

PROTECTING
INVESTORS



20
13

ANNUAL REPORT



STRENGTHENING
THE MARKET



MESSAGE OF THE COMMISSION

We are pleased to present the 2013 Annual Report of the Securities and Exchange Commission (SEC) which summarizes our accomplishments for the year in review.

The year 2013 was significant for the SEC. The Commission undertook a realignment of functions and duties among its departments and divisions. In the process, it spun off the Information and Communications Technology Department to oversee the development and implementation of critical information systems to support the operations of the Commission in relation to its core functions of development and regulation of the corporate and capital markets.

The year showed marked improvement in the country's positive economic outlook buoyed by the expansion in consumer spending, higher business and consumer confidence, favorable interest rates, stable inflation and strong remittances from abroad. The Commission's contributions to the favorable economic and investment environment include capital market reforms consistent with the Capital Market Development Blueprint, the promotion of good corporate governance, and strict implementation of rules on disclosure and accountability. During the year in review, the Commission took the lead in the formulation of the successor Capital Market Development Blueprint 2013-2017 with the strong participation of its stakeholders in the corporate and securities sectors.

The Commission remains firm, but fair, in enforcing its rules on market trading and business investments. Although not considered a revenue-generating agency, it contributed to the national coffers a total of PhP3.118 billion from its operations during the year. This amount represented an increase of 48.46% over the previous year's level.

This Report highlights the accomplishments of the Commission in the development and regulation of the corporate and capital markets, support to operations, and general administration and other support services. The format of this Report is organized according to SEC's major final outputs.

As we confront the challenges of the remaining years of the Aquino administration and beyond, we remain committed to fulfill our institutional duties and responsibilities and do our best to help our country attain sustainable development and inclusive growth.

Mabuhay ang Pilipinas!

Chairperson Teresita J. Herbosa
Commissioner Ma. Juanita E. Cueto
Commissioner Manuel Huberto B. Gaité
Commissioner Eladio M. Jala
Commissioner Antonieta F. Ibe

I. THE SEC VISION, MISSION AND VALUES STATEMENTS

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 interest of investors in a free, fair and competitive business environment.

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

Our Values:

Integrity

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

Professionalism

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

Accountability

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

Independence

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

Initiative

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

Our Vision:

We foresee 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.

In 2013, the SEC actively pursued the development and regulation of the corporate and capital market, by strengthening the securities market and fostering sound and ethical practices among its regulated entities and individuals. This is in pursuant to the attainment of a resilient and inclusive financial system and, ultimately, to the achievement of rapid, inclusive and sustained economic growth and a transparent, accountable, and participatory governance which are among the key result areas of the President’s Social Contract with the Filipino People.

The details of these SEC contributions are further discussed in this Report.

II. CORPORATE AND CAPITAL MARKET DEVELOPMENT SERVICES

The primary contributors to this major final output are the Markets and Securities Regulation Department (**MSRD**), the Corporate Governance and Finance Department (**CGFD**), the Company Registration and Monitoring Department (**CRMD**) and the Office of the General Accountant (**OGA**). The Office of the General Counsel (**OGC**), the Enforcement and Investor Protection Department (**EIPD**) and the Economic Research and Training Department (**ERTD**) also contributed to the Commission performance under this major final output.

1. Policy Measures

The SEC formulated and implemented policies to create an enabling environment for the development of a robust corporate and capital market. It issued a total of **22 Memorandum Circulars** (MCs) intended to foster regulated entities and individuals’ compliance with laws, rules and regulations; improve the ease of registration and other applications with the SEC; and enhance the overall regulatory framework for the corporate and capital markets. It also issued **six (6) Financial Reporting Bulletins** (FRBs) to further clarify implementing issues on financial reporting standards.

Table 1: SEC Memorandum Circulars Issued in 2013

1	Mandatory Incorporation of the Tax Identification Number of Foreign Investors in All Forms, Papers and Documents Filed with the SEC
2	Amendment of SEC Memorandum Circular (MC) No. 8, series of 2000 on Records Services for Government Agencies
3	Amendments of Rules Pertaining to the Date of Submission of the Interim Semi-Annual Financial Statements
4	Amendment of Part I, Paragraphs 4(A) and (B) of Securities Regulation Code Rule 68, as amended on financial reporting regulations
5	Annual Corporate Governance Report (ACGR)
6	Transition to New and Amended Philippine Financial Reporting Standards effective 01 January 2013
7	Single Borrower Limit and Credit Limit on Directors, Officers, Stockholders and Related Interests
8	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

9	Extension of the Deadline to Submit Annual Corporate Governance Reports for Listed Companies Pursuant to SEC MC No. 5, series of 2013
10	Updated General Information Sheet Form
11	Financial Statements to Support an Application for a License to Transact Business in the Philippines
12	Amendments to Investments Company Act Rule 35-1
13	Guidelines on the Conduct of Valuation and Issuance of a Fairness Opinion
14	Amended Guidelines Covering the Use of Properties that Require Ownership Registration as Paid-up Capital of Corporation
15	Policies and Guidelines on the Issuance of Exempt Commercial Papers
16	2014 Schedule of Filing of Annual Financial Statements
17	Guidelines on Applications for Re-registration of Corporations with Dissolved or Revoked Certificates of Registration
18	Posting of the ACGR in Company Websites
19	Amendment to SEC MC No. 5 series of 2008 pursuant to Republic Act 10530 or the Act Defining the Use and Protection of the Red Cross, Red Crescent and Red Crystal Emblems
20	Requiring all Members of the Board of Directors and Key Officers of Publicly Listed Companies to Attend Corporate Governance Trainings only with SEC Accredited Training Providers
21	Omnibus Guidelines and Procedures on the Use of Corporate and Partnership Names
22	Finality of the Revocation Orders covering 2001-2006 Registered Corporations including those Corporations covered by Suspension Orders and Revocation Orders published by SEC Extension Offices

MSRD's contribution of policy measures affecting corporate and capital market development services included the provision of inputs to new and revised rules and regulations such as the following:

- Proposed amendments to the Implementing Rules and Regulations of the Securities Regulation Code (SRC);
- Proposed amendments to the Corporation Code of the Philippines;
- Refinements to the regulations on third party Securities Borrowing and Lending;
- Comments on Republic Act (RA) 10607, An Act Strengthening the Insurance Industry, further amending Presidential Decree (PD) 162, otherwise known as "The Insurance Code", as amended by PD 1141, 1280, 1455, 1460, 1814 and 1981, and Batas Pambansa Blg. 874, and other purposes;
- Comments on House Bill No. 2818, An Act Amending RA 7042, as amended by RA 8179 otherwise known as "The Foreign Investment Act of the Philippines"; and
- Comments on Senate Bill No. 618 entitled an Act providing for a comprehensive revision of the charter of the Bangko Sentral ng Pilipinas (BSP) by amending RA 7653, otherwise known as "The New Central Bank Law".

MSRD's contributions also included the following rules of self-regulatory organizations (SROs) approved by the Commission:

- Philippine Stock Exchange (PSE) revised trading rules and implementing guidelines on done-through transactions;
- PSE revised trading rules and implementing guidelines, specifically, the extension of the trading pre-close time from three (3) minutes to five (5) minutes;
- Amendments to the PSE revised trading rules and implementing guidelines governing account codes;
- Listing rules for the main and Small, Medium and Emerging boards;
- Amended Item 4 of Article XVI and amended Item 1 of Article XVII of the implementing guidelines of the PSE revised trading rules;
- PSE rules on Exchange Traded Fund (ETF) (Part A- general provisions, Part B - listing and disclosure and Part C- PSE ETF market making rules);
- Amended Rule 4 of the PSE Nomination and Election Committee (NOMELEC) rules and amended item 7 of the voting guidelines;
- 2013 PSE NOMELEC rules and voting guidelines;
- PSE rules on Direct Market Access (DMA);
- On-line Service Bureau guidelines for PSE trading participants

The SEC supported the launch of the PSE's own DMA facility called **PSE Tradex** following the approval of the PSE Rules on DMA. **PSE Tradex** is a web-based online trading platform which will primarily cater to trading participants who cannot put up their own online trading platform.

In 2013, **MSRD** also participated in the formulation of the Capital Market Development Plan Blueprint 2013-2017. It served as co-chair of the Equities Technical Working Group which laid out the inputs to the Blueprint.

On the other hand, **CGFD's** contribution to the policy measures included the following:

- Formulation of MC Nos. 5, 12, 18, and 20 series of 2013;
- Streamlining the requirements and procedures for the evaluation and monitoring of corporate governance reports such as the Manual of Corporate Governance (MCG), application for accreditation of CG training providers, Annual Corporate Governance Report and Certification of qualification/disqualification of independent directors (for listed companies), Attendance in board meetings and Compliance with their MCG (for other registered issuers and public companies);
- Conducted a policy study on the benefits of having the positions of Chief Executive Officer and Chairman of the Board of Directors held separately by different individuals;
- Implemented the policy of allowing public officials to accept outside employment during their incumbency in office subject to the written permission of the head of the official's government office;
- Streamlined the requirements for the issuance of certificates of authority to

- operate as a Financing Company both for main and branch offices by eliminating certain requirements;
- Finalized and implemented SEC Form-ETF and Checklist for the registration of ETFs to facilitate processing of ETF applications;
- Issuance of monitoring guidelines for financing and lending companies and for foundations for uniform implementation;
- Prepared circular amending the Implementing Rules and Regulations (IRR) of the Lending Company Act by incorporating the single borrowers limit (SBL) and credit limit to Directors, Officers, Stockholders Related Interest;
- Prepared guidelines for foundations in relation to MC No. 4 series 2013 re: submission of Sworn Statement of Sources and Application of Funds;
- Recommended five (5) policies, of which four (4) were approved by the Commission, regarding the issuance of exempt commercial papers by financing and lending companies;
- Drafted circular on policies and guidelines in the issuance of exempt commercial papers by financing and lending companies;
- Drafted Memorandum of Agreement between SEC and the Department of the Interior and Local Government regarding the requirement for financing and lending companies to obtain a Certification of Authority prior to the issuance of a business permit.
- Provided comments and attended hearings of various Senate and House Bills and in the drafting of the amendments of the IRR of the SRC.

CRMD, in its continued efforts to improve public service delivery pursuant to the *“Anti-Red Tape Act of 2007”* and Administrative Order No. 38 on *“Ease of Doing Business Reforms”*, proposed several measures to streamline documentary requirements and procedures in processing applications. Such efforts resulted in the adoption and immediate implementation of the following SEC Resolutions:

- SEC Res. No. 133, series of 2013 simplifying the requirement of written waiver of pre-emptive rights by non-subscribing stockholders in applications to increase capital stock by requiring, in lieu thereof, a Secretary’s Certificate;
- SEC Res. No. 134, series of 2013 which dispensed with the requirement of a Deed of Assignment in applications to increase capital stock through conversion of Deposits for Future Subscription, subject to certain conditions;
- SEC Res. No. 230, series of 2013 which approved **CRMD**’s Flowcharts of Procedures for the amendments of articles of incorporation/by-laws of corporations and articles of partnerships;
- SEC Res. No. 229, series of 2013 which approved the Guidelines for Applications of Amendments of Articles of Incorporation and By-laws where there are two or more GIS filed for the same corporation;
- SEC Res. No. 410, series of 2013 which dispensed with the submission of the *“Statement of Duties and Responsibilities of the Manager, Cashier, and Administrative Officer”* by registered lending companies in their applications for Certificate of Authority to Operate a Branch Office;
- SEC Res. No. 555, series of 2013 which approved the draft MC relative to the procedure for adoption of the corporate name of a dissolved or revoked corporation, amending for this purpose SEC MC No. 5, series of 2008 on the

“Guidelines and Procedures on the Use of Corporate and Partnership Names”;

- SEC Res. No. 718, series of 2013 which approved the “Omnibus Guidelines and Procedures on the Use of Corporate and Partnership Names”;
- SEC Res. No. 754, series of 2013 which provided the procedure in granting fifty per cent reduction in the fines imposed on corporations for non-compliance with reportorial requirements;
- SEC Res. No. 755, series of 2013 and SEC Res. No. 756, series of 2013, both of which provided the procedures for payment by installment of fines for non-compliance with reportorial requirements.

Moreover, the adoption of the aforementioned SEC Resolutions, along with the other initiatives of the Department, also resulted in the issuance by the Commission of MC Nos. 1, 2, 10, 11, 14, 17, 19, 21 and 22 series of 2013 and SEC Office Order No. 242, series of 2013, providing the Guidelines for applications for amending the Articles of Incorporation/By-laws where there is more than one set of GIS filed with the Commission.

The OGA formulated and recommended the following policies and guidelines which were adopted by the Commission:

- *Improvement of Financial Reporting:* The amendment of Part I paragraphs (4)(A) and (B) of SRC Rule 68 to provide more meaningful and relevant information to the users of the financial statements of non-stock and non-profit organizations. Templated forms were prepared and included in the Rule for ease of compliance and clear presentation of relevant information on the sources and usage of funds of said organizations. The revised requirements are embodied in SEC MC No. 4, series of 2013.
- *Alignment of Financial Reporting Rules with Global Standards:* Corporations that are required to submit interim financial statements were granted a transition period to adopt the new and amended Philippine Financial Reporting Standards starting 01 January 2013. These entities were authorized to present the prescribed information and to recognize the following standards in their interim financial statements starting with the period ended 30 June 2013:

Table 2: List of Accounting Standards and Subject Covered in 2013 Issuances

Title	Subject
Philippine Accounting Standards (PAS) 27 (Amended)	Separate Financial Statements
PAS 28 (Amended)	Investments in Associates and Joint Ventures
Amendments to Philippine Financial Reporting Standards (PFRS) 1	Government Loans
Amendments to PFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities

PFRS 10	Consolidated Financial Statements
PFRS 11	Joint Arrangements
PFRS 12	Disclosure of Interests in Other Entities
PFRS 13	Fair Value Measurement

As a condition to the above transition, covered corporations were required to provide in their interim financial statements as of 30 March 2013 the following disclosures: (1) Whether or not the above standards are applicable to the company; and (2) If yes, whether or not the company is currently evaluating the impact based on audited figures as of 31 December 2012. These revised transition requirements are embodied in SEC MC No. 6, series of 2013.

- *Ease of Doing Business in the Philippines*: The Commission revised the age and authentication requirements on financial statements supporting an application for a license to transact business in the Philippines. The guidelines also specify the financial statements that must be submitted by a foreign corporation applying for a license depending on whether or not its home country requires statutory audited financial statements. The revised requirements are embodied in SEC MC No. 11, series of 2013.
- *Enhancement of Investor Protection*: The Guidelines on the Conduct of Valuation and Issuance of a Fairness Opinion to enhance the quality and reliability of fairness opinions being issued prior to the conduct of a mandatory tender offer and to align the rules of the Commission with best practices in other jurisdictions was adopted. Ultimately, the increased quality and reliability of the opinion would enhance investor protection. These guidelines are embodied in SEC MC No. 13, series of 2013.
- *On FRBs*: Opinions and interpretations on the following were issued: (a) Revised FRB No. 6 on Deposit for Future Subscriptions, (b) FRB No. 13 on Presentation of Related Party Disclosures, (c) FRB No. 14 on Presentation of Reconciliation of Retained Earnings, and, (d) FRB No. 15 on List of Effective Standards and Interpretations;

In addition, the **OGC** finalized and released to the public SEC MC No. 8, series of 2013 on the Guidelines on Compliance with Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations engaged in Nationalized and Partly Nationalized Activities.

The **EIPD** prepared and refined the draft Memorandum of Understanding with the Department of Justice (DOJ) - Office for Competition (OC) concerning the appropriate criteria and procedure for referring merger cases with competition issues. On behalf of the SEC, the Department coordinated with the Asian Development Bank (ADB) on the next steps concerning the resolution of cross-border disputes involving securities issued by an entity based in an ASEAN member country to retail customers based in another ASEAN member country, specifically, the implementation of an insurance mechanism to cover claims associated with such disputes.

2. Technical Assistance

The SEC collaborated with other government agencies, the private sector, foreign counterparts and international bodies on various efforts and initiatives that are geared towards building a resilient and inclusive financial system and a robust corporate and capital market, and achieving inclusive growth.

It played a key role in coordinating the formulation of the **Capital Market Development Plan (CMDP) Blueprint 2013-2017** which was approved by the Capital Market Development Council (CMDC) for publication on 06 September 2013. The CMDP Blueprint seeks to foster strong, reliable and competitive Philippine capital markets through the implementation of strategies that (a) strengthen the markets for fixed income, equities and alternative investments products; (b) promote taxation neutrality; (c) rationalize tax consequences; and, (d) develop the SEC as an institutionally strong and capacitated corporate regulator.

The SEC participated in various **inter-agency bodies** such as the Anti-Money Laundering Council (AMLC); Financial Sector Forum (FSF) Financial Market Infrastructure (FMI) Task Force; Financial Stability Coordinating Council (FSCC) Working Group on Shadow Banking Capital Flows and Securities Lending; National Law Enforcement Coordinating Committee (NALECC); Task Force on Ease of Doing Business; BSP-SEC Bilateral Task Force; Philippine Development Plan (PDP) Sub-Committee on Finance; Philippines-Japan Economic Partnership Agreement (PJEP) Sub-Committee on Trade in Services; Philippine Working Group on Services for the ASEAN; Personal Equity and Retirement Account (PERA) Technical Working Group (TWG) on Strategic Initiatives to Implement PERA Law; among others. In relation to this, the SEC provided information and recommendations to **major plans and reports of the government** such as the PDP Midterm Update, Public Investment Program 2011-2016, 2013 State of the Nation Address of the President, 2013 Socio-Economic Report, 2013 Philippine Statistical Yearbook, 2013 Cabinet Assistance System Planning Tool, 2012 Year-End Economic Briefing, and the 2012 Department of Finance (DOF) Annual Report. It also provided technical assistance to the proposed data sharing agreement between the SEC and Philippine Statistical Authority; registration and listing of the first ETF product in the Philippines; and provided relevant data on foundations and other corporations implicated in the alleged "Priority Development Assistance Fund scam."

The SEC submitted a total of **28 position papers** in aid of legislation of various proposed measures. It issued **17 legal opinions** on the interpretation of certain provisions of the Corporation Code, the SRC, and other SEC administered laws.

To further strengthen the corporate and capital market infrastructure, the SEC engaged concerned parties in the private sector and even in the regional and international arena. It took part in **public-private partnerships/councils** including the CMDC, Auditing and Assurance Standards Council (AASC), and Financial Reporting Standards Council (FRSC), Philippine Interpretations Committee (PIC), among others. The SEC participated in **regional and international fora** which promote cross-border cooperation on capital market development and regulation such as the ASEAN Capital Markets Forum (ACMF), Asia Pacific Economic Cooperation (APEC), and International Organization of Securities Commissions (IOSCO); and cooperated with

international development agencies such as the ADB, World Bank (WB) and the United States Agency for International Development (USAID). The SEC provided information and recommendations to **international reports** such as the WB 2014 Surveys on Ease of Doing Business; Directory of How Countries Supervised their Banks, Insurance and Securities Market; ASEAN Capital Market Infrastructure Blueprint; and KPMG Inception Report on Assessment of ASEAN Capital Market Integration and Development. The SEC also contributed inputs to the proposed program to assist the Philippine SEC in joining the IOSCO Multilateral Memorandum for Understanding (MMOU), and to the proposed WB Technical Assistance for the hiring of a consultant for the development of the Annual Financial Statement and GIS statistical system.

The SEC also rendered **public assistance** through the conduct of **22 public seminars**, **13 lecture-briefings** for academic institutions across the country and **183 speaking engagements**. It processed **296,671 requests** from institutional and individual researchers for corporate records, certifications, company listings, and investment statistics; and attended to a total of **38,100 personal, telephone and email queries**.

In addition to its active participation in the FRSC, the AASC, and the PIC, the OGA provided the following technical inputs to the said Councils and Committee:

- *On the FSF*: The technical assistance included: (a) drafting of a bill on Pension Fund, (b) preparation of the Governance Framework for Financial Conglomerates, (c) study on “Improving Adherence to Quality Control Standards in External Auditing”, and, (d) amendment of the rules on interim reporting of secondary licenses;
- *On the FSCC*: The technical assistance included: (a) collection and analysis of financial data on top real estate companies, and, (b) preparation of plans for the vulnerability assessment of corporate leverage;
- *Other coordinating activities* that included: (a) drafting a circular that aims to facilitate compliance of covered financial institutions with the Foreign Account Tax Compliance Act Guidelines; (b) providing inputs on Taxes TWG in the CMDP Blueprint 2013-2017, and, (c) proposing amendments to the Corporation Code, SRC, Insurance Code, and Rules on Trust Corporations;
- *Written Opinions and Clarifications* on the following: (a) Deposit for Future Subscriptions, (b) Consolidation of Financial Statements, (c) Preferred shares, (d) Emphasis of a matter paragraph in the Auditor’s Report, (e) Excess retained earnings, (f) Decrease in authorized capital stock, (g) Treasury shares, and (h) Functions of President and Chief Operating Officer.

During the year in review, the OGC provided the following technical assistance: (a) issued a total of **18 Opinions** including **13 Docketed SEC Opinions**, (b) reviewed **30 Contracts**, (c) released **26 Positions** on various bills, (d) rendered **291 other legal work** which included reply letters to the public, and opinions to other SEC Departments and other government agencies, (e) verified a total of **2,624 names** of corporations against

list of pending cases with OGC regarding **clearance or certificate of good standing**; (f) responded to **650 inquiries** of the public regarding status of pending cases and legal queries, (g) furnished **61 certified true copies** of documents such as decisions of cases and other records, (h) acted as lead SEC department in the United Nations Conventions Against Corruption, (i) assigned as the Designated Legislative Liaison Officer of the Presidential Legislative Liaison Office, and (j) represented the SEC in the DOJ-OC.

MRSD provided technical assistance to and participation in international bodies and inter-agency activities and in rendering of opinions and interpretative issuances. In inter-governmental cooperation, the Department participated in the BSP-SEC Bilateral Task Force, the FSF and in inter-government discussions with the APEC Business Advisory Council and on the ASEAN Economic Community integration, among others. It also participated in the Philippines-U.S. Partnership for Growth Subcommittee on Fiscal Space. In international cooperation and ASEAN linkages, MSRSD conducted a consultative meeting on the ACMF Industry Consultation on ASEAN Disclosure Standards and Review Framework. MSRSD served as focal SEC department on SEC membership in the Association of National Numbering Agencies. The Department also served as lead SEC department in the cooperation and coordination efforts with SROs, the ADB and capital market organizations. It also prepared an opinion addressed to Deutsche Bank AG on the settlement procedures for Onshore Dollar Bonds transactions with qualified institutional buyers outside the Enhanced Delivery versus Payment system of PDEX.

CGFD provided the following technical assistance: (a) review in the drafting of the proposed changes of the Exposure Draft of Corporate Financial Conglomerates, incorporation of the ASEAN Corporate Governance Scorecard principles in the ACGR and the Integrity Initiative Assessment Tool, (b) assistance in the registration and listing of the first ETF product in the Philippines, and (c) participation in the financial literacy program of the FSF and in the TWG meetings on shadow banking and capital flows.

CRMD provided the following technical assistance: (a) in meetings and technical work of the National Competitiveness Council (NCC) and, (b) through coordination with other government agencies. Said coordination paved the way for specific proposals for forging of a Memorandum of Agreement/Understanding with the Philippine Overseas Employment Administration and the BSP.

EIPD represented the SEC NALECC and acted as the AMLC desk in the Commission. It provided inputs to the Organization for Economic Cooperation and Development on the questionnaire on Enforcement Issues. It also attended as observer in 12 stockholders' meetings upon the request of OGC.

ERTD coordinated internal work on the proposed revision of SEC fees, charges and penalties which was submitted by the Commission to the DOF. It consolidated the SEC inputs to the WB's Doing Business Report 2014 and participated in inter-agency meetings on international agreements on trade in financial services like those under ASEAN, the World Trade Organization (WTO) and the PJEPA. The Department represented the SEC in the sub-committee level mid-term review of the Resilient and Inclusive Financial System Chapter of the Updated PDP 2013-2016 and in the inter-

agency Task Force on Corporate Statistics.

The SEC Extension Offices provided technical assistance to requesting parties within its area of coverage in terms of speakership in seminars on registration and reportorial requirements and in information dissemination particularly on investments scams.

The SEC also participated in various meetings such as the “Symposium on Performance Management: Strategies and Breakthroughs” organized by the Civil Service Commission; “Open Data Boot Camp for Government” organized by the Office of the President; meeting on corporate statistics organized by the National Statistical Coordination Board (NSCB); follow-up meeting on the Enterprise Survey Workshop; Bankers Institute of the Philippines Forum; BSP Updates on New Regulations, Foreign Exchange Rules Liberalization and BASEL III and Foreign Exchange Regulations; and Financial Literacy Program of FSF through its Consumer Protection and Education Committee, among others.

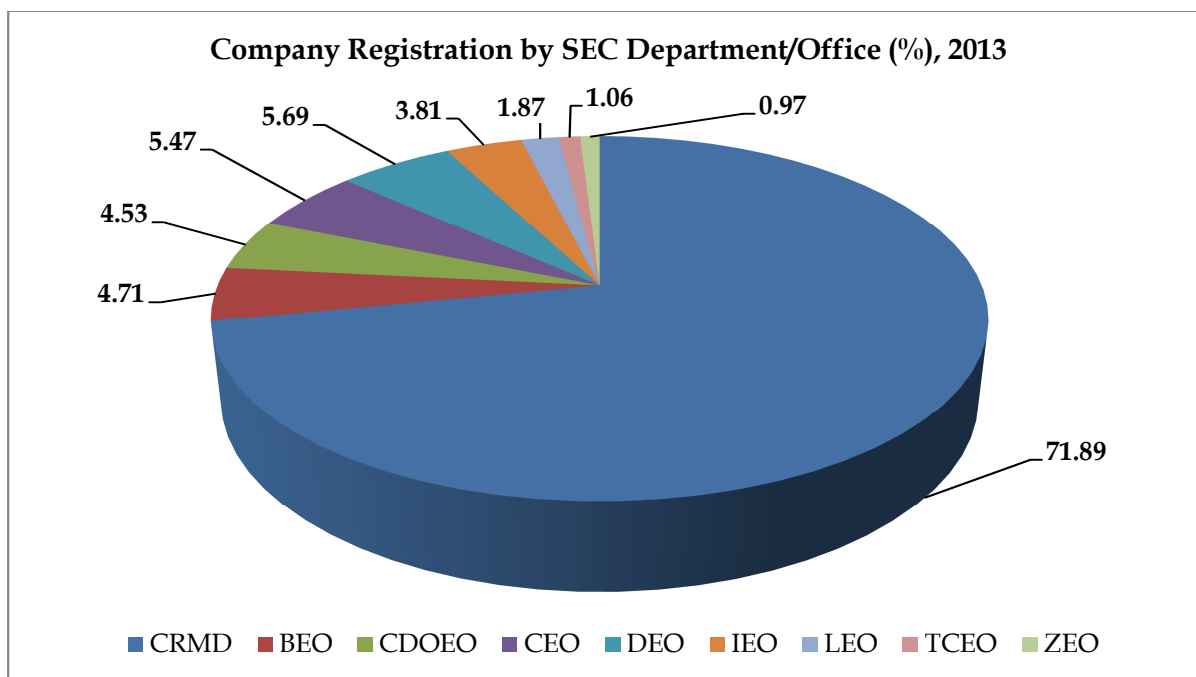
III. CORPORATE AND CAPITAL MARKET REGULATION SERVICES

1. Registration/Licensing

As shown in Table 3 below, the SEC registered during the year in review, **19,816 stock corporations** and **9,635 non-stock corporations**; recorded **3,471 articles of partnership**; and licensed **83 foreign branch offices**, **80 representative offices of foreign corporations**, **5 regional headquarters** and **14 regional operating headquarters** of multinational companies. In addition, it processed and approved **74,325 various** other applications consisting of, among others: company registration amendments, increase in capital stock, mergers and consolidations, Foreign Investments Act-related applications, and stock and transfer and membership books.

Table 3: Company Registration, 2013

Department/Office	Stock	Non-stock	Partnership	Total	% to Total
Company Registration and Monitoring Department	15,983	4,833	2,851	23,667	71.89
Baguio Extension Office (BEO)	232	1,229	89	1,550	4.71
Cagayan de Oro Extension Office (CDOEO)	424	1,003	66	1,493	4.53
Cebu Extension Office (CEO)	1,294	373	135	1,802	5.47
Davao Extension Office (DEO)	916	804	152	1,872	5.69
Iloilo Extension Office (IEO)	613	543	99	1,255	3.81
Legaspi Extension Office (LEO)	140	441	33	614	1.87
Tarlac City Extension Office (TCEO)	118	201	33	352	1.06
Zamboanga Extension Office (ZEO)	96	208	13	317	0.97
Total	19,816 [60%]	9,635 [29%]	3,471 [11%]	32,922 [100%]	100



Of the total of **23,667** applications for registration received by **CRMD**, **14,936** or **63%**, were processed by the Green Lane Unit (**GLU**). This represented a **73.35%** increase from the 2012 level of **8,616** applications. The total applications processed by **CRMD** represented a **9.5%** increase from the **21,612** applications processed in 2012. Applications filed with the GLU are approved within one (1) day from date and time of filing. All applications for registration may be filed with the GLU except, however: (a) those corporations whose subscribed capital is not paid in cash; (b) those with more than 40% foreign equity under the Foreign Investments Act of 1991, as amended; and (c) those with secondary license issued by the SEC. Collectively, the eight (8) SEC Extension Offices processed a total of **9,255** or **28%** of total applications for registration of stock and non-stock corporations and partnerships.

In addition, during the year, **CRMD** processed **12,038 other applications** such as amendments of Articles of Incorporation/By-Laws and Partnerships, increase/decrease of capital stock, dissolution, extension of corporate terms, reclassification of shares, increase in foreign equity, confirmation of valuation, among others.

Considering that name reservation is the primary step in registration, **CRMD** has made continuing efforts to improve this process. During the year, the Department processed a total of **121,582 applications** for name verification/reservation, up by **3.75%** of the year-ago volume of **117,178 applications**. In addition, the Department has continued the designation of a courtesy lane which exclusively caters to the senior citizens, persons with disability, pregnant women, and women accompanied by minor children. Moreover, as a repository of corporate records, the department processed a total of **4,346 requests** for Certification.

In line with strengthening the capital markets in 2013, the SEC had a total of **9,521** registered/licensed institutions composed of broker dealers in securities, brokers in securities, dealers in securities, brokers in proprietary shares, voice brokers, investment houses, investment houses engaged in dealing government securities, underwriters of securities engaged in dealing government securities, government

securities eligible dealers, investment company advisers, mutual fund distributors, transfer agents, financing companies and lending companies, including **111 accredited auditing firms, 491 individual external auditors and licensed professionals (associated persons/compliance officers, fixed income market salesmen, salesmen and certified investment solicitors)**. These are reflected in Table 4 below:

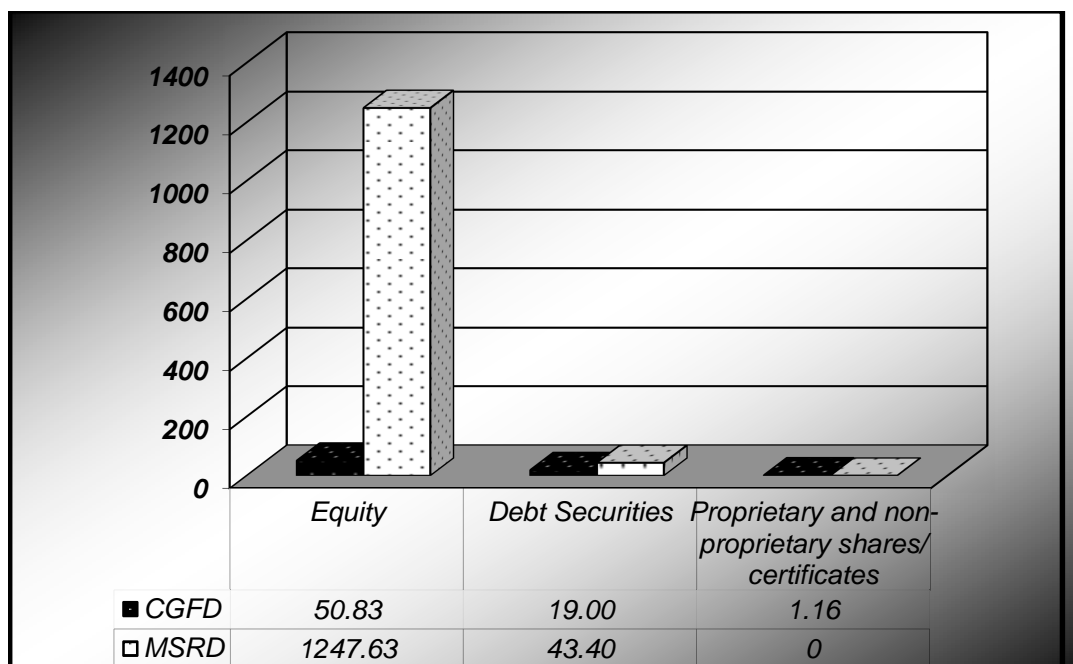
Table 4: Entities and Individual Market Participants Registered as of 2013

Entity Type	Number
1. Auditing Firms	111
2. Individual External Auditors	491
3. Associated Persons/Compliance Officers	302
4. Fixed Income Market Salesmen	2,125
5. Salesmen	1,197
6. Certified Investment Solicitors	2,931
7. Broker Dealers	129
8. Brokers	9
9. Dealers	1
10. Brokers in Proprietary Shares	3
11. Voice Brokers	5
12. Investment Houses	17
13. Investment Houses Engaged in Dealing Government Securities	10
14. Underwriters of Securities Engaged in Dealing Government Securities	11
15. Government Securities Eligible Dealers	28
16. Investment Company Advisers	10
17. Mutual Fund Distributors	8
18. Transfer Agents	24
19. Financing Companies	597
20. Lending Companies	1512
Total	9,521

The SEC also processed and evaluated **151 Certificates of Eligibility** covering non-performing assets worth **PhP2.56 billion**; and registered **PhP1.36 trillion** worth of **equity securities** and **debt securities** as indicated in Table 5 below:

Table 5: Type and Value of Securities Registered, 2013

Type of Securities	CGFD [Value in PhP B]	MSRD [Value in PhP B]	Total [Value in PhP B]
Equity (including Mutual Funds/ Investment Companies)	50.83	1,247.63	1,298.46
Debt securities	19.00	43.40	62.40
Proprietary and non-proprietary shares/ certificates	1.16	-	1.16
Total	70.99	1,291.03	1,362.02



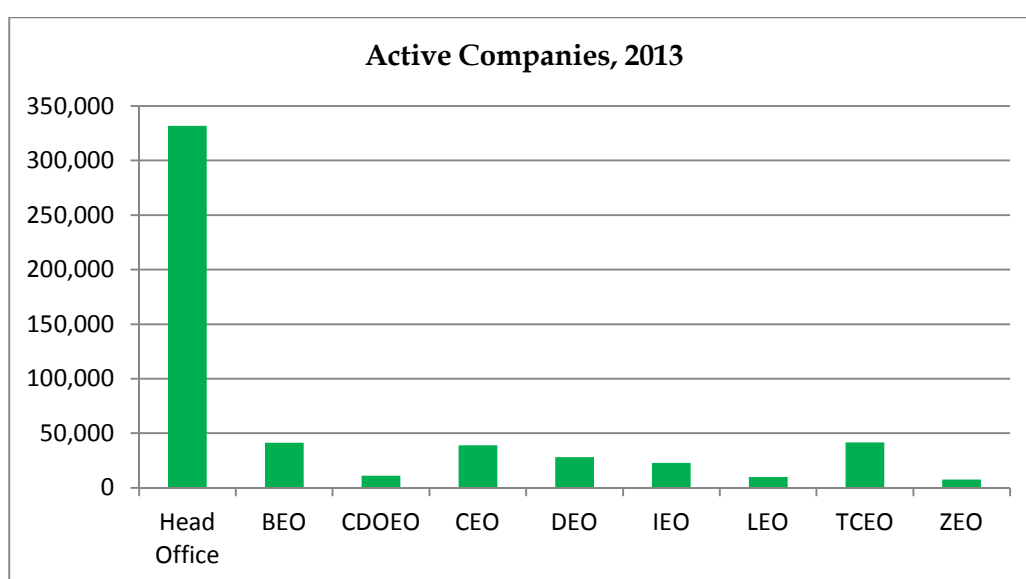
In addition, **CGFD** processed and issued the Permit to Sell Securities of the first ETF in the Philippines, the **First Metro Philippine Equity Exchange Traded Fund, Inc.** It registered a total of **PhP50.83 billion** worth of securities to be traded in the PSE including **PhP3.61 billion** worth of Mutual Funds/Investment company securities. It processed and recommended for approval a total of **54 applications** for Certificates of Authority of Financing Companies (Head and Branch offices); received **9 applications**, accredited **4 training providers** in Corporate Governance; and processed a total of **472 requests** for confirmation of exemption from registration of securities and **21 requests** for exemptive relief and **9 requests** for confidential treatment which were granted by the Commission.

On the other hand, **MSRD** processed a total value of **PhP1,291.03 billion** worth of securities representing **94.8%** of the total value of **PhP1,362.02 billion** worth of securities registered in 2013.

As of the year ended 31 December 2013, the total number of active companies registered with and being monitored by the SEC stood at **533,142** as shown in Table 6 below disaggregated by area of responsibility per **SEC Special Order No. 680, series of 2012**.

Table 6: Number of SEC-Registered and Active Companies Distributed by Area of Coverage of SEC Extension Offices

Area of Responsibility	No. of Active Companies	Per Cent to Total
Head Office	331,759	62.23
BEO	41,177	7.72
CDOEO	11,065	2.08
CEO	38,981	7.31
DEO	28,167	5.28
IEO	22,763	4.27
LEO	9,993	1.87
TCEO	41,709	7.83
ZEO	7,528	1.41
Total SEC Philippines	533,142	100.00



2. Monitoring

To ensure compliance with implementation of sound and ethical practices among its regulated entities, the SEC monitored a total of **46,096 entities**, consisting of **8,076 foundations** (for compliance with Rule 68 of the SRC and SEC MC No. 8, series of 2006 Revised Guidelines on Foundations), and **38,020 corporations**. This resulted in the imposition of fines and penalties on **10,640 firms** which failed to submit their Annual Audited Financial Statements (AAFS) and GIS in accordance with the Corporation Code. It also reviewed **142,910 financial reports, disclosures, and other periodic reports** of regulated entities.

During the year in review, **MSRD** monitored the compliance of **541 capital market participants** as shown in Table 7 below:

Table 7: Market Participants Monitored by MSRD, 2013

Market Participants	Number
Securities Brokers and Dealers	146
*PSE members - 133	
*Non-PSE members - 13	
Dealer in Government Securities	48
Investment Houses	27
*With quasi-banking functions - 6	
*Without quasi-banking functions - 21	
Underwriters and Securities	10
Investment Company Advisers	11
Mutual Fund Distributors	8
Transfer Agents	24
Listed Companies	259
Self-Regulatory Organizations	3
Exchanges	2
Clearing House	1
Securities Depository	2
Total	541

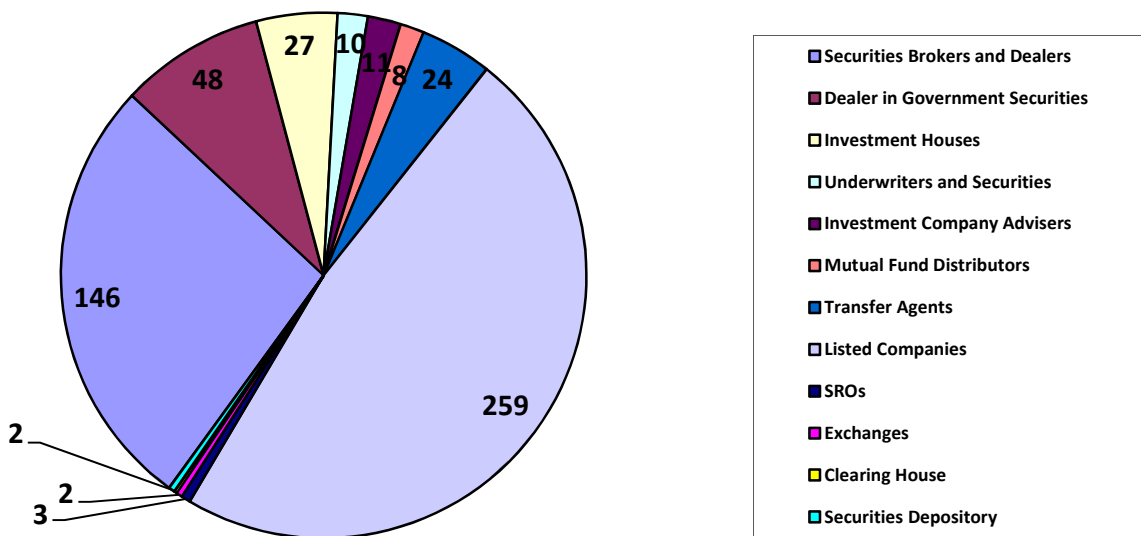


Figure 1 Market Participants Monitored by MSRD

In 2013, **MSRD** conducted a total of **20,433 desk audits** of daily, monthly, quarterly and annual reports submitted by regulated entities. It conducted **12 regular audits** of online brokers/dealers to determine compliance with the following requirements under the SRC, Anti-Money Laundering Act (AMLA) and its implementing rules: (a) Sales practice, (b) Financial responsibility, (c) Ethical standards, (d) Books and records, and (e) Rules on anti-money laundering. These regular audits revealed minor violations that caused the issuance of show cause letters. The Department also conducted **12 onsite audits** of brokers/dealers to determine compliance with specific requirements of the SRC and its implementing rules on: (a) online trading facility of brokers/dealers, and, (b) application of exemptive relief from the requirements of the rules on order ticket, confirmation of orders and/or sending out of Statement of

Accounts. The results of these audits have been presented to the Commission.

During the year, **MSRD** received, acknowledged, analyzed and monitored a total of **20,433 reports** summarized in Table 8 below:

Table 8: Reports Monitored and Analyzed by MSRD, 2013

A. Reports for Broker Dealers/ Investment House, Underwriter of Securities/ Government Securities Eligible Dealers/ Investment Company Advisers/ Mutual Fund Distributors/ Associated Persons /Salesmen /Fixed Income Market Salesmen /Certified Investment Solicitors - 19,059

Name of Report	No.	Name of Report	No
Annual Audited Financial Statements (AAFS)	541	SEC Form 30.1 Report on Broker Director Rule	1,944
SEC Form 52-AR [AAFS for Brokers Dealers]	60	Risk Based Capital Adequacy (RBCA) Report	1,728
SEC Form 30.1 Affiliated Transactions of Broker Dealer	4,931	Reconciliation of Philippines Central Depository (PCD) and Transfer Agent Balances	4
General Information Sheets	25	Certification of Shares Registered in PCD	4
Manual on Corporate Governance (MCG) - Secretary's Certification	224	Reports of Persons Transacting PSE Shares	4,811
MCG - Compliance Officer Certification	123	Block Sale Reports	1,418
SEC Form IH-QPR - [Investment Houses - Quarterly Progress Reports]	151	Report of Trading Halt in Listed Issues	23
SEC Form IHFS [Special Form for Financial Statements of Investment Houses]	53	Report of Suspension in Listed issues	53
SEC Form IH-AR - Annual Reports	18	Brokers Sworn Statements of PSE Shares	1,256
SEC Form 36-AR Annual Report	9	PSE Disclosures for Posting at PSE Website	34
SEC Form 28 - Salesmen/ Associated Person Amendment Form	2	PSE Report - Penalties for Violation of Revised Disclosure Rules	6
SEC Form 28-T Termination Notices	374	Certification of Independent Director	4
SEC Form ICA-T Termination Notice [Investment Company Advisers]	37	Daily RBCA Report	210
SEC Form ICA-IA Initial Application Amendment Form	4	Delisted Reports	4
SEC Form IHU-A Amendment Form [Investment Houses/Underwriters of Securities]	74	AMLA Compliance Form	1
SEC Form 28-BDA Broker-Dealer Amendment Form	104	Revised Manual on Corporate Governance	7
SEC Form 30.2 Quarterly Compliance Report	821	Revised Anti-Money Laundering Act (AMLA) Manual	1

B. Reports for Issuer of Registered Securities/Listed Companies - 1,374

Name of Report	No.	Name of Report	No.
SEC Form 17-A [Annual Report]	1	Tender Offer Report	2
SEC Form 17-Q [Quarterly Report]	146	Inability to File Annual/Quarterly Report	1
SEC Form 17-C [Current Report]	583	5% Owners Report	5
SEC Form 23-A [Initial Statement of Beneficial Ownership of Securities]	265	SEC Form 20-IS [Preliminary Information Statement]	11
SEC Form 23-B [Statement of Changes in Beneficial Ownership of Securities]	353	Definitive Information Statement	7

During 2013, CGFD monitored the compliance of all covered companies with disclosure requirements. It evaluated and reviewed a total of **12,700 corporate filings** as shown below:

Table 9: Reports and Documents Monitored by CGFD, 2013

Reports	Number
Annual Reports (SEC Form 17-A)	321
Quarterly Reports (SEC Form 17-Q)	647
Current Reports (SEC Form 17-C)	4,355
Inability to File Annual/Quarterly Reports (SEC Form 17-L)	147
Beneficial Ownership Reports (SEC Form 23/18)	3,557
Information Statements (Preliminary and Definitive)	734
Tender Offer Report	12
Notification of Suspension of Duty to File (SEC Form 17-EX)	58
General Information Sheet	136
Sales/Redemption Report	874
Conglomerates Mapping	34
Certification of Independent Directors	289
Certification of Attendance	370
Certification of Compliance with Manual on Corporate Governance	335
Corporate Governance - Self Rating Form	2
Revised MCG	1
MCG	6
Annual Corporate Governance Report	231
Various reports pertaining to proprietary and non-proprietary securities from January to September 2013	591
Total	12,700

In addition, CGFD monitored and reviewed 35,468 reports of financing and lending companies and foundations as summarized in Table 10 below:

Table 10: Other Reports/Documents Monitored by CGFD, 2013

Reports	Financing Company	Lending Company	Foundation	Total
Annual Report				
- General Information Sheet	743	978	8,927	10,648
- Audited Financial Statements	747	880	8,076	9,703
- Special Form of Financial Statements	620	712		1,332
- Annual Information Statement	409	451		860
Semi-Annual Report				
- Sem1 Semi-Annual Financial Statements	489	776		1,265
- Sem2 Semi-Annual Financial Statements	617	985		1,602
Quarterly Report				
- SEC Form Q-EPS	14			14
Others				
- Certification by Corporate Secretary -attendance of Directors	529	8		537
- Certification by Compliance Officer - on the extent of compliance to Manual of Corporate Governance (MCG)	525	6		531
- Revised Anti-Money Laundering Operation Manual	123	30		153
- Anti-Money Laundering Act (AMLA) Compliance Form [AMLA-CF]	119	28		147
- Revised MCG	110	10		120
- Corporate Governance Scorecard	93	9		102
- Stock and Transfer Book	66	201		267
- Non-accreditation of Auditor	63	143		206
- Information Sheet	1			1
- Quarterly Report	1			1
- Sworn statement of sources and application of funds/ Certification of existing projects			6,391	6,391
- Others (membership book, statement of willingness to be audited, location map)			1,568	1,568
Total	5,269	5,217	24,982	35,468

On the other hand, **CRMD** continued its monitoring of SEC regulated entities under two categories: (a) walk-in requests and (b) special project monitoring. For walk-in requests, **CRMD** monitored a total of **10,640** corporations. For the special project monitoring, **CRMD** accomplished its 2013 target of sending show cause letters in terms of time frame and number of covered corporations (2006-2007 registered corporations). In compliance with **CRMD's** target by year-end 2013, the Commission approved for publication the **CRMD**-prepared list of 2007 registered corporations with no reports of registrations that are subject to revocation in 2013.

3. Enforcement

The SEC continued to implement and acted either as lead or support agency in administering and enforcing special laws, the more significant of which are the following:

- Anti-Money Laundering Act of 2001 (RA 9160, as amended)
- Credit Information System Act of 2008 (RA 9510)
- Lending Company Regulation Act of 2007 (RA 9474)
- Financing Company Act of 1998 (RA 5980, as amended)
- Investment Company Act (RA 2629 as amended)
- Investment Houses law (PD 129)
- Retail Trade Liberalization Act of 2000 (RA 8762)
- Foreign Investments Act of 1991 (RA 7042 as amended)
- Omnibus Investments Code (Executive Order 226, Book III)
- Anti-Dummy Law (Commonwealth Act 108, as amended)
- Civil Code of the Philippines (RA 386, Title IX-Partnership)
- Securitization Act of 2004 (RA 9267)
- Special Purpose Vehicle Act of 2002 (RA 9182)
- Access Devices Regulation Act of 1999 (RA 8484)
- Real Estate Investment Trust Act of 2009 (RA 9856)
- Personal Equity and Retirement Act of 2008 (RA 9505)

During 2013, the SEC reviewed and evaluated **71 investigation reports** on errant corporations/individuals, and closed/terminated **151 cases**. As a result, **62 assessment and summons, 51 show cause letters, and 34 orders/letters** to pay were issued; and **3 petitions** for revocation of certificates of registration were filed. Upon Petition/Motion from the Commission *en banc*, Cease and Desist Orders (CDOs) made permanent were issued against **4 errant corporations**, their directors, officers and assigns. There were also **27 cases** finally disposed, **11 cases** archived, **42** referred to other departments/offices, and **18 cases** dismissed. It processed **167 complaints**, **60** of which were from the public; **79 from within SEC**; **18 from other government agencies**; **2** from a **foreign enforcement agency**; and **8 motu proprio** cases. It penalized **10,640 firms** which failed to submit their AAFS and GIS in accordance with the Corporation Code. The SEC also filed **3 complaint affidavits** and **3 criminal informations** in Court.

In line with its function to protect investors, stop ongoing frauds and deter illegal conduct, **EIPD** issued **24** Advisories that served as warnings to both the investors and

perpetrators of unlawful acts. The Department received a total of **167 complaints** from the public, other government agencies and by way of referral from other operating departments of the Commission. It also attended to **15** walk-in complainants. In the conduct of its fact-finding investigation on the complaints received, **EIPD** made **28 ocular inspections** on respondent corporations and issued **140 Notices of Conferences and/or Subpoenas**.

As a result of the investigation it conducted against entities or individuals subject of the complaints, **EIPD** came up with **71 investigation reports** and closed and terminated a total of **151 cases**. Some of the investigations resulted in the initiation of enforcement actions against the erring entity or individual as follows: **3 criminal actions**; **5 administrative** actions, and the issuance of **34 Orders** for the imposition of administrative fines. In the process, **EIPD** collected **Php3.5 million in fines**. On the basis of the criminal complaints filed and pending with the DOJ, the latter favorably resolved **3** of these complaints and forwarded the appropriate Informations in court. With regard to the administrative actions filed by **EIPD** before the Commission *en banc*, the latter revoked the Certificates of Incorporation of **8** corporations and issued **4** CDOs during the year. The details are provided in the Tables 11 and 12 below.

Table 11: Complaints/Requests processed by EIPD, 2013

Source	Specific Source	Quantity
Complaints/requests for assistance from the Public - 68	- Public	51
	- Email	9
	- Motu proprio	8
Complaints from law enforcement and government (local and foreign) agencies - 20	- BSP	8
	- Department of Trade and Industry	6
	- Office of the President	1
	- Ombudsman	1
	- Insurance Commission	1
	- National Bureau of Investigation	2
Complaints received from within SEC - 79	- International Police	
	- Office of the Chair	7
	- Special Offices	10
	- Operating Departments	52
	- Extension Offices	9
	- Reopened Case	1
Total		167

Table 12: Results of EIPD Investigations, 2013

Category	Violation	Quantity
Criminal Actions - 6		
A. Complaint Affidavit filed	- Article 183 of Revised Penal Code - Article 172, par. (1) in relation to Article 171 par (2); Article 183 RPC - Republic Act (RA) 9474, Lending Company Regulation Act of 2007 (LRCA) and Violation of RA 8799, Securities Regulation Code (SRC)	1 1 1
B. Criminal Information filed in Court	- Section 8.1 of the SRC - Articles 172 and 183 of RPC - Section 12.7 in relation to Section 73 of the SRC	1 1 1
Administrative Actions - 5		
A. Petitions for Revocations filed	- Section 6 (L) 3 of Presidential Decree No. 902-A - Section 4, LCRA	2 1
B. Motion for Cease and Desist Order resolved	- Sections 8, 26 & 28 of the SRC	2
C. Orders/Letters Issued Penalties (imposition of fines)- 34	- Section 17 SRC; Rule 13 of SRC - Section 45, Corporation Code of the Philippines - Section 4, Lending Company Regulation Act - Section 134, CCP - Sections 8 and 12, SRC - Section 27, SRC - SRC Rule 13 - Non-compliance with reportorial requirements - Rule 68, SRC - Non filing/late filing of reports	6 1 1 1 6 1 10 6 1 1
Other Enforcement Actions		
A. Certificate of Registration Revoked/ Suspended - 8	- Section 8, SRC - Section 4, LCRA - Section 6(L) 1, PD 902-A - Section 6(L) 3, PD 902-A	2 2 2 2
B. Cease and Desist Orders Issued/Made Permanent - 4	- Sections 8 and 26, SRC	4
C. Investigation Reports - 71		71
D. Cases Closed and Terminated - 151		151
	Total	279

The EIPD also did litigation work for the Commission. During the year, it attended **84 court** hearings and filed at least a **hundred pleadings**. With respect to requests for Certificates of Good Standing, EIPD processed or issued **2,319 clearances**. On investor assistance, the Department responded to **249 complaints**, conducted **81 mediation/settlement proceedings**, **20** of which were amicably settled and **32**

dismissed (including **5** cases for lack of factual basis or jurisdiction) leading to the closure and termination of the proceedings, issued **1,299 letter-replies** to the public and **403 referrals** to other departments/agencies.

During the year, **EIPD** continued to pursue the SEC Market Surveillance System Project. The SEC market surveillance system being developed with Korea Exchange (KRX) is intended to provide state-of-the-art capability for SEC to monitor both the equities and fixed-income markets and generate alerts, reports and charts to assist the Commission in its surveillance functions.

MSRD issued a total of **103 enforcement/show cause letters** against its regulated entities for violations of the SRC, the Investment Houses Law, their implementing rules, and other laws and rules implemented by the Department.

In enforcement, **CRMD** imposed penalties in the total amount of **PhP142.222 million** up by **2%** of its year-ago level of **PhP139.366 million** for violation of the Corporation Code's reportorial requirements as well as for violation of the Foreign Investments Act.

IV. SUPPORT TO OPERATIONS

Support to operations of the Commission was provided by the **ERTD** and the Information and Communications Technology Department (**ICTD**). **ERTD** provided internal and external coordination work in the formulation of the successor CMDP Blueprint 2013-2017. The Department took the lead in the conduct of the strategic planning conference and focus group discussions for 2014 and the 2013 Organizational and Performance Review Conference. In coordination with the Financial Management Department (**FMD**), **ERTD** prepared the 2014 SEC Physical Plan to complement the 2014 SEC Financial Plan prepared by **FMD**. During the year, **ERTD** prepared the midterm update of SEC commitments and deliverables outlined in the Financial Services Chapter of the PDP until 2016.

ERTD also provided technical assistance by way of SEC inputs to the 2014 Ease of Doing Business Report. These inputs included the following, among others: (a) provided the NCC with a consolidated list of SEC reforms with supporting data for onward transmittal to the WB and the International Finance Corporation (IFC); (b) coordinated with the NCC regarding the 2013 Starting a Business reform targets under the Game Plan for Competitiveness in line with Administrative Order No. 38 series of 2013 creating the Inter-agency Task Force to Initiate, Implement and Monitor Ease of Doing Business Reforms. As lead Department in the Commission, **ERTD** coordinated the preparation and submission of the necessary agency compliance documents for SEC to qualify for the FY 2012 performance-based bonus granted in 2013. **ERTD** also prepared SEC inputs to the Planning Tool prescribed by the Office of the President. It coordinated the revision of SEC fees and charges for submission to and evaluation by the National Tax Research Center as the DOF-NEDA secretariat on the rationalization of government fees and charges. It continued to provide other government agencies with requested data available at the SEC. In particular, it provided the NSCB with needed data on new business registrations to be used in the generation of the Composite Leading Economic Indicators. It also participated in inter-agency meetings and fora on international trade agreements i.e., WTO, **JPEPA** and the ASEAN Free

Trade Agreements and other regional and bilateral agreement in trade in financial services.

In the aspect of training of capital market participants, **ERTD** conducted **42 training seminars** from October to December 2013 which were attended by **494 participants**, and generated total training revenue of **Php425,500.00**. During the same period, when the training of capital market participants was transferred to **ERTD**, a total of **365** market participants took the various certification examinations, of which **222** or about **61%** passed as shown in Table 13 below:

Table 13: Takers and Passers in SEC Licensure Examinations for Market Participants

<i>Licensure Examinations</i>	<i>Takers</i>	<i>Passers</i>
Associated Person - Modules 1-5	33	29
Fixed Income	88	46
Mutual Funds	227	133
Certified Securities Representative	17	14
Total	365 [100%]	222 [61%]

During the year, **ERTD** coordinated with the **USAID** under its Integrity for Investments Initiative Program the conduct of two sessions of the Risk Management Course attended by **35 SEC officials and technical staff** including the Chairperson, the Commissioners, and some Directors. It also coordinated the conduct of the Training Needs Assessment (TNA) for the first batch of six (6) SEC departments and offices which included the **CRMD, MSRD, CGFD, EIPD, ICTD** and **OGA**.

For its part, the **ICTD** took the lead in coordinating the implementation of the SEC i-Report and other computerization projects summarized in Table 14 below:

Table 14: Status of SEC Computerization Projects, 31 December 2013

Computerization Projects	Status
<i>A. Implementation of the SEC i-Report</i>	
Installation in the production server of the following modules: I-Mode1, I-Mode2, On-line submission, Company Registration and Licensing System (CRLIS) primary	Completed
Modules for installation: e-portfolio; CRLIS-secondary	Pending users' acceptance
i-View, Computer-Assisted Paper Submission, Reverse Search, Legal Workbench, Cashiering, Back Office	Continuing
CRLIS	On-going of parallel run at CRMD
Uploading document images and indexes to SEC i-View	Continuing
Uploading document images and its indexes of records with no company profile, SEC Number and Company Name for validation to Omnidocs Exceptional File	Continuing

B. Implementation of Other Computerization Projects	
Application of Bar Code Technology to SEC-issued and approved documents	Implemented in OGC, OGA, OCS and CRMD; deployment plan to other departments prepared
Procurement Monitoring and Tracking System	Updating of records on procurement being undertaken by the Procurement Division, HRAD
Property Management Information System	Database build-up of inventory of SEC equipment done by GSD-HRAD; for issuance of Notice of Award
Human Resource Information System	For issuance of Notice of Award
Market Surveillance System	Users' Acceptance testing
Computer-assisted Audited Financial Statements Review	For contract signing
Data Capture and Report Generation Module for selected financial data	Deployed and used by OGA and ERTD
Conglomerates Database	Drafting of Terms of Reference by CGFD and ICTD
Comprehensive Financial Information System	Completed review of TOR of consultant in collaboration with ERTD
Enhanced website	Issuance of Notice to Proceed
Database Clean-up Project	On-going
Integrated Company Registration System [eCRS]	Pre-procurement conference completed
Network and User Activity Monitoring System	Implemented

From the beginning of its operations as a department, **ICTD**, through its record management services, has generated total revenue of over **PhP11.2 million** from the SEC i-View and other services.

V. GENERAL ADMINISTRATION AND SUPPORT SERVICES

During the year in review, the SEC leadership pursued the implementation of significant reforms consistent with the Financial Market Regulation and Intermediation Program (**FMRIP**) funded by a technical assistance from the **ADB**. The **FMRIP** aims to ensure the development of the capital market and the protection of the investing public, which are the main objectives of the SRC, and the development of securities market professionals also as required under the SRC. As such, the reforms required to be instituted refer to achieving operational efficiency, particularly in the area of technology; effective delivery of services via technology platforms and constructive monitoring of the capital markets; inspections and industry audits through technological applications to support the basic functions of licensing and company registration; significant overhaul in the processes used in company registration, licensing and data collection for compliance purposes; a holistic overview of operations to streamline procedures; and institutional support for the SEC. The review of SEC operations will also help determine the type of surveillance and enforcement work that the SEC needs to undertake.

To achieve the outcome defined in the **FMRIP**, the DOF, in consultation with the SEC, has endorsed an action plan containing a number of initiatives. Thus, the SEC has continued to implement progressively in 2013 the following reforms in accordance with the action plan:

- a. Streamlining of the company registration and licensing function towards a paperless environment through the following:
 - System to fully automate the Commission's registration process such as: a computer-assisted Integrated Company Registration System to replace the SEC i-Register; database system for database build-up/update of company information and clean-up to convert paper-based registration records to digital format; a computer-assisted reporting system for registered companies, including secondary licensees, for on-line submission of selected reports through the SEC i-Report;
 - Changes in procedures and SEC requirements to speed up corporate registration and transactions with SEC by companies, including implementation of dispensation of documents previously required; and to effectively supervise and monitor entities and financial products under its jurisdiction. Initiatives in this regard included the delegation to SEC Extension Offices of authority for certain approvals and issuances, and the launching of the Philippine Business Registry which integrates the services of all agencies involved in business registration;
- b. Rationalizing the licensing of brokers, dealers and other market participants through full automation of the registration/licensing system for brokers, dealers and other market participants to include database buildup and online submission of reports through the SEC i-Report; and allowing the perpetual registration/licensing for market participants.
- c. Enhancing the supervisory capacity and capability of **MSRD** and **EIPD** through the following measures:
 - Reorganization of the **MSRD**, including enhancement of supervisory capacity and capability and relevant training programs; and improvement of the implementation and enforcement of Risk-Based Capital Adequacy (RBCA) rules through the amendment of rules to require more frequent submission of reports, development and implementation of electronic submission system of RBCA and standalone database system for captured data, and development of monitoring and evaluation procedures of RBCA data and training programs;
 - Acquisition of a new surveillance system, training programs on investigation techniques, and review and amendment of existing investigation and enforcement-related rules and procedures to complement the new surveillance standards and procedures; close monitoring of market trading participants and their daily transactions through real-time market surveillance system in order to detect unusual price and volume movements

and to identify and/or address any potentially problematic or fraudulent stock transaction and insider trading in its early stage; investor protection against investment scams and market manipulative devices and practices; special audits of market participants; and transfer of the monitoring and supervision of pre-need companies to the Insurance Commission;

- Formulation of new policies, rules and regulation to strengthen the regulatory environment and to shore up investments in the Philippine capital market and corporate sector; and issuance of new rules and guidelines on investment products and monitoring of foundations, financing companies, lending companies, issuers of proprietary shares/membership certificates, ETF, SROs, accreditation of surety companies; retirement funds; etc.

d. Reinforcing the SEC enforcement process through the following measures:

- Reforming the **EIPD** to reinforce its enforcement process; and the implementation of the Legal Workbench, a computer-assisted case monitoring system of decisions rendered, complaints processed and investigation reports reviewed and evaluated. The **EIPD** continued to help ensure compliance by all regulated entities and individuals and securities market participants with all the laws enforced by the SEC by carrying out the Commission's investigative and enforcement powers; to this end, **EIPD** investigated violators of the SRC and other rules and regulations where appropriate. The **EIPD** also assisted the DOJ and acted as special prosecutors for criminal cases involving violations of securities laws filed before trial courts;
- The **EIPD** was vested with monitoring and special audit functions to help in the enforcement process and in preliminary investigations on complaints.

e. Strengthening SEC's information technology and communication by restructuring the functions of the Economic Research and Information Department (**ERID**):

- **ERID** was renamed Economic Research and Training Department (**ERTD**). Its functions now include strategic planning and management, economic research, publication of financial and investment statistics; the undertaking of periodic training needs assessment of the participants in the financial and capital markets, regular conduct of certification examinations for capital market participants, and recommending programs for career growth and human resources development;
- The Management Information Systems Division of the **ERID** was converted into a department and was named **ICTD** with the following functions, among others: (a) formulation of the SEC Information Systems Strategic Plan (ISSP); (b) the undertaking of procurement planning, acquisition, and deployment of the Commission's information and communications technology (ICT) resources; (c) acting as lead coordinator in the SEC on

applications systems development activities, including the administration and maintenance of the systems developed and deployed; (d) maintenance and management of the content of the SEC Website; and, (e) maintenance of electronic copies of documents and reports;

- Additional budget allocation from the Department of Budget and Management (DBM) for technology and a committed funding scheme sourced from the e-Government Fund of DBM were procured for identified projects based on the adopted ISSP. In this regard, a thorough and detailed review of the ISSP was made to ensure that it includes the required technology infrastructure of the new SEC.
- f. Increasing the productivity and sustaining the effectiveness of the SEC in the implementation of existing and additional regulatory functions under Section 7 of the SRC and the restructuring and additional manpower complement; the hiring and retention of quality technical staff in accordance with the SEC-approved compensation plan comparable with that of the BSP and government financial institutions as mandated under Section 7.2 of the SRC.
- g. On institutional capacity building, SEC personnel were sent to various trainings 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 SEC personnel to move to all areas of SEC operations. The Commission has continuously provided International Financial Reporting Standards (IFRS) trainings for SEC Accountants to enhance their skills and proficiency on global standards and practices on financial reporting; while the SEC technical personnel also went through modular trainings on securities market to update them with the latest conventions and practices.
- h. Continuously implementing programs and projects to attain its vision for 2015 and to meet its mandate to develop the capital market. These include the following:
- On financial statements and reports submitted by companies: (1) The SEC through the OGA, has continuously adopted, as part of its rules, global standards and practices on financial reporting and audit. It also monitored compliance by covered entities to promote consistency and comparability of financial statements. It also undertook regulatory activities to determine the level of compliance by corporations, and assigned its auditors to verify compliance with its adopted global standards and to take appropriate actions in case of violations. Among the initiatives in this regard are the planned development of an IT system for a computer-assisted review of financial statements and the continuous training programs on Financial Reporting for SEC Accountants; (2) Strengthening of processes for accreditation and monitoring of external auditors, appraisal companies and credit rating agencies to attain higher qualification and independence standards, and quality of professional work. The significance of the auditors' participation in providing assurance on the reliability of information being used for economic decision has been highlighted not only

in the rules but also through the Commission's stepped-up monitoring of their activities and outputs. In 2013, monetary and non-monetary penalties were imposed on erring professionals and experts who failed to meet the standards; and (3) Revisited the provisions of SRC Rule 68 on financial reporting, as amended, for further alignment with global standards and practices; and (4) adoption of policies and guidelines on review of quality assurance procedures of accredited external auditors;

- Taking the lead in the formulation of the CMDP Blueprint 2013-2017 together with other government financial agencies to help foster a strong, reliable and competitive Philippine capital markets through strategies that will strengthen the markets for fixed income, equities and alternative investment products. The Plan also outlines strategies to promote taxation neutrality, rationalize tax consequences and further strengthen the regulatory capacity of the SEC. The proposed amendments to the Corporation Code and the SRC are part of the CMDP Priority Legislative Agenda; initial drafts of the proposed amendments that aim to further strengthen the regulatory powers and capacity of the Commission have already been prepared;
 - Information generation and dissemination, whereby public access to such information for investors' protection is readily made available through public fora across the country, prompt issuance of advisories and information materials, and use of web-based information systems. To improve its regulatory system in combating investment scams, a Comprehensive Action Plan against Investment Scams has been prepared and immediately implemented by the Commission;
 - Issuance of new rules and guidelines, including revisions, on corporate governance and transparency, for monitoring of covered institutions' compliance with the Code of Corporate Governance, the assessment of the performance of audit committees of companies listed on the exchange, the participation of independent directors in employees' stock option plan, the accreditation of institutional training providers; the annual corporate governance report; alignment of Philippine practices with global corporate governance practices; and foreign ownership issues; and,
 - Introduction of amendments to the Investment Company Act (ICA) Rule 35-1 to further enhance the operations and competitiveness of mutual fund companies, specifically, i.e. increase in the investment limit in any single enterprise from 10% to 15% and the decrease of the 10% liquidity requirements to 5%.
- i. Renaming of departments/divisions, realignment of functions and reassignment of personnel to further streamline operations and pursue a more cohesive organization. The renaming of departments is summarized in the table below:

Table 15: Renaming of SEC Departments, 2013

Former Name	New Name
<i>Enforcement and Prosecution Department</i>	<i>Enforcement and Investor Protection Department</i>
<i>Market Regulation Department</i>	<i>Markets and Securities Regulation Department</i>
<i>Corporation Finance Department</i>	<i>Corporate Governance and Finance Department</i>
<i>Economic Research and Information Department</i>	<i>Economic Research and Training Department</i>
<i>Investor Protection and Surveillance Department</i>	<i>Information and Communications Technology Department</i>

The Philippine-SEC Institute Foundation Inc. (Philsec) is in the process of liquidation. Its functions have been taken over by the ERTD.

In international cooperation, the Commission expressed its commitment to the IOSCO through its Secretary General that the SEC will re-apply to be a signatory to its IOSCO MMoU. To demonstrate its earnest effort to overcome the impediments that hampered its earlier IOSCO MMoU application, the Commission has enlisted the assistance of the ADB to help the SEC in the application process. The SEC also began work towards entering into a Memorandum of Understanding with the Pakistan Securities and Exchange Commission.

For 2013, the Commission earned a total revenue of **PhP425.475 million**, representing an increase of **2.90%** over its year-ago revenue of **PhP413.453 million**. Of the total revenue for 2013, **PhP99.0 million** or **23.27%** was obtained from registration fees. The SEC continued to contribute significantly to government revenues. Its collections reached **PhP3.5 billion in 2013**, up by **29.63%** of its 2012 collection level of **PhP2.70 billion**.

During 2013, the approved manpower complement of the Commission stood at **534 positions** which was at the same level in 2012. Total filled positions as of year-end 2013 numbered **405** compared to its year ago level of **416**.

In the area of SEC Internal Policies, **Human Resources and Administration Department (HRAD)** accomplished the following:

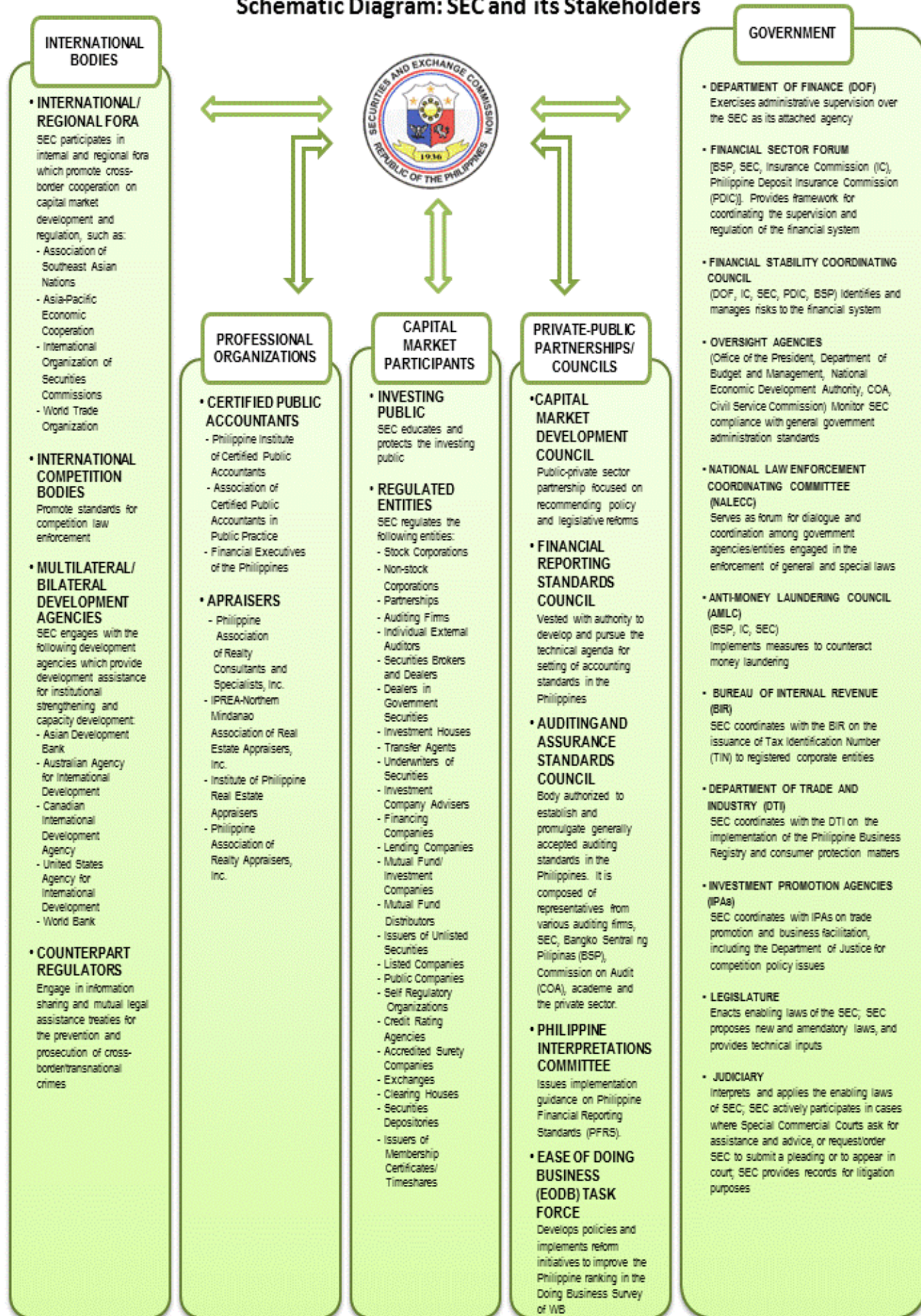
- Partial Flexible Time Work Schedule and subsequent amendments
- Availment of Special Emergency Leave during calamities
- Grant of delegated authority to the Assistant Director, HRAD to issue Show Cause Memo
- Amendments to the policy on the engagement and salaries of contract of service personnel
- Status report on pending administrative cases and the implementation of the new SEC Rules of Procedure in Administrative Disciplinary cases
- Anti-Red Tape Act (ARTA) compliance by updating the SEC Citizen's Charter to reflect the improvements in service delivery as mandated by RA 9485 as well as the organizational reforms provided
- Study on the implementation and availment of leaves and other privileges

under the Solo Parent Act

- Anti-fixing policy (SEC Office Order No. 356, series of 2013)
- Realignment of functions, renaming of departments and reassignment of personnel (SEC Office Order No. 512 series of 2013)
- Conducted study re: Additional positions and adjusted compensation
- Job Description for new positions.

During the year, HRAD processed the attendance of **306 personnel** to **63 seminars** conducted both in-house and outside the SEC.

Schematic Diagram: SEC and its Stakeholders



No. of Active Registered Corporations By Area of Responsibility

