

2014 ANNUAL REPORT

SECURITIES AND EXCHANGE COMMISSION



FOSTERING GOOD CORPORATE GOVERNANCE

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About the Cover

In its resolute efforts to regulate and develop the Philippine corporate and capital market, of which a perspective is shown in the cover, the Securities and Exchange Commission strives among others to foster good corporate governance among its regulated entities.

MESSAGE OF THE COMMISSION

It is with great pride that we present the summary of accomplishments of the Securities and Exchange Commission (SEC) in 2014.

Profound changes in the global economy are underway as we move closer towards the integration of the Association of Southeast Asian Nations (ASEAN) and the establishment of the ASEAN Economic Community (AEC). In view of this increasingly global environment, we laid down measures to raise the level of competitiveness of the Philippine corporate sector and capital market. We adopted internationally recognized standards and practices on corporate governance, and enhanced the quality and integrity of reports and disclosures of regulated entities and individuals. At the same time, we intensified investor protection through judicious enforcement of laws governing the corporate sector and capital market and prompt dissemination of public advisories against fraudulent firms and investment products.

Internally, we took on the challenge to raise our own level of competitiveness as a regulator with the end goal of improving the ease of doing business in the country. The year 2014 witnessed the birth of innovations that brought our services closer to the people. We launched the SEC Express System to ease public access to corporate documents filed with the Commission, and we opened the first SEC Satellite Office to ease public access to our registration and monitoring services. To sustain our development and effectiveness as an organization, we crafted a strategic plan that spells out our direction and priorities for the next five years.

Indeed, 2014 was a challenging yet productive year for the Commission. Our accomplishments and the affirmations we receive from our stakeholders, such as in the 2nd Semester 2014 Makati Business Club Executive Outlook Survey where we received the 5th highest net satisfaction score among 62 government agencies, inspire us to explore and optimize opportunities for the development and regulation of the Philippine corporate sector and capital market.

Chairperson Teresita J. Herbosa
Commissioner Manuel Huberto B. Gaité
Commissioner Antonieta Fortuna-Ibe
Commissioner Ephyro Luis B. Amatong
Commissioner Blas James G. Viterbo

ABOUT THE SEC

OUR MANDATE

The Securities and Exchange Commission (SEC) or the Commission is the national government regulatory agency charged with supervision over the corporate sector, the capital market participants, the securities and investment instruments market, and the investing public. Created on October 26, 1936 by the Commonwealth Act (CA) 83 also known as The Securities Act, the Commission was tasked to regulate the sale and registration of securities, exchanges, brokers, dealers and salesmen. Subsequent laws were enacted to encourage investments and more active public participation in the affairs of private corporations and enterprises, to broaden the Commission's mandates, powers and functions; and in recent years, to give greater focus on the Commission's role in capital market development, fostering good governance and enhancing investor protection.

Subsequent laws enacted to broaden the Commission's mandates, powers, and functions were:

- The SEC Reorganization Act or Presidential Decree (PD) 902-A in 1976, as subsequently amended by PDs 1653, 1758 and 1799, which reorganized the Commission to give it ample powers to protect the public and their investments. Under the Act, the Commission was reorganized into a collegial body; and was given additional powers and functions, including quasi-judicial powers over intra-corporate disputes as well as absolute jurisdiction, supervision and control over all corporations, partnerships or associations, that are the grantees of

primary franchise and/or a license or permit issued by the government to operate in the Philippines.

- The Corporation Code of the Philippines (CCP) or the Batas Pambansa (BP) 68 in 1980, which gave the SEC the mandate to register corporations, collect fees from registering corporations, and prescribe reportorial requirements. Along with the granting of authority to register corporations, it empowered SEC to reject articles of incorporation or disapprove any amendment thereto if the same is not in compliance with the requirements of BP 68. Likewise, it authorized SEC to promulgate rules and regulations reasonably necessary to enable it to perform its duties particularly in the prevention of fraud and abuses on the part of the controlling stockholders, members, directors, and trustees or officers of corporations.
- The Revised Securities Act or BP 178 in 1982, which repealed CA 83 in its entirety to give way to a new statute that would enable the SEC to keep pace with new and more complex securities instruments, trading vehicles and strategies. The BP 178 provided, among others, for a more sophisticated disclosure mechanism of securities to be offered to investors.
- The Securities Regulation Code (SRC) or Republic Act (RA) 8799 in 2000, which provided for the SEC reorganization to give greater focus on the Commission's role in capital market development, fostering good corporate governance and enhancing investor protection. The SRC also provided for the transfer of the Commission's jurisdiction over all cases enumerated under Section 5 of PD 902-A to the Courts

of general jurisdiction or the appropriate Regional Trial Court. The SRC also defined in clear terms fraud and criminal offenses related to securities transactions, and strengthened SEC regulatory functions over all entities dealing in securities.

Today, the SEC is tasked with “serious responsibility of enforcing all laws affecting corporations and other forms of associations not otherwise vested in some other government offices.” In addition to the aforementioned laws, the Commission also implements and acts either as lead or support agency in administering and enforcing special laws, the more significant of which are:

- Anti-Money Laundering Act (AMLA) of 2001 (RA 9160, as amended)
- Credit Information System Act of 2008 (RA 9510)
- Lending Company Regulation Act (LCRA) of 2007 (RA 9474)
- Financing Company Act (FCA) (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 7402, as amended)
- Omnibus Investments Code of 1987 (Executive Order 226, Book III)
- Anti-Dummy Law (CA 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 Account Act of 2008 (RA 9505)

OUR FUNCTION

The Commission shall have, among others, the following powers and functions as provided in Section 5 of the SRC:

1. Have jurisdiction and supervision over all corporations, partnerships or associations that are the grantees of primary franchises and/or a license or permit issued by the Government;
2. Formulate policies and recommendations on issues concerning the securities market, advise Congress and other government agencies on all aspects of the securities market and propose legislation and amendments thereto;
3. Approve, reject, suspend, revoke or require amendments to registration statements, and registration and licensing applications;
4. Regulate, investigate or supervise the activities of persons to ensure compliance;
5. Supervise, monitor, suspend or take over the activities of exchanges, clearing agencies and other SROs;
6. Impose sanctions for the violation of laws and the rules, regulations and orders issued pursuant thereto;
7. Prepare, approve, amend or repeal rules, regulations and orders, and issue opinions and provide guidance on and supervise compliance with such rules, regulations and orders;
8. Enlist the aid and support of and/or deputize any and all enforcement agencies of the Government, civil or military as well as any private institution, corporation, firm, association or person in the implementation of its powers and functions under this Code;
9. Issue cease and desist orders to prevent fraud or injury to the investing public;

10. Punish for contempt of the Commission, both direct and indirect, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court;
11. Compel the officers of any registered corporation or association to call meetings of stockholders or members thereof under its supervision;
12. Issue *subpoena duces tecum* and summon witnesses to appear in any proceedings of the Commission and in appropriate cases, order the examination, search and seizure of all documents, papers, files and records, tax returns, and books of accounts of any entity or person under investigation as may be necessary for the proper disposition of the cases before it, subject to the provisions of existing laws;
13. Suspend, or revoke, after proper notice and hearing the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law; and
14. Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws.

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 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

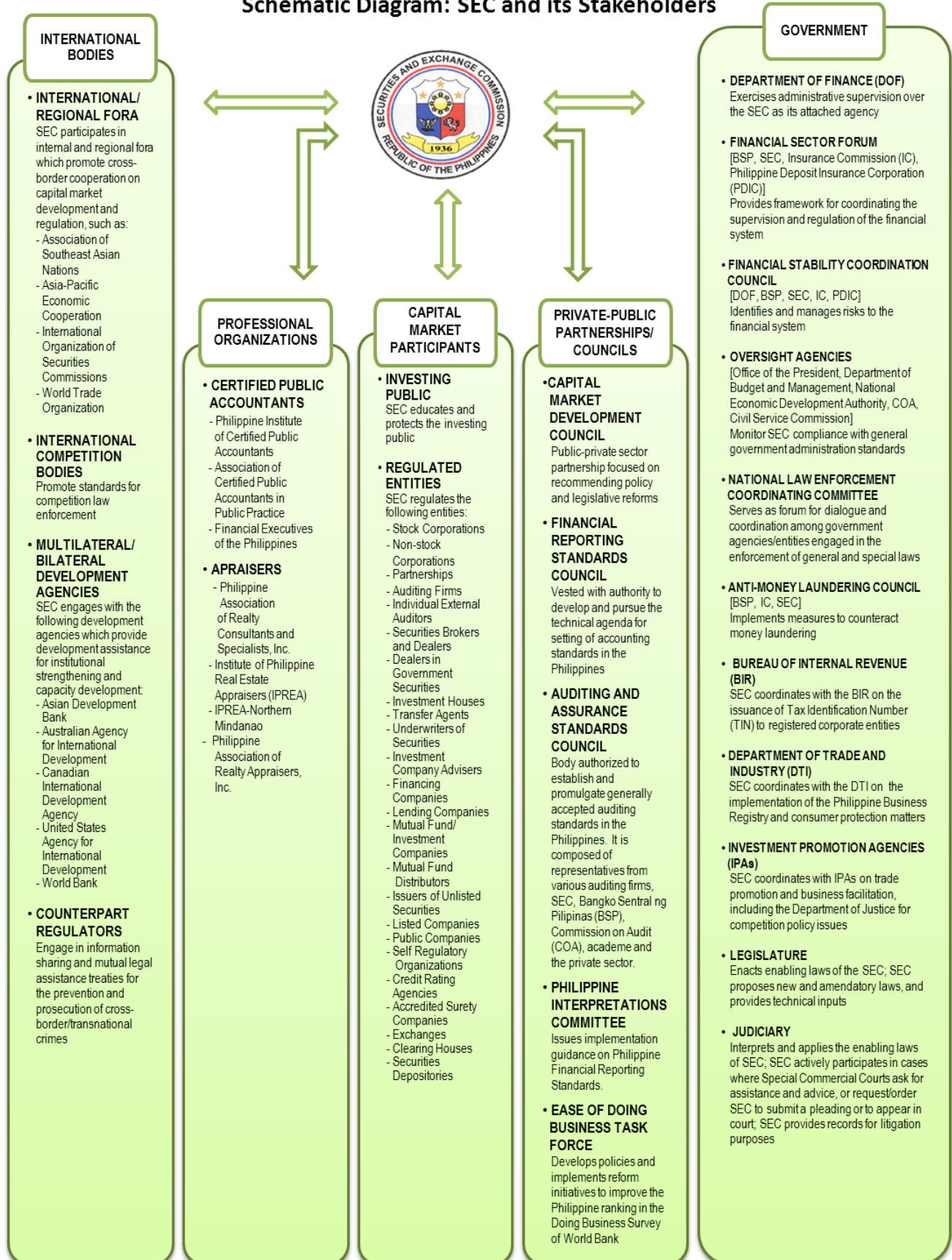
We are strategic and forward-looking in the fulfillment of our developmental and regulatory functions

OUR VISION

We foresee that, by December 31, 2015, the Commission has 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.

OUR STAKEHOLDERS

Schematic Diagram: SEC and its Stakeholders

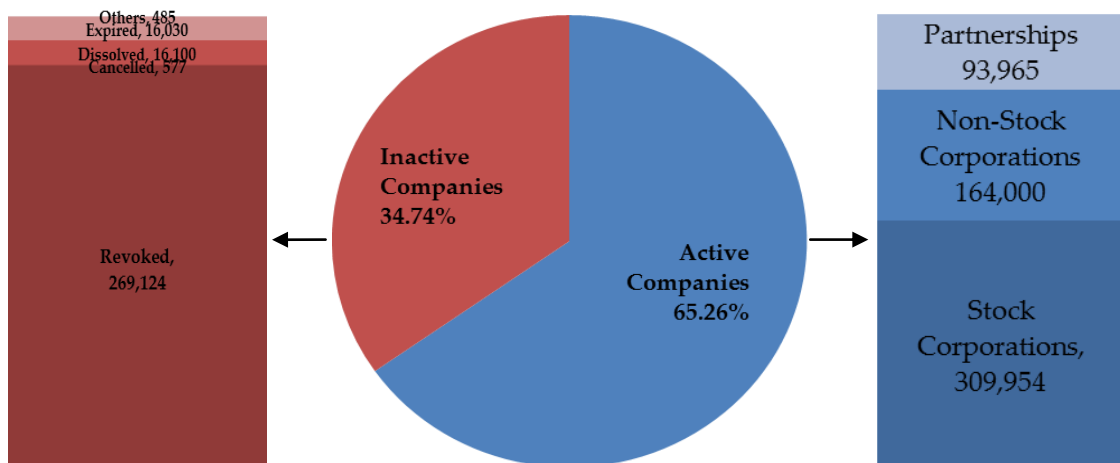


THE CORPORATE AND CAPITAL MARKET

CORPORATE SECTOR

The Philippine corporate sector is composed of 870,235 firms; 65.26% of which are active. Among the active firms, 54.58% are stock corporations; 28.88% are non-stock corporations; and the rest are partnerships. Among the inactive firms, 89.02% have revoked registration; 5.33% were dissolved; 5.30% have expired registration; while the rest account for cancelled registrations and other reasons.

Figure 1. Registered Corporations and Partnerships as of 31 December 2014



Source: SEC i-Register Database.

EQUITIES MARKET

The Philippine equities market continues to be in a bullish state under the current administration driven by both improving local economic fundamentals and global influences. There is a strong consumer spending by the private sector and greater investment in infrastructure which is driving the growth in the economy. The investment grade credit ratings received from

different international debt watchers under the current administration support this continuous increase in the local capital market.

The Philippine Stock Exchange index (PSEi) has been increasing by 140% from the 3,315.26 level in 01 July 2010 to 7,940.40 level in 31 March 2015. It further broke the 8,000 level and reached its highest close at 8,127.48 in 10 April 2015. The PSEi has now actually had 119 record finishes for almost the past five years. For the same period, the PSEi placed second best performing indices among select Asian indices.

The market capitalization¹ has been increasing consistently every year, from PhP6.721 trillion in July 2010 to PhP14.979 trillion by the end of March 2015, which represents a 123% increase. Likewise, the total value turnover² rose consistently every year from PhP86.46 billion in July 2010 to PhP213.51 billion by the end of March 2015, or by 147%.

DEBT MARKET

The Philippines continues to be among the growing corporate bond market in the region due to the increasing debt issuances of various Filipino-led companies that aim to expand their businesses. Many Philippine companies are now tapping the debt market at a continuous increasing pace amid the country's robust economic growth and on the back of strong remittances from Filipinos overseas, which is fuelling consumer spending. There is also a strong domestic liquidity and good projects from the current Administration's Public-Private Partnership.

¹ Total number of shares outstanding multiply by the current stock price.

² Total volume traded multiply by current stock price.

New debt securities issuances and debt securities registration has been increasing continuously these past five years. From 11 corporate issuances in the secondary debt market amounting to PhP74 billion in 2010, it climbed to 37 new corporate issuances amounting to PhP191.9 billion in 2014 which represents a significant increase of 159%. Debt securities which comprise of bonds and short-term commercial papers that registered with SEC also showed a substantial increase to PhP217.6 billion in 2014 from PhP115.55 billion in 2012 or 88% increase.

CORPORATE AND CAPITAL MARKET DEVELOPMENT SERVICES

Nurturing the growth and development of the corporate and capital market entails creating a policy environment that encourages market participation and market competitiveness benchmarked against international standards. Sustained engagement with various stakeholders - in public and private sectors, and in domestic and international economies – is equally important to arrive at harmonized and inclusive policies and strategies for corporate and capital market development. The Commission carried these out in 2014 by putting in place policy measures to stimulate market growth, and by rendering technical assistance to various market stakeholders.

POLICY MEASURES

The Commission adopted 23 policy measures in 2014, expressed through SEC Memorandum Circulars (MCs). To raise the competitiveness of the market, many of the policy measures direct the regulated entities and individuals to adopt good corporate governance standards and practices, particularly on disclosure and transparency and the role of stakeholders. To encourage market participation, several policy measures are on improving the ease of doing business through simplification and clarification of certain SEC rules and regulations; and on improving the ease of compliance with certain financial regulations.

Table 1. SEC MCs, Series of 2014

No.	Subject
1	Guidelines for Changes and Updates in the Annual Corporate Governance Report (ACGR)
2	Guidelines on Asset Valuations
3	All Corporations that File a Petition to Lift Order of Revocation of Primary Registration
4	CRMD Guidelines on Refund and Re-application of Filing Fees and Excess Penalties
5	Guidelines on the Outsourcing of Functions of Broker Dealers
6	Amendment of the Principal Office Address
7	Guidelines on the Accreditation, Operations and Reporting of Credit Rating Agencies
8	Foreign Account Tax Compliance Act
9	Amendment to the Revised Code of Corporate Governance
10	Guidelines and Directives to Assist Issuers of Securities Listed and Traded in the Philippines Stock Exchange in Complying with the Requirements of BIR Revenue Regulation No. 1-2014
11	Template for Publicly-Listed Companies' Websites
12	Clarification for Changes and Updates in the Annual Corporate Governance Report (ACGR)
13	Course Units on Financial Reporting and Audit
14	Amendment to the Revised Code of Corporate Governance (RCCG) - Exemption from Independent Director Requirement for Close Financing Companies
15	Filing of Sworn Statement and Certificate of Existence of Project Separate from the Filing of Financial Statements
16	Principal Office Address of Corporations and Partnerships
17	Participation and Support in the Conduct of National Risk Assessment
18	Compliance with SEC Memorandum Circular No. 11, Series of 2014
19	Submission of the Anti-Money Laundering Operating Manual and Anti-Money Laundering Compliance Form
20	Compliance with SEC Memorandum Circular No. 9, Series of 2014
21	Guidelines Governing the Computation of Corporate Term
22	Guidelines for the Use of Notification Update Form for Foreign Corporations
23	2015 Filing of Annual Financial Statements and General Information Sheet

The corporate and capital market relies on the timely and accurate disclosure of material information to gain investor confidence and, at the same time, reinforce accountability and investor protection. In view of this, the Commission issued the following guidelines to enhance the transparency and integrity of reports and disclosures of regulated entities and individuals:

- ❖ *SEC MC No. 1 “Guidelines for Changes and Updates in the Annual Corporate Governance Report (ACGR)” and MC No. 12 “Clarification for Changes and Updates in the Annual Corporate Governance Report (ACGR)”* provide guidelines for publicly listed companies (PLCs) for the timely and clear reporting of changes and updates in the ACGR;
- ❖ *SEC MC No. 2 “Guidelines on Asset Valuations”* sets standards to enhance the reliability and quality of reports on valuation or appraisal of assets of registered corporations;
- ❖ *SEC MC No. 3, addressed to “All Corporations that File a Petition to Lift Order of Revocation of Primary Registration,”* requires companies that file a Petition to Lift Order of Revocation of Primary Registration, and their external auditor, to certify that the financial statements submitted as supporting documents are accurate and valid;
- ❖ *SEC MC No. 6 “Amendment of the Principal Office Address” and SEC MC No. 16 “Principal Office Address of Corporations and Partnerships”* direct corporations and partnerships to specify their complete office address in their Articles of Incorporation or Articles of Partnership in compliance with full disclosure requirements of applicable laws, rules and regulations; and,

- ❖ *SEC MC No. 11 “Template for Publicly-Listed Companies’ Websites” and SEC MC No. 18 “Compliance with SEC Memorandum Circular No. 11, Series of 2014”* prescribe the minimum information requirement that should be disclosed in the PLCs’ websites to ensure the investing public’s access to material information.

Aside from disclosure and transparency, the market must observe other internationally recognized good corporate governance principles and practices to enable it to operate in a fair, efficient and competitive manner. In view of this, the Commission adopted the following measures to raise the corporate governance standards and practices of regulated entities and individuals:

- ❖ *SEC MC No. 5 “Guidelines on the Outsourcing of Functions of Broker Dealers”* prescribes the principles and standards in outsourcing broker dealers’ functions to third party service providers;
- ❖ *SEC MC No. 7 “Guidelines on the Accreditation, Operations and Reporting of Credit Rating Agencies”* prescribe the requirements for accreditation of Credit Rating Agencies (CRAs), the international best practices that shall be observed by the accredited CRAs, and their reportorial obligations;
- ❖ *SEC MC No. 9 “Amendment to the Revised Code of Corporate Governance” and SEC MC No. 20 “Compliance with SEC Memorandum Circular No. 9, Series of 2014,”* expand the duties and responsibilities of Board of Directors and Management of Corporate Governance-covered companies to cover other stakeholders including, among others,

customers, employees, suppliers, financiers, government and community in which it operates; and mandate the covered companies to file their Manual of Corporate Governance reflecting these changes; and,

- ❖ *SEC MC No. 13 “Course Units on Financial Reporting and Audit”* directs all SEC-accredited corporate governance training providers to include in their curriculum the Basic Course and Advance Course on financial reporting, to help the management of corporations formulate rules and procedures on financial reporting as mandated by the Revised Code of Corporate Governance.

The growth of the corporate and capital market hinges on the ease of entry to, and participation in, the market. These, in turn, call for streamlined and transparent regulations. Towards this end, the Commission put in place the following measures to clarify or simplify certain SEC rules and regulations:

- ❖ *SEC MC No. 4 “CRMD Guidelines on Refund and Re-application of Filing Fees and Excess Penalties”* adopts guidelines to facilitate the processing of requests for refund and re-application of filing fees and excess penalties with the Company Registration and Monitoring Department (CRMD);
- ❖ *SEC MC No. 14 “Amendment to the Revised Code of Corporate Governance (RCCG) – Exemption from Independent Director Requirement for Close Financing Companies”* exempts Financing Companies that are registered as Close Corporations from the requirement of electing at least two independent directors in their board, subject to certain conditions;

- ❖ *SEC MC No. 15 “Filing of Sworn Statement and Certificate of Existence of Project Separate from the Filing of Financial Statements”* provides guidelines for the filing of Sworn Statement (SS) by the President and the Treasurer of Foundations on the Sources, Amount and Application of Funds and Programs/Activity Planned, Ongoing and Accomplished SS and Certificate of Existence of Program/Activity;

- ❖ *SEC MC No. 19 “Submission of the Anti-Money Laundering Operating Manual and Anti-Money Laundering Compliance Form”* directs financing and lending companies to submit their Anti-Money Laundering Operating Manual and Anti-Money Laundering Compliance Form;

- ❖ *SEC MC No. 21 “Guidelines Governing the Computation of Corporate Term”* clarifies the manner of determining the first and last days of existence of a corporation, i.e., the first day of the corporate term is the date of incorporation, while the last day of the corporate term is the day before the corresponding numbered day of the same month of incorporation in the last year of existence of a corporation;

- ❖ *SEC MC No. 22 “Guidelines for the Use of Notification Update Form for Foreign Corporations”* requires foreign corporations licensed to do business in the Philippines to submit a single form, instead of several notices, containing all subjects of notifications such as but not limited to changes in the principal office address, accounting period, composition of directors or officers and affiliates or subsidiaries which occur before the submission of General Information Sheet (GIS); and,

- ❖ *SEC MC No. 23 “2015 Filing of Annual Financial Statements and General Information Sheet”* adopts measures for an organized and orderly filing of Annual Financial Statements (AFS) and GIS.

The development of the corporate and capital market should flow into the broader financial system in which it operates. It is in this light that the Commission issued the following directives to promote compliance with national and international financial regulations:

- ❖ *SEC MC No. 8 “Foreign Account Tax Compliance Act”* instructs non-bank financial institutions licensed by SEC to conduct certain procedures to help them comply with Foreign Account Tax Compliance Act enacted by the United States (US) Congress;
- ❖ *SEC MC No. 10 “Guidelines and Directives to assist Issuers of Securities Listed and Traded in the Philippines Stock Exchange in complying with the Requirements of BIR Revenue Regulation No. 1-2014”* assists issuers of registered securities and other market participants concerned in complying with the Bureau of Internal Revenue (BIR) Regulation No. 1-2014³ by directing the depository, broker dealers and other depository participants to provide the issuers with the data required by the BIR regulation; and;
- ❖ *SEC MC No. 17 “Participation and Support in the Conduct of National Risk Assessment”* directs regulated entities to provide necessary information to the Money Laundering/Terrorism Financing (ML/TF) National Risk

³ “Amending the Provisions of Revenue Regulations (RR) No. 2-98, as further amended by RR No. 10-2008, specifically on the Submission of Alphabetical List of Employees/Payees of Income Payments”.

Assessment (NRA) Working Group for the conduct of the comprehensive assessment of the national ML/TF risks.

In pursuance of the Commission's efforts to foster the growth and development of corporate and capital market, the Office of the General Counsel (OGC) actively participated in amending the Corporation Code through the submission of the draft amendments to the Senate and attendance in Senate Committee Hearings.

The Commission created a Rules Committee, headed by the OGC, to amend the SEC Rules of Procedure to keep pace with innovations in corporate practices. The said committee already approved the draft Revised Rules and currently refining the style and form of the said drafts.

TECHNICAL ASSISTANCE

Beyond the policy measures of the Commission, the growth of the corporate and capital market is driven as well by the global and regional economic and financial reform agenda; the national development framework; the competence of capital market professionals, and the financial literacy of the investing public. The Commission ensured the convergence of these factors through purposeful engagement with, and technical assistance to, key stakeholders.

The Commission participated in efforts for advancing the regional economic integration of the ASEAN into the AEC. It assisted in developing and integrating the ASEAN capital markets and in liberalizing capital mobility through participation in various ASEAN bodies and fora created for this purpose. These include (a) the ASEAN+3 Bonds Market Forum which standardizes practices and harmonizes the regulation of cross-border bond transactions; (b) the ASEAN Capital Markets Forum which harmonizes, and promotes mutual recognition of, capital market regulations; (c) the ASEAN Framework Agreement on Services (AFAS) – Working Committee on Financial Services Liberalization which aims to eliminate discriminatory measures and market access limitations to trade in financial services; (d) the ASEAN Working Committee on Capital Account Liberalization which works on achieving greater capital mobility across the region; and, (e) the ASEAN Working Committee on Capital Market Development which seeks to strengthen the capital markets' capacity and infrastructure.

In line with the regional economic integration, the Commission took steps towards the country's participation in the Asia-Pacific Economic Cooperation (APEC) Asia Region Funds Passport (ARFP), a multilateral framework

for cross-border marketing of collective investment schemes across participating APEC economies. The Commission coordinated with the Department of Foreign Affairs and House of Representatives to meet the diplomatic and legislative requirements for the country's participation. It also participated in the review of the proposed passport arrangements and in

The AEC is the economic integration of the ten ASEAN Member States by 2015. It is envisioned to be a single market and production base with free flow of goods, services, investment, capital and skilled labor; a highly competitive economic region; a region of equitable economic development; and, a region fully integrated into the global economy.

related capacity-building programs conducted during the 9th and 10th APEC ARFP Technical and Policy Workshops, and the 6th APEC ARFP Working Group Meeting. It also engaged with concerned industry associations by soliciting their views on the Consultation Paper for Arrangements on APEC ARFP, and by conducting the APEC ARFP Capacity Building Seminar/Workshop on Corporate Governance.

As part of the Commission's technical assistance to the regional economic integration and in compliance with the requirements for the country's participation in the APEC ARFP, the Commission spearheaded the country's application to become a signatory to the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) of the International Organization of Securities Commissions (IOSCO). The IOSCO MMoU provides the guidelines for mutual cooperation and consultation among signatory IOSCO Members on enforcing and ensuring compliance with their respective laws and regulations on securities and derivatives. The Commission coordinated with the IOSCO Verification Teams to clarify matters concerning the country's application. It also led preparations for the country visit of US SEC officials as part of the Program to Assist the Philippine SEC to Become a Signatory to the IOSCO MMoU. It includes the conduct of Seminar on Effective Securities Enforcement, and discussions with the Bangko Sentral ng Pilipinas (BSP), Anti-Money Laundering Council (AMLC), and Senate of the Philippines.

The Commission's involvement, led by the OGC, in the United Nations Convention Against Corruption (UNCAC), is proof of its commitment to advance the government's fight against corruption. The OGC also provided assistance to the Philippine application to the European Union Generalized System of Preference Plus, and also coordinated with the Department of

Justice – Office for Competition as regards the enactment of the Competition Law.

The Commission participated in and provided inputs to inter-agency government bodies which coordinated multilateral, regional and bilateral international trade and economic partnership agreements. These include the provision of inputs to the 10th Foreign Investments Negative List; 6th Package of Commitments for the AFAS; and the ASEAN-India Free Trade Agreement, among others.

The CRMD has been admitted on November 20, 2014 as a member of Corporate Registers Forum, an international not for profit organization for administrators of corporate and securities registers. Its aim is to provide members with the opportunity to review the latest developments in corporate business registers internationally and exchange experiences and information on the present and future operation of corporate business registration systems.

In support to the national development framework, the Commission participated in various inter-agency government bodies to ensure the coordination of policies and initiatives affecting the development of the corporate and capital market. It closely collaborated with other financial regulators for a more strategic and cohesive supervision of the financial system. It also coordinated with other law enforcement agencies for the vigilant enforcement of laws and regulations that are within the mandate of the Commission.

On 29 January 2014, the Commission signed a Memorandum of Agreement with the BSP, Department of Finance (DOF), Insurance Commission (IC) and

Philippine Deposit Insurance Corporation (PDIC) to formally create the Financial Stability Coordination Council (FSCC). The FSCC aims to identify, monitor and mitigate system-wide financial risks. The Office of the General Accountant (OGA), Markets and Securities Regulation Department (MSRD), and Corporate Governance and Finance Department (CGFD) were the SEC operating departments that actively participated in the different Working Groups under the FSCC. The Commission, through the OGA, heads the Corporate Leverage Working Group, whose objective is to establish a system of monitoring the borrowing exposures of corporations and design a coordinating framework within the member agencies in order to timely respond to systemic pressure brought about by corporate leverage. The Commission, BSP, IC, and the PDIC also comprise the Financial Sector Forum (FSF) which coordinates the supervision and regulation of the financial system. There are three committees working under the FSF, namely, the Supervision and Methodology and Regulatory Coordination Policy Committee; the Reporting, Information Exchange and Dissemination Committee; and the Consumer Protection and Education Committee. The OGA actively participated in the Supervision and Methodology and Regulatory Supervision Committee where issues and concerns on accounting and accreditation of external auditors were discussed.

As a member of the AMLC, together with the BSP and IC, the Commission helped set measures to hasten the reporting of covered and suspicious transactions. In 2014, the AMLC directed covered persons to report covered transactions and suspicious transactions to the AMLC within ten working days from occurrence thereof (AMLIC Resolution No. 11, Series of 2014). It also allowed covered persons to submit multiple suspicious transactions under one suspicious transaction report, subject to the observance of certain guidelines (AMLIC Resolution No. 43, Series of 2014). The AMLC led the

ML/TF NRA Working Group constituted by the President to oversee and complete the national assessment of risks posed by MF/TF to the country. The ML/TF NRA was conducted in compliance with international standards on combating money laundering and terrorism financing.

As a member of the National Law Enforcement Coordinating Committee (NALECC), the Commission assisted in coordinating the policies and procedures of government agencies engaged in the enforcement of general and special laws. With particular interest in investor protection, the Commission participated in the following NALECC Subcommittees: Subcommittee on Anti-Money Laundering/Countering the Financing of Terrorism; Subcommittee on Intelligence Coordination; Subcommittee on International Law Enforcement Cooperation; and, Subcommittee on Organized Crimes.

The Commission's General Counsel was appointed as the designated Legislative Liaison Officer of the Presidential Legislative Liaison Office. The Commission, through the OGC, took part in the legislative proceedings of Philippine Congress through participation in deliberations and submission of 74 position papers in aid of legislation. As requested by regulated entities, individuals and the investing public, the OGC rendered 36 legal opinions on the interpretation of various laws which the Commission implements.

Engaging with the private sector, the Commission worked with the Capital Market Development Council in implementing and monitoring the progress of the Capital Market Development Plan 2013-2017. Through the OGA, the Commission actively worked as a member of accounting and auditing standards setting bodies in the Philippines, namely, the Financial Reporting Standards Council (FRSC), the Auditing and Assurance Standards Council

(AASC) and Philippine Interpretation Committee (PIC). The SEC formally adopts as part of its rules and regulations, the accounting and auditing standards adopted by both FRSC and AASC once the same are approved by the Board of Accountancy/Professional Regulation Commission. For year 2014, the two standard setting bodies adopted more than nine accounting and auditing standards, most of them amendments to existing standards. The PIC assists the FRSC in establishing and improving financial reporting standards in the Philippines; its role is principally to issue implementation guidance on Philippine Financial Reporting Standards. The Commission also cooperated in the efforts of professional organizations to raise the competence of capital market professionals. These groups include the Association of Bank Compliance Officers, Bankers Association of the Philippines, Philippine Association of Religious Treasurers, Philippine Association of Stock Transfer and Registry Agencies, and Philippine Institute of Certified Public Accountants.

To build the competence of capital market professionals and the financial literacy of the investing public, the Commission conducted/supported 23 capacity-building seminars and trainings across the country.

Table 2. Number of Seminars for Capital Market Professionals and Investing Public Conducted/Supported, CY 2014

Type of Seminar	Number
Seminar on Corporate Governance for Publicly-Listed Companies	1
Financial Education Expo - Tagum	1
Financial Education Expo - Quezon City	1
Financial Education Expo - Baguio City	1
Financial Education Expo - Butuan City	1
Financial Education Expo - Surigao City	1
Certified Securities Representatives Seminar	5

Associated Person Certification Seminars	2
Seminar on Relevant SEC Regulations on Registered Issuers of Proprietary Securities and Timeshares	1
Equity and Debt Offering	1
Investor Protection Forum (Legaspi)	1
Investor Protection Forum (Iloilo and Bacolod City)	1
Monitoring of Lending Companies	1
Monitoring of Foundation Companies	1
APEC-Asian Regional Fund Passport Working Group Meeting	1
Monitoring of Financing Companies	1
SEC – Philippine Stock Exchange Corporate Governance Forum	1
Information Campaign on the Process, Rules and Procedures of Listing a Company for Public Offering	1
TOTAL	23

In line with the regulation of securities market professionals as provided in Chapter VIII, Section 28.4(a) of the SRC, the Commission, through the Economic Research and Training Department (ERTD), administered the following licensure examinations to 4,091 applicants. A total of 1,643 or 40.16% of the applicants passed the licensure examinations.

Table 3. Results of Licensure Examinations, CY 2014

	Pass	%	Fail	%	Total
Mutual Fund	1,034	45.87%	1,220	54.13%	2,254
Fixed Income	267	42.11%	367	57.89%	634
Certified Securities Representative	177	34.37%	338	65.63%	515
Associated Person Module 1	41	33.88%	80	66.12%	121
Associated Person Module 2	37	29.60%	88	70.40%	125
Associated Person Module 3	29	18.13%	131	81.88%	160
Associated Person Module 4	27	19.57%	111	80.43%	138
Associated Person Module 5	31	21.53%	113	78.47%	144
TOTAL	1,643	40.16%	2,448	59.84%	4,091

As part of educating the investing public, the Commission oriented a total of 615 college/university students from nine schools/universities. The orientations raised the students' awareness and understanding of the Commission's mandate and functions, and of the corporate and capital market infrastructure.

Table 4. Student Orientations Conducted, CY 2014

Name of School/University	Number of Students
University of Pangasinan (Marketing Management)	127
Lipa City Colleges (Accountancy / Finance)	87
City College of Tagaytay (Business Administration)	70
University of St. La Salle - Bacolod City (Accountancy)	37
University of the Philippines - Diliman (Paralegal Students)	45
University of the Philippines – Diliman (Statistics)	90
Trace College - Los Baños, Laguna (Business Administration)	53
Colegio de San Agustin - Bacolod City (Business Administration)	46
Misamis University - Oroquieta City (Business Administration)	60
TOTAL	615

CORPORATE AND CAPITAL MARKET REGULATION SERVICES

REGISTRATION AND LICENSING

The Commission regulates the entry to the corporate and capital market through registration and licensing of covered entities, individuals and investment products. It issues primary registration to domestic corporations, partnerships, foreign corporations and multinational corporations to do business in the country. It licenses and accredits capital market institutions and professionals to participate in the market; and registers securities to be sold and distributed in the market.

In 2014, the Commission registered 30,377 domestic corporations; recorded 3,508 articles of partnership; and, licensed 218 foreign corporations and 34 multinational companies.

Table 5. Number of Companies Registered/Licensed by Department/Office, CY 2014

Type of Entity	CRMD	Baguio Extension Office (EO)	Cagayan De Oro EO	Cebu EO	Davao EO	Iloilo EO	Legaspi EO	Tarlac EO	Zamboanga EO	TOTAL
Registered Domestic Corporations	21,354	1,530	1,409	1,762	1,802	1,171	533	510	306	30,377
A. Stock	16,539	254	445	1,308	964	656	132	251	79	20,628
B. Non-stock	4,815	1,276	964	454	838	515	401	259	227	9,749
Recorded Articles of Partnership	2,776	102	82	182	157	98	43	54	14	3,508
Licensed Foreign Corporations	205	-	-	13	-	-	-	-	-	218
A. Branch Office	115	-	-	8	-	-	-	-	-	123
B. Representative Office	90	-	-	5	-	-	-	-	-	95
Licensed Multinational Companies	34	-	-	-	-	-	-	-	-	34
A. Regional Headquarters	4	-	-	-	-	-	-	-	-	4
B. Regional Operating Headquarters	30	-	-	-	-	-	-	-	-	30
TOTAL	24,369	1,632	1,491	1,957	1,959	1,269	576	564	320	34,137

Among the 33,885 domestic corporations and partnerships registered, stock corporations comprise the majority (60.88%); non-stock corporations (28.77%); the least are partnerships (10.35%).

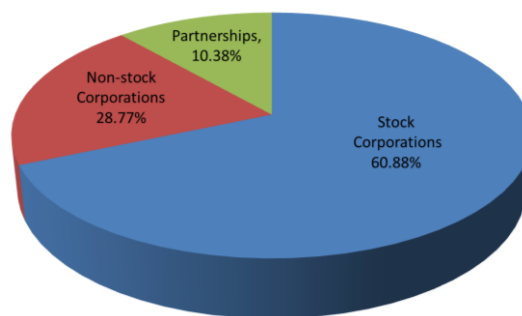


Figure 2. Percentage of Domestic Corporations and Partnerships Registered, CY 2014

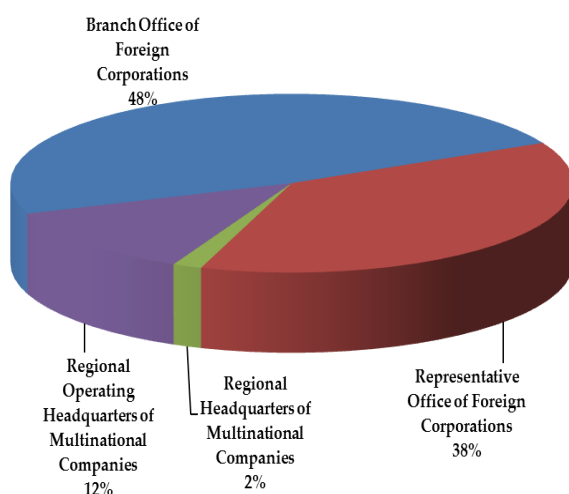


Figure 3. Percentage of Foreign Corporations and Multinational Corporations Registered, CY 2014

Two hundred fifty-two foreign corporations and multinational companies were licensed to do business in the country. Almost half of these are branch offices of foreign corporations (48.81%); 37.70% are representative offices of foreign corporations; 11.90% are regional operating headquarters of multinational companies; and, 1.52% are regional headquarters of multinational companies.

multinational companies.

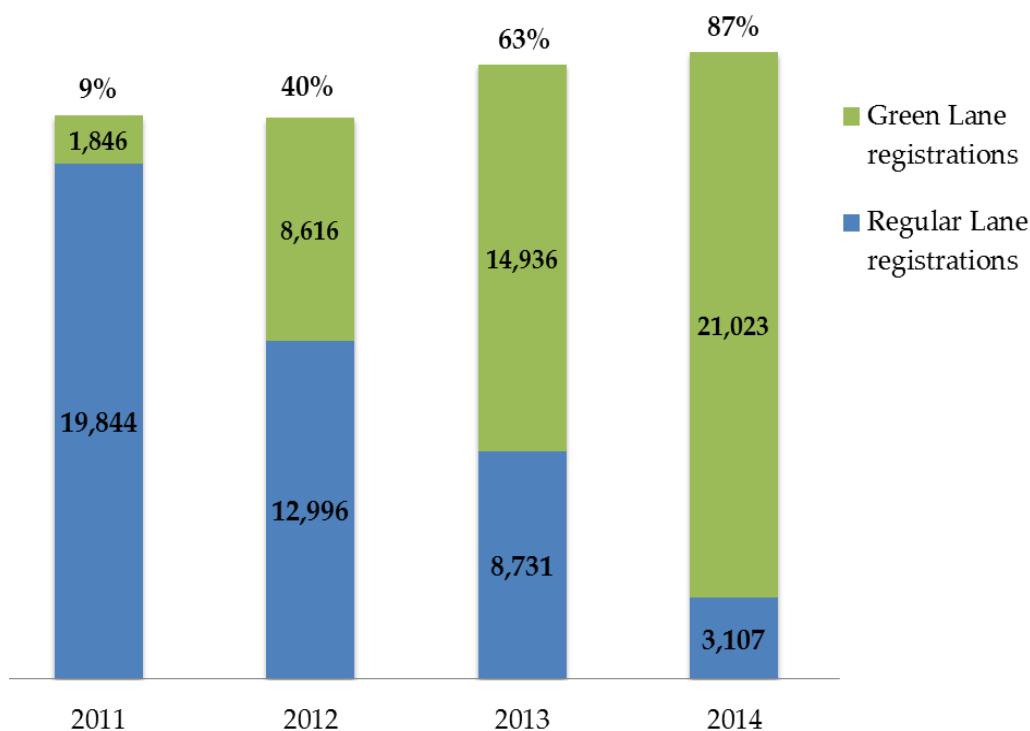
The CRMD processed 129,744 applications pertaining to Name Reservation (reserved names, disapproved names, tattering and extension of name reservation and negative search/verification). It also processed 20,577 applications for issuance of certifications, such as negative certification,

corporate filing and information, status of corporations, paid-up capital/percentage ownership and non-derogatory record or information.

The Commission processed 66,200 other applications related to company registration. Most of those processed were registration of Stock and Transfer Book and Membership Book; amendment of Articles of Incorporation, By-Laws, and Articles of Partnership and of licenses of foreign corporations and multinational companies; increase/decrease of authorized capital stock; filing of Voting Trust Agreement; extension of corporate term; change of resident/local agent of foreign corporations and multinational companies; securities deposit of stock branch offices of foreign corporations; declaration of dividends; and, dissolution of stock corporations and withdrawal of licenses of foreign corporations and multinational companies. Other applications processed by CRMD are mergers and consolidation; equity restructuring; and, quasi-reorganization, among others.

As a member of the inter-agency Task Force on Ease of Doing Business, the Commission committed to help improve the ease of starting a business in the country. Foremost of the reforms undertaken is to mainstream the services of the Green Lane Unit (GLU), an express lane unit for one-day processing and approval of applications for registration of domestic corporations and partnerships. In 2014, the Commission expanded the scope of the GLU to include all applications, even those not using the Green Lane Forms. As a result, 87% of the domestic corporations and partnerships registered at the Head Office were done through the one-day processing and approval of the GLU. As shown below, the percentage of GLU registrations has significantly increased over a span of four years since its launching in 2011.

Figure 4. Percentage of GLU Registrations, CYs 2011-2014



To ease public access to its services, the Commission opened its first Satellite Office in Ali Mall, Cubao, Quezon City in November 2014. The Satellite Office offers the following services:

- Verification and reservation of corporate and partnership names;
- Pre-processing of registration applications of corporations and partnerships;
- Pre-processing of applications for amendments;
- Monitoring of corporations on their compliance with their reportorial requirements;
- Releasing of Certificates of Registration and approval; and,
- Receiving of GIS and AFS.

In addition to the Ali Mall Satellite Office, the Commission began negotiations for the opening of more Satellite Offices within and outside Metro Manila.

Figure 5. Opening of the SEC Satellite Office in Ali Mall, Quezon City



Chairperson Teresita J. Herbosa, Commissioner Antonieta F. Ibe, Commissioner Ephyro Luis B. Amatong, and Commissioner Blas James G. Viterbo with DTI Undersecretary Nora K. Terrado and Ali Mall executives led the ribbon cutting ceremony.

As capital market regulator, the Commission issued: 288 new and renewed licenses of capital market institutions (head offices and branch offices); 7,616 new and renewed licenses of capital market professionals; and 322 new licenses of financial institutions (financing and lending companies; head offices and branch offices). It also issued licenses on the amendments of license (addition of funds to be managed, change of type of license, change of functions) of 11 capital market institutions, and amendment of office address of 13 branch offices of financial institutions.

Table 6. Type and Number of Capital Market Institutions Licensed, CY 2014

Type of Capital Market Institution		Number of Licenses Renewed for 2014	Number of Licenses Issued in 2014 (New Registrants)	Total Number of Licenses Issued as of 31 December 2014
1	Brokers (Head Office)	9	0	9
2	Brokers (Branch Office)	5	0	5
3	Dealers (Head Office)	1	0	1
4	Dealers (Branch Office)	0	0	0
5	Brokers Dealers (Head Office)	129	0	129
6	Brokers Dealers (Branch Office)	14	2	16
7	Brokers in Proprietary Shares (Head Office)	3	0	3
8	Brokers in Proprietary Shares (Branch Office)	0	0	0
9	Voice Brokers (Head Office)	5	0	5
10	Voice Brokers (Branch Office)	0	0	0
11	Investment Houses (Head Office)	17	0	17
12	Investment Houses (Branch Office)	3	0	3
13	Investment Houses engaged in dealing Government Securities (Head Office)	10	0	10
14	Investment Houses engaged in dealing Government Securities (Branch Office)	6	0	6
15	Underwriter of Securities engaged in dealing Government Securities (Head Office)	10	0	10
16	Underwriter of Securities engaged in dealing Government Securities (Branch Office)	0	0	0
17	Government Securities Eligible Dealers (Head Office)	28	0	28
18	Government Securities Eligible Dealers (Branch Office)	0	0	0
19	Investment Company Advisers (Head Office)	11	1	12
20	Investment Company Advisers (Branch Office)	0	0	0
21	Mutual Fund Distributors (Head Office)	7	2	9
22	Mutual Fund Distributors (Branch Office)	0	0	0
23	Transfer Agents	22	0	22
24	Listed Companies	0	1	1
25	Mutual Fund or Investment Companies	0	2	2
TOTAL		280	8	288

Table 7. Type and Number of Capital Market Professionals Licensed, CY 2014

Type of Capital Market Professional		Number of Licenses Renewed for 2014	Number of Licenses Issued in 2014 (New Registrants)	Total Number of Licenses Issued as of 31 December 2014
1	Associated Persons/ Compliance Officers	267	40	307
2	Fixed Income Market Salesmen	1,834	292	2,126
3	Salesmen	1,098	194	1,292
4	Certified Investment Solicitors	2,687	1,204	3,891
TOTAL		5,886	1,730	7,616

Table 8. Type and Number of Financial Institutions Newly Licensed, CY 2014

Type of Institution		Number
1	Financing Companies	83
2	Lending Companies	239
TOTAL		322

The Commission also accredited 186 companies and individuals, composed of appraisal companies, auditing firms, corporate governance training providers, and external auditors. In the course of accrediting auditors, the Commission, through the OGA, reviewed a total of 2,460 financial statements submitted by the applicants for accreditation.

Through the accreditation process of the external auditors by the OGA, the Commission ensures that the AFS and other financial reports filed by the regulated entities have quality and are reliable thereby providing assurance and protection to investors that the information contained therein are true and correct. Moreover, quality and reliable financial reports enhance the decision making process of investors. As of December 31, 2014, there were 109 auditing firms and 480 individual external auditors accredited with the SEC.

Table 9.Type and Number of Companies Accredited, CY 2014

Type of Company		Number
1	Appraisal Companies	1
2	Auditing Firms	33
3	Corporate Governance Training Providers	4
4	External Auditors	148
TOTAL		186

Through the CGFD and the MSRD, the Commission registered securities worth PhP457.8 billion. 47.92% are debt securities, 52.05% are equities and a small percentage is composed of proprietary and non-proprietary shares/certificates. As part of registration process, the OGA reviewed 379 financial statements submitted by the registrants.

Table 10. Type and Value of Securities Registered, CY 2014

Type of Securities	CGFD (in PhP)	MSRD (in PhP)	Total (in PhP)
Equity (including Mutual Funds/Investment Companies)	17,407,319,440	220,863,318,855	238,270,638,295
Debt Securities	1,800,000,000	217,600,000,000	219,400,000,000
Proprietary and Non-proprietary Shares/Certificates	144,880,000	-	144,880,000
TOTAL	19,352,199,440	438,463,318,855	457,815,518,295

MONITORING

Upon entry to and participation in the corporate and capital market, the registered/licensed entities and individuals are expected to observe sound and ethical business practices. The Commission ensures this by closely monitoring their compliance with applicable laws, rules and regulations; and probing their reports and disclosures. In 2014, the Commission monitored and evaluated a total of 53,735 entities and 189,680 reports/disclosures by the regulated entities and individuals.

Of the 53,735 entities monitored by the Commission, 50,203 or 93.4% were domestic corporations, partnerships, foreign corporations and multinational companies monitored by the CRMD and EOs. The CGFD monitored a total of 2,980 entities composed of foundations, lending companies, financing companies, corporate governance requirements of publicly-listed companies, investment companies/mutual fund companies, registered unlisted issuers of securities, public companies; and issuers of propriety/non-propriety share, membership certificates and timeshares; while the MSRD monitored 552 capital market institutions and professionals.

Table 11. Type and Number of Regulated Entities Monitored, CY 2014

Type of Regulated Entity		Number
A.	Domestic Corporations, Partnerships, Foreign Corporations and Multinational Companies	50,203
B.	Securities Brokers and Dealers	147
	1 PSE Members	134
	2 Non-PSE Members	13
C.	Dealer in Government Securities	48
D.	Investment Houses	27
	1 with quasi-banking license	6
	2 without quasi-banking license	21
E.	Transfer Agents ⁴	24
F.	Underwriter of Securities	10
G.	Investment Company Advisers	11
H.	Mutual Fund Distributor	7
I.	Listed Companies	260
J.	Accredited Surety Companies	9
K.	Exchanges	2
L.	Clearing House	1
M.	Securities Depository	2
N.	Exchange Traded Fund	1
O.	Self-Regulatory Organizations	3
P.	Investment Companies/Mutual Fund Companies	56
Q.	Registered Unlisted Issuers of Securities	14
R.	Public Companies	39
S.	Issuers of Propriety/Non-propriety Shares, Membership Certificates and Timeshares	89
T.	Financing Companies	234
U.	Lending Companies	320
V.	Foundations	2,228
TOTAL		53,735

Of the 189,680 reports/disclosures monitored by the Commission, 48.65% were reports of domestic corporations, partnerships, foreign corporations and multinational corporations monitored and evaluated by the CRMD and EOs;

⁴ From January to April 2014, these transfer agents were monitored but for the remaining period, only 22 were monitored in as much two transfer agents no longer renewed their license.

37.06% were reports/disclosures of financing companies, lending companies, foundations, investment companies/mutual fund companies, registered unlisted issuers of securities, public companies, issuers of propriety/non-propriety shares, membership certificates and timeshares; and corporate governance requirements of publicly-listed companies monitored and evaluated by the CGFD; 12.87% were reports/disclosures of capital market entities and professionals monitored and evaluated by the MSRD; while 1.42% were financial statements consisting of applications for accreditations of auditors and annual review project evaluated by OGA.

The following is the breakdown of the 70,299 reports/disclosures of financing companies, lending companies, foundations and other companies that were monitored and evaluated by the CGFD. The most number of reports/disclosures monitored were GIS, AFS and reports required under SEC MC No. 8 Series of 2006. The latter are reportorial requirements for foundations, to ensure that the funds they generate are utilized in accordance with the purposes stated in their Articles of Incorporation.

Table 12. Type and Number of Monitored Reports of Financing Companies, Lending Companies, Foundations and Other Companies Covered by CGFD, CY 2014

	Name of Report	Number
1	Annual Reports (SEC Form 17-A)	201
2	Quarterly Reports (SEC Form 17-Q)	575
3	Current Reports (SEC Form 17-C)	716
4	Inability to File Annual/ Quarterly Reports (SEC Form 17-L)	37
5	5% Owners Report (18-A/18-AS)	15
6	Beneficial Ownership Reports (SEC Form 23 A/B)	215
7	Statement of Changes in Beneficial Ownership	13
8	Information Statements (Preliminary and Definitive)	319
9	Tender Offer Report	1
10	Notification of Suspension of Duty to File (SEC Form 17-EX)	5

11	Sales/Redemption Report	586
12	Revised Manual on Corporate Governance	404
13	Corporate Governance Scorecard	96
14	Revised Anti-Money Laundering Operating Manual	208
15	AMLA Compliance Form	213
16	General Information Sheet	18,627
17	Audited Financial Statements	17,839
18	Special Form of Financial Statements	1,713
19	Annual Information Statements	1,046
20	1st Semester Semi-Annual Financial Statements	1,705
21	2nd Semester Semi-Annual Financial Statements	1,669
22	Quarterly Report (SEC Form Q-EPS)	318
23	Certification of the Corporate Secretary on the attendance of directors on the board meetings	598
24	Certification of the Compliance Officer on the extent of compliance to the Manual of Corporate Governance	589
25	Stock and Transfer Book	500
26	Reports required under SEC Memorandum Circular No. 8 s. 2006	11,779
27	Others (Membership Book, Statement of Willingness to be Audited, Location Map)	2,454
28	Annual Fee	190
29	Certification of Companies' compliance with reportorial and other requirements	5,006
30	Clearance Certificate (Good Standing)	2,409
31	Annual Corporate Governance Report	253
	TOTAL	70,299

Below are the specific reports/disclosures of capital market entities and professionals which were monitored and evaluated by the MSRD. Of the 24,405 reports/disclosures, 65.51% of these were reports of 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; while 34.49% were reports of Issuers of Registered Securities and Listed Companies.

Table 13. Type and Number of Monitored Reports of Capital Market Entities and Professionals Monitored by MSRD, CY 2014

	Type of Report	Number
A.	Reports of 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	15,988
1	Annual Audited Financial Statements (AFFS)	32
2	SEC Form 52-AR (AAFS for Brokers Dealers)	200
3	SEC Form 30.1 Affiliated Transactions of Broker Dealer	6,452
4	General Information Sheets	49
5	Manual on Corporate Governance (MCG) - Secretary's Certification	117
6	MCG - Compliance Officer Certification	423
7	SEC Form IH-QPR- (Investment Houses-Quarterly Progress Reports)	62
8	SEC Form IHFS (Special Form for Financial Statements of Investment Houses)	25
9	SEC Form IH-AR-Annual Report	25
10	SEC Form 36-AR Annual Report	5
11	SEC Form 28-Salesmen/Associated Person Amendment Form	17
12	SEC Form 28-T Termination Notices	268
13	SEC Form ICA-T Termination Notice (Investment Company Advisers)	14
14	SEC Form ICA-IA Initial Application Amendment Form	4
15	SEC Form IHU-A Amendment Form (Investment Houses/Underwriters of Securities)	26
16	SEC Form 28-BDA Broker-Dealer Amendment Form	88
17	SEC Form 30.2 Quarterly Compliance Report	796
18	SEC Form 30.1 Report on Broker Director Rule	49
19	Risk Based Capital Adequacy (RBCA) Report	1,685
20	Reports of Persons Transacting PSE Shares	2,970
21	Block Sales Reports	1,263
22	Report of Trading Halt in Listed Issues	48
23	Report of Suspension in Listed Issues	29
24	Brokers Sworn Statements of PSE Shares	944
25	PSE Disclosures for Posting at PSE Website	109
26	PSE Report - Penalties for Violation of Revised Disclosure Rules	4
27	Certification of Independent Director	4
28	Daily RBCA Report	218
29	Delisted Reports	22
30	AMLA Compliance Form	2

31	Revised Manual on Corporate Governance	30
32	Revised AMLA Manual	3
33	Outsourcing Reports	4
34	ACGR	1
B.	Reports of Issuer of Registered Securities/Listed Companies	8,417
1	SEC Form 17-A (Annual Report)	271
2	SEC Form 17-Q (Quarterly Report)	682
3	SEC Form 17-C (Current Report)	3,314
4	SEC Form 23-A (Initial Statement of Beneficial Ownership of Securities)	1,204
5	SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities)	2,292
6	Tender Offer Report	19
7	Inability to File Annual/Quarterly Report	125
8	5% Owners Report	52
9	SEC Form 20-IS (Preliminary Information Statement)	233
10	Definitive Information Statement	225
	TOTAL	24,405

The OGA contributed to the SEC's monitoring function. For 2014, it was able to review and evaluate the audited financial statements of 2,460 companies in connection with its accreditation function, and audited financial statements of 240 companies relative to its Annual Review Project for year 2014. This is in addition to the 379 AFS reviewed relative to evaluation of Registration Statements filed by applicants for registration of securities. Such review and evaluation not only made companies and their SEC-accredited external auditors pay the assessed penalties for the deficiencies noted therein but also gave them the opportunity to reissue or amend the audited financial statements to correct material misstatements in their reports, where required.

Table 14. Purpose of OGA’s Review of Financial Statements, CY 2014

Purpose of OGA’s Review of Financial Statements	Number of AFS Reviewed
Applications for Accreditation of Auditors	2,460
Annual Review Project	240
Registration of Securities	379
Total	3,079

ENFORCEMENT

The Commission vigilantly enforces laws governing the corporate and capital market to penalize and deter fraudulent practices that unnecessarily distort the market, and to protect investors. Resulting from the judicious monitoring of regulated entities and individuals, the Commission fined/penalized a total of 22,831 errant firms and individuals that were found to be non-compliant with laws being enforced by the Commission. These laws include the CCP, SRC, LCRA, FCA, and other laws governing the corporate and capital market. 98% of those fined/penalized were firms non-compliant with the CCP.

Table 15. Number of Errant Firms and Individuals Fined/Penalized, CY 2014

Type of Violation	Number
Firms non-compliant with the CCP	22,300
Firms non-compliant with the SRC	175
Individuals non-compliant with the SRC	106
Firms non-compliant with the LCRA	14
Firms non-compliant with the FCA	15
Firms non-compliant with various laws	221
Total	22,831

To further protect investors, the Commission issued 12 advisories warning the public against transacting with certain fraudulent firms. The Commission also encouraged the public to exercise prudence in dealing with firms and individuals offering investment products. These advisories were promptly posted on the Commission’s website to facilitate the dissemination of information to the public.

Table 16. SEC Public Advisories, CY 2014

Subject	
1	Foreign Exchange Trading
2	Xinagasia Marketing Corporation
3	Crown Regency Holiday International, Inc., Fuente Triangle Realty Development Corporation, Megatrend Realty Network, Inc., and Boracay Multiple Properties Developers, Inc.
4	Honesty, Unity, Love, and Loyalty (HULL) for Self Reliance Association, Inc.
5	410 Business Empire, Inc.
6	Asian Precious Metals, Inc. and Advanced Recovery System, Inc.
7	Cardlinks Teleconn Insurance Agency
8	OFWs Philhealth Remittances
9	Corporations Dealing in Gold and Silver
10	Confidentiality of SEC Investigations
11	WMAC Holdings Corporation
12	Grand Alliance of Business Leaders Association, Inc.

The Commission, through the OGC has issued a total of 81 Orders in relation to the following cases/petitions:

Table 17. Orders Issued by OGC, CY 2014

Nature of Case Petition Filed	Number of Orders Issued
Cease and Desist Orders and Permanent Cease and Desist Orders	5
Securities Investigation and Clearing Department Cases Terminated	27
Administrative Cases (including Appeals to the En Banc, Dissolution, Calling of Meeting, Change of Name, and Revocation Cases)	49
TOTAL	81

STRATEGIC SUPPORT

ICT DEVELOPMENT

The Commission harnessed the information and communications technology to deliver more efficient services to its clients. To ease access to public corporate documents filed with it, the Commission launched in 2014 the SEC Express System as an alternative mode of securing copies of certain corporate and partnership documents. Clients may request for courier delivery of the documents by either applying online or contacting the call center facility. Clients may also personally pick-up the requested documents from the SEC Head Office. The following documents may be obtained through the SEC Express System:

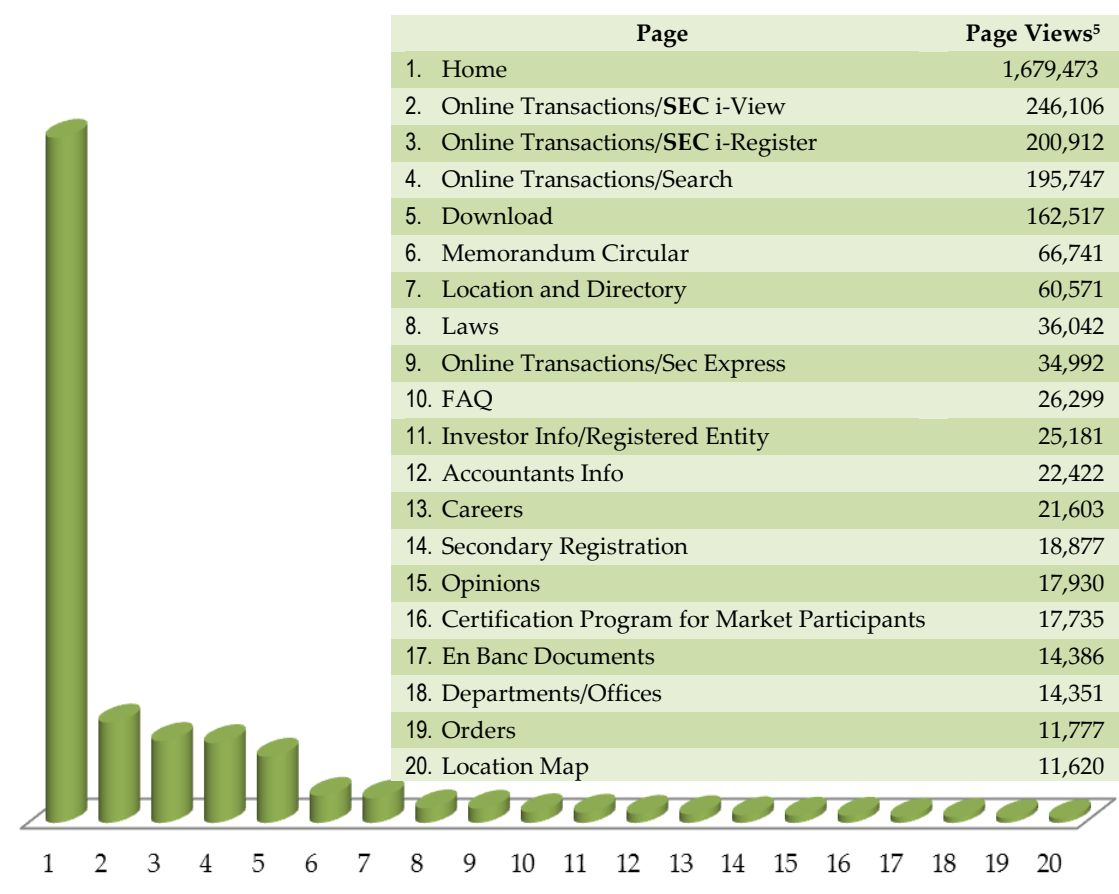
- Articles of Incorporation/Partnership (original and amended);
- By-laws (original and amended);
- GIS;
- Application for Increase/Decrease of Capital Stock;
- Resolution (Minutes);
- Secretary's Certificate;
- Board Resolution;
- Registration Data Sheet; and
- Other company-related documents.

Aside from this, the Information and Communications Technology Department (ICTD) also implemented key ICT projects to innovate the Commission's operational processes. These projects include the CIS-Unified Reference Database for the generation of Certification of Good Standing/No Derogatory Information; Company Registration System; Enhancement of the SEC Website; Computer-Assisted AFS Review; Business Continuity/Disaster Recovery Plan Development; Procurement Tracking and Monitoring System;

Property Management Information System; and Human Resource Information System.

In pursuit of improving the ease of doing business, the Commission optimized the SEC website (www.sec.gov.ph) as primary platform, not only for communicating information and updates to its clients and the general public. The SEC website was continuously developed and enhanced as a medium for online transactions between the Commission and its clients. Beginning the month of May until the end of December, the online transactions of the Commission, i.e., SEC i-View, SEC i-Register, and Search Reserved/Registered Names and SEC Express System, were the most widely accessed pages of the SEC website.

Figure 6. Top 20 SEC Web Pages Viewed, May 02-December 31, 2014



⁵ Data generated from Google Analytics.

ECONOMIC RESEARCH AND STATISTICS

The Commission, through the ERTD, coordinated data-sharing arrangements with the DOF and the Philippine Statistics Authority. It also coordinated with the BSP and internal departments/offices in relation to the data requirements for the compilation of statistics needed by financial regulators and government economic and policy planners. To further enhance the Commission's statistical capability, it initiated the formulation of the Terms of Reference for the development of the Company Investments and Financial Statistical System with the technical assistance of the World Bank. It also provided data and statistics on the corporate and capital market as requested by institutional and individual researchers.

STRATEGIC PLANNING AND MANAGEMENT

To foster organizational growth and strengthen the alignment of vision and strategies, the Commission formulated its five-year Strategic Plan 2015-2019 using the balanced scorecard approach. The following strategic objectives (SOs) will embody the Commission's direction for the next five years from the perspectives of (1) financial; (2) learning and organizational growth; (3) process excellence; and (4) customer:

Table 18. SEC Strategic Objectives (SOs), CYs 2015-2019

Customer	SO 5: Enhance client's sound and ethical business practices	SO 6: Broaden capital market participation
Process Excellence	SO 3: Innovate operational processes	SO 4: Ensure judicious regulation and vigilant enforcement
Learning and Organizational Growth	SO 2: Ensure a working environment that encourages creativity; focus on reforms and raises the level of staff competencies	
Financial	SO 1: Optimize utilization of financial resources	

GENERAL ADMINISTRATION

The Commission, with the OGC as the lead department, has signed the Deed of Sale for the purchase of the lot for the construction of the Financial Regulators' Center which shall house the main office of the Commission and other financial regulating agencies.

HUMAN RESOURCE DEVELOPMENT

The mandate and functions of the Commission were carried out in 2014 by 385 employees, 24 of which were newly hired on the said year. The Commission, through the Human Resource and Administrative Department (HRAD), enriched the competence of the employees by sending them to 149 local and international trainings for their professional and personal development. These trainings include, among others:

- Asian Development Bank Technical Assistance (ADB-TA): Capacity Development of Financial Regulators
- ADB TA: Enterprise Risk Management Seminar
- ARFP Workshop
- Briefing on International Financial Reporting Standards
- Building an Enforcement Program and its Role in Market Development: International Best Practices
- IMF-Singapore Regional Training Institute: Course on Economic Policies for Financial Stability
- IMF-Singapore Regional Training Institute: Selected Issues in the Evolving Financial Regulatory Framework.

Further, in line with the capacity building measures of the Commission, ERTD was the lead coordinator on the United States Agency for International Development - Integrity for Investments Initiative (i3) Program. The program beneficiaries consist of OGA, CRMD, EIPD, MSRD, CGFD and ICTD. The initial component was the formulation of the SEC Competency Model to align the skills and competencies of SEC employees to their present positions. Relative to this, selected employees were trained on the basics of risk management, which can be useful in the development of a risk-based capital adequacy model for the Commission.

In pursuit of the holistic growth and development of the SEC employees, the HRAD also equipped them with learning and information resources and provided them with medical and dental services. For external clients, the HRAD rendered library services and updated the SEC Citizen's Charter.

FINANCIAL MANAGEMENT

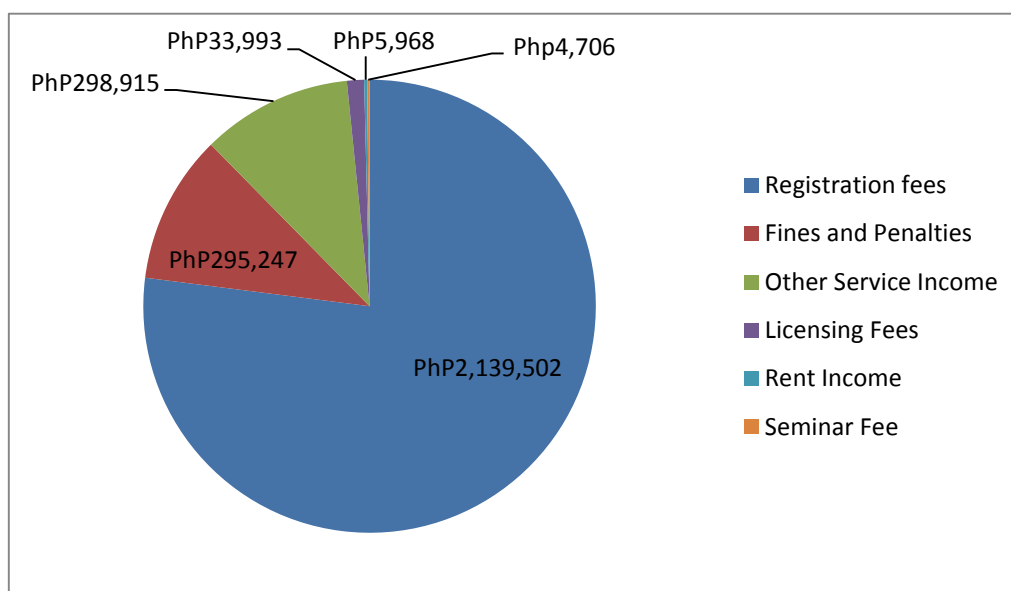
The Financial Management Department led the Commission's implementation of key Public Financial Management (PFM) reforms which the National Government implemented in 2014. The Commission adopted in 2014 the following PFM reforms:

- The Philippine Public Sector Accounting Standards to align SEC Financial Statements to International Public Sector Accounting Standards;
- Revised Chart of Accounts to conform with Unified Accounts Code Structure to harmonize accounting and budget reports;
- Performance-Informed Budgeting to relate budget to performance commitments and outcomes versus outputs;
- Online Submission of Budget Proposal System for the online encoding and submission of budget proposals; and,
- Modified formats of Budget and Financial Accountability Reports;
- Checkless Payment System through Advice to Debit Account to settle accounts payables in a timely and transparent manner, and to ensure predictability of disbursements.

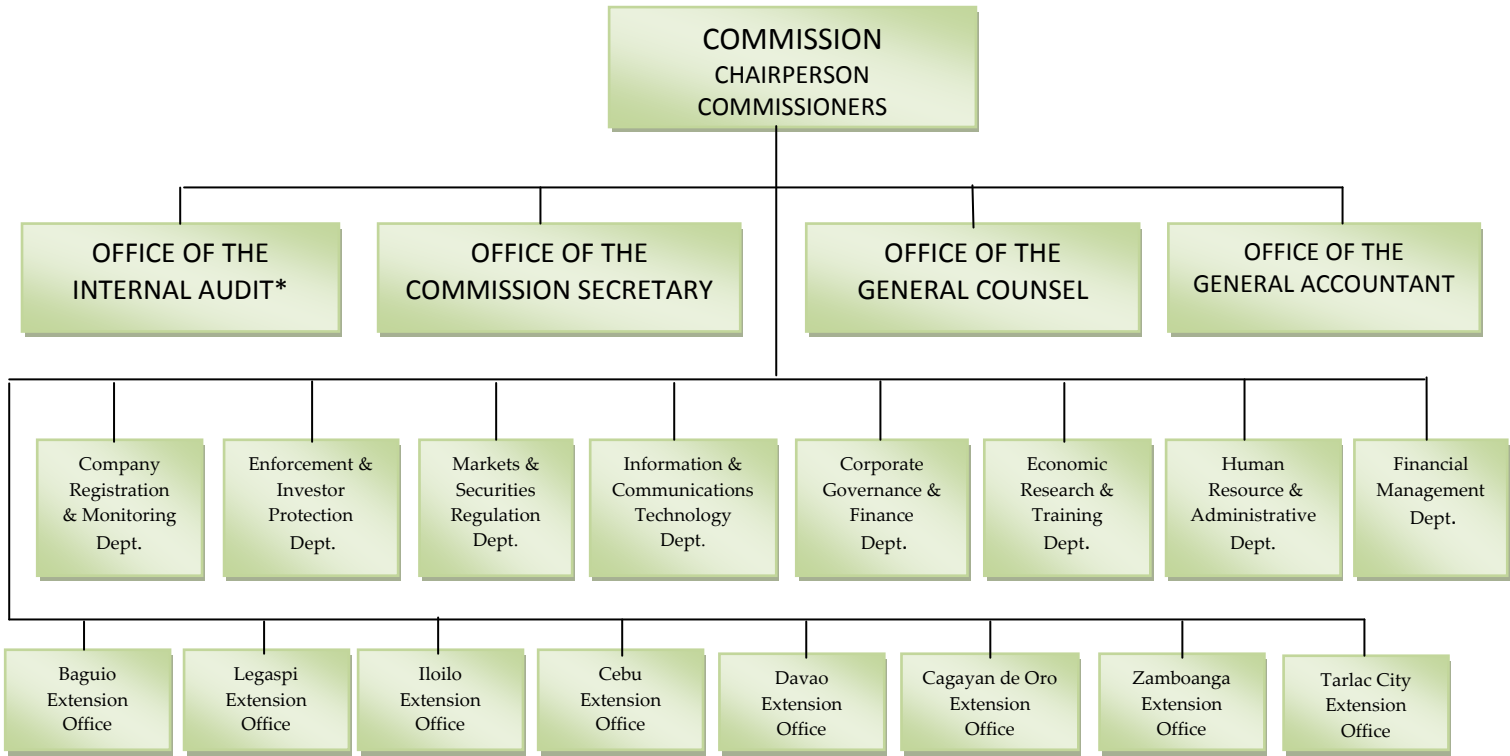
The Commission's financial performance for 2014 showed revenue of PhP3,199 million against operating expenses of PhP496 million, or a net surplus of PhP2,703 million. We have remitted to the National Government a total of PhP2,678 million in 2014 against subsidy from the national government of only PhP562 million, or a net contribution to the national coffers of PhP2,116 million.

Total collections for 2014 amounted to PhP2,778 million of which PhP2,139 million or 77% came from registration fees; PhP295 million or 10.6% from fines and penalties; PhP299 million or 10.8% from other service income; PhP34 million or 1.2% from licensing fees; PhP6 million or 0.2% from rent income; and PhP5 million or 0.2% from seminar fees.

Figure 7. Collections (in thousand pesos), FY 2014



SEC ORGANIZATIONAL CHART



*Not operational as of 31 December 2014.