

2012 ANNUAL REPORT

Securities and Exchange Commission



***...Raising the level of competitiveness of the business community
and protecting the interests of the investing public***

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OUR MISSION

To strengthen the corporate and capital market infrastructure of 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, 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. |

SEC VISION STATEMENT 2012

"We foresee that, by December 31, 2012, the Securities and Exchange Commission shall have implemented systems and procedures and capacity building measures that will enable it to raise the level of competitiveness of the business community, and protect the interests of the investing public."

MESSAGE FROM THE COMMISSION EN BANC

In the wake of its 75th anniversary in 2011, the Securities and Exchange Commission (SEC) has renewed its commitment to the performance of its mandate under the Corporation Code, the Securities Regulation Code and numerous other laws it implements. Thus, SEC is bent on following through strategic policies toward the development and growth of the capital markets and the corporate infrastructure. In addition, it has adopted regulatory reforms and capacity building initiatives resulting in increased oversight and consistent enforcement.

In 2012, the SEC focused on major initiatives such as the realignment of functions and duties among its departments and divisions. Notably, a department was tasked to handle investor protection principally against investment scams and to monitor financing and lending companies and other secondary licensees; and, a division was assigned exclusively on corporate governance. The SEC also revived capacity building measures through providing more trainings for its personnel, making available more opportunities for studies here and abroad, and recruiting highly qualified personnel. The SEC further conducted an audit of its IT-enabled frontline services and moved to upgrade and enhance its information systems by acquiring new hardware and software.

In 2012, there was rising confidence in the economy due largely to positive public perception of the national leadership. To sustain this, the SEC must be able to competently lead the business community in meeting the challenges that will be brought about by external developments such as regional integration and changing global business environment. While the SEC remains devoted to its mandate, it expects the persons and entities under its regulation and supervision to comply with SEC rules and regulations.

Chair Teresita J. Herbosa
Commissioners Ma. Juanita E. Cueto,
Manuel Huberto B. Gaité, Eladio M. Jala
and Antonieta F. Ibe

**MARKET REGULATION
AND
INVESTOR PROTECTION**

MARKET REGULATION DEPARTMENT

MAJOR ACCOMPLISHMENTS

Oversight of the Philippine Capital Markets

Through the Market Regulation Department, the SEC continued to oversee the trading operations and trading participants of the capital (equity and debt) markets. It pursued the development and regulation of the capital markets through sound oversight and policymaking, resulting in the enabling policy environment for sustaining growth and stability of the capital markets throughout 2012.

Equity Market

During the year in review, the Philippine stock market showed remarkable resilience despite continuing economic woes affecting major markets in the US, Europe, and China. Several indicators, especially the Philippine Stock Exchange Index (PSEi), registered several new heights, clearly reflective of the growing investor confidence in the Philippine capital markets.

As of 2012, the domestic equity market had a combined market capitalization of nearly PhP10.93 trillion, a marked increase of 25.7% from the PhP8.70 trillion registered in the previous year. Improved corporate earnings, strong local demand and continued macroeconomic stability led to a 33% growth of the PSEi throughout 2012. Such growth was also fueled by the amount of capital infusion through Initial Public Offerings (IPOs), follow-on offerings, stock rights and private placements, which reached PhP219 billion during the year. Total value turnover also set a new record high as it reached PhP1.77 trillion, 24.5% higher than the PhP1.42 trillion registered last year.

On a sectoral basis, the Philippine Stock Exchange's (PSE) Financial Index was the best performer in 2012, surging by 57.5% in terms of capital gains and activity. This was followed by the Property index (up 55.6%), Holding Firms index (up 47%), Industrial index (up 25.5%) and Services index (up 6.7%). Mining and Oil index, meanwhile, declined by 17.4% for the year.

Debt Market

The Philippine debt market ushered in the year 2012 with a double-digit growth rate reaching PhP3.7 trillion as of end-September 2012. The total volume traded at the Philippine Dealing and Exchange Corporation (PDEX) comprising Treasury Bills, Fixed Income Notes, Retail Treasury Bonds, Zero Coupon Bonds, Corporate Bonds and Special Purpose Treasury Bonds, amounted to PhP3.19 trillion worth of government securities and PhP510 billion worth of corporate bonds. The corporate bond market grew 18.7% year-on-year compared to the government bond market's 11.5%. The top 20 corporate issuers (**Table 1**) accounted for the 80.3% of the corporate bonds outstanding.

The dominant corporate bond issuers during the year were the banking and financial service institutions in view of a new regulatory measure to upgrade capital and liquidity ahead of Basel 3 implementation in 2014.

Regarding government securities, the Philippines has sold an estimated PhP98 billion in global peso bonds since 2010, and in 2012, the country has offered another fresh issuance of US \$1 billion global peso notes, primarily meant to tap foreign investors. Consequently, Standard & Poor's and Fitch

Ratings rated the country's sovereign debt just one notch below investment grade and Moody's revised its credit rating outlook to positive from stable.

Table 1. Top 20 Corporate Bond Issuers

Issuer	Amount Outstanding (PhP Billion)
San Miguel Brewery	38.50
Banco de Oro Unibank	33.09
Rizal Commercial Banking Corp.	21.00
Manila Electric Company	20.22
Metropolitan Bank and Trust Company	18.50
Philippine National Bank	17.75
Globe Telecom	16.80
Petron Corporation	16.30
Ayala Corporation	16.00
Robinson's Land Corp	15.00
JG Summit Holdings Corp.	13.31
Energy Development Corp.	12.00
First Philippine Holdings	11.40
Bank of the Philippine Islands	10.00
SM Investments Corp.	9.40
Allied Banking Corp.	8.00
SM Prime Holdings	8.00
Philippine Long Distance Telephone Co.	7.50
Ayala Land Inc.	7.34
Aboitiz Power Corp.	6.89
Top 20 Total	307.00
Total Corporate Bonds Outstanding	382.52
Top 20 as % of Total Corporate Bonds Outstanding	80.26%

Source: Bloomberg LP

Continuing Market Regulatory Reforms

Rule-making Initiatives: Rules on the Exchange-Traded Fund (ETF)

The SEC, with the technical inputs of the Department, drafted and approved the Rules and Regulations on ETF [SEC Memorandum Circular (MC) *No. 10, series of 2012*] in October 2012, paving the way for the introduction of a new investment product in the market. An ETF is defined as an open-end investment company that continuously issues and redeems its shares of stock in exchange for delivery of a basket of securities representing an index whose performance the ETF endeavors to track. The ETF Rules deal with registration, offering and listing requirements with an Exchange, and the basic requirements for appointment of an ETF manager and other related trading professionals.

Amendments to Existing Rules

In addition to the above proposed new rules, the Department reviewed and prepared inputs to the following:

- Amendments to the Implementing Rules and Regulations (IRR) of the Securities and Regulation Code (SRC);
- Amendments to the Corporation Code of the Philippines;
- Guidelines on the Outsourcing of Functions by Broker Dealers;

- Guidelines on Price Stabilization; and
- SEC MC No. 6, series of 2005, Section 54 of the SRC and IRR on Settlement Offers.

Oversight of the Self Regulatory Organization (SRO)

The Department continued to exercise its supervisory authority over activities of the PSE and PDEX, both of which acquired their SRO statuses in 1998 and 2006, respectively. It conducted oversight audit to assess the exchanges' respective performance as SROs and evaluated their audit procedures. Likewise, the Department took under advisement the application of the Money Market Association of the Philippines to register as an SRO and the Securities Clearing Corporation of the Philippines as a securities depository. Review testing of their applications was performed to assess their infrastructure capability and gauge their technical capacity to operate as such. Moreover, the Department designed an in-house Department database facility for public offerings and other capital-raising activities in the Philippines. It also pursued the issue regarding the estimated amount of revenues forgone per SEC Memorandum Circular No. 9, series of 2008.

In relation to SROs, the Department promulgated Capital Markets Integrity Corporation's (CMIC) Rules and corresponding Operating Procedures. It requested the PSE to amend the required reports under Minimum Public Ownership Rules to address the concerns of market participants and investors for more transparency and timely information on public float levels.

Assumption of the Role of a National Numbering Agency (NNA)

The SEC moved to take on the responsibility of an NNA and its membership to the Association of National Numbering Agencies (ANNA). An NNA is an organization in each country that is responsible for issuing International Securities Identification Numbers (ISIN) as described by the International Standards Organization (ISO) 6166 standard and the Classification of Financial Instruments code as described by the ISO 10962 standard. An ISIN is used to identify securities such as equity instruments, fixed income instruments, and ETFs.

Monitoring Activities and Certification Examinations Conducted

In 2012, the Department monitored, reviewed and analyzed **13,522** reports/documents (**Table 2**).

Table 2. Reports/Documents Monitored

Reports/Documents	Number
Annual Audited Financial Statements	74
Broker - Dealer Financial Statements	59
General Information Sheets (GIS)	9
Manual of Corporate Governance Secretary's Certificate	95
Manual of Corporate Governance - Compliance Officer Certification	156
SEC Form Investment House - Quarterly Progress Report	122
SEC Form Investment House - Financial Statements (FS) Special Form	18
SEC Form Investment House - Annual Reports	34
SEC Form 52 Annual Reports Broker - Dealer	133
SEC Form Investment House Underwriter Amendment	3
SEC Form 28 Broker - Dealer Amendment	15
SEC Form 36 - Transfer Agent Amendment Form	4
SEC Form 36 - Annual Report	16
SEC Form 28 - Salesmen/Associated Persons Amendment Form	8
SEC Form 28 - Termination Notices	263
SEC Form Investment Company Act (ICA) - Termination Notice	95

SEC Form Investment House Underwriter Amendment Form	42
SEC Form 28 - Broker - Dealer Amendment Form	76
SEC Form ICA Amendment Form	10
SEC Form 30.2 Quarterly Compliance Report	755
SEC Form 30.1 Broker Director Rule Report	5,062
Risk Based Capital Adequacy (RBCA) Report	1,847
Certification of Shares Registered in Philippine Central Depository	1
Termination of Transfer Agents Services	2
Reports of Persons Transacting PSE Shares	3,473
Reports submitted by CMIC/PSE	36
Block Sale Report	758
Report of Trading Halt	21
Report of Suspension in Listed Issues	20
Manual on Corporate Governance	2
Anti Money Laundering Act (AMLC) - Multilevel Precedence and Preemption	2
Anti Money Laundering Compliance Form	3
Report on Dormant Accounts	126
Other Miscellaneous Reports	182
TOTAL	13,522

The Department conducted various desk audits, onsite and special audits. The two divisions also conducted compliance monitoring on a total of 256 entities, including monitoring compliance to reportorial and other legal requirements. The Department pursued actions against thirty seven (37) errant entities.

The Department issued the following new SEC Forms for easy facilitation and processing of industry-specific applications.

- SEC Form 33 (Application for Registration of Exchange/Exchange - SRO/Amendment)
- SEC Form 39 (Application for Registration of SRO/Amendment); and
- SEC Form 42 (Application for Registration of Clearing Agency/Clearing Agency - SRO/Amendment)

The Department conducted the following certification examinations:

- Securities Representative Certification Examination for salesmen of securities brokers/dealers;
- Associated Persons Certification Examination;
- Certification Examination for Fixed Income Market Salesmen; and
- Investment Company Representative Certification Examination for mutual fund agents.

The examinations were taken by a total of 2,332 examiners/participants and were meant to update the Trading Participants (TPs) on the current laws, rules and regulations, and issuances of the SEC that affected the capital market and its participants.

Inter-Agency and Regional Cooperation

The Department being part of the Capital Market Development Plan (CMDP) Technical Working Group (TWG) on Equities, is actively involved in the drafting of the Blueprint, including the formulation of CMDP strategic objectives, specific initiatives, target date of completion and performance indicators. Possible implementation issues were also identified with respect to the initiatives as well as the responsible lead agencies. The Department attended various meetings of the TWG from April 19 to

December 19, 2012 together with other stakeholders. The participation of the Department in the working group served to provide policy direction and guidance to achieve a balance of interests between stakeholders and the SEC.

The Department also participates in the Financial Stability Coordinating Council (FSCC) Working Groups on Shadow Banking Repos and Securities Lending and Capital Market Reforms Workstream, as well as the Financial Sector Forum (FSF) TWG on Assessment of Philippine Financial Market Infrastructure (FMI).

The FSCC Capital Market Reforms Workstream aims at providing parallel timeline for SEC's formulation of rules/regulations and guidelines on the issuance, registration, trading, clearing and settlement of derivatives and repo products.

The FSF TWG on Assessment of Philippine FMI aims at assessing Philippine financial market's observance of the principles of Committee of Payment and Settlement Systems - International Organization of Securities Commissions for FMIs.

Aside from CMDP, FSCC and FSF TWGs, the Department also attends and participates in the following technical committees:

- ASEAN Capital Market Forum (ACMF) Working Group A on ASEAN Disclosure Standards and ASEAN linkages;
- Personal Economic Relief Allowance (PERA) Technical Working Group re: Strategic initiatives to implement PERA Law;
- Bangko Sentral ng Pilipinas (BSP) - SEC Bilateral Task Force; and
- Shariah Technical Working Group.

CORPORATION FINANCE DEPARTMENT

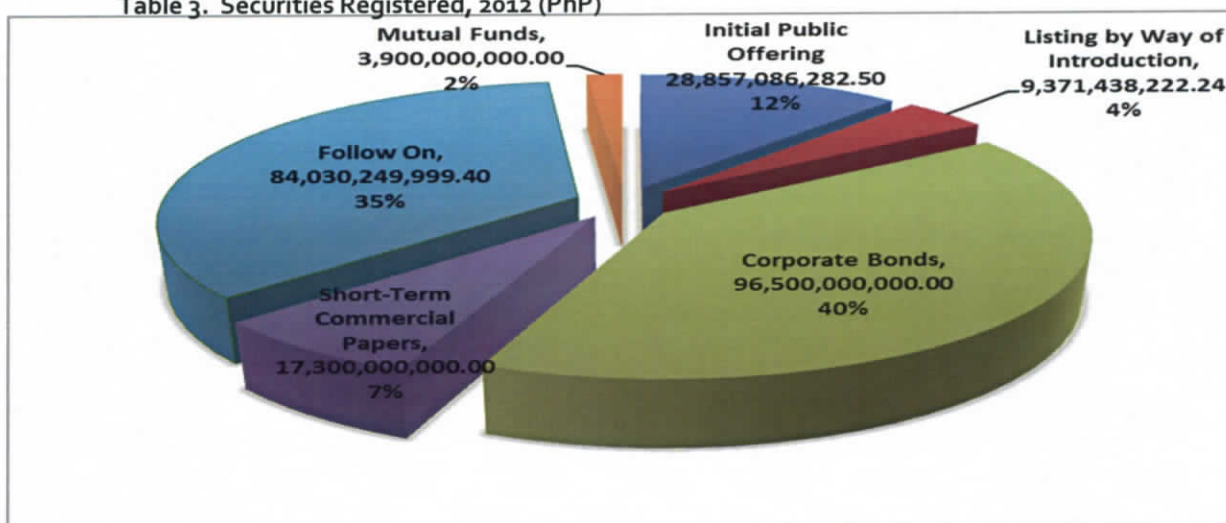
MAJOR ACCOMPLISHMENTS

The Corporation Finance Department continued to lend support to the SEC's commitment to protect investors, enhance transparency and facilitate capital formation. The Department ensured that investors were provided with relevant and material information in order to make informed investment decisions on companies that offer their securities to the public. It also provided interpretative and technical assistance and recommendation to the SEC regarding new rules and revisions to existing rules.

Securities Registration

The Department accepted and processed the applications for registration of securities of companies that raised capital through IPOs, follow-on offerings, stock rights, and stock option plans, and thru securities offered or sold by mutual fund companies. The Department registered a massive PhP239.96 billion (**Table 3**) worth of securities during the year, as follows:

Table 3. Securities Registered, 2012 (PhP)



The year-end corporate bond issues brought in PhP96.5 million or 40% of the total capital raised against PhP84.03 million or 35% through follow-on offerings and a comparatively smaller PhP28.8 million or 12% through IPOs. These developments signified investors' renewed confidence in the Philippine capital markets.

Status of the Philippine Mutual Fund Industry

Mutual fund companies ended the year 2012 on a high note, with no funds registering negative growth. During the year, mutual funds registered total net assets of PhP132.2 billion and bond funds posted the highest level of net assets of PhP64.2 billion over the net assets of equity funds and balanced funds. The encouraging performance of the mutual fund companies in 2012 was the result of the robust local bond and stock markets, despite external threats brought about by credit rating downgrades, loan defaults and recession in the European region, and the US debt ceiling and fiscal cliff problems.

The Department continued to exercise its regulatory authority over the operations of mutual funds. As of December 31, 2012, there were 52 registered investment companies.

Table 4. Philippine Mutual Funds

Type of Fund	Nature	No. of Funds
Equity Funds ¹	¹ Invest primarily in equity securities such as common stock, preferred stock, and warrants.	12
Balanced Funds ²	² Invest in both equity and debt securities, typically at a 50-50 ratio.	15
Bond Funds ³	³ Invest in fixed income (debt) instruments like government securities (T-Notes and municipal bonds) and corporate bonds (mortgage bonds and debentures)	21
Money Market Funds ⁴	⁴ Invest exclusively in short-term (less than a year) debt instruments such as T-Bills and commercial papers.	
TOTAL		52

Monitoring Activities

The Department monitored the compliance of all covered companies to both disclosure and accounting requirements. It reviewed and analyzed a total of 8,919 corporate filings during the year (Table 5).

Table 5. Reports/Documents Monitored

Reports/Documents	Number
Annual Reports (SEC Form 17-A)	515
Quarterly Reports (SEC Form 17-Q)	1,137
Current Reports (SEC Form 17-C)	4,270
Beneficial Ownership Reports (23/18)	1,180
Information Statements (Preliminary and Definitive)	608
Tender Offer Report	18
Inability to File Annual/Quarterly Reports (17-L)	134
Sales/Redemption Report	612
Conglomerates Mapping	12
Certificate of Independent Directors	92
Certificate of Attendance	1
Certificate of Compliance with Manual of Corporate Governance	81
General Information Sheet	259
Total	8,919

Revisions to Existing Rules on Corporate Governance

In an effort to institute corporate governance reforms in public companies, statutory measures were put in place. The passage of the SRC in 2000 institutionalized sound corporate governance principles and practices and made them at par with international best practices to enhance the performance of covered entities and increase their access to outside capital. Later on, the Code of Corporate Governance was promulgated.

The Governance Code, as revised in June 2009, required all covered entities to file a Manual of Corporate Governance. *Corporate governance*, as embodied in the Governance Code, refers to the "framework of rules, systems and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the stockholders". To monitor meaningful compliance with the Code, the SEC will require submission of the Annual Corporate Governance Report.

To further strengthen the observance of good corporate governance principles and practices by covered entities, the Department released the following revisions on particular provisions of the Code, viz:

Guidelines for the Assessment of the Performance of Audit Companies Listed on the Exchange (SEC MC No. 4, series of 2012). One of the significant provisions of the Governance Code of 2009 was the creation of an Audit Committee whose primary function is to assist the Board of Directors in the performance of oversight responsibility for the financial reporting process, system of internal control, audit and reporting process, and monitoring of compliance with applicable laws, rules and regulations. The Governance Code regarded the existence and role of the Audit Committee in the company's organizational structure as highly critical because the global capital markets relied on quality financial statements to ensure accuracy and transparency through financial disclosures as well as maintenance of adequate risk controls.

The Guidelines, intended to cover companies listed on the PSE, tacitly emphasized the specific functions and jurisdictional responsibilities of the Audit Committee and its composition. The Audit Committee consists of at least three (3) directors, one of whom must be an independent director and another director with related audit experience. Moreover, companies in the process of registering their

securities for public offering and listing were directed to disclose in their prospectus the details of their plans on the creation of the Audit Committee including the preparation of its charter.

Participation of Independent Directors in Employees' Stock Plan (SEC MC No. 5, series of 2012).

One of the underlying premises contained in the Governance Code involved the inclusion and election of Independent Directors in the Board of Directors of a covered corporation. Under SRC Rule 38, the independent director can hold only up to 2% of the outstanding shares of the corporation, and is not prohibited from participating in stock option plans. This policy, therefore, directly allows the Independent Directors to participate in Employees' Stock Option Plan provided that their shareholdings in the company do not exceed 2% of the outstanding shares of the corporation.

Guidelines for Accreditation of Institutional Training Providers (ITPs) on Corporate Governance (SEC MC No. 11, series of 2012). In line with the thrust of the SEC to continuously promote a higher level of corporate governance through quality training on good corporate governance principles and standards for the directors of covered companies, all private and government ITPs must be accredited by the SEC. These guidelines defined the accreditation requirements and qualification standards for prospective ITPs, including the training programs and the periodic reports required to be submitted to the SEC.

Proposed New Investment Rules

The Department likewise clarified the existing provisions of the Investment Company Act by proposing new regulations through **Collective Investment Schemes Bills**. The bill seeks to amend the ICA of 1960 in order to level the playing field for all collective investment schemes, i.e. Mutual Funds, Unit Investment Trust Funds (UITFs), and variable contracts. The unified rules would regulate open and close-ended investment companies, as well as other collective investment schemes including UITFs, and other similar indirect or collective investment schemes, thus, broadening the investment options offered to Filipino investors. Likewise, through this bill, investor protection could be greatly promoted by the imposition of high governance standards in the establishment, sale, management, and operation of collective investment schemes.

The Department also assisted in the drafting of the newly-approved Rules on ETFs and provided technical inputs in the proposed amendments to the Corporation Code of the Philippines and to the IRR of the SRC.

INVESTOR PROTECTION AND SURVEILLANCE DEPARTMENT

MAJOR ACCOMPLISHMENTS

Monitoring Compliance of Covered Companies with Legal and Regulatory Requirements:

By Issuers of Proprietary and Non-Proprietary Shares/Certificates

In 2012, the Department restructured its compliance evaluation process for more effective and efficient monitoring of the reports filed by the issuers of proprietary and non-proprietary shares/certificates that include resort and country clubs, golf clubs, and vacation clubs that offer membership/ timeshare certificates. The Department streamlined its reportorial requirements and rationalized their deadlines and penalties for non-compliance.

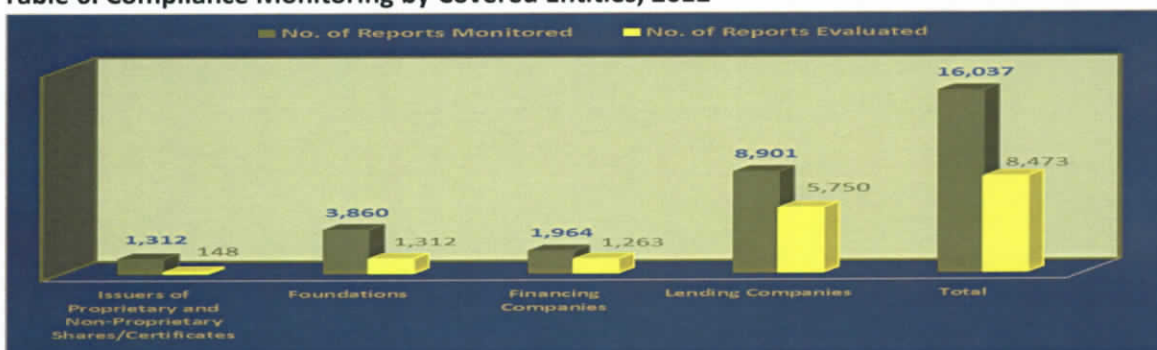
By Foundations, Financing Companies and Lending Companies

The Department continued to strictly monitor the reportorial compliance of registered foundations, financing companies and lending companies. It sent notices of conference and show-cause letters to delinquent foundations, financing companies and lending companies to ensure their compliance with existing laws and their implementing rules and regulations and update their reportorial status. Likewise, the Department streamlined its reportorial requirements and rationalized its deadlines and penalties for non-compliance.

To enhance its monitoring process, the Department proposed the Guidelines on the computation of the RCBA Ratio requiring every stand-alone financing company to maintain a capital adequacy ratio of not less than 10% in relation to its total risk-weighted assets with core capital ratio consisting not less than 5% in relation to its total risk-weighted assets. The Guidelines prescribed the reporting format, submission dates, and details on the computation of the RBCA Ratio requirement.

A summary of the reports filed by these covered companies which were monitored and evaluated by the Department in 2012 is shown in **Table 6** below:

Table 6. Compliance Monitoring by Covered Entities, 2012



Surveillance of the Trading of Issues in the Exchanges

In order to maintain an orderly market, enhance the transparency and integrity thereof and consequently protect investors, the Department continued to monitor the trading of issues in the PSE to prevent market manipulation by entities and individuals in violation of the SRC and its IRR.

In 2012, the Department prepared surveillance reports on suspicious trading activities on various listed issues committed by TPs and individuals (**Table 7**). These reports were endorsed to the Enforcement and Prosecution Department for further investigation and other appropriate enforcement actions.

Table 7. Suspicious Trading Activities Committed by Listed Companies and TPs

Description of Suspicious/Manipulative Trading Activities	No. of Companies/TPs Investigated
Hype	6
Painting	5
Wash sales	2
Fraudulent transactions	1
Insider trading	1
Marking the close	1
Intending to create a false or misleading appearance of active trading	3
Effecting transactions that raised the price of shares to induce the purchase of said shares	2

Failure to exercise supervision to ensure compliance with the SRC and its IRR with respect to the prohibition on manipulative practices	6
Aiding or abetting violations of the SRC and its IRR	2
Violation of the ethical standard rule on compliance	1
Violation of the ethical standard rule on information about clients	5
Violation of the customer account information rule	28
Executing securities transactions with a different broker while being a registered salesman with another broker	2
Total	65

The Department also prepared the following periodic reports resulting from its market surveillance efforts:

Table 8. Other Surveillance Reports

Type of Report	No. of Reports
Daily Market Report	199
Midday Market Report including Bureau of Treasury Report	105
Partial Market Report	95
Weekly Monitoring Sheets on the surveillance of market prices of 264 issues	173
Analyzed trade files	57
Consolidated monitoring sheet on ceiling/floor alert of 14 issues for the month	12
Total	641

To bolster further the Department's surveillance capacity, the SEC has acquired a new market surveillance system from Korea Exchange (KRX) which is capable of monitoring both the equities and fixed-income markets.

Residual Power of SEC Over Pre-Need Companies under the Pre-Need Code

Under Section 57 of the Pre-Need Code of the Philippines, the processing of all pending claims, complaints and cases filed with the SEC prior to the effectivity of said Code remained with the SEC until their final dispositions. The SEC continued, among others, to assist planholders by referring them to the liquidators of the 11 pre-need corporations with trust funds under liquidation either by the SEC-appointed liquidator or the corporation itself.

The Department likewise reviewed 105 new claims filed by the Legacy Consolidated Plans, Inc. planholders, finished validating the claims of 20,926 Scholarship Plan Phils., Inc. planholders, and released the checks covering the first benefit payment totaling P14,048,991.36 to 1,270 planholders of All Asia Plans Corp.

As directed by the Court, the Department, through the Office of the General Counsel (OGC) and Office of the Solicitor General, prepared Comments on the following:

- a) Order of the Makati Regional Trial Court requiring the Rehabilitation Receiver of College Assurance Plan Phils., Inc. (CAP) for an explanation regarding the sale transaction of a CAP property worth PhP41million to a prospective buyer with paid-up capital of only PhP662,500.
- b) Proposed liquification of the trust fund of TPG Corporation. Section 15 of the Pre-Need Code allows the conversion of assets into cash if the public interest so requires to settle the obligations of the pre-need corporation.
- c) Motion to Sell Trust Assets of Platinum Plans Phils., Inc. filed by the Receiver. The SEC comment was for a second appraisal by an independent SEC-accredited appraiser to be conducted for the purpose of comparing the respective valuations thereof.
- d) Court Order approving the Motion to Sell a trust property of the Comprehensive Annuity Plan and Pension Corp., an affiliate of CAP. The SEC comment was for the proceeds of said sale to be paid to CAP pension planholders and not to CAP education planholders. This matter was referred to the Office of the Insurance Commission (OIC) for comments.
- e) Resolution of the Court of Appeals (CA) denying the Motion for Reconsideration filed by SEC and OIC on the decision of CA ordering CAP to pay out of the trust fund its outstanding obligation of US\$6 million for the purchase of Metro Rail Transit Bonds to Smart Share Investment, Ltd. and Fil-Estate Management. The SEC comment was for said transaction as not one of the allowable withdrawals from the trust fund.

Investor Assistance

The Department acted on 5,860 queries and complaints it received through walk-in clients, by phone and mail. Of the total 391 conferences/hearings conducted in 2012 on complaints filed against covered entities, the Department issued 132 Orders either for closure and termination of complaints/cases. Of this number, 110 Orders were amicably settled by both respondent and complainants. The Department conducted unified fact finding and handled notable cases, as follows:

Table 9. List of Notable Cases Handled

Date	Decision/Resolution
December 4, 2012	Judgment by Compromise in the case of ARMANDO U. LIM vs. SUMMIT POINT GOLF AND COUNTRY CLUB INC. involving membership dues
November 12, 2012	Order in TIANSHI PHILIPPINES INC. discussing the complaint filed by Mrs. Ruth Cleto, for lack of jurisdiction over the case for collection of delivery of rewards
October 10, 2012	Order in GN MEGA GOLDEN LENDING CORPORATION dismissing the complaint for SEC's lack of jurisdiction over corporate cases, manpower placement case and under declaration of tax

In the pipeline is the establishment of the SEC i-Complaint Center which is a web-based online lodging of queries and complaints against covered entities on such issues as stiff interest rates, fraudulent transactions, etc.

The Department issued three (3) public advisories on investment scams and foundations which were posted in the SEC website. These were as follows: (1) Aman firm operating in Pagadian City offering "double your money" scheme for investments made; (2) Group of persons, companies or firms

operating in Cagayan Province, Ilocos Norte, Camiguin Island, and Cagayan de Oro City offering securities/investment opportunities to the public, particularly domestic helpers, promising a hefty income or big return; and (3) Verification of the following information before dealing with a foundation: a) whether it has a permit from the Department of Social Welfare and Development (DSWD) to solicit contributions/donations from the public; b) whether it is registered with the SEC as evidenced by a certificate of incorporation; c) even if registered with the SEC, whether its certificate of incorporation was not revoked or its term already expired; and d) if it is active or its registration was not revoked, whether its activities are within the scope of the purposes set forth in its articles of incorporation.

COMPANY REGISTRATION
and
MONITORING

COMPANY REGISTRATION AND MONITORING DEPARTMENT

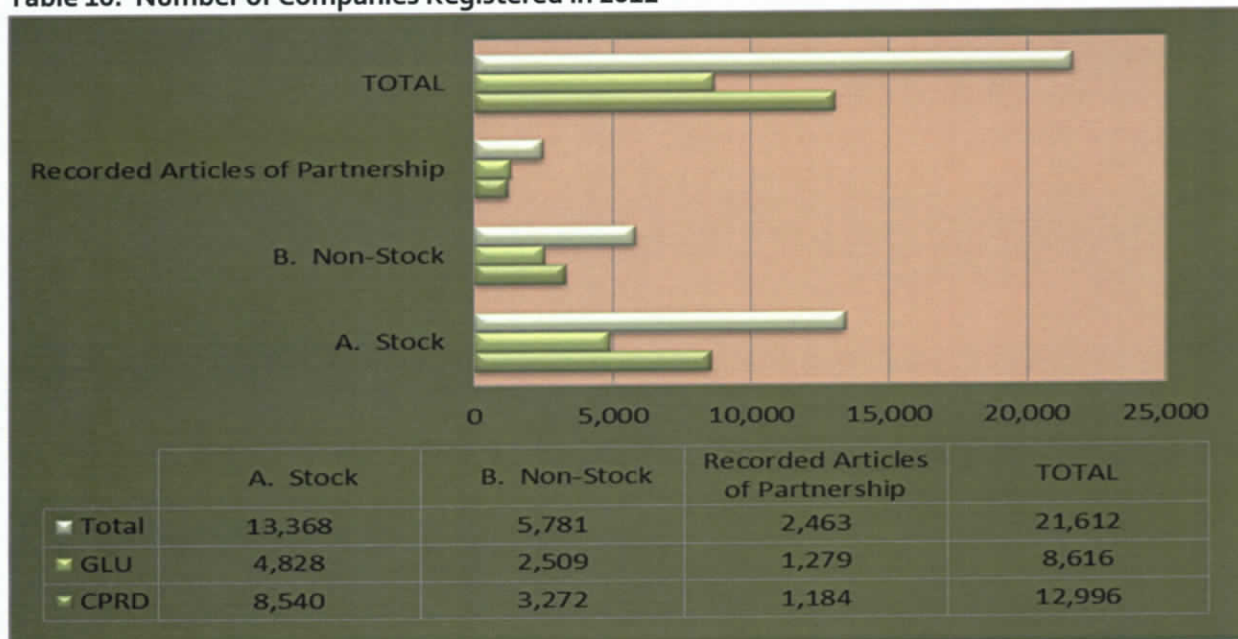
MAJOR ACCOMPLISHMENTS

Registration of Domestic Corporations and Partnerships

Primary registration of corporations and partnerships is directly handled by the Corporate and Partnership Registration Division (CPRD) and the Green Lane Unit (GLU).

Applications filed with the GLU are approved within one (1) day from date and time of filing. Thus, those filed before 11:00 a.m. are approved on the same day, while those filed after 11:00 a.m. are approved not later than 12:00 noon of the following day. All applications for registration may be filed with the GLU, except: (a) those corporations whose subscribed capital is not paid in cash; (b) those with more than 40% foreign equity under the Foreign Investments Act (FIA) of 1991, as amended, and (c) those with secondary license issued by the SEC.

Table 10. Number of Companies Registered in 2012



During the year in review, the Department approved 21,612 applications for registration of domestic corporations and partnerships (Table 10), out of which 8,616 or about 40% were processed through the GLU, a staggering increase from last year's output of 9%. This development prompted the Department to institute more procedural changes during the year to further ease the processing of registration applications, this time in the CPRD (regular lane). Several of those changes included the adoption of SEC Resolution No. 331 in August 2012 which excluded the Bank Certificate of Deposit as a registration requirement for stock corporations whose subscription is paid in cash, and SEC Resolution No. 364 which dispensed the requirement of having the Register of Deeds stamp "Primary Entry" in the Deed of Assignment submitted in support of the registration applications of companies whose subscription is paid through lands and improvements thereon. These changes in the requirements shortened the regular processing period from three (3) days to two (2) days.

Other Applications Processed and Approved

The Department also processed and approved a total of 13,463 other applications in 2012.

Table 11. Other Applications Processed and Approved in 2012

Applications	Number
Amended Articles of Incorporation	7,228
Increase of Capital Stock	2,038
Amended By-Laws	1,223
Amended Articles of Partnership/Amended Articles of Partnership - FIA /Affidavit of Withdrawal/Dissolution of Partnership/Deed of Assignment of Partners	1,074
Dividend Declaration	147
Voting Trust Agreements	179
Dissolution	125
Extension of Corporate Term	126
By-Laws/New By-Laws	84
Increase in Foreign Equity	39
Merger and Consolidation	27
Decrease of Capital Stock	36
Confirmation of Valuation/Application for Confirmation of Exempt Transactions of Properties	63
Articles of Incorporation/By-Laws - FIA	531
Amendment re: Reclassification of Shares	14
Appointment Letter	15
Articles of Partnership - FIA	49
Equity Restructuring	28
Certification of Paid-Up Capital/Capital Structure/Percentage of Ownership	435
Creation of Additional Paid-In Capital	2
Total	13,463

Licensing Activities

The Department, through its Licensing Unit (LU), grants licenses to foreign and multinational companies to do business in the Philippines, lending companies, Real Estate Investment Trusts (REIT) property, and REIT fund managers. It also issues and renews the licenses of capital market institutions such as investment houses, underwriters of securities, Government Securities Eligible Dealers, investment company advisers, mutual fund distributors and transfer agents, and their respective associated persons, compliance officers, sales persons, and certified investment solicitors.

In 2012, the Department issued a total of 6,599 licenses including 171 licenses to foreign corporations and multinational companies, 316 licenses to lending companies, 288 licenses to capital market participants, and 5,687 licenses to capital market professionals. (Table 12).

As compared to last year, the number of licenses issued to capital market participants increased by 11% and the number of licenses issued to foreign corporations and multinational companies by 3%. In the first quarter of 2012, the Department transferred to the CFD the processing of applications for Certificates of Authority to Operate a Financing Company. Prior to said transfer, the Department was able to issue eight (8) licenses to financing companies.

Table 12. Licenses Issued

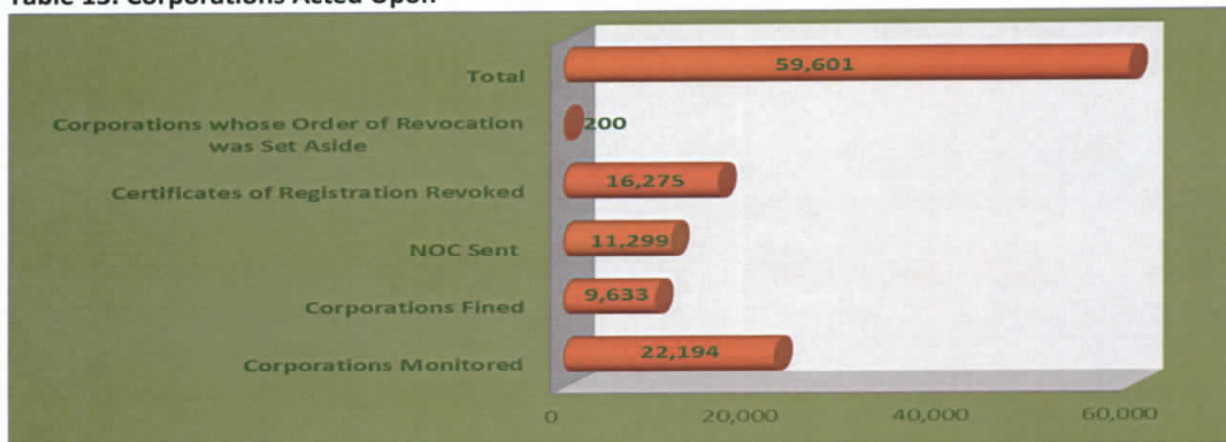
Licenses	Number	Total
Foreign Corporations		
Branch Office	84	
Representative Office	52	
Multinational Companies		
Regional Head Quarters	25	
Regional Operating Head Quarters	10	171
Lending Companies		
Head Office	242	
Branch Office	74	316
Capital Market Participants		
Institutions Main Office	263	
Institutions Branch Office	25	288
Capital Market Professionals	5,687	5,687
Other Licensing Applications Processed and Approved		
Substitution of Resident Agent	79	
Withdrawal of License	28	
Amendment of License	19	
Filing of Amended Articles of Association	11	137
Total		6,599

Monitoring Activities

The Department monitors compliance of all corporations with the Corporation Code of the Philippines and other reportorial requirements under SEC rules and regulations of registered corporations, except those whose securities are registered under the SRC, those which are listed in the PSE, and those which are grantees of secondary licenses from the Commission.

In 2012, the Department acted upon a total of 59,601 corporations, including monitoring a total of 22,194 corporations that have applications with CPRD, those who responded to the Notice of Conference (NOC) and walk-in clients, the details of which are shown in **Table 13**, below:

Table 13. Corporations Acted Upon



As part of its monitoring functions, the Department sends NOCs to corporations whose reports [i.e. the GIS and Annual Audited Financial Statements] are found to be deficient and incomplete. During

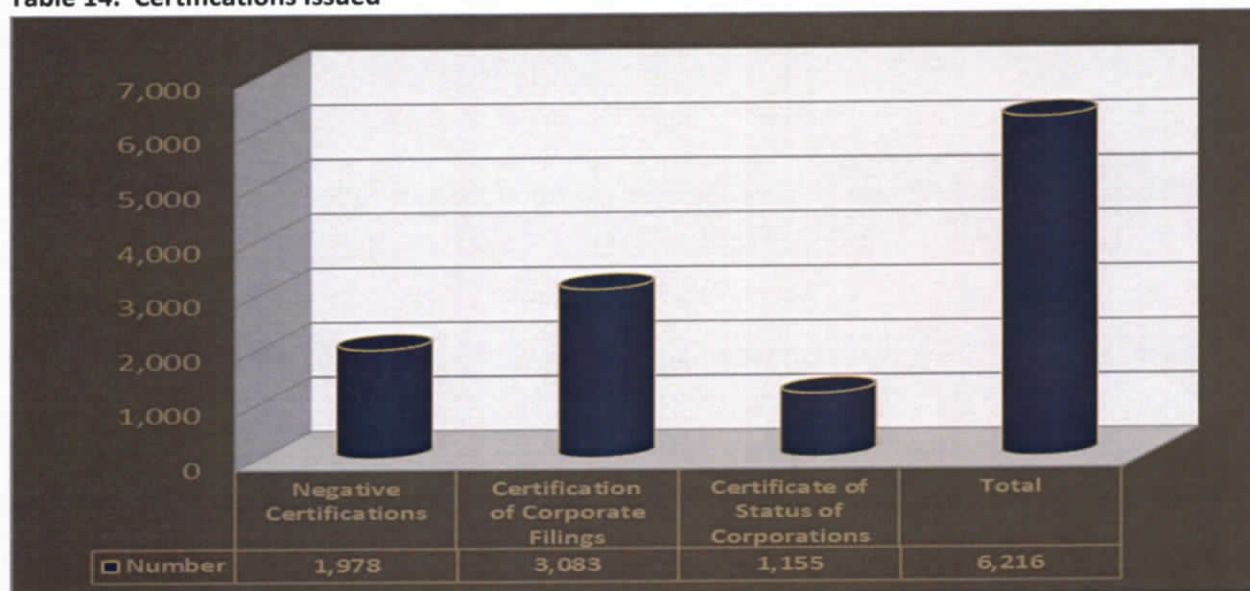
the year, NOCs en masse were sent to corporations registered in 2002, 2003 and 2004. Moreover, the Department revoked the Certificates of Incorporation of 16,275 corporations whose registration dates fell between 2004 and 2005 due to non-compliance with their reportorial obligations. The Department published the Orders of Revocation in June and December 2012.

Custodial Management of Corporate Records

To keep the integrity of all corporate records in its custody, the Department likewise conducted regular clean-up of non-record and valueless materials. Thus, pursuant to SEC Office Order No. 539, the Department disposed of corporate records and other valueless materials with a total volume of 29,5104 cubic meters. In line with this activity, and per request of neighborhood associations registered with the SEC, the Department transferred 134 corporate records to the Housing and Land Use Regulatory Board (HLURB) by virtue of the Department of Justice (DOJ) Opinion No. 20, series of 2012, transferring the regulatory jurisdiction of the SEC over neighborhood associations to the HLURB.

The Department also processed 6,216 requests for Certifications, broken down in **Table 14** as follows:

Table 14. Certifications Issued



Inter-Agency Collaboration

The Department consistently coordinates and complies with the requests of the PSE, the Philippine Dealing System Holdings Corporation, National Association of Securities Broker Salesmen, Inc., and the Bureau of Treasury for updates on the status of the respective licenses of both the capital market institutions and professionals.

The Department also submits regular reports to the Board of Investments (BOI) in connection with SEC-registered export enterprises and to the BSP relating to SEC-registered entities with foreign investments for BSP registration. In 2012, a total of 258 companies were reported to the BOI and 38 companies to the BSP.

In the same way, consistent with the Memorandum of Agreement between the SEC and the Anti Money Laundering Council (AMLC), the Department continues to provide relevant information to the AMLC on the registration of corporations with individuals and/or corporate subscribers having subscription amounting to PhP500,000 or more.

Relative to its requirement for a favorable endorsement from counterpart government agencies for the various applications filed with the SEC, the Department closely coordinated and continues to be in close cooperation with the DSWD, Bureau of Internal Revenue (BIR), Department of Labor and Employment, Department of National Defense, Armed Forces of the Philippines (AFP), Department of Education, Technical Education and Skills Development Authority, Professional Regulation Commission, OIC, BOI, BSP, Land Registration Authority, Maritime Industry Authority, and the different economic zones.

Lastly, the Department through its Corporate Filings and Records Division attended to government requests for the production of corporate records from BIR, Office of the Ombudsman, Sandiganbayan, National Bureau of Investigation, Philippine National Police, AFP, DOJ, Department of Finance, Department of Trade and Industry, the Local Government Units and the courts in pursuant to subpoenas *duces tecum ad testificandum*.

Further Streamlining of Existing Rules and Regulations

The Department released new and revised regulatory issuances that helped streamline the existing documentary requirements and reduced the processing time of applications:

SEC Resolution No. 165, series of 2012, resolved to revise the requirements on financial statements that accompany the applications of foreign corporations for a license to transact business in the Philippines.

SEC Resolution No. 363, series of 2012, provided the exclusion of the Special Audit Report requirement for applications for the increase of capital stock except where the applicant is a listed company, a public company under the SRC, a company which offers or sells securities to the public, or where the increase in capital stock has a paid up amount of more than PhP10 million. It further resolved to revise SEC MC No. 6, series of 2008 which previously set the guidelines on on-site verification or special audit of the company's financial records relative to the filing of its application for capital increase.

SEC Resolution No. 421, series of 2012, adopted other requirements, in lieu of the submission of the AFS, in applications for dissolutions.

SEC Resolution No. 443, series of 2012, simplified the requirements of Affidavit of Undertaking to Change Name in applications for amendment to change corporate/partnership name.

SEC Resolution No. 444, series of 2012, delegated to the SEC Extension Offices (EOs) the authority to sign and issue Certificates of Authority to Operate as Lending Companies to applicants filing in the respective EOs.

SEC Resolution No. 518, series of 2012, dispensed with the requirement of a Long-Form Audit Report in applications for an increase in capital stock where subscription payments to the increase are in the form of stock dividends.

SEC Resolution No. 519, series of 2012, resolved to adopt starting January 2013, the specific Guidelines with respect to the documents submitted to the SEC by the corporations and partnerships with foreign equity.

SEC Resolution No. 575, series of 2012, resolved to adopt the policies for applications of corporations affected by the Supreme Court ruling (in the Gamboa vs. Teves case) pending the release of the official Guidelines/Implementing Rules of the Commission.

SEC Resolution No. 617, series of 2012, modified SEC MC No. 8, series of 2000, on Record Services for Government Agencies.

SEC Resolution No. 619, series of 2012, approved the draft Guidelines on the Mandatory Incorporation of the Tax Identification Number of Foreign Investors in all forms, papers and documents filed with the SEC.

SEC MC No. 1, series of 2012, re-affirmed with finality the Revocation Orders issued against corporations registered from 1936 to 2000 whose certificates of registration were revoked by the SEC for failure to comply with the reportorial requirements.

SEC MC No. 8, series of 2012, amended SEC MC No. 5, series of 2008, on the Guidelines and Procedures on the Use of Corporate and Partnership Names.

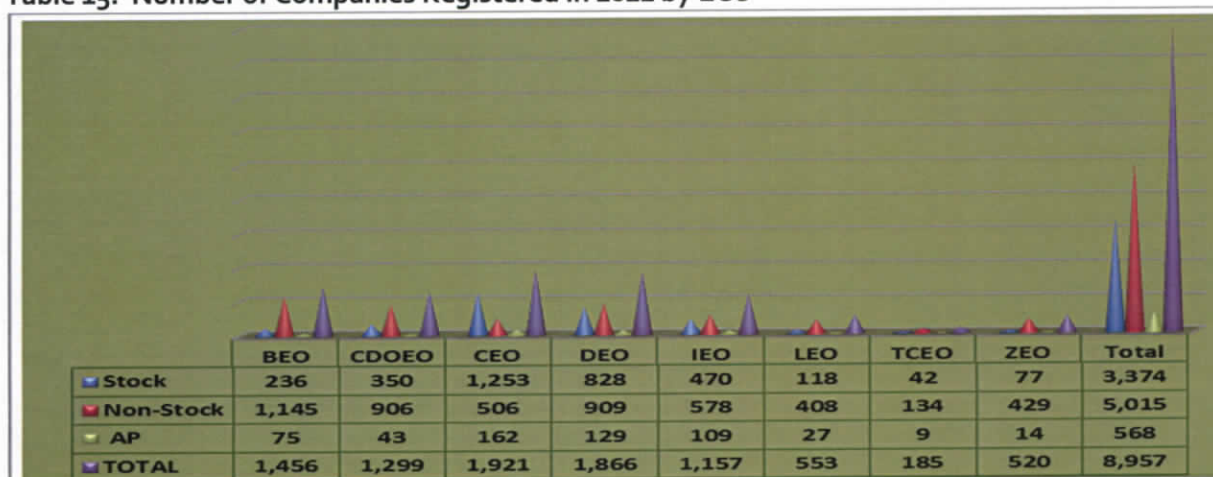
SEC EXTENSION OFFICES

MAJOR ACCOMPLISHMENTS

The SEC's eight (8) EOs, in different strategic locations nationwide, serve as the SEC's satellite response units to corporate registrants outside Metro Manila requiring assistance in registration and compliance monitoring. These are Baguio Extension Office (BEO), Cagayan de Oro Extension Office (CDOEO), Cebu Extension Office (CEO), Davao Extension Office (DEO), Iloilo Extension Office (IEO), Legaspi Extension Office (LEO), Tarlac City Extension Office (TCEO), and Zamboanga Extension Office (ZEO).

In 2012, all EOs registered a total of 3,374 stock corporations, 5,012 non-stock corporations and 568 Partnerships (**Table 15**).

Table 15. Number of Companies Registered in 2012 by EOs



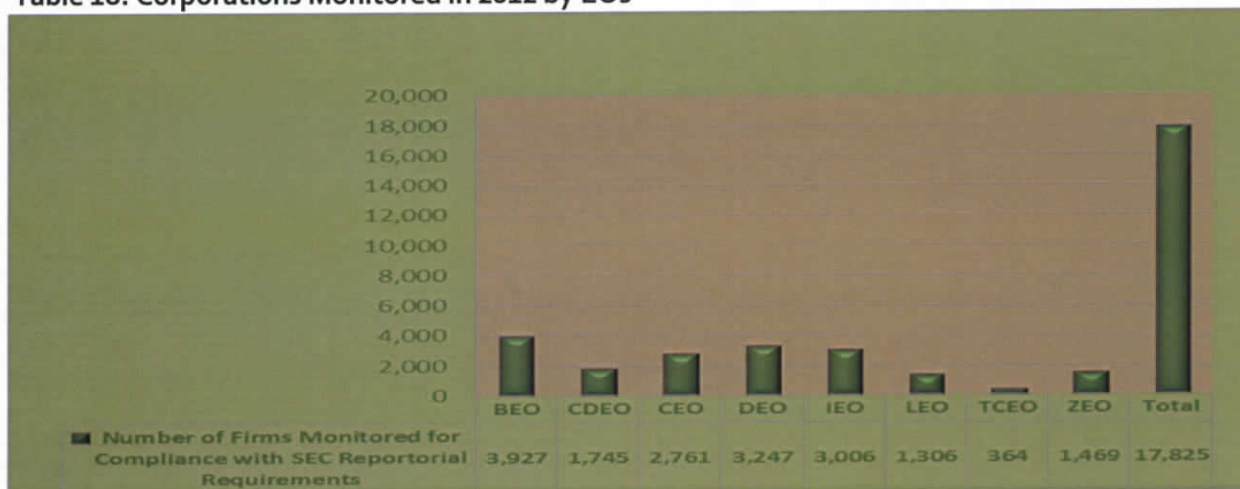
The CEO registered the most number of business entities, which indicated of the continuing positive growth and vibrancy of the economic activity in the region. The TCEO posted the least number of registered firms since it was inaugurated only in March 2012 and started its operations and served the province and its neighboring localities only by the following month.

Other significant activities undertaken by the EOs relative to processing of other applications and monitoring the compliance of registered corporations. These are summarized in **Tables 16 and 17** as follows:

Table 17. Other Applications Approved in 2012 by EOs

	<i>BEO</i>	<i>CDOEO</i>	<i>CEO</i>	<i>DEO</i>	<i>IEO</i>	<i>LEO</i>	<i>TCEO</i>	<i>ZEO</i>	Total
Amended Articles of Incorporation	330	133	589	370	518	89	25	61	2,115
Amended Articles of Partnership	17	4	20	45	11	10	4	-	111
Amended By-Laws	80	33	108	48	62	4	11	8	354
Increase of Authorized Capital Stock	25	14	125	88	39	4	7	-	302
Miscellaneous	13	-	55	-	9	3	-	6	86
Total	465	184	897	551	639	110	47	75	2,968

Table 18. Corporations Monitored in 2012 by EOs





ENFORCEMENT

ENFORCEMENT AND PROSECUTION DEPARTMENT

Complaints Received

A total of 185 complaints were received by the Enforcement and Prosecution Department (EPD) during the year in review consisting mostly of violations under the Lending Company Regulation Act and Section 8 (unregistered securities) of the SRC. By origin, 107 or 58% of the complaints came from SEC departments and offices; 68 or 37% from the public and the rest from other sources.

Table 18. Complaints

SOURCES OF COMPLAINTS	NUMBER OF COMPLAINTS	TOTAL
PUBLIC including email	68	68 (37%)
OTHER GOVERNMENT AGENCIES (DOMESTIC/FOREIGN)		
Bureau of Immigration	1	
Department of Trade and Industry	2	
Department of Interior and Local Government	1	
Office of the President	1	
Commission on Audit	1	
Interpol	2	
SEC – Hong Kong	1	9 (5%)
INTERNAL SEC		
Motu Proprio	9	
Office of the Chairman	24	
Office of the General Accountant	3	
Office of the General Counsel	8	
Investor Protection and Surveillance Department	26	
Corporation Finance Department	19	
Company Registration and Monitoring Department	12	
Economic Research and Information Department	1	
Extension Offices	5	107 (58%)
Total		184 (100%)

Results of Investigation

As a result of the investigation it conducted against the subjects of complaints, the Department prepared 119 investigation reports and closed and terminated a total of 109 cases of which 85 originated from complaints received in 2012 alone. Some of these complaints resulted in the initiation of enforcement actions against the erring entities or individuals.

In 2012, the Department initiated seven (7) criminal actions and 41 administrative actions, and issued 64 Orders for imposition of administrative fine and other orders. In the process, the Department collected PhP4,694,300.77. On the basis of the administrative actions filed by the Department before the Commission *en banc*, the latter revoked the Certificates of Incorporation of six (6) corporations and issued 13 Cease and Desist Orders (CDOs) during the year 2012.

Table 19. Results of Investigation

CATEGORY			
I. Criminal Actions		Violation	No.
A. Complaint Affidavits Filed	1) Sections 8.1 and 28.1 of the SRC	- Requirement of registration of securities - Registration of brokers, dealers, salesmen and associated persons	2
	2) Section 24 (b) (i) (iii) of the SRC	- Manipulation of securities prices, devices and practices	1
Sub Total			3
B. Criminal Information Filed in Court	1) Sections 8 and 26 of the SRC	- Requirement of registration of securities	1
	2) Sec. 8.1 of the SRC	- Fraudulent transactions	1
	3) Articles 172 and 183 of the Revised Penal Code (RPC)	- Falsification by private individuals and use of falsified documents - False testimony in other cases and perjury in solemn affirmation	2
Sub Total			4
Total			7
II. Administrative Actions		Violation	No.
A. Petitions for Revocation Filed	1) Section 7 of the Financing Company Act	- Applicability of BSP regulations	3
	2) Section 6 (L) 3 of Presidential Decree (PD) 902	- SEC's power to suspend and revoke, after proper notice and hearing, the franchise or certificate or registration of corporations and partnerships	2
	3) Section 4 of the Lending Company Regulation Act	- Authority to conduct business and authority to operate	17
	4) Section 54 of the SRC	- Administrative sanctions	
	5) Sections 8 and 26 of the SRC	- Requirement of registration of securities - Fraudulent transactions	1
Sub Total			24
B. Petitions for Suspension Filed	1) SRC Rule 17	- Periodic and other reports of issuers	1
Sub Total			1

C. Motions for Issuance of CDO Filed	1) Section 4 of the Lending Company Regulation Act	- Authority to conduct business and authority to operate	8
	2) Section 7 of the Financing Company Act	- Applicability of BSP regulations	1
	3) Sections 8, 26 and 28 of the SRC	- Requirement of registration of securities - Fraudulent transactions - Registration of brokers, dealers, salesmen and associated persons	7
Sub Total			16
TOTAL			41

III. Orders Issued	Violation		No.
A. SRC, Finance Company, Lending Company Act, RPC and Corporation Code Violations,	1) Section 17 of the SRC; SRC Rule 13	- Periodic and other reports of issuers	3
	2) Section 24.1 of the SRC	- Effecting transactions which involve no change in beneficial ownership	12
	3) Section 54.1 (c) (iii) of the SRC	- Administrative sanctions	2
	4) Sections 8 and 12 of the SRC; SRC Rule 8 (1) (A)	- Requirement of registration of securities	3
	5) Section 27 of the SRC	- Insider's duty to disclose when trading	1
	6) Section 17 of the SRC	- Periodic and other reports of issuers	3
	7) Financing Company Act		1
	8) Lending Company Regulation Act		4
	9) Section 68 of the SRC	- Special accounting rules	5
	10) Articles 172 and 173 of the Revised Penal Code	- Falsification	1
	11) Section 45 of the Corporation Code	- Ultra vires acts of corporations	1
	12) SEC MC No. 8, series of 2006	- Revised guidelines on foundations	1
	13) Section 121 of the Corporation Code	- Involuntary dissolution	12

	14) Section 23 of the SRC	- Transactions of directors, officers and principal stockholders	1
Sub Total			50
B. Certificates of Incorporation Revoked	1) Section 6 (L) 1 of PD 902-A	- Fraud in procuring certificate of registration	5
	2) Section 6 (L) 3 of PD 902- A	- Grave violation of franchise	1
Sub Total			6
C. Cease and Desist Orders Issued	1) Section 4 of the Lending Company Regulation Act	- Form of organization	6
	2) Sections 8 and 26 of the SRC	- Requirement of registration of securities - Fraudulent transactions	3
	3) Section 8 of the SRC	- Requirement of registration of securities	3
	4) Section 7 of the Financing Company Act	- Applicability of BSP regulations	1
Sub Total			13
Total			69

In 2012, the Department participated in the BSP Financial Education Expo held in major cities around the country, such as: Roxas City, Ilocos Norte, Ozamis City, Lucena City, Tarlac City, Cebu City and Iloilo City. Resource speakers from the Department lectured on topics regarding investment scams and financial fraud.

2012 SEC MEMORANDUM CIRCULARS

No.																																					
1	<p>FINALITY OF THE REVOCATION ORDERS, March 8, 2012</p> <p>This Circular covers corporations registered from 1936 to 2000 whose certificates of registration were revoked by the SEC for failure to comply with the reportorial requirements.</p> <p>The SEC resolved to extend for the last time the period within which such corporations may file their petition in accordance with the following schedule:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Year Registered</th> <th style="text-align: center;">Date of Order</th> <th style="text-align: center;">Date of Revocation</th> <th style="text-align: center;">Deadline to File Petition to Lift Order of Revocation</th> </tr> </thead> <tbody> <tr> <td>1936-1966*</td> <td>April 22, 2003</td> <td>May 26, 2003</td> <td>December 31, 2013</td> </tr> <tr> <td>1967-1975</td> <td>May 27, 2003</td> <td>July 2, 2003</td> <td>December 31, 2013</td> </tr> <tr> <td>1976-1984</td> <td>July 8, 2003</td> <td>August 11, 2003</td> <td>December 31, 2013</td> </tr> <tr> <td>1985-1991</td> <td>August 20, 2003</td> <td>September 29, 2003</td> <td>December 31, 2013</td> </tr> <tr> <td>1992-1995</td> <td>September 30, 2003</td> <td>November 3, 2003</td> <td>December 31, 2013</td> </tr> <tr> <td>1996-1997</td> <td>February 10, 2004</td> <td>March 15, 2004</td> <td>December 31, 2014</td> </tr> <tr> <td>1998-1999**</td> <td>October 25, 2005</td> <td>December 1, 2005</td> <td>December 31, 2015</td> </tr> <tr> <td>2000**</td> <td>June 27, 2006</td> <td>August 2, 2006</td> <td>December 31, 2016</td> </tr> </tbody> </table> <p><i>*Except those registered from 1936 to 1961 whose terms expired and were not extended.</i> <i>**Order includes non-commencement of charter within two years from date of incorporation and continuous inoperation for at least 5 years.</i></p> <p>Failure to file the said petitions within the periods indicated above shall mean that the orders of revocation can no longer be lifted or set aside.</p>	Year Registered	Date of Order	Date of Revocation	Deadline to File Petition to Lift Order of Revocation	1936-1966*	April 22, 2003	May 26, 2003	December 31, 2013	1967-1975	May 27, 2003	July 2, 2003	December 31, 2013	1976-1984	July 8, 2003	August 11, 2003	December 31, 2013	1985-1991	August 20, 2003	September 29, 2003	December 31, 2013	1992-1995	September 30, 2003	November 3, 2003	December 31, 2013	1996-1997	February 10, 2004	March 15, 2004	December 31, 2014	1998-1999**	October 25, 2005	December 1, 2005	December 31, 2015	2000**	June 27, 2006	August 2, 2006	December 31, 2016
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2	<p>GUIDELINES ON SECURITIES DEPOSIT OF BRANCH OFFICES OF FOREIGN CORPORATIONS, May 7, 2012</p> <p>This Circular applies to all branch offices of foreign corporations duly licensed to do business in the Philippines that are mandated to deposit securities with the SEC in accordance with the following schedule:</p> <ol style="list-style-type: none"> a. Within 60 days after the issuance of its SEC license, securities within an actual market value of at least PhP100,000; b. Additional securities shall be deposited within six months (6) after the end of the fiscal year indicated in the Financial Statements in the following situations: <ol style="list-style-type: none"> i. If the licensee's gross income within the Philippines for that fiscal year exceeds PhP5,000,000, additional securities with an actual market value equivalent to 2% of the increase in said gross income; and 																																				

- ii. If the actual market value of the securities deposited has decreased by at least 10% from the time it was deposited, additional securities with an actual market value that would cover the decrease.

The following corporations are not required to post securities deposit:

- a. foreign banking corporations including offshore banking units;
- b. foreign insurance corporations;
- c. foreign non-stock corporations including foreign religious corporations;
- d. foreign corporations which have established representative offices in the Philippines;
- e. regional or area headquarters of multinational companies; and
- f. operating regional headquarters of multinational companies.

3

REVISED GUIDELINES ON THE IMPLEMENTATION OF PFRS 9 (FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT), May 28, 2012

The Revised Guidelines pertains to the following revisions to the original PFRS 9:

- (a) Change to the original mandatory effective date of PFRS 9 from January 1, 2013 to January 1, 2015;
- (b) Modification of the relief from restating periods; and
- (c) Additional required disclosures on transition from PAS 39, Financial Instruments: Recognition and Measurements to PFRS 9.

The relevant provisions of the Guidelines should now read as follows:

1. Covered companies shall conduct a study every second quarter of the fiscal year up to 2014 on the impact of an early adoption of PFRS 9 on their Financial Statement. The assessment shall use as basis the company's audited financial data as of the most recently-completed fiscal year;
2. For covered companies that are required to submit interim FS to the SEC, they shall comply with the following requirements:
 - a. interim FS starting with the period ended June 30, 2012 to June 30, 2014 shall contain a disclosure on whether or nor the company conducted an evaluation on the possible financial impact of the adoption of the PFRS 9 pursuant to paragraph (1) above. The reason for not conducting an impact shall be indicated in the interim report.
 - b. if the company conducted an impact evaluation, the interim FS shall contain a disclosure on whether or not it will adopt PFRS 9 in its annual financial reporting for the current year. In case the decision is to adopt PFRS 9 early, the interim FS shall include a discussion on the qualitative and quantitative results of the company's impact evaluation.

An entity that will not adopt PFRS 9 early in the current year shall comply with the requirements under paragraphs (1) and (2)(a) in the succeeding periods up to June 30, 2014.

4 GUIDELINES FOR THE ASSESSMENT OF THE PERFORMANCE OF AUDIT COMMITTEES OF COMPANIES LISTED ON THE EXCHANGE, May 31, 2012

Consistent with the objective of the SEC to align its rules with global standards and practices in order to develop the Philippine capital market, it issued the Revised Code of Corporate Governance (the Governance Code) in 2009 to foster and promote effective, quality and transparent corporate governance.

One of the significant provisions of the Governance Code is the creation of an Audit Committee. The role of the Audit Committee has been given importance due to the reliance by global capital markets on quality FS. Recent events in developed countries have shown the need for an effective Audit Committee to ensure not only accurate and transparent disclosures but also adequate risk controls.

These guidelines shall apply to companies listed on the PSE. Companies in the process of registering their securities for public offering and listing shall disclose on their prospectus the details of their plans on the creation and operation of the Audit Committee including its intention to prepare a charter. All other corporations are encouraged to conduct similar assessment activities.

5 PARTICIPATION OF INDEPENDENT DIRECTORS IN EMPLOYEES' STOCK OPTION PLAN, July 13, 2012

The Philippine law expresses no prohibition for Independent Directors (IDs) to participate in Stock Option Plans, provided that IDs can hold only up to 2% of the outstanding shares of the corporation (SRC Rule 38).

The SEC recognizes that an Independent Director's obligations, responsibilities and contributions to the company are no different from and are equivalent in value to those of a regular director. It hereby adopts the policy of allowing IDs to participate in Employees' Stock Option Plans, provided that their shareholdings in the company do not exceed 2% of the outstanding shares of the corporation.

6 DISPENSING WITH REQUIREMENTS IN REGISTRATION ACTIVITIES, August 15, 2012

Consistent with the objectives of Republic Act 9485 (Anti Red Tape Act of 2007), the SEC resolved to dispense with the following requirements in the registration activities:

1. Bank Certificate of Deposit - for the registration of the Articles of Incorporation of new corporations where the subscription to the authorized capital is paid in cash; the non-cash subscription shall be proven by the appropriate supporting documents;
2. Special Audit Report - for applications to increase the authorized capital stock of corporations where the subscription to the increase is paid in cash except (a) listed companies, (b) public companies as defined in the SRC, (c) companies that offer or sell securities to the public, and (d) where the payment to the subscription to the increase is more than PhP10 million;

In lieu of such report, a notarized Subscription Contract between the stockholder/s and treasurer stating the number of additional shares subscribed to and paid for shall be submitted by the

corporation.

3. Primary Entry - for Deed of Assignment in the registration of new corporations or increase in the authorized capital stock where land or real estate property is offered as consideration for subscription to shares of stock.

7

2013 SCHEDULE OF FILING OF Audited Financial Statements, September 7, 2012

All corporations, including branch offices, representative offices, regional headquarters and regional operating headquarters of foreign corporations shall file their AFS at the SEC Head Office in Mandaluyong City, and at the Baguio, Cebu, Davao, and Iloilo EOs. The filing period of AFS of companies whose fiscal year ends on December 31, 2012 shall be:

April 15, 16, 17, 18, 19	:	"1", "2"
April 22, 23, 24, 25, 26	:	"3", "4"
April 29, 30, May 2 and 3	:	"5", "6"
May 6, 7, 8, 9, 10	:	"7", "8"
May 14, 15, 16, 17	:	"9", "0"

The above filing schedule shall not apply to the following corporations:

- (a) Those whose fiscal year ends on a date other than December 31, 2012. These entities shall file their AFS within 120 calendar days from the end of their fiscal year;
- (b) Those whose securities are listed with the PSE. These entities shall continue to observe the due date of filing of their AFS as attachment to their Annual Reports (SEC Form 17-A);
- (c) Those whose AFS are being audited by the Commission on Audit, provided the required documents are attached to their AFS.

Prior to April 15, 2013, all corporations may file their AFS regardless of the last numerical digit of their registration or license number. Late filings shall be accepted starting May 20, 2013, subject to prescribed penalties which shall be computed from the date of the last day of filing schedule. Any filing of AFS before or after the scheduled dates shall not be accepted unless covered by the paragraphs above.

The AFS, other than the consolidated FS, should be stamped "received" by the BIR or its authorized banks, unless the BIR allows an alternative proof of submission for its authorized banks (e.g. bank slips).

Failure to comply with any of the formal requirements under the Rule including the prescribed qualifications for independent auditors shall be considered a sufficient ground for denial of the receipt of the AFS. The acceptance and receipt of the AFS by the SEC shall be without prejudice to the fines that may be imposed for any material deficiency or misstatement that may be found upon evaluation of the specific contents thereof.

**8 AMENDMENT OF SEC MEMORANDUM CIRCULAR NO. 5, SERIES OF 2008
(Guidelines And Procedures on the Use of Corporate and Partnership Names), October 8, 2012**

The amendment provides that at the time of registration, a corporation or partnership shall submit an affidavit containing an unqualified undertaking to change its name, as originally registered thereafter, immediately upon receipt of notice or directive from the SEC that another corporation or partnership has acquired a prior right to use the name or that the name has been declared misleading, deceptive, confusingly similar to a registered name or contrary to public morals, good customs and public policy. The affidavit shall be signed by at least two incorporators or partners. This affidavit shall not be required if it is already included in the Articles of Incorporation or Partnership of the registrant.

Deletion of the last paragraph of Section 17, which reads "In case of amendment of the corporate name of an existing company or partnership, the affidavit shall be signed by any of the directors or partners".

The relevant undertaking required to be included in the Articles of Incorporation shall be written in the following manner:

"That we, on behalf of the said corporation/partnership hereby undertake to change its corporate/ partnership name, as herein provided or amended thereafter, immediately upon receipt of notice or directive from the SEC that another corporation or partnership has acquired a prior right to use the name or that the name has been declared misleading, deceptive, confusingly similar to a registered name or contrary to public morals, good customs and public policy.

9 REVISED GUIDELINES ON ACCREDITATION OF SURETY COMPANIES, September 19, 2012

No surety company shall be allowed to transact business involving surety bonds filed with the SEC unless such surety company is accredited and authorized by the SEC.

All applications for accreditation shall be accompanied by an application fee of PhP5,000. An annual fee and additional fee per broker/dealer client shall be paid on the first Monday of March of the year subsequent to the year the application or renewal, as the case may be filed and approved.

The annual fee and additional fee shall be accompanied by a certified copy of the latest Certificate of Authority from the Office of the Insurance Commission. The computation of the additional fee is based on the total number of broker/dealer clients of the surety company as of the first day of March of each year.

Applications for renewal of the accreditation of surety companies shall be accompanied by an application fee of PhP5,000.00. Renewal applications shall be filed during the month of July of the third year of the validity of the current Certificate of Accreditation of the surety company. Renewal applications filed between August 1 and October 31 of the third year of the validity of the surety company's current Certificate of Authority shall be deemed as new applications. Applications filed beyond October 31 of the third year of the validity of the surety's current Certificate of Accreditation

shall not be accepted by the Commission. Instead, these surety companies shall file their new applications for accreditation on the year following the renewal year.

10 RULES AND REGULATIONS ON ETFs, October 19, 2012

In the exercise of its rule making power, the SEC has classified a new investment product known as Exchange Trading Funds (ETFs). The distinct characteristics of the ETF as a type of open-end investment company necessitated the promulgation of the ETF rules and regulations on the issuance, redemption, settlement of ETF shares to ensure that the objectives of the ICA are met, and distinct characteristics of the ETF are accommodated.

The provisions of the Investment Company Act (ICA), and the SRC and their implementing rules and regulations, and other relevant regulations insofar as they are applicable and not inconsistent with the ETF rules shall apply suppletorily hereto.

Requirements under ICA Rule 35-1, mandating that sale of securities by investment companies shall be on cash basis shall not apply to ETF and likewise not be subject to any Lock-Up requirement.

ETF shall be exempt from the mandatory tender offer rule under Section 19 of the SRC.

11 GUIDELINES FOR ACCREDITATION OF ITPs ON CORPORATE GOVERNANCE, December 20, 2012

Accreditation of all private or government ITPs shall be through the CFD of the SEC. An ITP may be accredited provided it follows these minimum standards of the SEC:

- a. That it is formally organized to conduct training activities and that it has an adequate track record of successfully conducting training programs preferably in corporate governance;
- b. That it has a sound business plan including reasonable training fees for conducting corporate governance training and adequate financial and organizational resources to execute the same;
- c. That it can guarantee a qualified line-up of trainers who can effectively deliver the required training in accordance with the Code, with emphasis of mandated topics; That the trainers line-up per course offering should at least have one experienced corporate director/Chief Executive Officer; and
- d. That it can provide for review by the SEC, its intended course materials and conduct a dry run.

The accreditation of an ITP shall expire or be automatically delisted after three (3) years from the date of approval of the accreditation, unless an application for its renewal is filed not later than 30 business days before its expiration.

The application for renewal of the accreditation of the ITP shall be accompanied by an application fee of PhP5,000.

All existing accredited ITP are directed to submit an application for renewal of their accreditation

within 30 business days from posting of this MC. Otherwise, their accreditation shall be deemed expired.

12

GUIDELINES ON THE DISCLOSURE OF TRANSACTIONS WITH RETIREMENT BENEFIT FUNDS, December 20, 2012

To improve the quality and transparency of financial reporting of corporations, the SEC required corporations that are mandated to adopt the PFRS to report their employees retirement funds in accordance with SRC Rule 68, as amended by PAS No. 24.

To understand the information about any transaction with the retirement fund and the outstanding balances and potential effect of the relationship on the financial statements, the minimum disclosures shall include:

1. amount of transactions;
2. the amount of outstanding balances, their terms and conditions including whether they are secured, and the nature of the consideration to be provided in the settlement, and the details of any guarantees given or received;
3. provision of doubtful debts related to the amount of outstanding balances; and
4. the expense recognized during the period in respect to bad or doubtful debts due from related parties.

These Disclosure Guidelines shall be applicable to AFS for the period ended December 31, 2012 and onwards. Except for the 2012 AFS, the presentation of the required information shall be in a two-year comparative period. Failure to comply with the disclosure requirement shall constitute a material deficiency and shall subject the entity to penalties under the existing Scale of Fines.



SPECIAL OFFICES

OFFICE OF THE GENERAL ACCOUNTANT

MAJOR ACCOMPLISHMENTS

In the year 2012, the General Accountant of the Commission actively participated in various meetings and fora of organizations/councils that facilitate the adoption and consistent implementation of global standards on financial reporting and audit.

New and Revised Policy Issuances

Through the Office of the General Accountant (OGA), the SEC released new guidelines on financial reporting and the latest Financial Reporting Bulletins (FRBs) in order to assist the registered business entities in complying with their financial reporting obligations and to ensure consistency of implementation. These new issuances likewise further clarified the current financial reporting standards to enable the registered companies to fairly present their respective financial position and the results of their operations in a given fiscal year.

During the year in review, OGA issued the following FRBs:

FRB No. 1, SRC Rule 68, as amended, Additional Components of FS. Additional components that are submitted with the company's financial statements, forming part thereof, should be covered by the Statement of Management Responsibility (SMR). However, the following additional components, if applicable to the company, must be covered by a legal matter paragraph in the Auditor's Report or a separate report of the Auditor on each component.

- (i) Schedule of receipts and disbursements of non-stock and non-profit corporation;
- (ii) Reconciliation of retained earnings available for dividend declaration;
- (iii) Tabular schedule of standards and interpretations as of reporting date;
- (iv) Supplementary schedules required by Annex 68-E for issuers of securities to the public; and
- (v) A map of the conglomerate or group of companies to which the reporting entity belongs (for listed companies and investment houses).

FRB No. 2, SRC Rule 68, as amended, Emphasis of Matter Paragraph for Companies with Capital Deficiency. This warrants the Auditor to disclose material facts on the matter of the company incurring capital deficiency that raises an issue on its going concern status.

FRB No. 3, SRC Rule 68, As Amended, Disclosures of Receivables/Payables with Related Parties Eliminated during Consolidation. This disclosure requirement which may be incorporated in the relevant schedules under Annex 68-E of Part II is applicable only to issuers of securities to the public, companies listed in the exchange and public companies as provided under Part II of the Rule.

FRB No. 4, Companies not Covered under SRC Rule 68. This states that the FS of companies not covered under SRC Rule 68 should be accompanied by a certification under oath by the company's Treasurer or Chief Finance Officer.

FRB No. 5, Companies with No Operation but are Covered under SRC Rule 68. This clarifies the composition of the FS to be submitted by the companies with no operation for a year up to 2 years.

FRB No. 6, Deposits for Future Subscriptions. According to this FRB, a corporation may treat a Deposit on Future Subscriptions as equity, when the following conditions are present as of the end of the reporting period: (1) insufficient unissued authorized capital stock to cover the amount of shares indicated in the contract, (2) board of directors' and stockholders' approval on the proposed increase in

authorized capital stock (for which a deposit was received by the corporation), and (3) a corresponding application for capital increase has been filed with the SEC.

FRB No. 7, Statement of Management Responsibility. This gives an illustrative sample of the SMR for issuers of securities to the public and for representative offices established in the Philippines.

FRB No. 8, Small and Medium-Sized Entities (SMEs). SMEs that availed of the exemption from the mandatory adoption of PFRS for SMEs are not required to file the tabular schedule of all effective standards and interpretations under the PFRS as of year end.

FRB No. 9, Micro Entities. Micro entities have the option to use the (1) full PFRS, (2) PFRS for SMEs, or (3) another acceptable basis of accounting, in the preparation of their financial statements.

FRB No. 10, Entities in the Process of Filing their FS for the purpose of Issuing any Class of Instruments (Whether Shares of Stock or Bonds) in a Public Market. This FRB clarifies the FS to be filed by entities for issuing any class of instruments in a public market.

FRB No. 11, Non-Stock and Non-Profit Corporations. The earlier SEC issuances regarding capital deficiency are not applicable to non-stock and non-profit organizations with negative fund balance.

FRB No. 12, Annex 68-E – Schedule A, Financial Assets (Issuers of Securities to the Public). This schedule is applicable for Available-For-Sale, Fair Value through Profit or Loss and Held-to-Maturity investments.

The OGA also prepared and recommended the issuance of the following guidelines/circulars:

Revised Guidelines on the Implementation of PFRS 9 on Financial Instruments: Measurement and Recognition. This changed the implementation mandatory effective date from January 1, 2013 to January 1, 2015. It also directed covered companies to conduct a study every 2nd quarter of the fiscal year up to 2014 on the impact of its early adoption on their FS. It also set the requirements in the submission of interim FS of covered companies, if so required.

Resolution Adopting Various New/Revised PFRS and International Financial Reporting Interpretation Committee (IFRIC) 20 as part of the Rules On Financial Reporting. These New and Revised Standards and Interpretations are applicable to corporations which are considered by the SEC as large corporations and/or publicly accountable entities that are mandated to adopt the PFRS as their financial reporting framework.

- (i) Amendments to PFRS 1 - Government Loans. These amendments add an exception to the retrospective application of PFRSs.
- (ii) Amendments to PFRS 7 - Disclosures-Offsetting Financial Assets and Financial Liabilities. This involves the revision of the required disclosures to include information that will enable users to evaluate the actual or potential effect of netting arrangements on an entity's financial position.
- (iii) Amendments to PFRS 9 and PFRS 7. These amendments involve the following: (a) change of the original January 1, 2013 mandatory effective date of PFRS 9 to January 1, 2015; (b) modification of the relief from restating prior periods; and (c) additional required disclosures on transition from PAS 39, Financial Instruments: Recognition and Measurement to PFRS 9.
- (iv) Amendments to PAS 32. These amendments provide an additional application guidance for offsetting in accordance with PAS 31 and clarifies the meaning of "currently has a legally enforceable right of set-off" and the same gross settlements may be considered equivalent to net settlements.
- (v) IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs') and provides guidance on the

recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Guidelines on Security Deposits of Branch Offices of Foreign Corporation (SEC MC No.2 series of 2012). These Guidelines enhanced clarity of the requirements to improve compliance by branch offices which would thus ensure sufficiency of deposits to cover obligations arising from Philippine operations.

Guidelines on the Conduct of the Performance of Audit Committee Of Companies Listed on the Exchange (SEC MC No.4 series of 2012). These guidelines prescribed the conduct and disclosure of an assessment of the performance of Audit Committees. Global best practices and standards including those prescribed by laws and regulations on the functions and responsibilities of Audit Committees were used as benchmark for the assessment. The prescribed assessment and reporting processes were aimed at guiding Audit Committees on the performance of their responsibilities, providing a check on the conduct of oversight functions of the audit committees considering their importance in the companies' overall governance, and ensuring transparency and accountability in the performance of the duties of the Audit Committees.

Guidelines on the Disclosure of Transactions with Retirement Benefit Funds. These guidelines prescribed the disclosure information regarding transactions of reporting companies with the retirement fund of their employees, the outstanding balances and its potential effect on the financial statements.

Accreditation and Reportorial Evaluation

The OGA accredited the following firms and individuals for the year 2012:

Table 20. Accreditation of Firms and Individuals



During the year, the OGA processed applications and issued 127 Certificates of Eligibility (COE) under the Special Purpose Vehicle (SPV) Act of 2002, as amended, covering non-performing assets worth PhP3.01 billion (appraised value). As of year-end, 699 COEs have been issued with an aggregate appraised value of PhP29.78 billion.

It evaluated (table audit) 2,590 AFS in relation to the following activities: (i) accreditation of external auditors and audit firms, (ii) registration of securities, (iii) Special Review Project of OGA, and (iv) referrals from operating departments on cases filed against certain companies. Additionally, it monitored a total of 61 SPV companies in compliance with the SPV Act of 2002, as amended.

Capacity-Building Initiatives

The OGA provided technical inputs to the bidding process for the development of an IT system that will allow computer-assisted review of audited financial statements. It also facilitated the conduct of a Certification Program on PFRS for SEC accountants, in which 14 of the 36 participants were certified by the SEC and the Philippine Institute of Certified Accountants (PICPA) as Specialists on PFRS.

Information Campaign

A total of 25 seminars and conventions were attended to as resource persons by the General Accountant and Supervising Accountants to disseminate relevant information on the financial reporting regulations and to interact personally with the stakeholders on their concerns and issues.

OFFICE OF THE GENERAL COUNSEL

As legal counsel for the Commission, the OGC rendered 20 SEC Opinions, decided and/or terminated 51 cases, including recommending to the En Banc the issuance of 13 CDOs, notably against Aman Futures Trading and Camp John Hay Development Corporation, submitted 19 proposed legislative position papers and responded to 123 requests from the public.

MILESTONES

As continuation of the landmark case of *Gamboa v. Teves*, the SEC as represented by the OGC, actively participated in the oral arguments held on April 17, 2012 and June 26, 2012 before the Supreme Court. The OGC likewise submitted to the Supreme Court a Memorandum espousing SEC's interpretation of "capital" in Section 11, Article XII of the Constitution, and clarifying and elaborating on matters discussed during the oral arguments.

Upon the release of the Supreme Court's decision in *Gamboa v. Teves*, the OGC spearheaded the preparation of a draft MC providing for guidelines, rules and regulations on registration, monitoring and investigation of compliance by corporations engaged in nationalized and partly nationalized activities with ownership requirements in the Constitution and/or existing laws, and imposition of penalties for violations thereof. It likewise took the lead in the holding of a public forum on said draft MC in which comments and observations of various stakeholders will be considered in improving said draft.

The OGC also prepared and filed SEC's legal memorandum as directed by the Impeachment Court during the impeachment trial of then Chief Justice Renato Corona; issued CDOs against Aman Futures Group Phils. Inc., and Camp John Hay Development Corporation and Camp John Hay Suites Corporation, and prepared draft amendments to the Corporation Code and the SRC.

Of the 20 SEC Opinions rendered, the following ones are most noteworthy:

RE-DOMESTICATION OF A FOREIGN CORPORATION (SEC-OGC Opinion No 12-04 dated February 10, 2012)

Re-domestication is the process of changing a corporation's seat of registration from one state to another without having to undergo either liquidation or new incorporation.

In the case of re-domestication, upon the premise that the re-domestication is permitted by the laws of both place of origin and place of transfer to which the corporation is re-domesticating, the subject corporation must file with the Commission, and in proper cases, with the appropriate government agency, the following: 1) documents pertaining to the transfer of domicile procedure under the place of origin's law including (but not limited to) its articles of incorporation (or equivalent) and by-laws, together with the documents pertaining to the continuation procedure under the laws of Place of Transfer including (but not limited to) its new corporate registration documents, articles of incorporation, and by-laws, all duly authenticated and consularized; 2) any and all amendments and changes to the same set of information required under Section 25 of the Corporation Code, more particularly, the details regarding the complete address of the principal office of the Corporation; and 3) certifications under oath that the laws of Place of Transfer allow Filipino citizens and corporations to do business therein and that applicant is an existing corporation in good standing.

ELECTION OF TRUSTEES BY REGION IN A NON-STOCK CORPORATION (SEC-OGC Opinion No. 12-05 dated April 2, 2012)

Under Section 89 of the Corporation Code, the right of the members of a non-stock corporation to any class or classes to vote may be limited, broadened or denied to the extent specified in the articles of incorporation or the by-laws. Thus, regional election for trustees, which is a form of limitation on the members voting rights, may be allowed as long as it is the mode of election provided in the non-stock corporation's by-laws.

VALIDITY OF BY-LAWS PROVISION ON TERM OF OFFICE (SEC-OGC Opinion No. 12-08 dated May 17, 2012)

The Corporation Code distinguishes the term of office of a member of the Board of a stock educational corporation and a non-stock educational corporation. Section 23 thereof applies to a stock educational corporation wherein members of its Board can only hold office up to one (1) year while Section 108 thereof applies to a non-stock educational corporation wherein members of its Board may be allowed to hold office for a term of five (5) years. If the amended by-laws of a stock educational corporation should provide for a term of office for three (3) years, it is not valid for being contrary to law, thus, the same shall not be approved by SEC.

SUBSTANTIAL SHAREHOLDER DISQUALIFIED AS INDEPENDENT DIRECTOR (SEC-OGC Opinion No. 12-10 dated June 29, 2012)

The definition of a substantial shareholder in Rule 38 5(B) of the IRR of the SRC should be correlated with the definition of beneficial ownership in Rule 3(1)(A) of the same IRR. Since the charter of subject corporation shows that whenever it invests its reserve funds in securities i.e. shares of stock of X company, the subject corporation itself and not its members, has the voting power and/or power to dispose of or to direct the disposition of such shares in such company. Thus, it is the subject corporation, and not its members, that controls the management of its investments from its reserve fund. Accordingly, subject corporation fits the definition of a beneficial owner in Rule 3 (1) (A) of the IRR of the SRC which would disqualify its nominee directors from becoming independent directors of X company.

TRANSFER OF PRINCIPAL OFFICE ADDRESS (SEC-OGC Opinion No. 12-12 dated August 9, 2012)

The change of principal office address of a corporation from one building to another building, even if within the same municipality or city requires an amendment of the Articles of Incorporation. The same is likewise required if the change of address is from one street to the other.

If a Corporation, whose generic principal office address of "Metro Manila" was approved prior to the effectivity of MC No. 3, series of 2006, later changes its generic address to a specific one, then above-stated MC would apply.

REGISTRATION UNDER THE FIA OF 1991 (SEC-OGC Opinion No. 12-17 dated September 6, 2012)

The Transitory Provision of the Foreign Investment Act (FIA) does not preclude the registration of increase in foreign participation. Section 1 (c) in relation to 1 (a) of Rule IV of the FIA-IRR implicitly requires that even existing non-Philippine nationals or enterprises which intend to increase foreign equity participation should register with the SEC.

Once the FIA-IRR becomes effective, even existing enterprises should now register any increase in its foreign equity. Accordingly, corporations with more than 40% foreign equity participation, whether new or existing, are required to register under the FIA in order to do business in the country, as defined by Section 3 (d) of the FIA.

SEC Memorandum Circular No. 08-98 issued on 10 August 1998, entitled "Penalties for Increase of Foreign Equity without prior compliance with the Foreign Investments Act" applies to cases where registration with the SEC of foreign investment is required. It provides for the penalties to be imposed on corporations and partnerships which increased the percentage of their foreign equity without first complying with the provisions of the FIA.

If a corporation was already 100% foreign-owned when the FIA was enacted in 1991 up to the present, there can be no further increase in foreign equity that would require registration. It goes without saying that the corporation cannot be the subject of a penalty under SEC Memorandum Circular No. 08-98 since there is no increase of foreign equity to register.

CONFLICT BETWEEN BY-LAWS OF A CONDOMINIUM CORPORATION AND ITS MASTER DEED (SEC-OGC Opinion No. 12-18 dated September 18, 2012)

Under Section 10 of the Condominium Act, as amended, the by-laws of the corporation shall not contain any provision contrary to or inconsistent with the provisions of this Act, the enabling or master deed or the declaration of restrictions of the project. Thus, for purposes of determining the voting rights of each member, it is the Master Deed that should be followed.

RULES ON ISSUER TENDER OFFER/BUYBACK (SEC-OGC Opinion No. 12-18 dated October 11, 2012)

There is no distinction between a disclosure and procedural requirement of a tender offer made by an issuer and that by a Third Party Bidder as provided under SRC Rule No. 19.

SRC Rule 19 and its provisions cover both Issuer Tender Offer and Third Party Tender Offer without distinction; hence, they are both required to comply with all the disclosure, dissemination and procedural requirements set forth therein, with the subject Rule being applicable to tender offers in general. This construction is likewise in accordance with the fundamental rule that all provisions of the

Rules relating to the same subject, in this case, the SRC Rule 19 on Tender Offers should be read together and reconciled to avoid inconsistency.

OFFICE OF THE COMMISSION SECRETARY

Of the three (3) Special Offices in the organization, the Office of the Commission Secretary (OCS) can be said to be the most unobtrusive. While this is so, the bundle of work it does is no less important or critical. This Office provides secretariat and even technical support to the Commission en banc to ensure that the meetings thereof, where a great many policy and managerial decisions are made, are well organized and properly documented. In this regard, this Office can be said to be facilitating the Commission en banc's decision-making process.

On top of this function, this Office likewise performs two others. The first one involves serving as the repository of certain documents of SEC officials and employees and the second one involves acting as the de facto media relations office of the organization. In the performance of the latter function, the OCS organizes regular press conferences not only for the Chair but also of the Commission en banc.

**STRATEGIC
SUPPORT**

ECONOMIC RESEARCH AND INFORMATION DEPARTMENT

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

Implementation of SEC's Computerization Projects

The Department has overall management responsibility to implement the Commission's Information Technology (IT) projects and programs. In 2012, the Commission made a thorough and detailed review of its presently-running Information System Strategic Plan (ISSP) to make it more efficient. This will enable the Commission to oversee and regulate covered entities, provide clients easier access to information and faster registration process, and in empowering SEC personnel through capability training programs.

The Department, updated the ISSP to include an IT system for a computer-assisted review of financial statements to facilitate the evaluation process, and to deploy a transactional SEC website benchmarked with other jurisdictions.

The following are the on-going IT projects of the Commission during the year in review:

- Maintenance and further development of the SEC i-Register and SEC i-Report systems. These two systems have both been in use by the SEC internal users and transacting public for online verification and reservation of proposed company names, and to access of documents/information filed/lodged by SEC-registered companies. Initial efforts began during the year to develop a computer-assisted Integrated Company Registration System (ICRS) to replace the present SEC i-Register; a computer-assisted reporting system for registered companies including secondary licensees; a facility for online submission of selected reports through the SEC i-Report and convert paper-based registration and reporting process to digital format.
- Accessibility to corporate records filed by companies to SEC was further enhanced through the SEC i-View system. Through the use of a pin mailer, a device similar to an internet prepaid access card, the SEC i-View system renders online viewing and downloading access for corporate records and information, thereby reducing the need for face to face transactions. The Department was able to generate income in the amount of PHP23 million from the sale of pin mailers.
- The Department continued to embark on a variety of projects under the ISSP. These initiatives that were in varying stages of implementation (**Table 21**) as of the end of the year, are as follows:

Table 21. Systems in Various Stages of Implementation in 2012

Project	Status (As of Year End 2012)
Integrated Company Registration System	With the Bids and Awards Committee
SEC Database Clean-up	Contract awarded
Market Surveillance System	Contract awarded

Human Resource Information System with Biometrics for Capture of Attendance	For procurement
Property Management Information System with Bar Code Technology Application	For procurement
Risk Based Capital Adequacy Evaluation System	For development
Application of Bar Code Technology to SEC-issued and approved Documents	Deployed at the OGC, OGA and the OCS
Network and User Activity Monitoring System	Contract awarded
Rehabilitation of the Structured Cabling and Implementation of Network Redundancy/Back-up	Contract awarded
Application Server for the Remaining Completed Modules of SEC i-Report	Contract awarded

Likewise, the Department started work on the proposed creation of a social media infrastructure (SMI) for the SEC for media engagement, public information, and public transaction handling purposes. The SMI Project aims to assist the Commission in publicizing and making the operations of the SEC open to the public through social media networks.

In addition, the Department generated listings and statistics related to companies registered at SEC as tools in its monitoring function. This is on top of the specific data requested by our external stakeholders, which include other government institutions and the private sector.

Strategic Corporate Planning

Through the Corporate Planning Division, the Department organized annual strategic planning and mid year review exercises to renew the thrusts of the SEC towards capacity enhancement and smarter, more dynamic regulation of the local capital markets. This year's SEC strategic planning conference in August reviewed the operational accomplishments of every SEC department and office and discussed future plans and programs in reference to its mandates and jurisdictional regulations.

The Department also provided indispensable in-house budget planning support in preparation of the SEC Budget for FY 2013 and the subsequent Congressional budget deliberation in close coordination with the Department of Budget and Management and the DOF.

The Department, as secretariat to the CMDP Formulation Committee, prepared the initial draft of the CMDP Successor Blueprint 2011-2017, with inputs from the SEC operating departments and other stakeholders in the capital markets. The Blueprint document contains proposed measures to help foster strong, reliable and competitive Philippine capital markets through strategies that strengthen the markets for fixed income, equities and alternative investment products and promote taxation neutrality and rationalize tax consequences. Amendments to the Corporation Code and the SRC among others are part of the CMDP Priority Legislative Agenda.

Moreover, the Department drafted and submitted SEC inputs to the "Doing Business Reform Inventory" of the National Competitiveness Council. It also helped in the launching of the Philippine Business Registry at the SEC which integrates the frontline services of all agencies involved in business registration and coordinated the conduct of the public dialogue on the foreign ownership issue. The Department also prepared the Terms of Reference for an organization review of the SEC for consideration by the Asian Development Bank.

Investor Education and Assistance

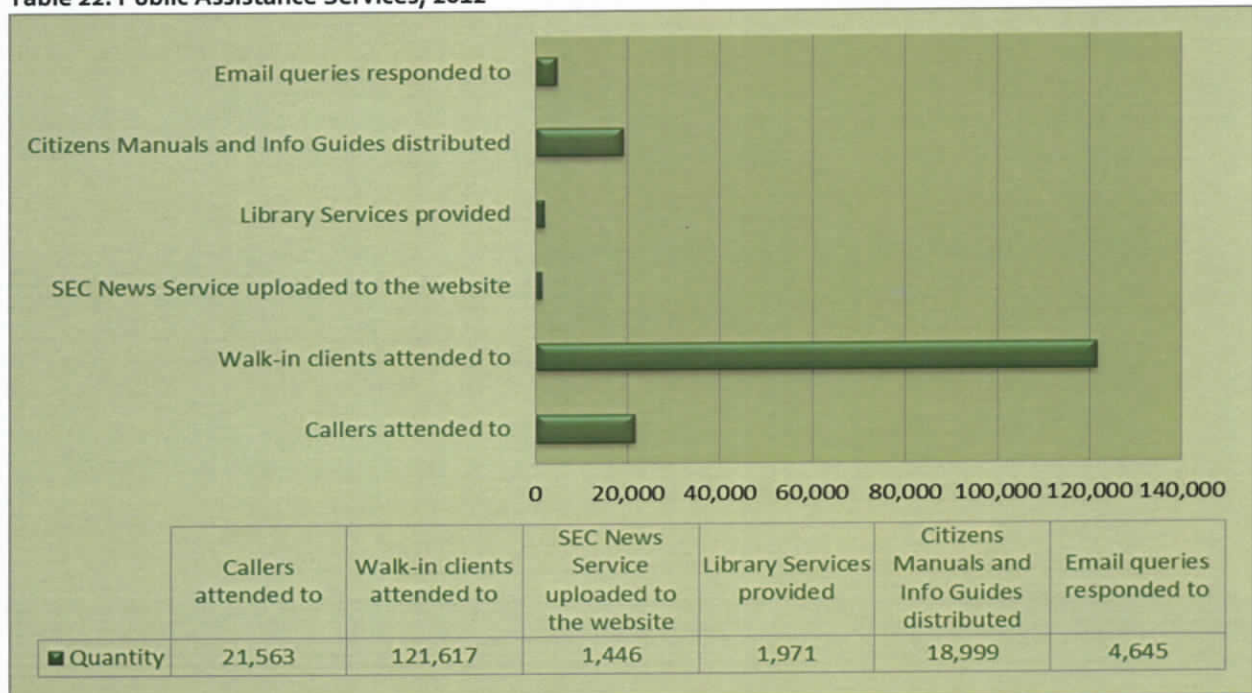
The Department provides a variety of public assistance services and information tools to address the problems and questions of the investing public. In 2012, the queries by phone and walk-in totaled 143,180. This included questions on a wide-range of securities-related topics, complaints about problems with investments in registered companies, and suggestions to how to improve the SEC processes, procedures and regulations.

In line with the reform agenda of the SEC along these thrusts, the Department conducted a client satisfaction survey during the first semester to gauge the levels of adequacy and responsiveness of the frontline service delivery of the sub-units of the Public Assistance Unit and the SEC Library. It processed the results of the survey and identified appropriate interventions for service enhancement.

The Department also produced and distributed information printed materials including 18,999 Citizens Manuals and info guides and provided daily news of relevance to the SEC through the SEC News Service to keep everyone aware of the stories and relevant articles appearing in the mass media. The Department likewise participated in investor-oriented seminars and related events, and coordinated closely with other government agencies such as BOI, DOF and DTI on investor literacy initiatives.

A summary of these accomplishments is shown below:

Table 22. Public Assistance Services, 2012



HUMAN RESOURCE AND ADMINISTRATIVE DEPARTMENT

MAJOR ACCOMPLISHMENTS

Personnel Management and Training

In 2012, the SEC underwent an organizational restructuring in terms of redefinition and jurisdictional transfer of department functions and personnel movement to empower itself and give greater focus on its role in capital market development, fostering good corporate governance, and enhancing investor protection given the evolving nature of the transactions where the corporate vehicle is being used to defraud the investing public. Through the HRAD, the SEC upgraded its human resource component, hired and retained quality technical and support staff, and revised the compensation and position classification systems and qualification standards based on a comprehensive job analysis and audit of actual duties and responsibilities to ensure better matching of prospective employees with skills requirements. The organizational restructuring resulted in an increase in the manpower complement which at the year end 2012 numbered 416 personnel.

On institutional capacity building, the HRAD recommended SEC personnel to various specialized training here and abroad in order to expose them to new developments, in addition to in-house training programs which aim to develop the required skills to allow the SEC personnel to move to all areas of SEC operations. The Commission, through the HRAD, also worked out and facilitated the participation of 36 SEC Accountants to a Certification Program on PFRS to enhance their skills and proficiency on global standards and practices on financial reporting. Other SEC technical personnel also went through modular trainings on securities markets to update them with the latest conventions and practices. Supervisory skills development instruments were likewise provided to support the training hours required by the Civil Service Commission and to develop new leaders in the SEC. Computer literacy trainings were also provided, in batches, to SEC employees in support of the SEC programs to build its physical and ICT infrastructure.

Table 23. Training Programs, 2012

<i>Training Activities and Development Programs</i>	Number of Participants
Certification Program for SEC Accountants	14
International Monetary Fund Microeconomics Seminar in Singapore	2
Corporate Governance Online Training	1
Financial Markets and New Financial Instrument Course (Singapore)	1
Asia Region Funds Passport Policy and Technical Discussions and Capacity-Building Workshops	4
Total	22

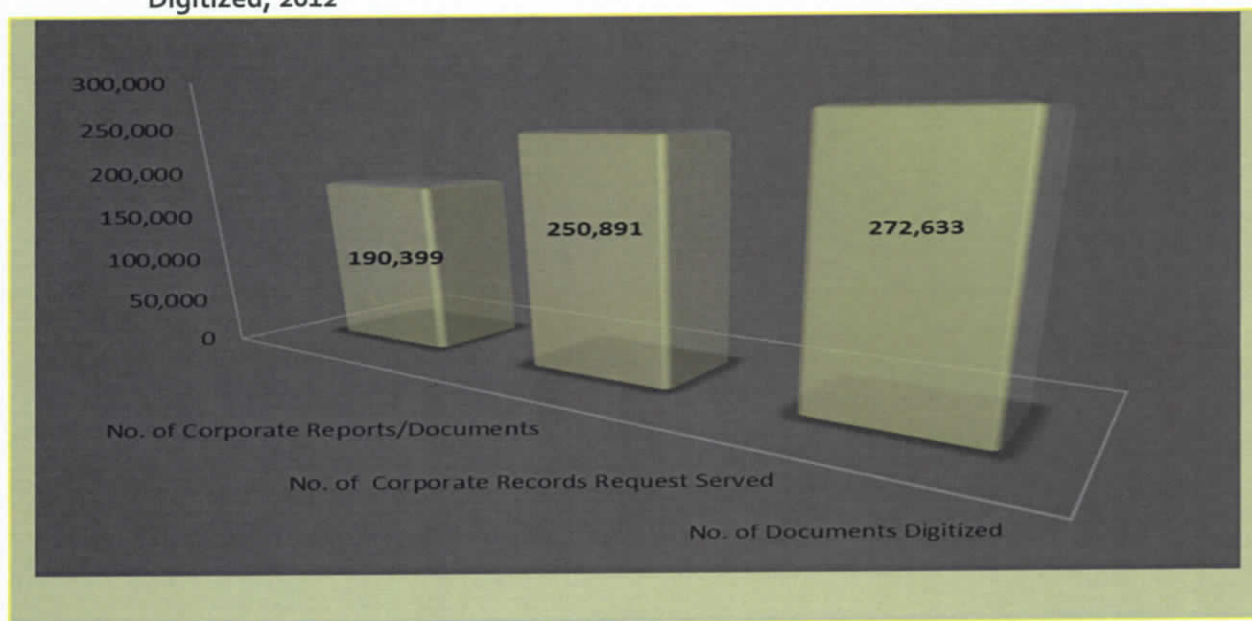
In active partnership with the Philippine Commission on Women, the SEC intensified its campaign in advancing gender issues in terms of client-focused activities in 2012 such as investor education

program. At the same time, SEC provided gender-responsive work environment to its women employees in recognition of their vital role in good governance and accountability.

Management of Corporate Records and Delivery of Public Reference Services

Public Reference Services focused on the receipt of documents submitted by the public and the provision of available documents as requested by the transacting public, among others. Improved and enhanced information technology resources for the storage and retrieval of digitized documents, as well as the installation of high speed printers, have greatly boosted the delivery of services. The faster receipt of documents through the Computer-Assisted Paper Submission and the easier retrieval of documents through the SEC i-View facility are achieved through the continuing digitization of documents and synchronized process flow. With the above improvements, 91% of the transacting public was served in less than an hour and generated an increase of 20% revenue or nearly PhP31.4 million for the Commission over that of the previous year of PhP26.2 million.

Table 24. Summary of Corporate Reports Handled, Requests Served and Documents Digitized, 2012



Maintenance of Agency Properties and Equipment

The Department, through the General Services Division, ensured the safety and upkeep of the properties and equipment of the SEC through renovation and remodeling projects it undertook at the 11th floor of the SEC Building to house the CFD in order to provide more physical space for its clients. It also renovated the Tarlac Extension Office to make it more visually and conveniently appealing to the transacting public coming from the northern region.

FINANCIAL MANAGEMENT DEPARTMENT

MAJOR ACCOMPLISHMENTS

Contribution to the National Government (NG)

The SEC collected a total of PhP2.6 billion for the NG for the year 2012 which was a 108% excess over targeted collections for the year of PhP1.3 billion and increase of 48% over the 2011 collections of PhP1.8 billion (see **Table 25**)

For the year 2012, the Congress appropriated a total of PhP505.2 million for the operations of the SEC. The net contributions of the SEC to the coffers of the NG after deducting the appropriations for the year amounted to PhP2.1 billion.

Table 25. Contribution to the NG from 2008 - 2012

Year	Annual Collections per FS	Targeted Collection	Excess (Deficit)
2008	P1,340,887,500.03	P750,647,000.00	P590,240,500.03
2009	1,078,753,914.70	834,671,000.00	244,082,914.70
2010	1,208,117,773.69	898,650,000.00	309,467,773.69
2011	1,783,984,634.69	914,863,000.00	869,031,634.69
2012	2,639,628,190.02	1,264,226,000.00	1,375,402,190.02
Total	P8,051,282,013.13	P4,663,057,000.00	P3,388,225,013.13

Compliance with Rules and Regulations

The Commission complied strictly with auditing and accounting rules and regulations prescribed by the COA on disbursements, collections and in recording the SEC's financial transactions. No material observation or exception on disbursements, collections and on the SEC's internal control processes was received from COA during the year.

Financial Performance

The SEC has net assets of PhP402.9 million as of December 31, 2012, down by PhP88.7 million or 18.0% compared to end 2011. The decrease was due mainly to the decrease in current assets of PhP102.8 million.

Total income of PhP413.4 million was 7% higher than the previous year's level of PhP386.7 million. The increase was a result of higher subsidy received from the NG for the year 2012.

Government Equity of PhP376.9 million was lower by PhP90.1 million than the prior year's level of PhP467.0 million, attributed largely to the net loss incurred for the year.

Results of Operation

For the year ended 2012, the SEC's Income and Expenses recorded in the Regular Agency books amounted to PhP413.5 million and PhP503.2 million, respectively, or an excess of expenses over income of PhP89.7 million. The 30% of this year's net loss pertains to non-cash expenses, such as the depreciation expenses of the various buildings and equipment of the Commission amounting to PhP26.79million. The remaining 70% of net loss pertains to the use of previous years' retained income for the increasing maintenance and other operating expenses, which were not covered by the appropriation from the NG for the year 2012 and for the payment of salaries and wages. The increase in salaries and wages account in 2012 of PhP102.8 million resulted from the increase in the basic salary of SEC personnel effective January 1,2012.

**SECURITIES AND EXCHANGE COMMISSION
REGULAR AGENCY BOOKS
BALANCE SHEET
AS OF DECEMBER 31, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash	P85,466,420.41	P189,241,544.57
Receivables	85,534,402.77	85,851,624.64
Inventories	3,689,858.76	2,770,896.96
Prepayments	1,315,771.58	927,263.65
Other Current Assets	1,682,848.94	1,732,848.94
Total Current Assets	P177,689,302.46	P280,524,178.76
Investments, Property, Plant and Equipment and Other Assets		
Investments	6,700.00	6,700.00
Property, Plant and Equipment - Net	222,894,629.45	209,228,832.19
Other Assets	2,281,659.60	1,847,675.36
Total Investments, Property, Plant and Equipment and Other Assets	225,182,989.05	211,083,207.55
TOTAL ASSETS	P402,872,291.51	P491,607,386.31
LIABILITIES AND EQUITY		
Current Liabilities		
Payable Accounts	P19,512,688.42	P20,902,118.94
Inter-Agency Payables	6,411,892.46	3,241,740.01
Other Liabilities	63,062.31	408,227.49
Total Liabilities	25,987,643.19	24,552,086.44
Equity		
Government Equity	376,884,648.32	467,055,299.87
TOTAL LIABILITIES AND EQUITY	P402,872,291.51	P491,607,386.31

**SECURITIES AND EXCHANGE COMMISSION
REGULAR AGENCY BOOKS
STATEMENT OF INCOME AND EXPENSES
FOR THE PERIOD ENDED DECEMBER 31, 2012 and 2011**

	2012	2011
INCOME		
Subsidy Income	P308,984,815.19	P280,763,912.29
Other Income	6,569,774.83	6,932,125.33
Loss on Sale of Disposed Assets	(407,644.35)	(993,741.94)
GROSS INCOME	413,453,795.67	386,651,793.68
EXPENSES		
Personal Services		
Salaries and Wages	234,285,043.11	131,492,010.81
Other Compensation	39,458,030.89	27,084,411.08
Personnel Benefits Contribution	29,976,022.10	18,786,165.98
Other Personnel Benefits	25,852,657.53	126,202,820.52
Sub-total-Personal Expenses	329,571,753.63	303,565,408.39
Maintenance and Other Operating Expenses		
Traveling Expenses	2,333,535.25	1,525,592.93
Training and Scholarship Expenses	3,296,615.91	2,193,489.39
Supplies and Materials Expenses	13,440,657.20	13,029,119.51
Utility Expenses	28,434,200.40	27,803,525.19
Communication Expenses	10,238,430.62	9,495,110.69
Membership Dues and Contributions to Organizations	921,353.36	922,419.80
Advertising Expenses	3,097,502.79	1,904,540.08
Printing and Binding Expenses	228,572.00	250,431.90
Rent Expenses	14,631,324.71	13,851,408.95
Representation Expenses	5,379.46	18,991.05
Storage Expenses	979,708.80	1,004,942.35
Subscription Expenses	1,795,894.39	1,579,177.53
Professional Services	41,956,589.53	36,868,016.48
Repairs and Maintenance	18,143,423.73	16,350,833.65
Subsidies and Donations	0.00	20,000.00
Extraordinary and Miscellaneous Expenses	4,159,792.18	4,118,290.59
Taxes, Insurance Premiums and Other Fees	2,092,371.92	2,331,643.59
Other Maintenance and Other Operating Expenses	977,277.41	114,275.54
Depreciation	17,719,836.73	20,194,369.71
Obsolescence – IT Software	9,144,372.00	9,313,067.74
Sub-total – Maintenance and Other Operating Expenses	173,596,838.39	162,889,246.77
Financial Expenses	61.50	0.00
TOTAL OPERATING EXPENSES	503,168,653.52	466,454,655.16
EXPENSES OVER INCOME	P89,714,857.85	P79,802,861.48

SECURITIES AND EXCHANGE COMMISSION
REGULAR AGENCY BOOKS
STATEMENT OF GOVERNMENT EQUITY
AS OF DECEMBER 31, 2012 and 2011

	2012	2011
Government Equity, Beginning	P467,055,299.87	P567,227,039.86
Retained Operating Surplus		
Current Operations	(89,714,857.85)	(79,802,861.48)
Adjustment of Prior Years	(455,793.70)	(368,878.51)
	(90,170,651.55)	(80,171,739.99)
Government Equity, End	P376,884,648.32	P467,055,299.87

**SEC Vision Statement
2013-2015**

*We envision that, by December 31, 2015,
the Commission shall have fully implemented its three-year program
to build its physical and ICT infrastructure, and harnessed the skills
and expertise of highly competent and motivated staff,
for the efficient and effective performance of its duties and responsibilities.*

**CY 2012 ACCOMPLISHMENTS AT A GLANCE
BY MAJOR FINAL OUTPUT (MFO)
AS OF DECEMBER 31, 2012**

PLANNED	ACHIEVED
<p>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</p>	
<p>1. Formulate and implement policies, plans, and programs to strengthen the regulatory framework and enhance the liquidity and stability of the capital market and corporate sector</p>	<ul style="list-style-type: none"> ■ Promulgated the Rules on ETF [SEC MC No.10, series of 2012]. ■ Issued 12 MCs among others, on the finality of revocation orders for corporations registered from 1936 to 2000 whose certificates of registration were revoked by the SEC for failure to comply with reportorial requirements and the deadline for filing the petition to lift order of revocation; issuance of applicable guidelines to branch offices of foreign corporations concerning security deposits and related investment requirements; revised guidelines for the implementation of PFRS 9 (Financial Instruments: Recognition and Measurement); guidelines for the assessment of the performance of Audit Committee of companies listed on the stock exchange; participation of independent directors in employees' stock option plan; requirements in registration activities per RA 9485; 2013 schedule of filing of AFS; amendments on MC No. 5; revised guidelines on registration of surety companies; issuance of the rules and regulations on exchange traded funds; guidelines for accreditation of institutional training providers on corporate governance; and guidelines on the disclosure of transactions with retirement benefit funds; ■ Hosted a dialogue in line with the issuance of a SEC MC on the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly-Nationalized Activities to elicit comments/inputs from the various stakeholders; ■ Provided inputs to the following: 4th World Trade Organization Trade Policy Review, 2011-2016 Public Investment Program, United States Agency for International Development/National Economic Development Authority Country Development Cooperation Strategy 2011-2016, Socio-Economic Report in the first two (2) years of the Aquino Administration, Inventory of Reforms for the Doing

PLANNED	ACHIEVED
	Business 2013 Report of World Bank.
	<ul style="list-style-type: none"> ■ Coordinated the formulation of the CMDP (Blueprint); drafted the Blueprint narrative; and coordinated the submission of inputs and the holding of meetings of the various TWG; ■ Participated in inter-agency activities relating to the following: Deployment of the PBR-kiosk in SEC, Public Financial Management Reform Roadmap, Remittance for Development Council, 3rd ASEAN Bond Market Forum Working Group, APEC 5th Policy and Technical Workshop, International Monetary Fund Seminar on Selected Issues in the Evolving Financial Regulatory Framework, APEC Financial Regulators Training, Philippine Development Forum Working Group on Economic and Fiscal Reforms, World Bank Consultation Meeting, FSF, 3rd Meeting of the ACMF Working Group on Dispute Resolution and Enforcement Mechanism, Emerging Market Programme 2012: Strengthening Resilience of Emerging Markets, and Briefing on International Reporting Standards, and Philippine Working Group for the ASEAN Plus Dialogue Partners' Trade in Services; ■ Submitted 19 position papers in aid of legislation; ■ Issued 55 legal opinions on the interpretation of certain provisions of the Corporation Code, the SRC, and other SEC administered laws; and ■ Issued, through its OGA,¹² FRBs (regarding implementation issues on financial reporting standards).
<p>MFO 2: Services for the generation and dissemination of capital market 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</p>	
<p>2. Conduct investor education and disseminate information to the public</p>	<ul style="list-style-type: none"> ■ Conducted 37 public seminars, seven (7) lecture-briefings for academic institutions across the country, and undertook 140 speaking engagements by SEC key officials from the Head Office and EOs; ■ Processed 213,580 requests from institutional and individual researchers for corporate records, certifications, company listings, and investment statistics;

PLANNED	ACHIEVED
	<ul style="list-style-type: none"> ■ Disseminated 18,999 copies of citizens manuals and other information materials to the public; ■ Developed and disseminated eight (8) information materials to the public (e.g. Frequently Asked Questions on Mutual Funds, How to Invest in Stocks and Bonds, SEC Bulletin 2011 Volumes 1 and 2, Info Guide in Kapampangan and Pilipino/Tagalog, Info Guide on Dissolutions); and ■ Attended to 67,403 public queries (in person, by phone, and thru email).
<p>3. Implementation, enhancement, and maintenance of mission-critical information systems in support of SEC company registration, compliance-monitoring, and enforcement functions; and information dissemination services</p>	<ul style="list-style-type: none"> ■ Through the web-enabled SEC-iView module of the SEC-iReport system, made possible the online viewing and printing of digitized documents. The system has approximately 57.21 million document pages, including the 5.36 million pages uploaded from January to December 2012. Apart from reducing person-to-person transactions at the head office, the SEC-iView (a pay-per-view/print web-based facility) has given the public the flexibility and convenience of viewing and printing documents, such as, company registration documents, periodic reports and disclosures, and FS in the confines of their homes, offices, and internet shops. Additionally, around 91% 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; ■ SEC i-Register made possible the processing on a daily average of 2,819 requests for verification of company names and reservation of proposed company names, as follows: <ul style="list-style-type: none"> o Verification: 2,339 <ul style="list-style-type: none"> a. Online (through the internet, 24x7): 1,927 b. Walk-ins at the Head Office (8 hours, Mondays to Fridays): 412 o Reservation: 480 <ul style="list-style-type: none"> a. Online (24x7): 314 b. Walk-ins (8x5): 166 ■ Posted at the SEC website 1,564 various materials on registration procedures, reportorial requirements, and schedule of fees. The CDOs 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

PLANNED	ACHIEVED
	<p>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; and</p> <ul style="list-style-type: none"> ■ Issued seven (7) advisories to alert the public about illegal investment schemes and scams.
<p>MFO 3: Registration, enforcement, regulation and monitoring</p> <p>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</p>	
<p>4. Processing of applications for SEC registration/ licensing of entities and capital market participants</p>	<ul style="list-style-type: none"> ■ Registered 17,339 stock corporations and 10,454 non-stock corporations; ■ Recorded 3,188 articles of partnership; ■ Granted licenses to 93 foreign branch offices and 52 representative offices of foreign corporations, 10 regional headquarters, 35 regional operating headquarters of multinationals, and 213 foundations; ■ Processed and approved 82,988 various applications consisting of, among others: company registration amendments, increase in capital stock, mergers and consolidations, FIA-related applications, and stock and transfer and membership books; ■ Registered/licensed a total of 4,230 institutions, composed of securities brokers and dealers, investment houses, financing companies, investment companies, government securities eligible dealers, transfer agents, surety companies, mutual fund distributors, including the accreditation of 259 auditing firms and 1,271 individual external auditors. Also processed and approved four (4) secondary licenses for financing companies and 289 for lending companies; ■ Processed and evaluated 127 Certificates of Eligibility covering non-performing assets worth PhP3.01 billion; and, ■ Registered PhP221.89 billion worth of equity securities and debt securities.

PLANNED	ACHIEVED
<p>5. Streamline the company registration and licensing function</p>	<ul style="list-style-type: none"> ■ Issued SEC MC No. 6, series of 2012 on the SEC streamlining the documentary requirements for various applications as follows: <ul style="list-style-type: none"> • Bank Certificate of Deposit for registration of stock corporations; • Special Audit Report for applications to increase the authorized capital stock of corporations where subscription to increase is paid in cash; • Primary Entry for Deeds of Assignment in registration of new corporations or increase in authorized capital stock where subscription is paid through land or land improvements). ■ Following the implementation of SEC MC No. 6, series of 2012, a total of 8,099 entities benefited from the elimination of the Bank Certificate requirement for primary registration applications; ■ Adopted an internal policy to support the implementation of the 2012 Investment Priorities Plan; ■ Processed and approved through the GLU 8,746 applications for registration of stock corporations, non-stock corporations and partnerships; and ■ Deployed the PBR kiosk in March 2012 and processed a total of 124 applications for registration of Employer Registration Numbers with the Philippine Health & Insurance Corporation, Pag-IBIG, and the Social Security System.
<p>6. Examine, inspect, verify, and/or evaluate corporate reports, financial disclosures, and registration statements</p>	<ul style="list-style-type: none"> ■ Continued the process of monitoring compliance with reportorial requirements under Section 141 of the Corporation Code of the Philippines. Monitored 43,563 corporations resulting in the imposition of fines and penalties on 11,258 firms which failed to submit their Annual AFS and GIS in accordance with the Corporation Code; ■ Received and reviewed 77,283 financial reports, disclosures, and other periodic reports of regulated entities; and ■ Monitored 8,901 foundations for compliance with Rule 68 of the SRC and SEC MC No. 8, series of 2006 – Revised Guidelines on Foundations.
<p>7. Conduct enforcement, regulatory compliance-monitoring,</p>	<ul style="list-style-type: none"> ■ Sustained the monitoring of market TP and their daily transactions through the use of a real-time market surveillance system for detecting unusual price and volume

PLANNED	ACHIEVED
<p>surveillance, and intelligence activities</p>	<p>movements to identify and/or address any potentially problematic or fraudulent stock transactions in its early stage.</p> <ul style="list-style-type: none"> ■ Reviewed and evaluated 119 investigation reports on errant corporations/individuals, and closed/ terminated 109 cases. As a result, 25 petitions for Revocation/ Suspension of Certificates of Registration, 16 motion for CDOs were filed with En Banc, and 50 orders/letters to pay were issued. Upon Petition/Motion from Commission En Banc, the certificates of registration of six (6) errant corporations were revoked and CDOs were issued against 16 errant corporations, their directors, officers and assigns, and ■ Filed three (3) complaint affidavits and four (4) criminal informations in court; ■ Processed 185 complaints, 68 of which were from the public; 99 from within SEC, eight (8) from other government agencies, one (1) from a foreign enforcement agency, and nine (9) motu proprio cases; and <p>Rendered 46 decisions/resolutions/orders including the termination of 14 (pre-SEC reorganization) residual cases and 13 CDOs on cases involving petitions to change corporate name, calling of meeting, issuance of CDOs, dissolution, revocation of certificate of registration and appeal to the En Banc of decisions, resolutions or orders issued by operating departments.</p>
<p>Other activities undertaken to deliver on SEC's MFOs</p>	
<p>8. Observe prudence in administration of SEC's mandate and resources</p>	<ul style="list-style-type: none"> ■ In performing its mandates and functions, the SEC exercised prudence in the administration of its resources. SEC expenditure amounted to only PhP653 million or equivalent to 24% of total collections. ■ As of 31 December 2012, total collections forwarded to the NG amounted to PhP2.64 billion, exceeding by 110% or PhP1.38 billion the income target for the period of PhP1.26 billion. The CY 2012 income is the highest level in 21 years.

www.sec.gov.ph

 **mis@sec.gov.ph**

**SEC Building, EDSA, Greenhills
Mandaluyong City, Philippines**

 **584-0923**