted	Number of Participants
1. Saint Mary's University – Bayombong, Nueva Vizcaya	February 20, 2008	44
2. University of St. La Salle – Bacolod City	April 1, 2008	39
3. Lipa City College – Batangas	July 24, 2008	76
4. Adventist University of the Philippines – Manila	August 4, 2008	45
5. Divine Word College of Laoag – Laoag City	August 8, 2008	56

Name of University	Date Conducted	Number of Participants
6. Saint Mary's University - Bayombong, Nueva Vizcaya	September 11, 2008	75
7. Saint Mary's University - Bayombong, Nueva Vizcaya	September 12, 2008	67
8. Columban College Inc. – Olongapo City	September 9, 2008	56
9. Ramon Magsaysay Technological University – Iba, Zambales	September 26, 2008	70
10. AMA Computer College – Lipa City, Batangas	October 13, 2008	39
11. Palawan State University – Puerto Princesa, Palawan	October 15, 2008	42
	TOTAL	609

PUBLIC SEMINARS

12th Floor, SEC Multi-Purpose Hall

12. Reportorial Rules for Corporations	November 12, 2008	55
13. Accreditation of Accountants	November 7, 2008	77
	TOTAL	132

PUBLIC SEMINARS (On Tour)

14. Cebu City	May 29-30, 2008	51
15. Baguio City	August 14-16, 2008	64
16. Iloilo City	September 4-5, 2008	63
17. Bacolod City	October 2-3, 2008	129
18. Manila	November 7, 2008	77
19. Manila	November 12, 2008	55
	TOTAL	439
	GRAND TOTAL	1,180

The Department extended appropriate interventions to both internal and external clients of the Commission through the conduct of physical fitness activities and the annual physical examinations in conjunction with the Commissions' health provider. Pre-arranged health lectures, forums and brown bag sessions on health information and disease prevention were well attended by the employees.

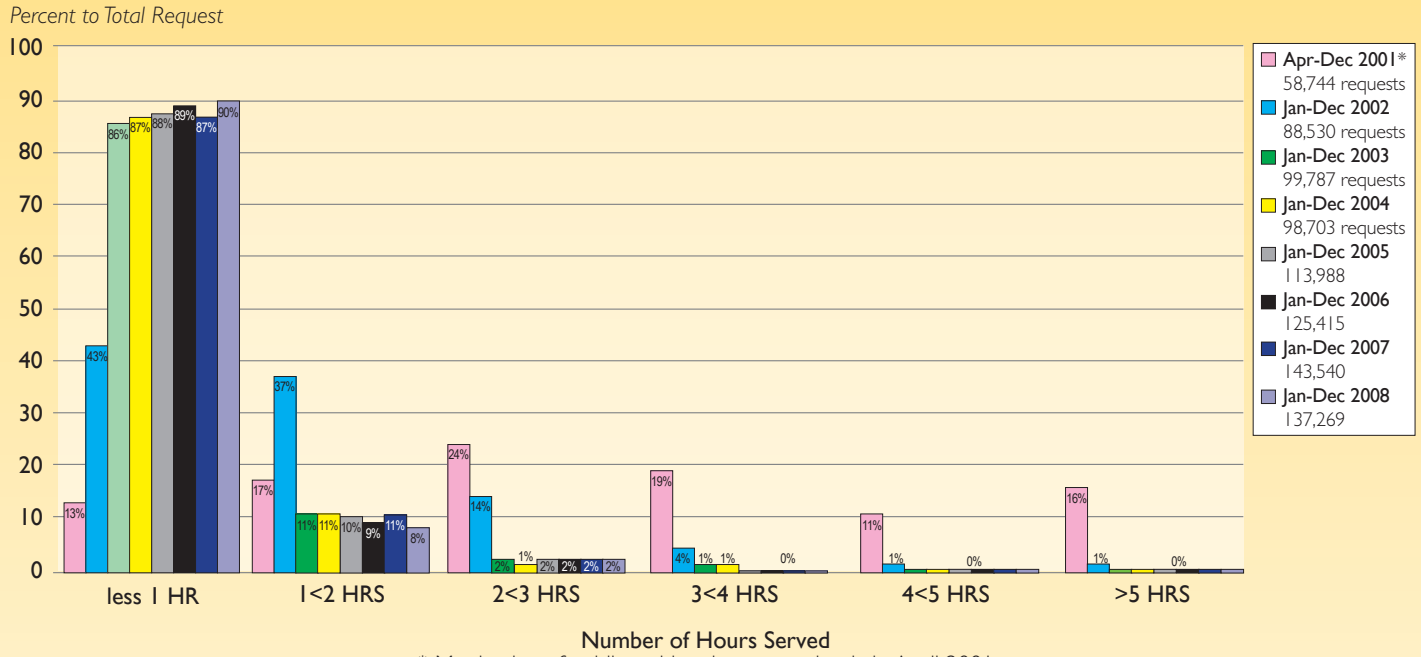
II. Reports and Records Management

With the improvement of information technology resources for the storage and retrieval of digitized documents and installing a high speed printer at the Public Reference Unit, document retrieval has been made easier and faster through the SEC i-View facility.

During the year, 90% of the public requests were attended to in less than an hour. The improvement in public waiting time is shown in Chart I.

Chart I

**RETRIEVAL of COMPANY FILES at the PUBLIC REFERENCE UNIT
Public Waiting Time (in hours served)
Years 2001-2008**



* Monitoring of public waiting time started only in April 2001

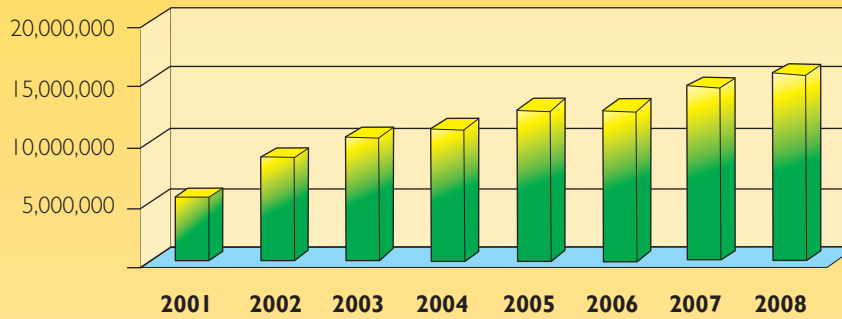
The dramatic reduction in waiting time and improvement in the delivery of documents to the public resulted from the optimal utilization of the SEC's Document Imaging System (DIS) and the SEC i-View facility through the provision of a suitable digital storage facility which, in turn, paved the way for the digitization of more corporate records.

As of December 2008, additional corporate records were made available for retrieval through the SEC i-View. These included the digitalization of 3.64 million pages of documents filed in 2008 and 32.3 million pages from prior years' filings. The digitization and provision of storage facility resulted to higher income, enhanced delivery of public services.

Chart 2

PUBLIC REFERENCE UNIT January to December 2001-2008

**Generated Income
(in PhP)**



■ 2001 = 5,342,725
■ 2002 = 8,728,392
■ 2003 = 10,480,650
■ 2004 = 11,131,729
■ 2005 = 12,942,688
■ 2006 = 12,737,982
■ 2007 = 14,708,563
■ 2008 = 15,753,538

Fees:	1. Transaction Fee = P20/company	3. Computer Time = P2/minute	
	2. Printing = P5/page	4. Authentication Fee = P20/document	

The SEC has continuously improved its records management capability so that company records, like registration documents, Audited Financial Statements and other corporate files, can be efficiently retrieved at shorter turn-around time. In addition to the foregoing improvements, additional equipment like high speed printer, additional

computers and scanner have been installed at the PRU Kiosk and the Micrographics Unit.

During the year, the Department generated total revenue of P15,753,538 of which P9,735,843 or 62 percent represented proceeds from the sale of PIN Mailers.

FINANCIAL MANAGEMENT DEPARTMENT

ACCOMPLISHMENTS

I. Budget preparation and implementation

Republic Act 9498, also known as the General Appropriations Act of 2008, appropriated a total of P241.4 million for the SEC. In addition, the Department of Budget and Management released the amount of P200.0 million to the SEC representing its share in the CY 2007 excess income. Total subsidy received from the National Government for the year amounted to P441.4 million. Of this amount, P441.3 million was obligated leaving a balance of P0.1 million as savings.

Total expenditures for the year amounted to P551.3 million. This was funded by the subsidy from the national government of P441.3 million and from the income retained by the Commission pursuant to R.A. 8799 in the amount of P100 million.

II. Pre-audit, recording and reporting of financial transactions

The auditing and accounting rules and regulations prescribed by the Commission on Audit (COA) on disbursement, collections and in recording the Commission's financial transactions were strictly complied with. No material observation or exception on disbursements, collections and on the Commission's internal control processes was received from COA during the year. All financial transactions were recorded and financial reports were prepared using the computerized New Government Accounting System (e-NGAS).

III. Collections and remittances to the National Government

A total of P 1,447.0 million was collected in CY 2008. Out of this collection, P1,344.9 million was remitted to the National Government and the balance of P102.1 million was retained by the Commission pursuant to Section 75 of the Securities Regulation Code (R.A. 8799) and Section 28 of the Special Purpose Vehicle Act (R.A. 9182). The amount remitted to the National Government was P594.2 million or 79.2 percent more than the target amount of P750.6 million assigned to the Commission for the year 2008. Compared to the collections for the year 2007 of P1883.1 million, total collections in CY 2008 was less by P436.1 million or a decrease of 23.2 percent.



Implements the financial policies and procedures in accordance with the existing government rules and regulations.

Prepares, recommends and executes budgetary plans and programs for the Commission.

Evaluates existing policies on budgetary and fiscal matters.

Recommends measures to improve the financial management of the Commission.

Acts as liaison of the Commission to other government agencies on financial and related matters.

Financial Performance

Income

A total of P1,447.0 million was collected for the year 2008. This was P436.10 million less than the 2007 collection of P1,883.1 million or a decrease of 23.16 percent. The decrease was primarily due to the decline in Registration Fees collected from P1,615.7 million in 2007 to P1,111.3 million attributed to the reduced domestic economic activity as a result of the global financial crisis.

On the other sources of income, there was an increase of P22.4 million in License Fees, P7.6 million in Fines and Penalties and P38.4 million in Miscellaneous Income

or a total of P68.4 million. The increase in Fines and Penalties was due to the sustained monitoring and enforcement activities during the year. On the other hand, the increase in Miscellaneous Income was attributed to the computerization program of the SEC primarily the iReport Project.

For the past five years, an average of P767 million a year has been contributed by the Commission to the national coffers (Table 1). In 2008, it contributed to the National Government a total of P1,344.9 million and recorded in its books a total of P102.1 million or a total income of P1,447.0 million. This was 23.6% percent lower than that of the previous year's income of P1,883.1 million (Table 2).

Table 1. Net Contribution to the National Government

	2004	2005	2006	2007	2008	Average
Remittance to NG	800	808	862	1,765	1,345	1,116
Allotments	222	249	333	234	441	295
Net Contribution	578	559	529	1,265	904	767

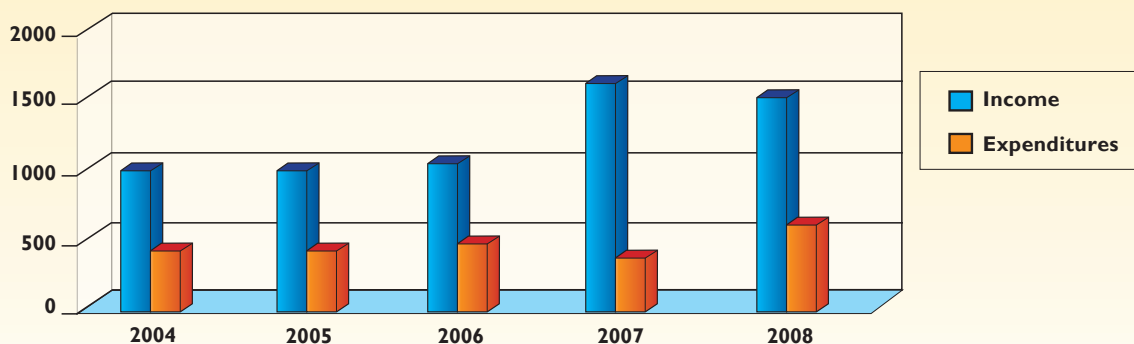
Table 2. Income by Source, 2008 and 2007

Source of Income	2007		2008	
	Amount (Php)	Percent to Total	Amount (Php)	Percent to Total
License Fees	25,166,421.98	1.3%	47,611,230.14	3.3%
Registration Fees	1,615,708,349.13	85.8%	1,111,319,506.54	76.8%
Fines & Penalties	103,141,890.63	5.5%	110,703,474.64	7.6%
Misc. Income	139,054,318.91	7.4%	177,370,893.29	12.3%
TOTAL INCOME	1,883,070,980.65	100.0%	1,447,005,104.61	100.0%

Expenditures

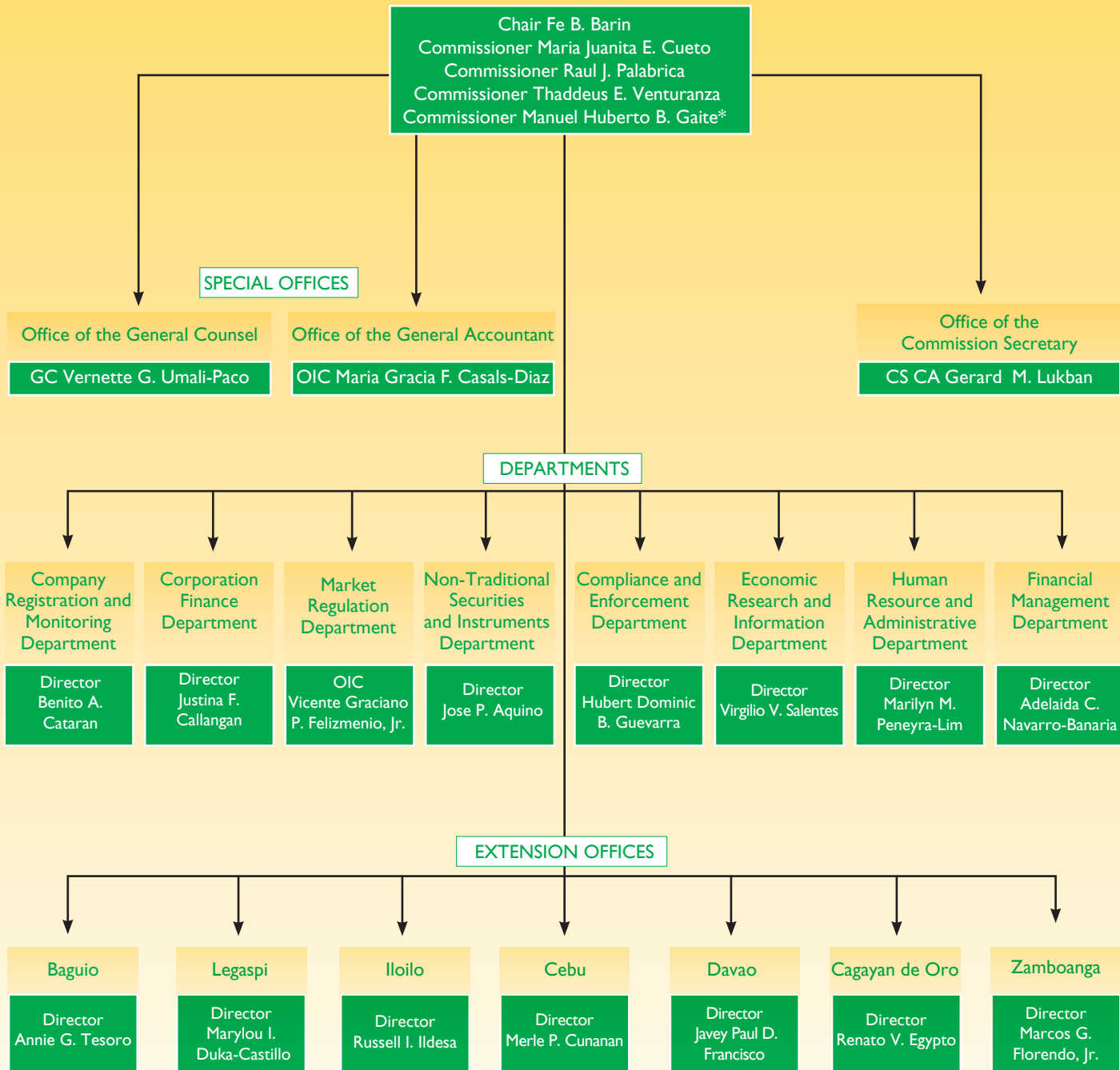
Total expenditures of the Commission reached P 541.3 million in 2008 or an increase of P190.9 million from the previous year's level of P350.4 million. Total income of P1,447.0 million in 2008 exceeded expenditures of P541.3 million for the same period by P905.7 million. For the last five years, the Commission has kept its ratio of expenditures to income by less than 50% percent (Chart 1).

Chart 1. Income vs. Expenditures, CY 2004 – 2008



HOW WE ARE ORGANIZED

COMMISSION



*Assumed 18 March 2009

OUR WHEREABOUTS



Head Office
SEC Bldg., EDSA, Greenhills
Mandaluyong City

Chairperson Fe B. Barin



Baguio Extension Office
SEC Bldg., Gen. Luna Rd.
Baguio City

Dir. Annie G. Tesoro



Legaspi Extension Office
2/F Chiniel Bldg., Rizal St.
Albay District, Legaspi City

Dir. Marylou Duka-Castillo



Iloilo Extension Office
SEC Bldg., Gen. Hughes St.,
Iloilo City

Dir. Russell I. Ildesa



Cebu Extension Office
SEC Bldg., V. Rama Ave.,
Guadalupe, Cebu City

Dir. Merie P. Cunanan



Cagayan de Oro Ext. Office
SEC Bldg., 14th St.,
Cagayan de Oro City

Dir. Renato V. Egypto



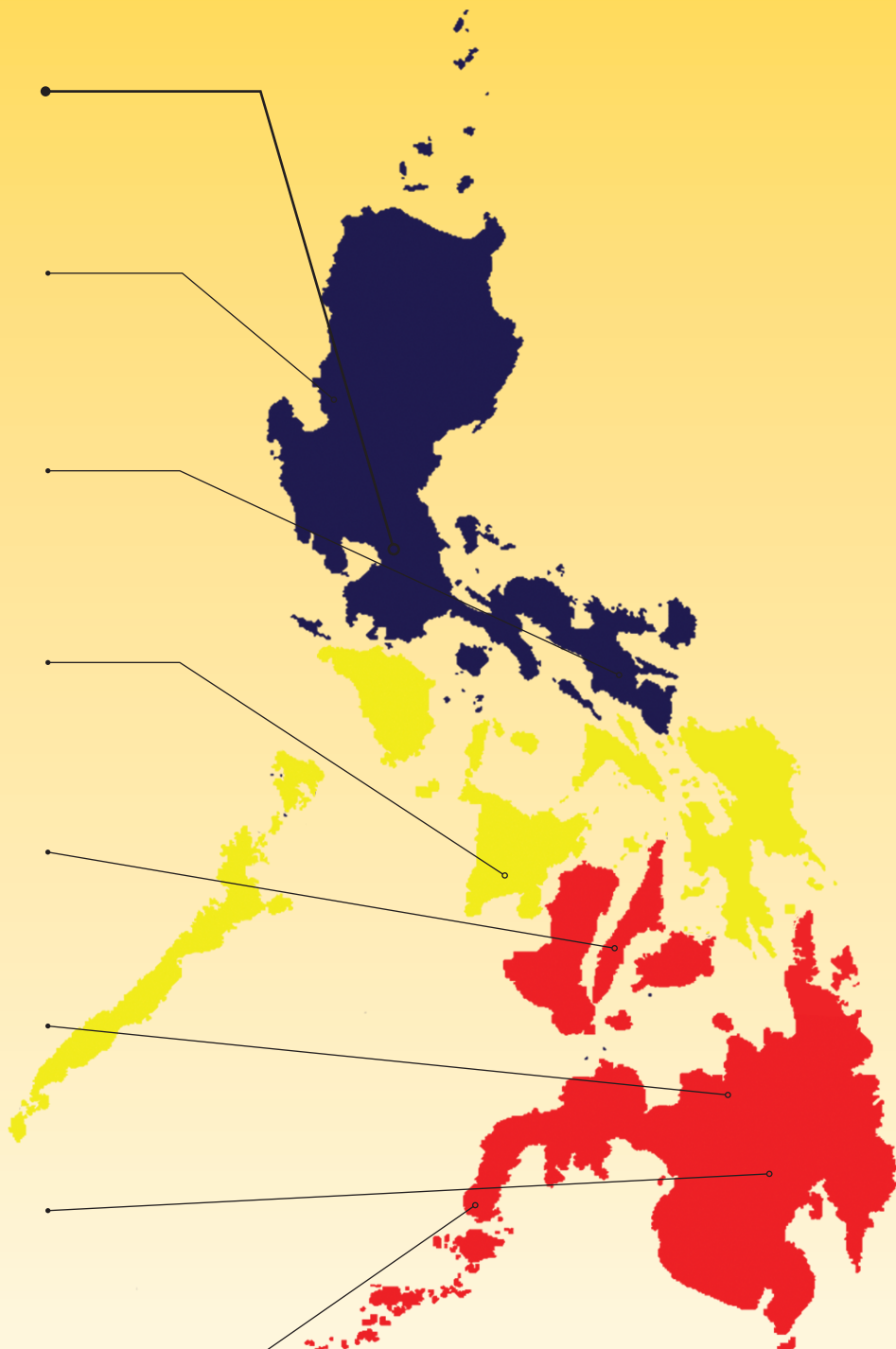
Davao Extension Office
SEC Bldg., Luisa Drive, Luna
Subd., Molina, Davao City

Dir. Javey Paul D. Francisco



Zamboanga Ext. Office
SEC Bldg., San Jose
Panigayan St., Zamboanga City

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ILOILO CITY (033)			
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CEBU CITY (032)			
Director Merle P. Cunanan merlecunanan@yahoo.com SEC Bldg., V. Rama Ave., Guadalupe Cebu City	253-5337 253-6987	255-2874 253-7221	
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Director Javey Paul D. Francisco jingo868@yahoo.com SEC Bldg., Luisa Drive corner University Avenue, Juna Subd., Matina, Davao City	298-2170 298-1893	298-0012 298-1894	
CAGAYAN DE ORO (088)			
Director Renato V. Egypto secco@yahoo.com SEC Bldg., 14th St. corner Tomasaco del Lara St., Cagayan de Oro City	857-4325 857-7225	726-948	
ZAMBOANGA CITY (062)			
Director Marcos G. Florendo Jr. sec_zeo@yahoo.com SEC Bldg., San Jose Panigayan St., Zamboanga City	991-7163 993-1437	991-2689	

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SEC HYMN

SEC Naming Mahal

*Tinatangi naming SEC
karangalan mo'y minimithi
Di hahayaang madungisan
Pangalan mo'y pakakaingatan.
Ika'y haligi ng bayan
laban sa mga katiwalian.*

Koro:

*Mabuhay SEC!
Sa iyo'y di magsasawang magsilbi
sama-sama naming tutupdin
ang maglingkod ay una sa puso namin.*

*Ang kalakalan ay pasisiglahin.
Mamumuhuna'y iingatan namin.
pangakong aming gagamitin
Talinong bigay ng Diyos sa amin
Sa gawang marapat at matuwid
Serbisyong walang bahid.*

(Ulitin ang koro 2x)

Ang maglingkod ay una sa puso namin.