



**Securities and
Exchange
Commission**
P H I L I P P I N E S

CHANGE @ 80

80TH ANNIVERSARY CELEBRATION AND 2016 ACCOMPLISHMENTS



The New SEC Logo

In graphics design, this logo is classified as combination mark in that it fuses an icon and some text (or word mark) into a visual beacon. At first glance, it appears to be a cube suspended in mid-air but the two white, parallel lines running across it vertically as though overlaid give it a distinct Escher-esque aesthetic to the entire design – which is meant to stress the uniqueness of the SEC as a public sector institution in our country.

When seen from a distance, however, this logo is actually an elongated hexagon – the six sides of which represent the core values of the SEC, viz: integrity, professionalism, accountability, independence, initiative, and teamwork. Its shape imbues it with timeless integrity and allows it to exude elegant simplicity.

When seen up close, on the other hand, this logo features silhouettes of three rising buildings representing the corporations (left), the SEC (middle), and the investors (right) all of which are sitting atop a perfectly chiseled diamond serving as the bedrock of stability, reliability, and strength; and whose four sides correspond to the people that make up the agency working together towards the achievement of its mission and its vision, viz: the leadership, the management, the technical specialists, and the support staff; the image of these buildings connotes the national economic development goal to which the agency is mandated to contribute by way of its three critical roles, viz: *corporate registrar, securities regulator, and champion of investor protection.*

That green is the color of choice for this logo is meant to convey associations with life, growth, prosperity, and the use of three varying shades thereof that blend well together is a way of paying homage to the Philippine flag whose three major colors converge on a common vertex.

Contents

MESSAGE OF THE COMMISSION	1
CHANGE @ 80: SEC 80TH ANNIVERSARY CELEBRATION	3
MESSAGE OF DOF SECRETARY CARLOS G. DOMINGUEZ III	4
MESSAGE OF SEC CHAIRPERSON TERESITA J. HERBOSA	6
MESSAGE OF COMMISSIONER ANTONIETA FORTUNA-IBE	9
MESSAGE OF COMMISSIONER EPHYRO LUIS B. AMATONG	10
MESSAGE OF COMMISSIONER BLAS JAMES G. VITERBO	12
MESSAGE OF GENERAL COUNSEL CAMILO S. CORREA	13
ABOUT SEC	18
MANDATE	18
FUNCTIONS	22
MISSION	24
VALUES	24
VISION	24
PERFORMANCE HIGHLIGHTS	25
OFFICE OF THE GENERAL COUNSEL	27
OFFICE OF THE GENERAL ACCOUNTANT	35
OFFICE OF THE COMMISSION SECRETARY	40
COMPANY REGISTRATION AND MONITORING DEPARTMENT	41
CORPORATE GOVERNANCE AND FINANCE DEPARTMENT	46
ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT	49
MARKETS AND SECURITIES REGULATION DEPARTMENT	52
BAGUIO EXTENSION OFFICE	56
CAGAYAN DE ORO EXTENSION OFFICE	57
CEBU EXTENSION OFFICE	59
DAVAO EXTENSION OFFICE	61
ILOILO EXTENSION OFFICE	62
LEGAZPI EXTENSION OFFICE	63
TARLAC CITY EXTENSION OFFICE	64
ZAMBOANGA EXTENSION OFFICE	65
CORPORATE AND CAPITAL MARKET DEVELOPMENT	66
POLICY MEASURES	66
TECHNICAL ASSISTANCE	75
CORPORATE AND CAPITAL MARKET REGULATION	87
REGISTRATION AND LICENSING	87
COMPLIANCE MONITORING	95
ENFORCEMENT	100



STRATEGIC SUPPORT **103**

ECONOMIC RESEARCH AND TRAINING 103

INFORMATION AND COMMUNICATIONS TECHNOLOGY DEVELOPMENT 108

GENERAL ADMINISTRATION AND SUPPORT **113**

HUMAN RESOURCE DEVELOPMENT AND GENERAL SERVICES 113

FINANCIAL MANAGEMENT 115

Message of the Commission

2016 is a milestone year for us as it marked the 80th Founding Anniversary of the Securities and Exchange Commission. Although eight decades of rendering quality public service is an achievement in itself, we leveraged the momentum to bring about positive change and development in the resiliency and inclusiveness of the corporate sector and the capital market, and in the institutional capacity of the Commission.

We spearheaded the formulation of the Implementing Rules and Regulations of the Microfinance Nongovernment Organizations Act to provide the poor with effective access to microfinance programs, products and services. We developed the Code of Corporate Governance for Publicly-Listed Companies to bring the corporate governance standards of Philippine corporations at par with its regional and global counterparts. We continue to adopt new accounting and auditing standards and global practices to strengthen the integrity of financial reports and disclosures.

Corporate bond issuances notably improved in 2016, largely resulting from the enhanced shelf registration program under the 2015 Securities Regulation Code Rules. To further broaden capital market participation, we approved two proposed rules of the Philippine Stock Exchange that enabled issuers with dollar denominated requirements to raise capital without incurring foreign exchange risks, and allowed Public Private Partnership companies to raise funds from the capital market for the country's infrastructure development.

We carried forward our commitment to improve the ease of doing business by enhancing our frontline services. We considerably reduced the documentary requirements for the licensing of financing companies and lending companies. We rolled out our Integrated Business Registration System and Certification Issuance System-Unified Reference Database to our Extension Offices so that more clients across the country could benefit from our upgraded services.

We doubled our efforts and enhanced our capability in the enforcement of the securities laws and in protecting the investors and the investing public. In this regard, we became proactive in investor and financial education through seminars and information campaigns.

We also executed major changes for the organizational enhancement of the Commission. We launched our new logo which more accurately represents our corporate identity and vision. We transferred our Head Office to the Philippine International Convention Center to provide a safer and more conducive environment for our employees as well as our clients.

The 80th Anniversary of the Commission was made even more meaningful by the overwhelming recognition we received from the public. In the 2016 Social Weather Stations or SWS Survey of Enterprises on Corruption, we garnered the highest net sincerity rating in fighting corruption among thirty-five institutions and the sole institution to receive a Very Good rating.

Through this Report, we wish to share with you our 2016 accomplishments, and in celebration of our 80th Anniversary, we included a glimpse of all the efforts of the SEC so that you may fully appreciate the value of the Commission as a government agency that champions the protection of investors and the development of the corporate sector and capital market. We share this Report with all our partners and stakeholders without whom our accomplishments would not have been possible: the government agencies and inter-agency bodies, the bilateral and multilateral development partners, the international and regional councils, the private sector and professional organizations, the media, and the investing public. To all of you - our sincere and grateful acknowledgment!

Most of all, we thank the officials and staff of the Commission, without whom we would not have been able to achieve what we have accomplished all these years. These professional men and women work hard to ensure that the Commission lives up to the expectations of the investing public in accordance with our mission, values and vision. We also wish to thank the former Commissioners who helped guide the Commission in the last eighty years, and most especially former Commissioner Manuel Huberto B. Gaité for his valuable contribution to the achievements of the Commission for the past seven years.

We dedicate this Report to the Filipino People for the unwavering trust and confidence in the Commission.

Thank you and Mabuhay!

*Chairperson Teresita J. Herbosa
Commissioner Antonieta Fortuna-Ibe
Commissioner Ephyro Luis B. Amatong
Commissioner Blas James G. Viterbo
Commissioner Emilio B. Aquino*

Change @ 80: SEC 80th Anniversary Celebration

The Securities and Exchange Commission (SEC) celebrated its 80th Founding Anniversary on November 11, 2016 at the Philippine International Convention Center (PICC) with the theme “*Change @ 80.*” DOF Secretary Carlos G. Dominguez III led the distinguished guests who graced the event. In his anniversary message to the SEC officials, employees and partners, Secretary Dominguez commended the SEC for its integrity and efficiency in the exercise of its vast mandate, and expressed confidence that the Commission will continue to perform its crucial role in the modernization of the Philippine economy. SEC Chairperson Teresita J. Herbosa thanked the SEC officials and employees for rendering excellent service to the public and for enabling the Commission to successfully hurdle past and present challenges. She also acknowledged the partners of the SEC from the public and private sectors for supporting the Commission’s endeavors. She encouraged the SEC to remain steadfast and relevant to successfully overcome further challenges in the future.

In line with the celebration’s theme “*Change @ 80,*” the SEC Commissioners highlighted in their respective messages the key changes that the Commission boldly adopted in 2016. Commissioner Antonieta Fortuna-Ibe welcomed the SEC to its new Head Office at the PICC which signifies the Commission’s commitment to provide a safer and more conducive environment for its employees and stakeholders. Commissioner Ephyro Luis B. Amatong lauded the SEC for being recognized in 2016 as the most sincere government agency in the fight against corruption. He attributed this achievement to the Commission’s efforts to leverage technology, enhance capacities, institutionalize reforms and, most importantly, to the hard work and dedication of the SEC employees. Commissioner Blas James G. Viterbo launched the SEC 80th Anniversary Commemorative Stamp which represents the eighty years of the Commission’s efficient service to the public. General Counsel Camilo S. Correa presented the new SEC logo which signals the Commission’s institutional rebranding and transition to greater changes to be of better service to the Filipinos.

Message of DOF Secretary Carlos G. Dominguez III

Her Excellency Kok Li Peng, the Ambassador to the Philippines from Singapore, Senate President Aquilino Pimentel III, Senate President of the Philippines, Bangko Sentral ng Pilipinas Governor Amando Tetangco, Jr., former Department of Finance Secretary Jose Pardo, Former Chairperson Lilia Bautista, Securities and Exchange Chairperson Teresita Herbosa, Commissioners Manuel Gaité, Antonieta Ibe, Ephyro Amatong, Blas Viterbo, ladies and gentlemen:

The Securities and Exchange Commission has been with us since November 11, 1936. It has been a reliable partner in the modernization of our financial markets, a staunch enforcer of standards for corporate governance and a fierce protector of the investing public.

The Commission has been the registrar and overseer of our corporate sector. It is mandated to protect the public from fraud. It has absolute jurisdiction, supervision and control over all corporations, partnerships or associations. It decides over who may or may not organize a business in the country, sell stocks and other securities as well as accredit market professionals such as brokers and dealers.

The Commission has much on its plate. Over 500,000 companies regularly file their financial statements with the SEC, or Ms. Herbosa will go after them. The Commission may exercise quasi-judicial powers in stopping fraud. The Commission likewise settles corporate disputes, suspends the activities of businesses that fail to exercise proper business behavior and stop the sale or purchase of stocks that have fallen into question.

In a word, the SEC is there to keep everybody honest. It sets the standards for governance of the business sector. It assures the public it is protected from fraudulent securities and other financial instruments.

It is a tough job. It is bound to be even tougher as we try and enlarge our corporate sector as well as broaden our capital markets. It is bound to be even tougher as we improve on our accounting standards, require companies to do risk-based procedures and widen access to financing to the small and medium enterprises.

We rely on the SEC to be innovative and stringent. As businesses become more complex, as the financial market develops new instruments day by day, as micro-enterprises are drawn to the mainstream of our corporate sector and as we try and extend the reach of financial services to more and more Filipinos, we rely on the SEC for more and for better services.

As we try and improve the ease of doing business in the country, draw in more investments to drive our economic growth, the SEC must be a regulator as well as an enabler. That is a task that requires discipline and imaginativeness in equal measure.

I am confident the SEC has the depth of talent to accomplish its mandate to keep standards for corporate governance as well as encourage more business activity. The Commission has been a

learning organization. This is indispensable. Business practices evolve quickly. The principal regulatory agency cannot be left behind.

Let me take particular note of the Credit Information Corporation (CIC) established by law in 2008 and supervised by the SEC. The CIC is tasked with collecting credit information, especially about small and medium companies. The database is important for providing credit ratings for our smaller enterprises. That will enable them to better avail of financial services from the capital market. This is an important step in bringing small enterprises to the mainstream and making our economy truly inclusive.

Over the next few years, we expect to sustain a growth rate of at least 7% annually. That is the only way to lift our people from poverty.

Over the next few years as well, we envision a shift from consumption- to investment-led growth. This is the only way we can be a truly inclusive economy. To achieve this, we need to improve the business climate, make business startups easier and ensure that new businesses will have access to the capital markets.

The SEC will play a leading role in all of these.

There is much to do, no doubt. Our corporate sector is among the smallest among the emerging economies of the region. Foreign direct investment has lagged behind the rates of growth posted by our neighbors. We have among the lowest ratings for ease of doing business among our peers.

We need to improve on these very quickly.

We have had more than our share of investment scams, of insider trading and money laundering. Prompt and immediate action on all of these is required. The SEC plays a frontline role in these concerns as well.

I am confident that the SEC will do what it has to do to assist in the modernization of our economy. This is an agency with an exemplary record for integrity and efficiency, and for that I congratulate you all. This is an agency that can manage to further streamline procedures and deploy more information technology to better do its job. In the reforms you will undertake, be assured of the continuing support of the Department of Finance.

Again, let me congratulate the SEC on your anniversary. You have done your work well and I am confident that you will continue to be a strong presence in our country's economic progress.

Thank you and good evening.

Message of SEC Chairperson Teresita J. Herbosa

Senate President Koko Pimentel, Finance Secretary Sonny Dominguez, Governor Say Tetangco, PICC GM Rene Padilla, distinguished colleagues and guests from the public and private sector, partner organizations, the media, and all past and present SEC Chairs, Commissioners, directors and personnel, good evening!

Welcome to the celebration of the SEC's 80th anniversary. Thank you for taking time to join us tonight on this momentous occasion.

Personally, I have known about SEC since third year law school studying Corporation Law, and dealt with it throughout 33 years of law practice, and of course, for the past five years, acted as its Chairperson. All in all, my relationship with SEC has been for 40 years or ½ of its 80 years!

However, my actual five years at SEC pale by comparison to the many years of service of majority of the men and women at SEC who together with the younger ones have been rendering honest, competent and effective service to the public. I therefore take this opportunity to thank all the dedicated personnel of SEC for making it what it is today – a strong and beloved institution.

Remembering the Past

Some say that anniversaries are not meant solely for celebration but also commemoration.

Very briefly, SEC was established in 1936 by virtue of the Securities Act. It came about only two years after the creation of the US SEC. A few years after, SEC took over corporate registration. Let me skip the Japanese occupation as I read somewhere SEC was closed during that time.

Let me also skip the 50s and the 60s because as a lawyer, I have to base my talk on personal knowledge and I will only admit to my memory of SEC having started in the 70s when the Corporation Law was still effective and Presidential Decree (PD) 902-A issued on March 11, 1976 reorganized the SEC with additional powers.

On May 1, 1980, the Corporation Code or Batas Pambansa 68 was enacted to replace the Corporation Law. I used to go to the SEC as a lawyer representing party litigants mostly in intra-corporate disputes. To me, the SEC looked like any other agency of government in terms of physical facilities, cramped and crowded. But even then, SEC already stood apart from other agencies because it was highly regarded in terms of efficient and reliable frontline services.

SEC continued steadily growing into the 90s, eventually increasing its office space but still little parking and plenty of noise from the passing Metro Rail Transit trains. The late 90s saw the establishment of extension offices in seven other cities nationwide.

The Securities Regulation Code was passed in 2000, investing the SEC with more enforcement powers. However, it repealed PD 902-A and transferred all intra-corporate disputes to the Regional Trial Court.

Pursuant to the SRC, then Chairperson Lilia Bautista professionalized SEC in terms of upgrading personnel qualifications, rationalizing compensation and intensive capacity building. She also initiated the computerization of SEC processes.

The passage of time and several earthquakes and its relatively old age caused the unsafe condition of the SEC building. I recall that during the turnover of duties by Chairperson Fe Barin to me in 2011, she voiced her concern about the state of disrepair of the SEC building and advised me to continue the search for a new site for the safety of everyone.

Overcoming the Challenges of the Present

So where do I begin talking about where we are at present. About change, the internet gave me this –

“the biggest threat to innovation is internal politics and an organizational culture which doesn’t accept failure and/or doesn’t accept ideas from outside and/or cannot change.”

Before talking about the change at SEC, let me tell you what Father Bel San Luis said this morning at the special Mass for SEC, we are not perfect individuals but human beings wanting to improve or change but missing the target sometimes.

For example, the International Organization of Securities Commissions (IOSCO) membership is as elusive as ever. The Real Estate Investment Trust (REITs) never went off the ground. Foreign nationality rules remain uncertain. The Philippine Stock Exchange is the smallest among the top six ASEAN countries’ stock markets. Transparency and accountability among market players and of financial reports are sometimes at issue.

Notwithstanding, thru sheer determination and despite limited resources, SEC has managed to overcome some big challenges big time or as US President elect Donald Trump would say BIGLY. Among others, SEC has –

Adopted more automated processes, less face to face.

Expanded Extension Offices’ services and established six Satellite offices in malls and LGUs.

Promoted good corporate governance to a high level of success such that the Philippines emerged as second only to Thailand in the number of Publicly-Listed Companies (PLCs) in the top 50 ASEAN PLCs under the ASEAN Corporate Governance Scorecard initiative.

Participated in other initiatives of the ASEAN.

Contributed to the ease of doing business efforts by lessening documentary requirements and streamlining processes such that the Philippines went up a number of notches in the World Bank annual surveys.

Conducted financial literacy programs alone or in conjunction with the Bangko Sentral ng Pilipinas (BSP) to lead the fight against investment scams and informal lenders.

Organized the Microfinance NGO Regulatory Council.

Established dynamic relationships with other government agencies like BSP, Insurance Commission (IC), Philippine Deposit Insurance Commission (PDIC), Department of Finance

(DOF), Philippine Judicial Academy (PHILJA), the legislature and law enforcement agencies in the fight against financial crimes and graft and corruption.

Some of these progressive developments would not have been possible without our partners. We at SEC would like to thank our partners Asian Development Bank (ADB), United States Agency for International Development (USAID), International Finance Corporation (IFC), International Monetary Fund (IMF), World Bank, United States Department of Justice (US DOJ) and United States Securities and Exchange Commission (US SEC), and those with us in inter-agency efforts such as the Financial Sector Forum (FSF), Financial Stability Coordination Council (FSCC), Capital Market Development Council (CMDC), and National Strategy for Financial Inclusion (NFSI). Thank you too to the private sector including professional organizations in the financial services industry, and the media.

The recognition we most cherish is our topping two successive SWS national surveys on sincerity rating or the fight against corruption among thirty-five national government agencies. We were No. 1 in 2015 and still No. 1 in 2016. So where do we go from here?

Staying Relevant into the Future

For this part of my message, let me quote from a birthday card I received from a British national working for a Swiss multinational, a former client, based in Indonesia. After I read the card's text, I knew I had to make it part of my message tonight because it captures how the SEC has survived through 80 years and will survive for many, many more years to come.

*The unique card told the story of the **Mosquito and the Raindrop** and I quote:*

Imagine how difficult life would be if raindrops weighed three tons each as they fell out of the sky at 20 miles per hour. That's how raindrops look to a mosquito. But mosquitoes survive close encounters with raindrops.

An experiment published in Proceedings of the National Academy of Sciences found that mosquitoes don't actually dodge raindrops – they hitch a ride.

As a raindrop falls, rather than resisting the raindrop, the mosquito joins it like a stowaway so as a result experiences very little force. To the mosquito it is like being hit with a feather. It rides the raindrop for about a thousandth of a second until its wings catch the wind like kites, and tear the mosquito away from the drop.

It continues flying as if nothing happened.

The mosquito is 79 million years old. Unquote.

SEC is only 80 years old but if it continues to hurdle its challenges and stay relevant, like a mosquito hitching a ride on a raindrop, it will have 80 million more years to go. Believe me.

Thank you for coming. And do stay for the celebration and commemoration of SEC@80.

Message of Commissioner Antonieta Fortuna-Ibe

Her Excellency Ambassador Kok Li Peng, Senate President Aquilino Pimentel, Finance Secretary Sonny Dominguez, BSP Governor Amado Tetangco, Distinguished Guests, Chair Teresita Herbosa, My Co-commissioners, SEC Officials and Employees, Ladies and Gentlemen. Good evening.

Tonight, we are gathered to celebrate a momentous occasion, an occasion of change. As our President has promised, "Change is Coming", I wish to say, too, that tonight, "change has come" to SEC.

Our Agency, in its long years of existence, has undergone numerous changes: change in administration, change in employees, rearrangement of departments, a few renovations here and there, change in our rules, especially in the light of good governance. But most of all, a continuous change in the way we serve the public.

For years, we strived to continuously improve our services. We strived to continuously improve our provision of ease of business support. We changed our ratings – in sincerity, in good governance - year to year ever growing higher. A change for the better as we pursue continuous and never-ending improvements.

Tonight, join us as we welcome another change. Let us welcome a better office: safer, sleeker, and more elegant, if I may say so. Let us welcome a changed environment: the change of our Agency's official headquarters!

Our move to the Philippine International Convention Center or PICC signifies the SEC's commitment to provide its various stakeholders a more business like conducive place and a safer working environment for our employees.

Tonight, as we celebrate our Agency's 80 years of service, join us in our celebration of our Agency's new headquarters: the Secretariat Building of the PICC.

Happy 80th Anniversary to us all! May the good Lord shower us with more blessings this year and in the years to come. So welcome to PICC, the new home of the SEC for the next few years.

Enjoy your evening! Welcome Home!

Message of Commissioner Ephyro Luis B. Amatong

Her Excellency Kok Li Peng, Senate President Aquilino Pimentel, III, Secretary Carlos G. Dominguez, III, BSP Governor Amando Tetangco, Former SEC Chairperson Lilia Bautista, partners in the development sector, friends and fellow public servants, and most importantly, colleagues in the Commission, good evening to all of you.

As many of you are well aware of, the Commission was once again considered the “Most Sincere” government agency in the fight against corruption. This is not the first time SEC was recognized. In 2005, we recorded a +55 net sincerity rating. Last year, we topped the list with +63.

Tonight, I want to focus on two things: what the rating tells us and what it doesn’t.

What does our 2016 +55 Sincerity Rating tell us?

First, it tells us that we are heading in the right direction. Our efforts to leverage advances in technology and enhance the capacity of our personnel have proven crucial in bringing us closer toward our end-goals of (1) fostering an environment that promotes competitiveness and efficiency; and (2) improving the way we deliver public service.

Second, it speaks of the dynamism of the SEC and its unwavering resolve to constantly institutionalize reforms, including institutionalizing the Duterte Administration’s 10-point socio-economic agenda; and leading the fight against predatory lending.

Third, it indicates the public’s recognition of the steps we have taken to improve the ease of doing business, democratize the financial system and protect the welfare of the investing public.

But maybe the more interesting question to ask is this: what does it not tell us? After all, to outsiders, that rating is just a number – an approximation.

It doesn’t tell us about the stories of real people, of individuals who tirelessly work to realize this institution’s vision. It doesn’t tell us about the sacrifices that each and every person in this hall has to make in rendering their public service. Many of you maintain your smile and patience amidst the high pitch of an irate client. You also untiringly explain the filing process to customers even after repeating the same information a thousand times. These efforts and dedication by our SEC personnel don’t go into that approximation; they don’t go into that number.

That is why tonight, even as we take pride in once again being the top agency in terms of fighting corruption, we also commemorate these unheard stories and experiences that enabled this institution to continuously thrive. We commemorate the things that can never be captured and encapsulated by a number. Most of all, we showcase the people who were instrumental in bringing the SEC to even greater heights.

As we celebrate our first 80 years, we give particular attention to each and every one of you who truly make up the Securities and Exchange Commission – people who tirelessly and, many times, thanklessly work day in, day out. This institution will forever be grateful for your unwavering service. Maraming salamat po.

But this recognition should also serve as a reminder and a challenge to everyone to not rest on our laurels. It is a challenge to continuously strive to surpass what we have achieved and outdo our own selves year after year; and in the next 80 years.

For this reason that I want to leave you with this African Proverb: “if you want to go fast, go alone; but if you want to go far, go together”. Let us continue to go together to advance this institution towards continued success.

Thank you very much and enjoy the rest of the evening.

Message of Commissioner Blas James G. Viterbo

Senate President Aquilino Pimentel, Secretary Carlos Dominguez, former Chairpersons Lilia Bautista and Fe Barin, Chairperson Herbosa, Commissioner Gaité, Commissioner Ibe, Commissioner Amatong, all coworkers in the SEC family, and distinguished guests, good evening.

Ladies and Gentlemen, we are gathered here today to celebrate the Commission's 80th Anniversary.

To memorialize this event, and with the help of the Philippine Postal Corporation, it is with great honor that we are all here for the launch of the 80th Anniversary Commemorative Stamp for the SEC.

Postage stamps represent the broad spectrum of one's national identity, culture, and history. A Philippine postal stamp tells stories of our country — and it is this very legacy — the SEC's 80th Anniversary — that we celebrate here today.

Although the commemorative stamp for the Commission displays both the Old/Classic and New/Modern logos of the SEC with a line that states "Change @ 80", it represents 80 strong years of the Commission's efficient service to the public. It represents 80 strong years of the Commission's dedication to aggressive enforcement and investor protection. And most importantly, it represents 80 strong years of the SEC family's hard work and unyielding commitment to serve the public with professionalism, accountability, and integrity.

So today, we do not only observe the Commission's 80th Anniversary, but we give tribute to the very people who comprise the Commission. Thank you for all your hard work in serving the public and serving our country, the Philippines.

Moving forward, let us keep in our hearts and minds, and never forget the clear instructions given earlier by our DOF Secretary Dominguez.

Thank you and enjoy the rest of the evening.

Message of General Counsel Camilo S. Correa

During the time that we were approaching the SEC's 80th Anniversary, a significant milestone indeed, in any institution's history, there was a felt need for institutional rebranding – for renewing the image of the agency as a public sector organization dedicated and committed to public service delivery in the areas of company registration, capital market oversight, and investor protection.

Thus, the decision to adopt a new logo.

Associated with the old logo is the agency's colorful and distinguished past – what it was, what it has accomplished. With the prospectus to change, the agency is signaling its willingness, its preparedness, to renew itself to deal with emerging challenges, impacting on its effectiveness and relevance. Subsequently, it went about launching a year-long competition for a new logo. This competition, which was not an easy exercise, with its twists and turns, did produce a winner eventually – the logo design evidently referred to as the floating cube, whose use is now gaining wider acceptance.

There is a marked difference between the new logo and the old one, and the difference is quite obvious. For one thing, the design of the new logo is modern, bolder, untraditional, and unconventional. For another thing, the narrative underpinning the new logo is infinitely more textured – enriched with meaning and characterized with a distinctively “moving-forward” orientation.

The adoption of a new logo is but another indication that the SEC is in transition but very much willing and open to positive change. But let it be very clear – the SEC's efforts at change is focused only in one and only one objective to be of better service to the Filipino public.

Ladies and Gentlemen, distinguished guests, the new SEC Logo!





SEC EO's Investor Information Seminars, Press Conferences, and Anti-Scam Campaign Roadshow for the SEC's 80th Founding Anniversary





Picture 1. SEC 80th Anniversary Celebration. Chairperson Teresita Herbosa, center, and Commissioner Antonieta Fortuna-Ibe, second from right, welcome special guests, from left to right, Philippine Stock Exchange (PSE) Chairman Jose T. Pardo, Senate President Aquilino “Koko” Pimentel III, and Finance Secretary Carlos G. Dominguez III.



Picture 2. SEC Commemorative Stamp. (Left to right) Commissioner Antonieta Fortuna-Ibe, Commissioner Ephyro Luis B. Amatong, Chairperson Teresita J. Herbosa, Assistant Postmaster General Luis D. Carlos, and Commissioner Blas James G. Viterbo unveil the commemorative stamp for the SEC 80th Anniversary.



Picture 3. New SEC Logo. The heads of SEC Departments and Special Offices unveil the new SEC logo.



Picture 4. SEC Service Award. Commissioner Ephyro Luis B. Amatong, Chairperson Teresita J. Herbosa, and Commissioner Antonieta Fortuna-Ibe present the SEC Service Award to the longest-serving SEC employee, Officer-in-Charge/Assistant Director Lilia O. Pinzon, second from left, for her 39 years of service. The Commission also presented the SEC Service Award to other employees who have served SEC for 25 years or longer.



Picture 5. SEC Logo Design Contest Awarding Ceremony. Chairperson Teresita J. Herbosa awards the cash prize and a plaque of recognition to Mr. Prince Adrian Alvarez, the artist who won the SEC Logo Design Contest held in the first quarter of 2016.



Picture 6. New SEC Head Office. Façade of the new SEC Head Office at the Secretariat Building, PICC Complex, Pasay City.

About SEC

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 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, and to broaden the Commission's mandates. Recently enacted laws gave greater focus on the Commission's role to develop and regulate the corporate and capital market toward good corporate governance (CG); empowerment of investors, corporators, and entrepreneurs; and effective access to financial products and resources.

The SEC is the registrar and overseer of the Philippine corporate sector; it supervises more than 500,000 active corporations and evaluates the financial statements and other reports filed by corporations registered with it. The SEC also develops and regulates the capital market, a crucial component of the Philippine financial system and economy. As it carries out its mandate, the SEC contributes significantly to government revenues.

With the growing number of corporations and other forms of associations that it supervises and monitors, and given the evolving nature of transactions where the corporate vehicle is being used to defraud the investing public, as well as the ever dynamic character of the capital market, the SEC must progressively perform its critical role as the champion of investor protection; the judicious administrator of an automated, reliable and secured company registration and information systems; and the progressive overseer of a robust and inclusive capital market.

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

1. The SEC Reorganization Act or Presidential Decree (PD) 902-A in 1976, as subsequently amended by PDs 1653, 1758 and 1799, 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.
2. The Corporation Code of the Philippines or the Batas Pambansa (BP) 68 in 1980 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 the SEC to reject articles of incorporation or disapprove any amendment thereto if the same is not in compliance with the requirements of BP 68.

The Code also required all registered corporations to submit to the SEC an annual report of its operations, together with a financial statement of assets and liabilities, certified by an independent certified public accountant (CPA) in appropriate cases, and such other requirements as the SEC may require within the prescribed period. Likewise, it authorized the Commission 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 SEC is presently closely coordinating with the Senate for the amendment of the Code to further advance the ease of doing business and the protection of stockholders. Other proposed amendments include the grant of greater visitorial powers to the SEC; the imposition of stringent penalties in relation to the use of the corporate vehicle for fraud and graft and corruption; and the provision for dispute resolution and arbitration to enable corporations to avoid protracted litigation. The amendments to the Code have been formalized into a Committee Report and are now under deliberation by the Senate.

3. The Revised Securities Act or BP 178 in 1982 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.
4. The Securities Regulation Code (SRC) or Republic Act (RA) 8799 in 2000 provided for the SEC reorganization to give greater focus on the Commission's role in capital market development, fostering good CG 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 (RTC). 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 such as Self-Regulatory Organizations (SROs) or the Philippine Stock Exchange (PSE), Philippine Dealing and Exchange Corporation (PDEX) and Capital Market Integrity Corporation (CMIC), as well as market professionals such as brokers and dealers, among others.

The SRC restated the requirements for the submission of an annual report by companies of their operations, together with financial statements, certified by an independent CPA, and such other requirements as the SEC may deem necessary. It also included provisions on internal record keeping and accounting controls to be complied with by companies.

The Commission is currently working on the amendments to the SRC to further promote the development and competitiveness of the capital market, and to align its provisions

with the International Organization of Securities Commissions (IOSCO) Principles, one of which is an adequate level of oversight or quality assurance of auditors by the SEC. Among the proposals is to grant the SEC with more rigid regulatory powers over corporations covered by the SRC to ensure the protection of investors and the elimination of distortions in the free market.

The SRC Implementing Rules and Regulations (IRR), the latest amendment of which is known as the 2015 SRC Rules, took effect on November 9, 2015. The 2015 SRC Rules updated the implementing framework of the SRC to enhance companies' ability to raise funds in the domestic market; address gaps in regulation; strengthen market and regulatory structures; and adopt global best practices to ensure that players are able to meet the challenges posed by increasing market sophistication and regional integration.

Section 68 of the SRC on special accounting rules reinforced the power of the SEC to make, amend and rescind such accounting rules and regulations as may be necessary to carry out the provisions of the SRC and those of the Corporation Code relative to financial reporting. It also includes rules and regulations governing registration statements (RS) and prospectuses for various classes of securities and issuers, and defining accounting, technical and trade terms used; the power to prescribe the form or details to be shown in the financial statements; and the methods to be followed in the preparation of accounts, appraisal or valuation of assets and liabilities, and other financial statement items, among others.

In line with this, Rule 68, the Special Accounting Rules was issued in 2001 as part of the SRC IRR. Rule 68 specifically provides for the general guides to financial statements preparation, responsibility for the financial statements, qualifications and reports of independent auditors, additional requirements for independent auditors of the SEC-regulated entities and other entities, independence of auditors, engagement of independent auditors, audit reports, including the accreditation of independent auditors as well as review of their quality assurance manuals. Rule 68 has undergone several amendments, the latest of which was in 2011; and is presently in the process of amendments to ensure reliability of the financial statements and protection of investors. Financial Reporting Bulletins (FRBs) and Memorandum Circulars (MCs) are also issued by the Commission as needed to cover additional Financial Reporting requirements.

5. The Credit Information System Act (CISA) or RA 9510 in 2008 mandated the SEC to be the lead government agency to implement and enforce the said Act. It designated the Chairman of the SEC to be the Chairman of the Board of Directors of the Credit Information Corporation, whose primary purpose is to receive and consolidate basic credit data; to act as a central registry or central repository of credit information; and to provide access to reliable, standardized information on credit history and financial condition of borrowers.
6. The Microfinance Nongovernment Organizations (NGOs) Act or RA 10693 in 2015 mandated the SEC to establish an accrediting body to be known as the Microfinance NGO

Regulatory Council which shall, among others, institute and operationalize a system of accreditation for Microfinance NGOs; issue certificate of accreditation as a Microfinance NGO upon determination that the criteria set for this purpose have been fully satisfied; and monitor the performance of Microfinance NGOs to ensure continuing compliance with the provisions of the Act and its IRR. The Chairman of the SEC or designated representative shall serve as the Chairperson of the Council; and the Council shall be assisted by a secretariat to be lodged in the SEC, which shall coordinate the activities involved in the accreditation process.

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:

1. Anti-Money Laundering Act of 2001 (RA 9160, as amended) [The SEC Chair is a member of the Anti-Money Laundering Council (AMLC), with the Bangko Sentral ng Pilipinas (BSP) Governor as Chairman and the Insurance Commission (IC) Commissioner as another member]
2. Lending Company Regulation Act of 2007 (RA 9474) (LCRA)
3. Financing Company Act (RA 5980, as amended) (FCA)
4. Investment Company Act (RA 2629) (ICA)
5. Investment Houses Law (PD 129)
6. Retail Trade Liberalization Act of 2000 (RA 8762)
7. Foreign Investments Act of 1991 (RA 7402, as amended)
8. Omnibus Investments Code of 1987 (Executive Order 226, Book III)
9. Anti-Dummy Law (CA 108, as amended)
10. Civil Code of the Philippines (RA 386, Title IX – Partnership)
11. Securitization Act of 2004 (RA 9267)
12. Real Estate Investment Trust Act of 2009 (RA 9856)
13. Personal Equity and Retirement Account Act of 2008 (RA 9505)

Functions

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 RS, 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 (CDO) 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.

Mission

To develop and regulate the capital market and supervise company registration toward good corporate governance, protection of investors, widest participation of ownership and democratization of wealth.

We shall be guided in this mission by the values of *INTEGRITY, PROFESSIONALISM, ACCOUNTABILITY, INDEPENDENCE, INITIATIVE* and *TEAMWORK*.

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, competent and committed service to the public in a fair and transparent manner.

Accountability

We abide by prescribed ethical and work standards, and good governance principles 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, including identification and management of risks.

Teamwork

We engage in internal collaborative activities organized to facilitate inter-departmental communication and cooperation.

Vision

By 2019, the SEC is the prudent administrator of the most comprehensive and reliable company registration and information systems, and the independent guardian of a robust capital market in the ASEAN and Asia-Pacific Region.

Performance Highlights

The year 2016 was a witness to the Commission's unwavering performance in making the Philippine corporate and capital market more robust by having it benchmarked at par with global standards. It was during this year that the Commission resolutely effected changes that streamlined its processes and procedures and brought about ease of doing business while prudently enforcing in full the laws and regulations within its mandate. These feats consistently made the SEC as the most sincere government agency in fighting corruption. The SEC bested 35 other government agencies in sincerity rating on fighting corruption in the 2016 Social Weather Stations Survey or SWS of Enterprises on Corruption conducted from February 2 to May 6, 2016.

In 2016, the Commission was actively represented in international fora relevant to developing the capital market through formulation of initiatives at the cross border level. The Commission steadfastly met with their foreign counterparts in its aim to become a signatory to the Asia Region Funds Passport (ARFP). The SEC also participated in a series of consultation meetings to formulate certain provisions of the SRC to ensure alignment with the IOSCO Principles in its pursuit to be a signatory to Appendix "A" of the IOSCO-Multilateral Memorandum of Understanding (IOSCO-MMoU). The Commission continuously issued policies during the year for the adoption of practices founded on global framework and IOSCO principles.

The Commission deployed in 2016 a number of systems innovations and established alliances with business community and fellow government agencies for the effective and efficient delivery of its services to the public. These made regulated entities transact with the SEC faster, easier, and more convenient.

Mindful of its overarching objective of protecting the investing public, the Commission in the same year came out with cases relative to violations and non-compliance to the provisions of the many laws within its jurisdiction. It also issued Legal Opinions to requesting parties for the proper interpretation of SEC Rules and Laws. The Commission also teamed up with law enforcement agencies in its drive against investment scams and informal lenders and published advisories.

In the area of CG, the Commission launched the CG Code for Publicly Listed Companies (PLCs), the first action item for implementation in the CG Blueprint launched in 2015, and is the first of a series of CG Codes for different Philippine corporations under the SEC supervision. At the same time, the Commission spearheaded the development of the IRR for the Microfinance NGOs Act to promote financially inclusive and pro-poor financial and credit services, and the draft of the ICA Rules to align with global standards. The Commission also initiated the publication of the Top 1,000 Corporations in the Philippines, which provides an overview and insights on the financial performance of these corporations.

The new policies and procedures implemented led to improved capital market conditions – namely, the enhanced shelf registration program, the institutionalization of an issuer rating for issuances of commercial papers (CPs), and the approval of the PSE proposed rules on Dollar Denominated Securities (DDS) and on Public Private Partnership (PPP) companies.

Rules and manuals incorporating the Commission’s rules and policies and compliances with the Government’s administrative orders and requirements have been reviewed/developed, and completed or in the process of finalization – the 2016 Rules of Procedures, SRC Rule 68, Data Privacy Act (DPA), Revised SEC Certification Program, SEC Freedom of Information (FOI) Manual, SEC Mediation Policy, 2016 SEC Citizens’ Charter and Government Accounting Manual (GAM) as applied to the SEC.

It should be highlighted that the SEC, though it has been principally a financial regulator, contributes significantly to the revenues of the National Government (NG). Its collections totaled ₱2.8 billion in 2016, versus amounts received from the national budget of ₱635.4 million.

This Section reviews the notable accomplishments of the Commission in 2016 through its different Departments and Special Offices, which are instrumental in making the Commission fulfill its mandate.

Indeed, all the Departments and Special Offices worked as one and exerted their best efforts to make 2016 a banner year for the Commission and to support its Organization Rebranding.

Office of the General Counsel

The Office of the General Counsel (OGC), in collaboration with the Office of the Solicitor General (OSG), represents the Commission before the RTC, Court of Appeals, and Supreme Court (SC) in instances when the Commission decisions are questioned or raised on appeal.

It also acts on appeals and petitions filed before the Commission En Banc, and issues opinions in reply to requests made on the interpretation of laws administered by the Commission.

The OGC also continues to represent the Commission before legislative committees/hearings as resource persons, and also as member of Technical Working Groups (TWGs) created for proposed legislations, studies and researches. It also liaises with the Congress in the formulation of the Commission's legislative priorities.

Cases Handled

During the year, in support of the Commission's objective of protecting the investing public, the OGC handled the following cases involving insider trading and issuance of CDOs:

Selling Unregistered Securities

The Commission filed a Petition for Review on Certiorari with the SC to annul the Decision of the Court of Appeals. On November 28, 2016, the SC promulgated its Decision in favor of the Commission, reinstating the CDO against Corporation "A" and Corporation "B" (hereinafter referred to as "Corporations"), finding that:

1. The CDO issued by the Commission was an interlocutory order and is based on the findings of the Commission that there exists prima facie evidence that the Corporations are engaged in the business of selling securities without the proper registration issued by the Commission. The CDO is provisional and contains findings that can still be refuted by the concerned corporations through the filing of a Motion to Lift the CDO with the Commission. Hence, the CDO was not the proper subject of an appeal with the Court of Appeals.
2. The Corporations, in filing a Petition for Certiorari with the Court of Appeals, failed to exhaust an administrative remedy which, in this case, should have been the filing of a Petition to Lift the CDO with the Commission. The SC was not persuaded that the case falls under the first and second exceptions to the doctrine of exhaustion of administrative remedies as (a) the issue of whether or not the "Leaseback" or "Moneyback" Agreement is a form of investment contract, is not a pure function of law, but rather, a question of fact needing the expertise, specialization and knowledge of the administrative body, which in this case, is the SEC, and (b) there was no violation of the right to due process as the SEC has the authority to issue a CDO *motu proprio* without the necessity of a prior

hearing pursuant to Sections 64.1 and 64.2 of the SRC, as upheld in the case of *“Primanila Plans, Inc. v. SEC”*, G.R. 193791, which states that *“A prior hearing is also not required whenever the Commission finds it appropriate to issue a cease and desist order that aims to curtail fraud or grave or irreparable injury to investors...as any delay in the restraint of acts that yield such results can only generate further injury to the public that the SEC is obliged to protect.”*

3. The act of the Corporations of selling unregistered securities operates as a fraud on investors as it deceives the investing public that the said corporations are authorized to deal in such securities. Section 8.1 of the SRC specifically requires the filing and approval of RS with the Commission so that information on securities being offered may be made available to prospective buyers and to afford the public protection from investing in worthless securities.

The November 28, 2016 Decision was posted in the SC Website on December 19, 2016 but the Commission has yet to formally receive a copy of the same. Expectedly, the respondent Corporations may file a Motion for Reconsideration (MR) and the OGC will continue to coordinate with the OSG on the matter.

Validity of SEC MC No. 08-2013

The Commission has issued SEC MC No. 08-2013 which requires that, for purposes of determining compliance therewith, the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. The issuance of the said MC was assailed before the SC.

The SC declared in its Decision that SEC MC No. 08-2013 clearly incorporates the Voting Control Test or controlling interest requirement contrary to the argument of the Petitioner. The SC further stated that SEC MC No. 08-2013 is valid as to the determination of compliance since the 60-40 rule does not apply separately to each class of shares of a public utility corporation. The Petitioner filed an MR, which the SC denied¹.

Insider Trading

A Petition for Review was filed by the Petitioner with the Court of Appeals assailing the Decision of the Commission En Banc imposing a penalty of ₱174 million against the Petitioner and disqualifying him from being an officer, member of the board of directors, or person performing similar functions, of any public company or PLC, for the commission of insider trading in 174 transactions. The Petitioner was found to have committed 174 counts of insider trading when he purchased shares of a certain corporation as an insider while in possession of material non-public information.

No Decision has yet been rendered by the Court of Appeals.

¹ <http://business.inquirer.net/227931/sc-upholds-sec-foreign-ownership-guidelines>

Long-Standing Rehabilitation

This pertains to a Decision issued by the Commission En Banc on May 13, 2013 affirming the Orders of the Special Hearing Panel and Ordering the Dissolution of all the companies in the Group, on the basis that the rehabilitation was no longer an option because the creditors have already been prejudiced. This Decision was appealed to the Court of Appeals via a Petition for Review under Rule 43 of the Rules of Court. On May 2, 2016, the Court of Appeals issued its Decision dismissing the Petition. Said Decision, per Entry of Judgment, has become final and executory on May 31, 2016.

Extension of the Corporate Term

The Commission in a letter dated June 5, 2014 advised the Bank that it cannot toll or interrupt the filing of an application to extend its corporate term. The Bank must comply with all the statutory and documentary requirements for an extension of its corporate term, which include, among others, a favorable endorsement or Certificate of Authority from the BSP.

The matter was elevated to the Court of Appeals, which stated that the Bank failed to meet the requirements for the extension of its corporate term and reiterated that all the statutory conditions precedent “must be complied with, and the steps necessary to effect the extension must be taken, during the lifetime of the corporation, and before the expiration of its term of existence x x x since, as a rule, the corporation is ipso facto dissolved as soon as that time expires.” The Court of Appeals has yet to resolve the MR filed by the Bank.

Liquidation of Shares

The Commission reversed the Decision on Corporation “A”, which penalized Corporation “B” for liquidating the shares of stock in two other corporations without the authority of the selling stockholders. In reversing the Decision on Corporation “A”, the Commission held that Corporation “B” is actually justified in liquidating the said shares since it is mandated under the SRC to liquidate such shares within three days, or T +3, from the transaction date. The buying stockholders failed to pay for the shares of stock within three days, or T+3, and, in which case, Corporation “B” is mandated to liquidate such shares.

On appeal, the Court of Appeals affirmed the Commission’s Decision and stated that Corporation “B” acted in consonance with the provisions of the SRC. The petitioners filed an MR, which the Court of Appeals has yet to resolve.

Validity of the SRC 2015 IRR

A Petition for Declaratory Relief [with Application for Temporary Restraining Order (TRO) and/or Preliminary Injunction] was filed by an Association against the Commission before the RTC. The Association challenges various provisions of the 2015 IRR of the SRC contending that

the said provisions violate, among others, the Constitutional right to due process and privacy as well as the DPA. On the contrary, it is the Commission's position that the new rules are consistent with its duty to protect the investing public and effectively regulate the capital market.

A TRO was issued by the RTC on February 17, 2016 for a period of 20 days only and which has already lapsed. Thus, the 2015 SRC Rules are in effect. Hearings on the case are still on-going.

Constitutionality of the SRC 2015 IRR

A Political Organization filed a Petition for Declaratory Relief with prayer for Preliminary Injunction and TRO seeking to declare paragraph 3 of Rule 68 of the Amended IRR of the SRC, SEC MC No. 13-2009, and all other similar MCs requiring the mandatory accreditation of audit firms and external auditors, as unconstitutional and without legal force and effect. In an Order dated August 15, 2016, the RTC denied the Organization's application for writ of preliminary injunction. Hearings on the case are still on-going.

Gold Products Trading

The Company is a partnership engaged in trading gold products. It entices and solicits from the public investments in the amount of ₱5,000 with a promise of return amounting to ₱25,000. The Enforcement and Investor Protection Department (EIPD) conducted two surveillance and ocular inspections and presented 20 sworn statements of complainants who invested in the Company but were not able to receive any refund or profit. On January 26, 2016, the Commission issued a CDO against the Company from further offering/selling securities in the form of investment contracts.

Investment Contracts

The Company promises investors up to 250% return/profit for a minimum investment of ₱500 up to ₱500,000 within 30 days without doing anything. The Commission En Banc issued a CDO against the Company for offering/selling investment contracts without proper registration.

Offering/Selling Investment Contracts Without Proper Registration

The Commission En Banc granted the Motion for Issuance of CDO against the Company, its president, their partners, agents, representatives, conduits, assigns, and any and all persons claiming and acting for and in behalf and under their authority. The two requisites for the issuance of a CDO are present in the instant case. First, an EIPD team conducted an investigation in Puerto Princesa and El Nido, Palawan. Second, the certifications issued by the Commission's Corporate Governance and Finance Department (CGFD) and Markets and Securities Regulation Department (MSRD) show that the Company is not authorized to offer/sell securities in the form of investment contracts to the public, and neither is the investment contract itself registered. It is clear that without a license from the Commission, the Company's investment-taking activities

can neither be regulated nor supervised, and if it remains unregulated or unsupervised, it would further defraud the investing public.

Offering/Selling Investment Contracts Without Proper Registration

On January 26, 2016, the Commission issued a CDO against the Company for engaging in the sale and offer of securities in the form of investment contracts, without proper registration. Based on the facts, the Company's members are offered "low-end" package for an investment amount of ₱1,800, or the "high-end" package for an investment amount of ₱36,000. Thereafter, the members are required to recruit or invite others to the scheme in order to make the "Company Board Complete". The members may thus be entitled to profits of up to ₱200,000 for completing such board. The CDO became permanent on July 21, 2016.

Investment Scheme

On February 18, 2016, the Commission En Banc denied the Motion to Lift the CDO filed by the Corporation. The Commission En Banc found the arguments of the Corporation to be without merit since its business model emphasizes its investment scheme rather than the selling of its products (e.g. soap, body scrub or skin whitening lotion) as borne out by statements made by its representatives as well as its own presentation and its Facebook account. As such, there is an expectation of profits on the part of the Corporation's investors; and a pyramid scheme exists in the Corporation whereby profits are derived from the recruitment of more investors down the line.

Other notable cases during the year are the following:

Interpretation of the Corporation Code Provision

The Commission En Banc denied the Memorandum of Appeal for lack of merit. The Commission has the power to implement and interpret the provisions of the Corporation Code. A reading of Section 126 of the Corporation Code, particularly on security deposit, would readily reveal that its intendment is to provide reasonable assurance that obligations of a branch office to Philippine residents, including the government, will be settled. Thus, the Commission En Banc on August 19, 2010, through SEC Resolution No. 369, Series of 2010, adopted the Office of the General Accountant's (OGA's) interpretation of "Gross Income" under Section 126 to mean "gross amount without any deduction." Further, it is settled that administrative regulation interpretive of a statute is given retroactive effect as of the date of the effectivity of the statute. No publication is required for it to be effective.

Amendment of the Articles of Incorporation (AI)

The Commission En Banc granted the Appeal and gave the Appellant ten days within which to complete its requirements for the amendments of its AI extending its corporate life for another 50 years from July 3, 2014 and reducing the number of its directors from seven to five. This is

pursuant to Section 17 of the Corporation Code, which mandates the Commission to give reasonable time to applicant-corporation to correct or modify the objectionable portions in its application.

Change of Corporate Name

This is a Complaint for Change of Corporate Name filed by the Petitioner to enjoin the Respondent from using its corporate name. The Petitioner's prayer is granted on the basis of the following: 1) The Petitioner has registered the said name as a trademark with the Bureau of Patents, Trademarks and Technology Transfer, before the Respondent registered with the Commission. As such, said name is already protected by law for the Petitioner. 2) The Respondent's corporate name is similar to the Petitioner's registered trademark, notwithstanding that the registered trademark has a hyphen and there is none in the Respondent's corporate name. The Decision is in accordance with the Commission's policy that punctuation marks shall not be acceptable as distinguishing words for purposes of differentiating a proposed name from a registered one. Also, the Respondent has not obtained the consent of the Petitioner, as the owner of the trademark corporate name, for the Respondent to be able to use the same name.

Change of Corporate Name

This is a Petition for Change of Name, wherein the Petitioners prayed that the Respondent amend its corporate name to drop a word from the Respondent's corporate name. The Petition was granted, as the said word is a trademark registered by the Petitioner more than a decade before the incorporation of the Respondent. This Decision is pursuant to the Guidelines of the Commission on registration of corporate names, which provide that a registered trademark may not be used as corporate name by a person other than the one that registered the mark, without the latter's consent.

Procuring Trading Records

The consolidated Decision resolved the appeals of Appellants against the Appellee, in which the former assailed the Letter-Decision of the CMIC. The Letter-Decision denied the request of the Appellants for assistance in procuring trading records. On December 6, 2016, the Commission En Banc reversed the decision of the CMIC and directed the Appellee to produce the requested documents pursuant to the Commission's authority under Rule 52.1.1.13, SRC Rule 52 of the 2015 IRR; it further stated that the CMIC should have entertained the request of the Appellants pursuant to Article IX, Section 1 of the CMIC Rules; and reminded the CMIC of its role in reinforcing confidence of the investing public.

The OGC also issued several Opinions, in reply to requests made for interpretations of laws administered by the Commission.

OTHER LEGAL WORK

ARFP

The OGC has been part of the team representing the Commission in the various meetings in relation to the ARFP wherein members of the Securities Commissions from seven different countries discussed their domestic regulatory environment and formulated rules that shall govern cross-border securities transactions. The OGC participated in the culminating activity of the ARFP held in Kuala Lumpur, Malaysia which has resulted in the signing of a formal agreement to pursue the ARFP. The Philippines is committed to continue to participate in the further meetings of the ARFP.

IOSCO – SRC

The Commission is a signatory to the IOSCO MMoU: Appendix B; as such, it is committed to seeking the legal authority necessary to become a full signatory to the IOSCO MMoU: Annex A. In the Commission's pursuit to become a signatory to Appendix "A" of the IOSCO MMoU, the OGC participated in a series of consultation meetings to formulate certain provisions of the SRC to ensure their alignment with IOSCO Principles and prepared the necessary briefing materials.

Legal Support and Legislative Liaison

The OGC also continues to represent the Commission before legislative committees/hearings as resource person, and also as member of several TWGs created for proposed legislations, studies and researches. It also liaises with the Congress on the formulation of the Commission's legislative priorities.

1. Corporation Code Amendments

The SEC through the OGC is closely coordinating with the Senate for the amendment of the Corporation Code. The OGC prepared matrices and other briefing materials, and participated and made presentations during the technical meetings. The amendments to the Code have been formalized into a Committee Report and are now under deliberation by the Senate.

2. 2016 Rules of Procedure of the Commission

The OGC drafted the SEC 2016 Rules of Procedure, with the assistance of the Operating Departments, to govern the pleadings, practices and procedures before the Commission in all matters of hearing, investigation and proceedings within its authority, excluding those registration and accreditation matters which do not involve violation of laws and rules and those requests for exemptive and similar reliefs which are governed and referred to in applicable rules. The 2016 Rules of Procedure took effect on December 6, 2016.

3. SRC Amendments

The Commission through the OGC is currently working on the amendments to the SRC to further promote the development and competitiveness of the capital market, and to align its provisions with the IOSCO Principles, one of which is an adequate level of oversight or quality assurance of auditors by the SEC.

SEC Mediation Policy

The Commission entered into a Memorandum of Understanding (MOU) with the Philippine Judicial Academy for the conduct of a “Special Mediation Training: Skills-Building Seminar-Workshop” for the Commission officials and employees. The workshop aimed to provide SEC lawyers, investigators and stakeholders with training on securities arbitration and mediation proceedings designed to resolve corporate, partnership, and securities issue. A Round Table Writeshop discussion and a Training Workshop were held in February and March 2016.

The OGC is presently in the process of integrating the comments received on the draft SEC Mediation Policy. The OGC also met with the Office of the Alternative Dispute Resolution (OADR), the agency mandated to promote, develop and expand the use of alternative dispute resolutions in government agencies, for inputs.

DPA in Relation to the SEC i-View

On the basis of the provisions of the DPA of 2012, the OGC made a position that the SEC controls the collection, holding, processing or use of Sensitive Personal Information of natural and juridical persons. The Sensitive Personal Information submitted to the SEC by companies are also specified in their AI, General Information Sheet (GIS), and Annual Financial Statements (AFS). Thus, the SEC is a personal information controller processing sensitive personal information under Section 3(l) of the DPA. The OGC in a Memo dated February 6, 2015 recommended that the Information and Communications Technology Department (ICTD) discontinue the public’s access to the Reverse Search Module to comply with the DPA’s provisions. The OGC is presently seeking some clarifications on the subject with the National Privacy Commission.

Office of the General Accountant

The OGA advises the Commission and the private sector in the area of accounting and auditing standards and on issues of accounting treatment for public offerings and disclosures. It prepares opinions, clarifications and replies to queries involving financial reporting and audit issues.

It also accredits audit firms/external auditors, property valuers and credit rating agencies and monitors their compliance with rules. The accreditation process is a quality assurance mechanism implemented by the Commission to safeguard the integrity and ensure the reliability of the reports submitted to the Commission to protect the investors. The accreditation includes evaluation of the capabilities of the applicant based on his training and experience and the quality and documentation of the reports that he/it has certified to.

Through the OGA, the SEC participates actively in the development of accounting and auditing standards by continuously updating rules, standards and practices to comply with global standards and practices on financial reporting and auditing such as the International Financial Reporting Standards (IFRS) and the International Standards on Auditing; monitors compliance by covered entities for consistency and comparability of financial statements of Philippine corporations; undertakes other regulatory activities to determine the level of compliance by corporations and by external auditors of the adopted global standards; and takes appropriate actions in case of violations.

The SEC, through the OGA, is a member of both the Financial Reporting Standards Council (FRSC) and the Auditing Assurance Standards Council (AASC), which set the updates and amendments to the financial reporting and auditing standards, as well as the Philippine Interpretations Committee (PIC). As a matter of policy, all accounting and auditing standards approved by the FRSC and AASC are formally adopted by the SEC as part of its financial reporting rules for implementation by the companies through the issuance of FRBs or MCs.

New accounting and auditing rules issued during the year were:

1. The requirement for the submission of a Disclosure under oath attesting the adherence of all SEC-accredited external auditors and prospective applicant external auditors to the fundamental principles under the Code of Ethics for Professional Accountants in the Philippines.
2. Expectations for an Effective Audit Function, which restated the responsibilities of the external auditors. The Financial Sector Forum (FSF) members [SEC, BSP, IC and Philippine Deposit Insurance Commission (PDIC)] have agreed that these principles for an effective external audit function be adopted in their respective supervisory jurisdiction.

3. The adoption of new accounting and auditing standards, amendments to existing auditing standards and interpretations as part of the Commission's rules and regulations on financial reporting.

Amendments to SRC Rule 68, As Amended

The Commission, after public hearing conducted in 2014 and consultations with public practitioners through the AASC, has approved the proposed amendments to the subject Rule on April 21, 2016. The official release and publication of the Revised SRC Rule 68 have been put on hold to include recent developments such as: the adoption of the expanded Auditors' Report, increase in the threshold for financing and lending companies which will be required to engage the services of SEC-accredited external auditors, etc.

Accreditation of Audit Firms/External Auditors, Asset Valuers and Credit Rating Agencies

The SEC continues to accredit audit firms/external auditors, asset valuers and credit rating agencies in line with its mandate to protect investors.

The SEC, BSP and IC through the Council for Accreditation and Quality Control of Practicing CPAs of the FSF are now discussing the simplification and harmony of their procedures relative to their accreditation process and cross referrals of adverse findings among FSF member-agencies. As of December 31, 2016, there are 420 independent auditors accredited with the SEC, 93 with the IC, and 94 with the BSP with 18 of them commonly accredited by the three agencies; and 99 independent audit firms accredited with the SEC, 32 with the IC and 34 with the BSP, with ten of them commonly accredited by the three agencies.

Implementation of the SEC Oversight Assurance Review (SOAR) Inspection Program

The Commission continues to adopt global practices to strengthen the integrity of the financial reports and disclosures. The OGA is pursuing the SOAR Inspection Program to keep pace with global standards and to align the SEC requirements with the IOSCO principles, one of which is an adequate level of oversight or quality assurance of auditors.

Through the assistance of the United States Agency for International Development (USAID), the OGA has started the drafting of the SOAR rules and regulations. The Commission has announced this initiative to the accounting profession. In September 2016, the SEC met and requested representatives of big audit firms, particularly those auditing PLCs; their comments are being incorporated in the proposed rules and regulations to be exposed for public comments.

In July 2016, the Department of Budget and Management (DBM) has approved the creation of additional plantilla positions in the OGA for the SOAR Inspection Program; this program will be operational in 2017.

The implementation of the SOAR Inspection Program shall complement the OGA's accreditation process.

Report on the Observance of Standards and Codes (ROSC)

The SEC has been an active participant in the study by the World Bank (WB) of the accounting and auditing practices in the Philippines. The WB is presently conducting another assessment in connection with their ROSC – Accounting and Auditing (ROSC-AA). The WB initiated this assessment of the Philippines in October 2016. The ROSC-AA initiative aims to promote greater financial stability, both domestically and internationally, through the development, dissemination, adoption and implementation of international standards and codes. The Commission is a member of the Steering Committee headed by the Department of Finance (DOF) to assist the WB on this assessment. The SEC, as Chair of the Council for Accreditation and Quality Control of Practicing CPAs, provided information on the quality assurance mechanism on the audited financial statements thru the accreditation process being implemented by the financial regulators – the SEC, BSP and IC. The Commission also assisted the WB by tapping the PLCs, commercial enterprises, and small and medium-sized auditing firms to accomplish their survey report. The SEC, together with the other members of the Steering Committee, further participated in the various sessions for the completion of the survey, including the validation of the results thereof.

Regulators' Forum and Other Accountants' Fora

The Commission continues to host the Regulators' Forum, together with the FSF members and the Board of Accountancy of the Professional Regulation Commission (PRC), in collaboration with the Philippine Institute of Certified Public Accountants (PICPA), the PRC accredited professional organization for CPAs, to educate and inform external auditors of updates on the financial regulators' requirements and policies, and of the common findings noted by each regulator in the course of their review of the financial statements of their regulated entities in connection with the accreditation process. Due to the significance of the SEC's rules, regulations and policies to the business sector and the accounting profession, the OGA has always been a partner of the PICPA and other accounting professional organizations in their fora, conferences and round table discussions.

Seminar on IFRS and Auditing Updates

In December 2016, the OGA, in coordination with the Association of Certified Public Accountants in Public Practice, organized a Seminar on IFRS and Auditing Standards Updates for the SEC CPA employees. The FRSC and the AASC have also conducted seminars for the SEC CPAs.



Picture 7. Seminar on IFRS and Auditing Standards Updates. General Accountant Emmanuel Y. Artiza, seated, sixth from left, and Commissioner Antonieta Fortuna-Ibe, seated, seventh from left, with the Commission's CPA employees who participated in the seminar.


Participation in International Meetings and Seminars

The OGA represented the Commission during the 4th Association of Southeast Asian Nations (ASEAN) Audit Regulators Group (AARG) Meeting and Inspection Workshop in Bali, Indonesia on January 20 to 22, 2016. The meeting was hosted by the Ministry of Finance of the Republic of Indonesia. Coinciding with this meeting was the IOSCO's Growth and Emerging Markets Committee Annual Meeting hosted by the Financial Services Authority of Indonesia, to which the Commission has also been represented.

Likewise, the OGA participated in the 2016 Singapore Accountancy Convention and 6th AARG Annual Meeting on August 25 and 26, 2016, organized by the Singapore Accounting and Corporate Regulatory Authority (ACRA) and the Institute of Singapore Chartered Accountants. The AARG comprises Malaysia's Audit Oversight Board, Singapore's ACRA, Thailand's SEC and Indonesia's Ministry of Finance – Finance Professions Supervisory Centre, and is a collaborative platform to raise audit quality in the ASEAN region. The Philippine SEC can formally join the group once it becomes a member of the International Forum of Independent Audit Regulators (IFIAR). Currently, the SEC is in the process of submitting its application to IFIAR.

Other Initiatives/Involvements of the OGA

1. The OGA continues to assist the MSRDC and the CGFD in the review of the RS of companies who would like to offer or sell their securities to the public. At the same time, the OGA renders assistance to the review of financial statements as may be requested by legislative bodies and other government agencies.
2. The Commission is also pursuing together with the ICTD the Computer-Assisted Audited Financial Statements Archival and Review system or CAAFSAR, which is presently in process, to support and facilitate the evaluation and analysis of audited financial statements submitted by the SEC-registered corporations.

- 
3. As earlier mentioned, the SEC is a member of the FRSC, AASC and PIC. At the same time, the OGA represents the Commission as resource person in inter-agency meetings and business and professional groups' meetings on matters related to financial reporting and accounting matters, and also as member of the TWGs created for certain studies and researches on such matters.

Office of the Commission Secretary

The Office of the Commission Secretary (OCS), aside from maintaining the official records of the Commission En Banc and ensuring that all matters needed to be acted on by the Commission En Banc are included in the weekly meetings, handles the media relations for the Commission on all Commission rules, pronouncements and stand on issues.

During the year, the OCS spearheaded the formulation and adoption of the SEC FOI Manual as mandated by Executive Order No. 02 issued by President Rodrigo Duterte. To adapt to new technological developments, the OCS also initiated the adoption of guidelines on the holding of Commission meetings through teleconferencing, video conferencing and other remote or electronic means.

Company Registration and Monitoring Department

The Commission performs its functions as registrar of the Philippine corporate sector through the Company Registration and Monitoring Department (CRMD). The CRMD processes applications for incorporation and amendments of AI and articles of partnership, by-laws, mergers and other corporate reorganizations that require prior approval of the Commission. It maintains the registry of all corporations and partnerships, and issues licenses to foreign corporations doing business in the Philippines and multinational companies, as well as to lending and financing companies and capital market participants.

The Department also monitors compliance by all these registered companies with their reportorial responsibilities under the Corporation Code and other existing laws implemented by the SEC, and revokes their certificates for noncompliance of these reportorial requirements and other laws implemented by the Commission.

The CRMD performs its functions through the following divisions/units: Corporate and Partnership Registration, Compliance Monitoring, Financial Analysis and Audit and Corporate Filing and Records Divisions; and the Licensing and Green Lane Units.

Company Registration

Year 2016, like all the previous years, was a busy period for the CRMD. It accepted a total of 254,664 applications², generating an income from fees in the amount of ₱2.1 billion.

Although inundated with a high volume of work, the CRMD's dynamic thrust to innovate and streamline its processes had not taken a backseat. In fact, the following endeavors manifestly prove its proactive and competitive trajectory.

Green Lane Unit (GLU)

The GLU was established as a one-stop shop for the registration of corporations, recording of partnerships, and licensing of branch offices, representative offices, regional area headquarters and regional operating headquarters of foreign companies. Through this "fast lane unit", applications are processed and approved within one day. This objective of one-day processing was effectively sustained in 2016.

Integrated Business Registration System (IBRS)

The IBRS is the online issuance of the Employer's Registration Numbers (ERNs) of the Home Development Mutual Fund (Pag-IBIG), Philippine Health Insurance Corporation (PhilHealth), and Social Security System (SSS), and of the Unified Registration Records (URRs), including the

² Fully pre-processed and paid applications.

system generated Taxpayer Identification Numbers (TINs) of the Bureau of Internal Revenue (BIR) to all new applicant registrants, without them physically registering with such government offices. This “single-window application”, through the interconnectivity among the SEC, BIR, Pag-IBIG, PhilHealth and SSS, has also been sustained in 2016.

The consolidation of the processes of the SEC with the four agencies through the IBRS was able to cut down the business regulation process from 16 steps and 34 days, to 6 steps and 8 days. Ninety-nine per cent of the new registrant corporations at the SEC Main Office benefited from the IBRS system, having been issued their URRS with the ERNs and TINs, along with their SEC Registration Numbers in just one day.

Certification Issuance System-Unified Reference Database (CIS-URDB)

The operation of the CIS-URDB, a database build-up/update of company information, has dramatically simplified the process of obtaining a Certificate of No Derogatory Information. Initially implemented in 2015 at the SEC Head Office, the CIS-URDB was introduced to and implemented in all the eight SEC Extension Offices (EOs) in 2016, further easing the issuance of the certificate since inputs of the EOs in the system may also be accessed by the Head Office.

Company Registration System (CRS)

The CRS, a web-based automation of applications for company registration, registration and licensing minimizes face to face transactions through online submission and pre-processing of documentary requirement. The CRS allows registrants to process and submit their documents, for review, anytime and anywhere. In such manner, long queues, travel time and other inordinate conditions are greatly reduced.

From its conception and inception in 2015, the growth of the CRS has undergone numerous phases in 2016. The system was developed taking into great consideration the details for every unit of the series of processes. By November 2016, all the components of the CRS were completed. Thus, the acceptance document for the CRS was signed. Accordingly, an end-to-end User’s Acceptance Test is currently undertaken in preparation for the system’s full operation by the second quarter of 2017.

SEC Records Management System (RMS)

The SEC RMS was conceptualized as a prerequisite to the development and implementation of the Unified Database for Market Participants. This project aims to “inventory, digitize, barcode and archive the Commission’s Original Corporate Folders (OCFs)” and “systematize the OCF and other records of the SEC based on existing legislation”. In November 2016, the Plan of Action for the SEC RMS was approved.

Memorandum of Agreement (MOA) between the SEC and Land Bank of the Philippines (LBP)

On June 28, 2016, a MOA between the Commission and LBP was executed. The agreement was for the establishment of Point-of-Sale (POS) terminals, allowing company registrants to use the Automated Teller Machines (ATMs) and Debit and Credit Cards, under the BancNet network for payment of fees for transactions and applications with the Commission. By September 2016, these POS terminals have been installed and are used in the SEC Head Office and Satellite Offices (SOs). Accordingly, three modes of payment are now available for the transacting public – through cash, payment with LBP and POS terminals.



Picture 8. Signing of the MOA between the SEC and LBP. Chairperson Teresita J. Herbosa, seated, second from left, and then LBP President and Chief Executive Officer Gilda E. Pico, seated, third from left, sign the MOA for the establishment of POS terminals at the SEC Head Office and SOs to enhance the ease of doing business. Also in photo are CRMD Director Ferdinand B. Sales, seated, leftmost; General Counsel Camilo S. Correa, standing, second from left; Officer-in-Charge/Assistant Director Lilia O. Pinzon, standing, fifth from left; and LBP officials.

MOA between the SEC and Philippine Competition Commission (PCC)

On December 5, 2016, a MOA was executed between the PCC and the SEC. The agreement recognizes the authority of the PCC as provided in the Philippine Competition Act, and opens progressive opportunities for consultation and interaction between the two government agencies.

Establishment of SOs

The establishment of SOs in major malls in Metro Manila, in addition to existing SOs, has brought the CRMD services closer to the transacting public. This scheme has created additional venues for corporate registration, partnership recording and the submission of corporate reportorial

obligations. For 2016, two more SOs were established. An SEC SO in SM North, Quezon City was launched in January 2016, and another in Muntinlupa City Hall Business Center was opened in December 2016. Applicant corporations and partnerships which are situated in the farther north and south of Metro Manila and the regions may opt to file with either SO, as opposed to travelling to the SEC Head Office.

The number of applications filed with the SOs is quite numerous. In 2016, applications processed tallied to 38,692, and filing fees totaled to ₱249 million.

Downloadable Documents from the SEC Website

To further ease registration at the SOs, registrants may now download, from the SEC website, copies of the Stock and Transfer Book and Membership Book, and register them at the SOs.

Other downloadable documents are the AIs and By-laws for stock and non-stock corporations, AIs for a corporation sole, Application for Increase and Decrease of Authorized Capital Stock, and Articles of Partnership.

Streamlined Documentary Requirements

Pursuant to SEC Resolution No. 544, Series of 2016, the CRMD reduced the following documentary requirements needed for the application of secondary licenses:

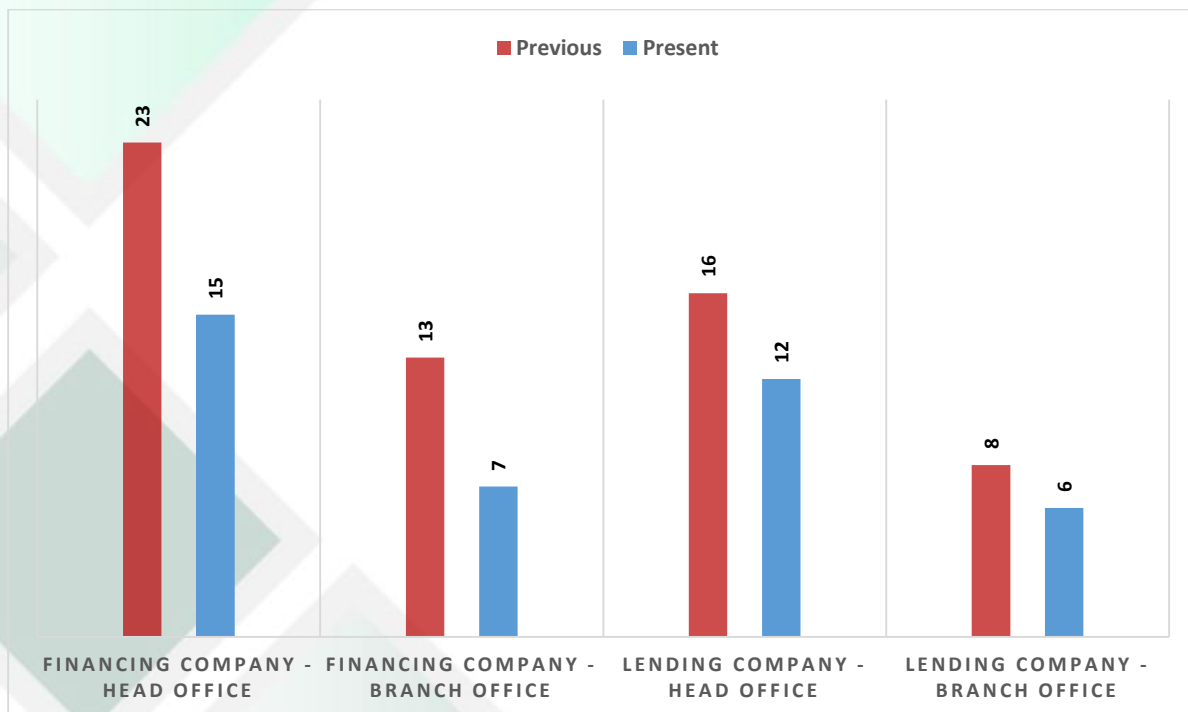


Figure 1. Number of documentary requirements for secondary licenses application.

Source: CRMD.

Previously, the Commission has already dispensed with certain documentary requirements, i.e. special audit report for increase in authorized capital stock where subscription is paid in cash of not more than ₱50 million except for listed corporations and those with secondary licenses; primary entry on real estate property for registration of new corporations or increase of authorized capital stock; audited financial statements as of a date not earlier than 60 days prior to the filing of applications for dissolution; deed of assignment in applications for increase of capital stock through conversion of deposits for future subscriptions, except for certain instances; bank certificate of deposit for registration purposes except for foundations and secondary license applications; and endorsements for NGOs and associations intending to operate as social welfare agencies.

As the Commission pushes forward for efficiency and competitiveness, the CRMD shall fully support and enhance such efforts, by continuously modernizing and streamlining its processes, while also increasing the quality of its services.

Corporate Governance and Finance Department

The Commission through the CGFD registers or grants exemption from registration securities of Mutual Fund Companies (MFC), Exchange Traded Funds (ETF), and Issuers of Proprietary and Non-Proprietary Membership Certificates and Timeshares; it also licenses Investment Companies. It monitors such companies, including Public Companies, Financing Companies, Lending Companies, Microfinance NGOs and Foundations for their compliance with existing laws and regulations.

The Department also promotes good corporate practices and principles required of registered companies. In this regard, it monitors covered companies' compliance with the Revised Code of Corporate Governance (RCCG) and other governance issuances of the Commission. It also accredits CG training providers. The Commission performs its functions required under the CISA and the Microfinance NGO Act through the CGFD.

The CGFD consists of the following divisions: Licensing, Corporate Governance and Monitoring.

Secretariat of the ASEAN Capital Markets Forum (ACMF) Working Group D on the CG Initiative

In 2015, SEC assumed the Chairmanship of the ACMF Working Group D which is responsible for the ASEAN CG initiative, comprising the ASEAN CG Scorecard (ACGS) and the ranking of ASEAN PLCs. Six ASEAN countries are actively involved in this initiative, namely: the Philippines, Indonesia, Malaysia, Singapore, Thailand and Vietnam. As the Chairman, the SEC steered several meetings of the ACMF Working Group D in 2016 attended by CG experts of the participating jurisdictions. This resulted in the development of a new ACGS which is expected to be released in early 2017.

Launch of the Code of CG for PLCs

The CG Code for PLCs is the first action item for implementation in the SEC CG Blueprint launched in November 2015 and is the first of a series of CG Codes for different types of Philippine corporations under the SEC supervision. The CG Code is intended to raise the CG standards of Philippine corporations to a level at par with its regional and global counterparts. The latest G20/Organisation for Economic Co-operation and Development Principles of CG and the ACGS were used as key reference materials in drafting the Code.

Similar to other jurisdictions, the CG Code for PLCs adopts the “comply or explain” approach, which combines voluntary compliance with mandatory disclosure. Companies do not have to comply with the Code but they must state in their Annual Corporate Governance Reports (ACGR) whether they comply with the Code provisions, identify any area of non-compliance, and explain the reasons for non-compliance and how the overall recommended CG principle is being achieved. The CG Code for PLCs also aims to increase the responsibilities of the board and ensure the competence and commitment of the directors. Further, it hopes to strengthen the protection

of shareholders and other stakeholders, as well as promote full disclosure and transparency in both financial and non-financial reporting.

The CG Code for PLCs was developed through a technical assistance provided by the International Finance Corporation (IFC) under a partnership with the SEC to enhance the country's regulatory framework and investment climate. A working group was also formed, composed of representatives from the IFC, BSP, IC, PSE, Institute of Corporate Directors, Shareholders' Association of the Philippines, Institute of Internal Auditors Philippines, Good Governance Advocates and Practitioners of the Philippines, Management Association of the Philippines and Financial Executives of the Philippines, with two other individuals as representatives of the Independent Directors.

SEC CG Forum and 3rd Annual SEC - PSE CG Forum

Pursuant to the Commission's thrust to engage with its stakeholders, including its regulated companies, and to develop and regulate capital markets towards good CG, the CGFD led the conduct of two CG Fora: (a) the SEC CG Forum on August 3, 2016 in partnership with the IFC; and (b) the 3rd Annual SEC - PSE CG Forum on November 22, 2016 in partnership with the PSE, USAID Integrity for Investments Initiative (i3), IFC and various stakeholders' groups.

RCCG

The RCCG applies to registered corporations and to branches or subsidiaries of foreign corporations operating in the Philippines that (a) sell equity and/or debt securities to the public that are required to be registered with the Commission, or (b) have assets of less than P50 million and at least 200 stockholders who own at least 100 shares each of equity securities, or (c) whose equity securities are listed on an exchange, or (d) are grantees of secondary licenses from the Commission.

The CGFD continues to monitor compliance by the covered companies to RCCG and all governance issuances of the Commission.

ICA IRR

The CGFD spearheaded the drafting of the ICA Rules to align the rules with global standards and to further develop the Philippine capital market. A TWG composed of members from the CGFD, MSRDR, OGC, and OGA was formed to draft the rules. The proposed ICA Rules provided, among others, the requirements for incorporation of the Investment Companies more commonly known as MFCs, registration of shares and units of participation to be offered to the public, monitoring of their operations and submission of required reports. The draft ICA Rules was exposed to the public for comments and recommendations and is expected to be approved by the second semester of 2017.

SEC Drive Against Informal Lenders

In support of the present administration's drive under the leadership of President Duterte against informal lenders, the SEC initiated investigations into the activities of suspected informal lenders for possible filing of criminal complaints for violation of RA 9474 and of the Truth in Lending Act; and for referral to the Bureau of Immigration in case of foreign informal lenders.

Among the leads being investigated by the SEC are online advertisements, flyers, text messages, and overt lending and collection activities in public places like markets. The SEC coordinates with the Department of the Interior and Local Governments (DILG), the Local Government Units (LGUs) and law enforcement agencies in the conduct of surveillance and entrapment operations. The SEC EOs nationwide spearhead these investigations in their respective territorial jurisdiction.

To strengthen public awareness on the Commission's action against informal lenders, needed advisories were published in the SEC Website advising (1) those engaged in the lending business to organize only as corporations and obtain the required Certificate of Authority; and (2) those SEC-registered lending companies without the required Certificate of Authority that they had up to April 30, 2017 to apply for such certificate. The penalty for violation of RA 9474 is not less than ₱10,000 and not more than ₱50,000 or imprisonment of not less than six months but not more than ten years or both, at the discretion of the court.

Signing of the IRR of the Microfinance NGOs Act

The Department prepared the final IRR for RA 10693, the Microfinance NGOs Act signed on August 16, 2016. The Act aims to help in poverty eradication by supporting and working in partnership with qualified NGOs in promoting financially inclusive and pro-poor financial and credit services.

Ease of Doing Business

To make the Philippine market more attractive to investors and in response to the call to improve the ease of doing business in the Philippines, the CGFD issued regulations, which streamlined the documentary requirements for registered financing and lending companies, and registered foundations.

Specifically, the financing and lending companies are no longer required to submit SEC Form Q-EPS (Quarterly Report), Certification of Corporate Secretary on the Attendance of Directors to Board Meetings, and CG Scorecard. Also, only registered foundations which receive funds from government agencies, and those which receive donations/grants/contributions of at least ₱500,000 in one or aggregate transactions per donor are required to submit the prescribed form of the Sworn Statement of Sources, Amount and Application of Funds and Certificate of Existence of Program/Activity.

Enforcement and Investor Protection Department

The EIPD operates through three divisions, namely, the Investigation and Prosecution Division, Market Surveillance Division, and Special Operations Division.

It investigates *motu proprio* or upon complaint or referral, violations of the law and rules and regulations of the Commission, and when warranted, files the criminal complaints before the Department of Justice (DOJ) upon prior approval of the Commission En Banc. As part of its measures to safeguard the capital market, the EIPD conducts surveillance of the trading of securities in the exchanges and ensures compliance of market participants and intermediaries with Sections 24, 26 and 27 of the SRC and its IRR and in pursuance thereof, coordinates with the SROs (PSE, PDEX and CMIC), market participants and other law enforcement agencies.

The EIPD also acts as the Anti-Money Laundering (AML) Desk of the Commission and acts on all requests made by the AMLC pursuant to the MOA of the AMLC and the SEC.

The EIPD continues to be in the forefront of the Commission's efforts to counter the proliferation of investment scams and other violations of the SRC. The EIPD also provides investor assistance, and develops and undertakes programs to promote investor protection including the issuance of advisories. The Department acts on request for assistance from IOSCO members and other foreign securities regulators.

In the pursuit of its mandate, the Department has doubled its efforts and enhanced its capability in the enforcement of securities laws and in protecting investors and the investing public.

Campaign Against Investment Fraud

In its relentless campaign to combat investment fraud and other violations of the securities laws, the EIPD has filed criminal complaints before the DOJ against various entities, the bigger ones of which are: Emgoldex/Global/Intergold/Prosperous Infinite Philippines Holdings, FDS Forward Direct Selling Corp., Family Future Marketing, Hyper Program International Direct Sales and Trading Corporation and HPI Direct Sales and Trading Corp., Klikmart Shopping Club Corp., One Dream Global Marketing, One Lightning Corporation; and Spouses Gary Huang and Margarita Huang.

To immediately put a stop to the predatory operations of scam operators and those involved in publicly offering and selling dubious or unauthorized investment schemes in the different parts of the country, the EIPD has successfully initiated actions for the issuance of CDOs before the Commission En Banc against the entities, some of which are: Bakasyon ni Juan Travel and Tours, Inc., Dragon One Network Trends Corp., Elite 360 Int'l Holdings, Inc./Elite Global Invasion Trading Corporation, Jacama Sales and Marketing, My Science of Success Marketing, Inc., Success200 International Marketing Corporation, MySuper Saver Company Limited, Palawan Entre Business Company, Pretty Pink Holdings Co., Inc., Satarah Investment Group, Inc., Starjed

Micro Financing Corp., Seven Star General Merchandise, Techno Innovation Marketing Enterprise Corporation/Time Corporation, and Visioner2020.

The EIPD has responded to the huge challenge posed by the technical nature and complexities of securities laws and the growing sophistication of scam operators in camouflaging their illegal activities by continually enhancing the technical and investigative skills of its personnel and striving to stay updated on developments in cyber technology.

The Commission through the EIPD has taken a more proactive stand in investor protection and safeguarding of the capital market.

1. For better education and enlightenment of the public, the EIPD on its own or in coordination with the Department of Trade and Industry (DTI) and the BSP continued to be actively engaged in investor and financial education through seminars and in information campaigns held in the different parts of the country. It has intensified its campaign to inform and warn the public concerning investment scams through press interviews with the media or through press statements disseminated through national and local newspapers.
2. The EIPD continued to keep up with the developments in the securities trading system by participating in the market-wide rehearsals of the new PSE trading system. It has kept the Commission updated on the developments in the securities market and the trading of securities.
3. It also continued to monitor and conduct surveillance of the trading of securities and exchanges to ensure compliance by all market participants and intermediaries with the relevant provisions of the SRC and its IRR. As a result of its surveillance and monitoring activities, the EIPD penalized the Board of Directors and responsible officers of a bank for violation of Section 24.1 (a)(iii) of the SRC and one of its officers for violation of SRC Rule 30.2 (1)(B)(iii). The violation relates to the selling of fixed income securities and the buying of the same securities on the same day at the same rate. As counterparty to the subject transaction, another firm and its responsible officers and employees were likewise penalized for violation of Section 54.1 of the SRC for having abetted the bank in the commission of the violation. The decision of the EIPD in this case is on appeal before the Commission En Banc.
4. The EIPD has coordinated with law enforcement agencies like the National Bureau of Investigation (NBI) and the Criminal Investigation and Detection Group in assisting victims of scams and providing them with relevant documentation. The Commission through the EIPD is an active member of the National Law Enforcement Coordinating Committee (NALECC). Several cases involving violations of the SRC and other laws being enforced by the Commission which are pending before the Courts are being actively prosecuted under the direct control and supervision of Public Prosecutors. The EIPD also provided the necessary assistance to the OSG in an Insider Trading case brought on appeal to the Court of Appeals.

As the primary investigative and enforcement arm of the Commission, the EIPD acts on complaints and investigations of violations of laws and rules enforced by the Commission, and takes action against erring entities by seeking the revocation of their primary registration in appropriate proceedings before the Commission En Banc, imposing the appropriate fines or penalties or by filing the appropriate criminal complaints before the DOJ. It has investigated a number of companies and individuals for various violations of the SRC, the Corporation Code and other laws being enforced by the Commission. Among the violations acted upon by the Department are insider trading; unauthorized sale of securities; market manipulation; boiler room operations; Ponzi and pyramiding schemes; submission of falsified reports to the Commission like the GIS, RS, etc.; ultra vires acts committed in violation of the Corporation Code; and violations of PD 902-A. It has imposed millions of pesos in administrative fines and penalties like disqualification of officers and/or directors of a corporation.

For the year 2016, the most number of violations reported to the Commission involved Sections 8, 26 and 28 of the SRC: Section 8 of the SRC prohibits the public offering and sale of securities in the Philippines without a license or permit from the Commission; Section 26 makes it unlawful for any person to employ any device, scheme or artifice to defraud, obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made not misleading, or to engage in any act, practice, transaction or course of business which operates or would operate as fraud or deceit upon any person; and Section 28 prohibits any person from acting as dealer or broker, Salesman or Salesperson, or Associated Person (AP) of a broker or dealer without the necessary license from the Commission.

Relative to pyramiding schemes, scam operators are often able to solicit a sizeable amount of money from their victims before they are brought into the open, primarily because the early investors are able to benefit from the investment schemes before they collapse due to the increasing number of investors required to be recruited to keep the business going. The SEC does not have jurisdiction to award damages arising from such scams as jurisdiction over such actions under Section 63 of the SRC is with the RTC. Thus, the EIPD has become more proactive in information campaign and issuance of public advisories to investors to seek the assistance and advice of the SEC before dealing with entities seeking investments from the public. It has also launched an online watch against such scams by asking people to immediately report such activities through the Commission's "i-Message Mo" facility. The EIPD has likewise coordinated with the DTI in reaching far-flung communities reported to be victimized by scam operators.

The EIPD continued to actively boost the Commission's thrust towards greater international cooperation by interacting with and exchanging information with counterpart securities regulators in other countries which include, among others, the US Securities and Exchange Commission, Australian Securities and Investment Commission and Securities and Futures Commission of Hong Kong.

Markets and Securities Regulation Department

The functions of the MSRD are wide range, as it is the department in the Commission that is directly involved in the capital market. It has three divisions: Securities Registration, Markets and Intermediaries, and Investment Products and Services. Following are the Department's functions:

1. Registers securities and grants exemption from registration such as, but not limited to, equity securities, bonds, CPs issued by issuer of registered equity and bonds, real estate investment trusts and other alternative investment products, and supervises and monitors the compliance by the issuers of such securities with legal and regulatory requirements;
2. Registers and supervises securities markets and market institutions such as exchanges, alternative trading systems, over-the-counter markets and other trading markets, SROs, clearing agencies, securities lending agencies, depositories, custodians, central trade reporting systems, registrars of qualified buyers and other securities-related organizations for their compliance with legal and regulatory requirements;
3. Supervises intermediaries such as brokers, dealers, government securities eligible dealers, government securities brokers, transfer agents, investment houses, investment company advisers, mutual fund distributors and market professionals such as AP, Salespersons of Brokers and/or Dealers, Compliance Officers (CO) and Certified Investment Solicitors (CIS) of Investment Company Advisers/Mutual Fund Distributors, and other securities market participants to their compliance with legal and regulatory requirements;
4. Reviews proposed rules of SROs and other market participants, and proposed products and services in the market to ensure their consistency with securities laws, regulations, policies and global best practices; and
5. Reviews existing regulatory frameworks of the securities industry, conduct market-related research and recommends rules and/or reforms.

In addition, the Department establishes linkages with national and international organizations [e.g. ASEAN and Asia-Pacific Economic Cooperation (APEC)] and regulatory agencies with regard to the securities market, including cross-border products, services and arrangements. It is in the process of being the National Numbering Agency for all securities issued in the Philippines on behalf of the Commission.

Innovations Resulting to Increased Corporate Bond Issuances

For 2016, an important contribution to the Commission's commitment to develop and broaden the capital market is the increase in corporate bond issuances which were registered through the MSRD.

The enhanced shelf registration program under the 2015 SRC Rules that took effect on November 9, 2015 allowed the registration of securities for an offering to be made on a continuous or delayed basis, or in tranches, for a period not exceeding three years. Capital raising can be done by issuers as they are needed and/or when market conditions are favorable for them. This shelf registration program as an efficiency-related measure is expected to lead to the improvement in the quality of business regulation and provide support to fund raising needs of issuers.

Private companies registered with the SEC for 2016 around ₱280 billion in fixed rate and deferred coupon paying bonds and CPs. Around ₱236 billion or 84% of these were registered under the shelf registration system. Out of the ₱280 billion registered corporate bonds, approximately ₱143 billion had been issued and made available to investors for the year, ₱98 billion of which were issued under the shelf registration. Corporate bond issuers under shelf registration program include Arthaland Corporation, Ayala Corporation, Ayala Land, Inc., City & Land Developers, DMCI Project Developers, Inc., DoubleDragon Properties Corp., Petron Corporation, SM Investments Corporation and SM Prime Holdings, Inc.

Table 1. SEC Registered Debt Securities, CY 2016

Issuer	SEC Approval	Registered Securities (in ₱)	Issue Value (in ₱)	Instrument
Cityland, Inc.	December 15, 2016	690,000,000.00	690,000,000.00	CPs
BDO Leasing and Finance, Inc.	December 15, 2016	25,000,000,000.00	25,000,000,000.00	CPs
DoubleDragon Properties Corp.	November 24, 2016	15,000,000,000.00	10,000,000,000.00	Fixed Rate Bonds – SHELF
SM Investments Corporation	November 18, 2016	50,000,000,000.00	20,000,000,000.00	Fixed Rate Bonds – SHELF
SL Agritech Corporation	November 18, 2016	1,500,000,000.00	1,500,000,000.00	CPs
Arthaland Corporation	November 15, 2016	30,000,000.00	2,000,000,000.00	Preferred Shares – SHELF
Cityland Development Corporation	November 14, 2016	1,300,000,000.00	1,300,000,000.00	CPs
Petron Corporation	October 11, 2016	40,000,000,000.00	20,000,000,000.00	Fixed Rate Bonds – SHELF
City & Land Developers	September 14, 2016	300,000,000.00	300,000,000.00	CPs – SHELF
SM Prime Holdings, Inc.	July 8, 2016	60,000,000,000.00	10,000,000,000.00	Fixed Rate Bonds – SHELF
Ayala Corporation	June 24, 2016	20,000,000,000.00	10,000,000,000.00	Fixed Rate Bonds – SHELF
SMC Global Power Holdings Corporation	June 21, 2016	15,000,000,000.00	15,000,000,000.00	Fixed Rate Bonds

Issuer	SEC Approval	Registered Securities (in ₱)	Issue Value (in ₱)	Instrument
DMCI Project Developers, Inc.	March 17, 2016	1,000,000,000.00	1,000,000,000.00	Deferred Coupon Paying Home Saver Bonds – SHELF
Ayala Land, Inc.	March 8, 2016	50,000,000,000.00	25,000,000,000.00	Fixed Rate Bonds – SHELF
SL Agritech Corporation	January 7, 2016	1,000,000,000.00	1,000,000,000.00	CPs
Total:		280,820,000,000.00	142,790,000,000.00	
		236,330,000,000.00 (under SHELF, 84.16% of total registered)	98,360,000,000.00 (under SHELF, 69% of total issued)	

Source: MSR.D.

The introduction of the three-year offer period and the institutionalization of an issuer rating for issuances of CPs in the 2015 SRC Rules provide more flexibility for companies to raise its working capital needs using the capital market. The 2015 SRC rules also confines the definition of CPs to evidence of indebtedness of any person with a maturity of 365 days or less.

The adoption of the policy to extend the effectivity of audited financial statements from 135 to 180 days to align with the ASEAN standard under the ASEAN market integration initiatives has addressed the recurring requests from companies for exemptive relief to extend the effectivity of their audited financial statements.

Initial Public Offerings (IPOs)

Five IPO applications of equity securities (common shares) were approved in 2016 by the Commission En Banc with a Total Issue Value of ₱53.7 billion. Of this figure, four companies conducted public offers with a Total Issue Value of ₱52.0 billion, while one company with an Approved Issue Value of ₱1.7 billion opted to defer its public offering.

The details of these IPOs are shown in the table below.

Table 2. Approved IPO Applications – Equity Securities, CY 2016

Initial Public Offering		Registered Shares		Shares to be Offered to the Public			Issue Value (in ₱)	Permit to Sell
No.	Name of Issuer	Offered Shares	Issued and Outstanding	Primary Offer	Secondary Offer	Maximum Offer Price (in ₱)		
1	Shakey's Pizza Asia Ventures, Inc.	352,000,000	1,179,321,053	150,000,000	202,000,000	11.26	3,963,520,000	12-1-2016
2	Pilipinas Shell Petroleum Corporation	330,000,000	1,285,944,202	30,000,000	270,000,000	67.00	22,110,000,000	10-14-2016
3	Cemex Holdings Philippines	2,337,927,954	2,857,467,500	2,337,927,954		10.75	25,132,725,505.50	6-30-2016
4	Golden Haven Memorial Park	74,117,647	420,000,002	74,117,647		10.50	778,235,293.50	6-14-2016

Initial Public Offering		Registered Shares		Shares to be Offered to the Public			Issue Value (in ₱)	Permit to Sell
No.	Name of Issuer	Offered Shares	Issued and Outstanding	Primary Offer	Secondary Offer	Maximum Offer Price (in ₱)		
5	Philippine Primark Properties, Inc.	704,460,000	2,005,000,004	704,460,000		1.70	1,698,832,001	Company deferred public offering
Total:							53,683,312,800	

Source: MSRD.

New PSE Rules Approved by the Commission

The Commission approved two proposed rules of the PSE in 2016: the Rules Governing the Listing, Trading and Settlement of DDS, and the Supplemental Listing and Disclosure Rules applicable to Public Private Partnership Company or PPP Rules. The introduction of the DDS aims to provide issuers with dollar denominated requirements an opportunity to raise capital without incurring foreign exchange risks. The DDS can also reduce the currency risk exposure of foreign investors who trade PSE-listed securities and, at the same time, offers local investors an alternative investment option for their US Dollar currency holdings. The PPP Rules, on the other hand, support President Duterte's efforts to sustain the country's economic growth through sustainable partnership with the private sector for infrastructure development.

On-Line Submission of Reports

The MSRD, in coordination with the ICTD and in collaboration with the Department of Information and Communications Technology (DICT), has undertaken the preparatory activities for the on-line submission of the Risk-Based Capital Adequacy (RBCA) Reports by the brokers-dealers via e-mail through the adoption of the Public Key Infrastructure (PKI) to ensure authenticity and security.

The Commission through the MSRD continues to perform its role to supervise and monitor the securities markets, market institutions, intermediaries and professionals, as well as the SROs, and impose penalties for failure of these entities and individuals to comply with the rules and regulations implemented and enforced by the Department.

Together with the Capital Market Development Council (CMDC), the SEC has been taking the lead in the Capital Market Development Plan or CMDP Blueprint 2013-2017 to help foster 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 the strategies to promote taxation neutrality, rationalize tax consequences and further strengthen the regulatory capacity of the SEC. The CMDP Priority Legislative Agenda includes the Amendments to the Corporation Code and the SRC to further strengthen the regulatory powers and capacity of the Commission, the initial drafts of which have been prepared. The CMDP Blueprint 2013-2017 and the periodic reports on its implementation are posted on the SEC Website.

Baguio Extension Office

In line with the 80th Anniversary of the Commission, and in keeping with its mission to continuously educate the public in matters of investments and avoidance of investment scams, the Baguio Extension Office (BEO) held an Investor Forum on August 2, 2016 at the Newtown Plaza Hotel in Baguio City. The topics included: Recent SEC Rulings and Opinions; Updates on Accounting Rules; Investment Products and Options; and Detection and Avoidance of Investment Scams. There were 120 participants consisting of prosecutors; accountants; and police officers; and representatives from the academe, business community, and NGOs from the Baguio-Benguet area, La Union and Pangasinan. A press conference attended by 23 members of the Baguio media was also held with Assistant Director Lalaine Monserate of the EIPD, Atty. Erwin Edward Mendinueto of the MSRD, Baguio City Prosecutor Elmer Sagsago and Atty. Regina May Cajucom of the BEO as special guests.



Picture 9. Investor Forum. The BEO and resource persons from the SEC Head Office hold the Investor Forum, attended by 120 participants on August 2, 2016.

In October, the BEO joined the DTI in an Anti-Scam Campaign roadshow in Baguio City and other key cities in the Mountain Province, aimed at widespread information dissemination concerning legitimate investments and the avoidance of investment scams.

There was also a considerable increase in the BEO in the number of approved registrations and other applications for licenses of 36% compared to the 2015 figures. Further notable in the BEO accomplishments for the year are the services rendered to members of various NGOs, more particularly to associations related to the agricultural and rural sectors, marked by over 600 granted requests for certificate of good standing and for certifications on corporate filing/information, thus helping them avail of government grants and aids in keeping with the present administration's aggressive agricultural and livelihood programs.

Cagayan De Oro Extension Office


The Cagayan De Oro Extension Office (CDOEO) conducted an Investor Information Seminar on August 12, 2016 to increase public awareness in detecting and avoiding investment scams. A total of 181 participants from the Philippine National Police (PNP), NBI, PICPA, Integrated Bar of the Philippines (IBP), LGUs, NGOs, and foundations attended the seminar. Topics discussed in the seminar included capital market development/investment products, updates on CG/financing companies and lending companies, updates on the SEC Opinions, and updates on company registration.



Picture 10. Investor Information Seminar. Commission Secretary Armando A. Pan Jr., General Accountant Emmanuel Y. Artiza, CGFD Director Justina F. Callangan, CRMD Director Ferdinand B. Sales, Human Resource and Administrative Department (HRAD) Director Gerardo F. Del Rosario, CDOEO Director Renato V. Egypto and other SEC officials were the resource persons during the Investor Information Seminar.

To further educate its clients, the CDOEO launched the bimonthly conduct of in-house seminars that discuss updates on corporate registration, guidelines on the correct preparation and timely submission of the SEC annual reportorial requirements, and tips on how to detect and avoid investment scams. The seminars also served as venue for disseminating SEC Advisories. A total of 560 individuals attended the in-house seminars from April to December 2016.

The CDOEO also conducted outside seminars in the following places: Surigao City, Butuan City, Cagayan de Oro City, El Salvador City, and the municipalities of Claveria and Tagoloan in Misamis



Oriental, with the core focus on public awareness in detecting and avoiding investment scams. These seminars encouraged the public to report suspicious or too-good-to-be-true investment offers that subsequently led to investigations and issuance of advisories.

To forge a strong partnership in pursuing cases involving pyramiding and other unlawful investments schemes in the Caraga region, the SEC-CDOEO signed a MOA with the DTI, DOJ, AMLC, NBI and PNP. This partnership has bolstered the Commission's anti-scam campaign through the information shared by the government agencies, and allowed the timely conduct of initial investigation.

Cebu Extension Office

The year 2016 saw the establishment of the first SEC SO outside of Metro Manila at the Lingkod Pinoy Center inside Robinsons Galleria Cebu. Operations started on January 25, 2016. Below is the accomplishment of the SEC Cebu SO thus far:

Table 3. SEC Cebu SO Transactions Processed, CY 2016

	Type of Transaction	No. of Transactions
1	Inquiries – Phone and Walk-In	300
2	Pre-processing of Registration Application for New Corporations	50 corporations
3	Pre-processing of Amended AI /By Laws and Amended Articles of Partnership	10 corporations
4	Corporate and Partnership Name Verification/ Reservation (excluding names with deficiencies)	7*
5	Receiving of AFS, GIS, General Form of Financial Statements (GFFS) and Other Reportorial Requirements (excluding reports with deficiencies)	AFS – 461 GIS – 215 GFFS – 182
6	Request for Copies (excluding copies that are not available in the system)	50*

**Note: Receiving of Corporate and Partnership Name Verification/Reservation and Request for copies started on November 17, 2016 when the POS machine was installed in the SO.*

Source: SEC Cebu Extension Office (CEO).

The CEO also successfully hosted the Cebu leg of the 80th Anniversary celebration of the Commission with the SEC Investor Information Seminar and Press Conference on October 19, 2016 at the City Sports Club Cebu and the Students' Workshop: Outsmarting Investment Scams on October 21, 2016 at the University of San Carlos (USC) Cebu.

The CEO continued its monthly commitment to conduct at least one seminar on annual reportorial requirements of stock corporations, and a separate seminar on annual reportorial requirements of non-stock corporations, including investment scams and prevention. There were 35 in-house lectures conducted and 41 lectures undertaken outside of the office with a total of 4,125 attendees for 2016.



Picture 11. Students' Workshop: Outsmarting Investment Scams. Director Lindeza R. Rogero-Gavino of the CEO, third from left, and Atty. Erwin Edward P. Mendinueto of the MSRDR, third from right, lead SEC officials in educating the students of USC Cebu and other universities on outsmarting investment scams and scammers.

Davao Extension Office

The Davao Extension Office (DEO) hosted an Investor Information Seminar on April 29, 2016 at the Grand Men Seng Hotel for its stakeholders and partners to celebrate the Commission's 80th Anniversary. The seminar-lecture was an information campaign drive primarily about investment scams, investment products and capital market development.

The seminar was attended by representatives from the LGUs in Region XI and Region XII; law enforcers from the PNP and NBI in Region XI, Region XII and the Autonomous Region in Muslim Mindanao (ARMM); members of the academe, the IBP and PICPA; and other business groups and establishments in Davao City.

Resource persons were MSRD Director Vicente Graciano Felizmenio Jr. on Capital Market Development and Investment Products, Director Justina Callangan on CG, Director Jose Aquino on Investment Scams, and General Counsel (GC) Camilo Correa on SEC Opinions and Updates.

A Press Conference was also held on the same day and attended by representatives from different media outlets (TV, broadsheet and radio) with resource persons GC Correa, Commission Secretary Armando Pan Jr., Director Aquino, and DEO Director Javey Paul D. Francisco.



Picture 12. Press Conference and Investor Information Seminar. DEO Director Francisco, seated, leftmost, and SEC officials hold the press conference seminar on April 29, 2016.

Iloilo Extension Office

Leading to the celebration of the 80th Anniversary of the Commission, the Iloilo Extension Office (IEO) held an Investors Information and Protection Forum on May 27, 2016. The forum was attended by at least 159 participants from the various sectors in Iloilo City. All the speakers came from the SEC Head Office, and the topics discussed were: Investment Scams; Salient Features of Investment Products; Updates from the OGC; Updates from the OGA; and Foundations, Licensing and CG.



Picture 13. Investor Information Seminar. Resource persons from the SEC Head Office conduct the seminar on September 15, 2016.

The IEO also collaborated with the PICPA Iloilo Chapter and held another seminar on September 15, 2016 at Hotel del Rio in Iloilo City. Various topics covered by the speakers from the SEC Head Office were investment scams, registration and monitoring of foundations, financing and lending companies rules and regulations, Philippine Financial Reporting Standards (PFRS) disclosures, SEC accreditation and SEC updates. Participants of the seminar who are CPAs earned Continuing Professional Development units.

Legazpi Extension Office

In line with the Commission's thrust to intensify campaign against investment scams and as contribution to the Commission's 80th Anniversary celebration, the Legazpi Extension Office (LEO) conducted the following activities to highlight its operations in the Bicol region:

- Lectures on investment scams and consultative meetings were held across the region from January to July 2016. From these seminars, around 500 students, professors, police officers, and barangay officials were educated and alerted to remain wary of scams.



Picture 14. Public Information Seminar. LEO holds one of its public information seminars on June 2, 2016 at Hotel St. Ellis in Legazpi City.

- Press Conference attended by at least 32 print and broadcast media practitioners in Legazpi City, with panelists composed of the LEO and SEC staff from the Head Office, which tackled issues on functions and mandates of the SEC, updates on the SEC rules, and investment scams; and
- Regular radio interviews hosted by Bombo Radyo, DZGB, Radyo Siram, Brigada Legazpi and Idol 89.2-FM; one-hour radio program with Mr. Lamberto Doronela as anchorman of Radio Idol 89.2-FM, Legazpi City broadcasted on March 15, 2016.

Tarlac City Extension Office

In 2016, the Tarlac City Extension Office (TCEO) held 14 seminars in line with the 80th Anniversary celebration of the Commission. A total of 1,511 TCEO clients benefited from these seminars, composed of students, faculty members, media personnel, organization leaders and government officials.

The lectures focused on the topics of company registration and reportorial requirements, CG, microfinance, detection of investment scams and how to avoid them, and the salient features of investment products.



Picture 15. Seminar on Investment Scams, Company Registrations and Reportorial Requirements. Ninety-two community leaders attend the seminar held by the TCEO in Aurora.

Another remarkable breakthrough for the TCEO and its clients in 2016 was the rolling out of the IBRS and the CIS-URDB. With the IBRS, the newly registered company will see its basic information on real time after registration, and with its certification, the company will also have its SSS, PhilHealth, Pag-IBIG and TIN. With the CIS-URDB, the company may get its Certification of No Derogatory Records in just ten to fifteen minutes.

Zamboanga Extension Office

In line with the Commission's thrust to protect investors through aggressive anti-investment scam campaigns, the Zamboanga Extension Office (ZEO) surpassed its target number of campaigns for 2016. From a target of eight, the ZEO was able to conduct 12 campaigns; this was achieved through partnership and coordination with the LGUs, government agencies such as the DTI, and private schools in Region IX.



Picture 16. Anti-Investment Scam Campaigns. Officials from ZEO and SEC Head Office jointly conduct one of the anti-investment scam campaigns in Zamboanga.

The ZEO also regularly participated in meetings called by networks of government agencies both in Zamboanga del Sur and Zamboanga City. It likewise strengthened its linkage with media which can be easily tapped in the continuing advocacy against investment scam.

Strategically located, the ZEO was further able to serve the three main provinces of the ARMM, i.e. Basilan, Sulu, and Tawi-Tawi, through the registration of local businesses and civil society organizations.

Corporate and Capital Market Development

Policy Measures

In 2016, the Commission spearheaded the formulation and issuance of policies that are essential to building a resilient and inclusive corporate sector and capital market. Foremost of these are the Microfinance NGOs Act IRR, CG Code for PLCs, and the 2016 Rules of Procedure of SEC. Amendments of other Commission's rules and policies were also in process. It issued MCs providing more specific guidelines for regulated entities, and reviewed and/or approved proposed rules of exchanges.

Microfinance NGOs Act IRR

SEC Chairperson Teresita Herbosa together with DOF Secretary Carlos Dominguez III, DTI Secretary Ramon Lopez, and Department of Social Welfare and Development (DSWD) Secretary Judy Taguiwalo signed the IRR for RA 10693 or the Microfinance NGOs Act on August 16, 2016. In attendance during the signing of the IRR were Senator Paolo Benigno Aquino IV, Congressman Pablo Nava III, and members of the Microfinance Council of the Philippines Inc. and APPEND Inc., the two largest microfinance networks in the country.

The Microfinance NGOs Act aims to help in poverty eradication by supporting and working in partnership with qualified NGOs in promoting financially inclusive and pro-poor financial and credit services. It covers only microfinance NGOs, and does not cover for-profit microfinance institutions.

1. Microfinance NGO Regulatory Council

The Council will be composed of four permanent members, and three members from the Microfinance NGO Sector. The four permanent members are: the SEC Chairperson or designated representative who shall act as the Chairman of the Council; the DOF Secretary or representative; the DTI Secretary or representative; and, the DSWD Secretary or representative.

The three members from the private sector shall be nominated and chosen in accordance with the rules as specified in the IRR. The said representatives shall serve for a term of three years and may be reappointed.

The Council will serve as an accreditation body for Microfinance NGOs and shall monitor the performance of the said NGOs to ensure their continuing compliance with the accreditation standards. It has authority to audit the books of accounts, records and papers of Microfinance NGOs and conduct ocular inspections.

It is also empowered to place under probation, suspend or revoke any certificate of accreditation upon due determination that a Microfinance NGO no longer meets any of the criteria for accreditation.

2. Accreditation of Microfinance NGOs

To be eligible for accreditation, a Microfinance NGO must be a non-stock, non-profit corporation with a capital contribution of at least P1 million. It must have the primary purpose of implementing a microenterprise development strategy and providing microfinance programs, products and services for the poor. It must have basic minimum core programs and services. Only Microfinance NGOs that have been operating for at least three consecutive years may be accredited.

Any accredited Microfinance NGO shall be eligible to a preferential rate of two per cent (2%) tax based on gross receipts from microfinance operations only; i.e. lending activities and insurance commissions which are bundled and form integral part of the qualified lending activities of the Microfinance NGOs. All other income by the Microfinance NGO which are not generated from the lending activities and insurance commissions shall be subject to all applicable taxes.

It shall have access to government programs and projects as well as any form of technical assistance from the government donors and other support organizations.

3. Secretariat

At present, the CGFD provides technical and administrative support to the Microfinance NGO Regulatory Council.

Approved PSE Rules

1. Rules on DDS

The Commission approved the rules to govern the listing, trading and settlement of DDS at the PSE. The DDS are securities denominated in US dollars which are listed and traded at the PSE.

The introduction of the DDS aims to provide issuers with dollar denominated requirements an opportunity to raise capital without incurring foreign exchange risks. The DDS can also reduce the currency risk exposure of foreign investors who trade PSE-listed securities. Moreover, the DDS offers local investors an alternative investment option for their US dollar currency holdings.

The eligible issuers of the DDS are those existing listed companies in good standing with the PSE. They must not have any outstanding penalties or other liabilities to the PSE, nor be subject of any order of suspension from trading or any involuntary delisting proceedings, and not the subject of any pending case, investigation or similar proceeding by the PSE for violation of any applicable laws, rules, regulations or orders.

The eligible brokers are those trading participants of PSE who complied with the following requirements: have attended the DDS training session or seminar conducted by the PSE; must be operationally ready to trade the DDS and shall issue a sworn certification to the PSE attesting to its operational readiness; maintain a US deposit account or foreign currency deposit unit and a separate US dollar settlement account for clearing of trades; open a separate US dollar cash collateral deposit account for the DDS; submit an undertaking to obtain the consent of its clients to the disclosure of their names to the SEC if said information is requested by the SEC in the course of an investigation, examination, official inquiry or as part of the surveillance procedures or compliance with other pertinent laws.

2. PPP Rules

The Commission approved on November 8, 2016 the PSE's proposed supplemental listing and disclosure rules applicable to PPP Company (PPP Rules). In support of President Duterte's efforts to sustain the country's economic growth through sustainable partnership with the private sector for infrastructure development, the approved PPP Rules will allow PPP companies to raise funds from the capital market.

Below are the salient features of the PPP listing rules:

- Applicant PPP Company. A PPP Company may apply for listing under the rules if it is any of the following: (a) a corporation which was awarded a PPP Contract; or (b) a Special Purpose Company incorporated by the awarded corporation or awarded joint venture or consortium which shall assume and accede to all rights and obligations of the latter.
- Philippine government in partnership with the PPP Company.
- Exemption on Track Record and Operating History Requirements. A PPP Company which does not possess the required minimum three-year track record and operating history may apply for listing of its shares in the PSE Main Board, provided, that it complies with the rest of the general requirements set forth in the PSE Main Board Listing Rules.
- Minimum Project Cost. The PPP Project cost shall not be less than ₱5 billion, as indicated in the financial bid.

- **Period for Listing.** The PPP Company can apply for initial listing upon showing of any of the following: (a) the PPP Company has completed its construction works or a phase thereof in case the PPP Project consists of several phases, and has commenced commercial operations and/or maintenance services; (b) the PPP Company has commenced commercial operations or where there are no commercial operations, maintenance services, provided that the PPP contract awarded is not solely for operations and maintenance.
- **No Secondary Offering.** Existing shareholders of the PPP Company prior to initial listing are prohibited from offering their shares in the PPP Company during the initial public offering period.
- **Expiration of Term or Termination of the PPP Contract; Submission of Business Plan.** As part of the additional disclosure requirements, a listed PPP Company must submit to the PSE a business plan which may include its plans for liquidation and winding up, or a proposal for a new business, at least three years before the scheduled expiration of the PPP Contract.

CG Code for PLCs

To promote the development of a strong CG culture and keep abreast with recent developments, the Commission approved the CG Code for PLCs on November 22, 2016. The Code provides the principles, recommendations and explanations on the following aspects of CG: (a) the board's governance responsibilities; (b) disclosure and transparency; (c) internal control system and risk management framework; (d) cultivating a synergic relationship with stakeholders; and, (e) duties to stakeholders.

2016 Rules of Procedure of SEC

The SEC 2016 Rules of Procedure, which was spearheaded by the OGC with the joint efforts of all Operating Departments, took effect on December 6, 2016. These shall govern pleadings, practices and procedures before the Commission in all matters of hearing, investigation and proceedings within its authority, excluding those registration and accreditation matters which do not involve violation of laws and rules, and those requests for exemptive and similar reliefs which are governed and referred to in applicable rules. The highlights include the following, among others: (i) enumeration of the jurisdiction of the Operating Departments; (ii) electronic service by the Commission of orders, decisions, resolutions and other paper s; (iii) allowing MR for Decisions and Final Orders of Operating Departments; (iv) separate rules for Administrative and Adjudicative Actions (which include the filing of Formal Charges by the Operating Departments to commence such actions); (v) commencement of action for the issuance of a CDO by any Operating Department instead of by the EIPD only; (vi) separate rules of Settlement Offers and Reduction of Penalties; (vii) proceedings for contempt; and (viii) proceedings for execution.

SEC MCs

The SEC issued the following MCs in 2016 for the information, guidance and/or compliance of its regulated entities and individuals:

Table 4. SEC Memorandum Circulars, CY 2016

No.	Memorandum Circulars	Date Issued
1	2016 Filing of AFS and GIS	January 11, 2016
2	Additional Requirement for Accreditation as Auditing Firm/Sole Practitioner	February 11, 2016
3	Enforcement of RA 9510 Over Financing Companies	April 5, 2016
4	Guidelines to be Observed by Hearing Officers in Handling Petitions Pursuant to the Provisions of Judicial Affidavit Rule (Administrative Memorandum No. 12-8-8-SC)	May 5, 2016
5	Removing the Periods for Filing Petitions to Set Aside Orders of Revocation or Orders for Suspension of Corporations for Failure to Comply with the Reportorial Requirements	June 9, 2016
6	Omnibus Guidelines on Principal Office Address; Address of Each Incorporator, Director, Trustee or Partner	June 9, 2016
7	Compliance with RA 9510	June 21, 2016
8	Exemption from the 5% Liquidity Requirement of Mutual Fund Index Trackers	June 30, 2016
9	Guidelines on the Submission of Monthly Complaint Report	July 18, 2016
10	Guidelines on the Issuance of Certification on the Nationality of Non-Stock Corporations	July 28, 2016
11	Subscriptions Contracts	August 5, 2016
13	Guidelines on the Issuance of Certification of Paid-Up Capital.	August 18, 2016
14	GIS and Notification Update Form	August 4, 2016
15	Submission of the Sworn Statement and Certificate of Existence of Program/Activity	September 9, 2016
16	Revision of the GIS and Notification Update Form	September 26, 2016
17	Guidelines on the Applications for Payment of Annual Fees of Capital Market Participants (Institutions and Professionals)	October 13, 2016
18	Streamlining the Documentary Requirements for Financing and Lending Companies	November 8, 2016
19	CG Code for PLCs	November 22, 2016
20	2016 ACGR Submission	December 14, 2016
21	Adoption of New Revised Auditing Standards and Standards on Assurance Engagements and Other Related Services	December 9, 2016

Source: OCS.

OGA Accounting and Auditing Rules

During the year, following were the new accounting and auditing rules issued:

1. MC No. 02-2016, issued on February 11, 2016 on *Additional Requirement for Accreditation as Auditing Firm/Sole Practitioner*. This is a requirement for the submission of a Disclosure under oath attesting the adherence of all SEC-accredited external auditors and prospective applicant external auditors to the fundamental principles under the Code of Ethics for Professional Accountants in the Philippines, as well as to the principles applicable to the professional accountants in public practice particularly in the area involving conflict of interest and independence.
2. FRB No. 19 on Expectations for an Effective Audit Function. This FRB restated the responsibilities of the external auditors, some of which are actually covered by the requirements under Philippine Standards on Auditing (PSA) on the conduct of audit. Consistent with the PSA, which are the standards that the external auditors are required to apply when they conduct a financial statement audit, the principles highlight the responsibilities of the external auditor. They provide guidelines on how external auditors are expected to carry out audit engagements to obtain the overall objective of an audit of financial statements, i.e., expression of an opinion on the fairness of the financial statements.
3. SEC Notices. The Commission En Banc approved the issuance of SEC Notices on the adoption of the following new accounting standard, amendments to the existing accounting standards³ and interpretations as part of the Commission's rules and regulations on financial reporting:

Table 5. SEC Notices Issued in Relation to Accounting Standards

August 2016
• Amendments to Philippine Accounting Standard (PAS) 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization
• Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants
• Amendments to PAS 19, Defined Benefit Plans: Employee Contributions
• Amendments to PAS 27, Equity Method in Separate Financial Statements
• PFRS 9, Financial Instruments (2014)
• PFRS 9, Financial Instruments (Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39)
• Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
• Amendment to PFRS 11, Accounting for Acquisitions of Interest in Joint Operations
• PFRS 14, Regulatory Deferral Accounts
• Annual Improvements to PFRSs 2010-2012 Cycle

³ These are being adopted from the IFRS issued by the International Accounting Standards Board.

August 2016
<ul style="list-style-type: none"> • Annual Improvements to PFRSs 2011-2013 Cycle • Annual Improvements to PFRSs 2012-2014 Cycle • 2015 Amendments to the PFRS for SMEs • PIC Question and Answer (Q&A) <ul style="list-style-type: none"> – PIC Q&A No. 2013-02: Conforming Changes to PIC Q&As - Cycle 2013 – Revised PIC Q&A No. 2013-03: PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of RA 7641, The Philippine Retirement Law
October 13, 2016
<ul style="list-style-type: none"> • PFRS 10 and 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture • PIC Q&A No. 2015-01 <ul style="list-style-type: none"> – Sets out the amendments to certain PIC Q&As as a consequence of the issuance of new PFRS and amendments to certain existing PFRS • PIC Guidance on Financial Reporting – This guidance is issued to help preparers of financial statements identify and address some of the common pitfalls and difficult interpretative issues arising from the application of PAS 7, Statement of Cash Flows

Source: OGA.

4. SEC MC No. 21-2016, issued on December 9, 2016 (Adoption of New Revised Auditing Standards and Standards on Assurance Engagements and other Related Services).

Table 6. New Revised Auditing Standards and Standards on Assurance Engagements and other Related Services Adopted Through SEC MC No. 21-2016

December 9, 2016
<ul style="list-style-type: none"> • PSA 610 (Revised), Using the Work of Internal Auditors and Related Conforming Amendments • PSA 260 (Revised), Communication with Those Charged with Governance • <i>PSA 570 (Revised), Going Concern</i> • PSA 700 (Revised), Forming an Opinion and Reporting on Financial Statements • PSA 701, Communicating Key Audit Matters in the Independent Auditor’s Report • PSA 705 (Revised), Modifications to the Opinion in the Independent Auditor’s Reports • PSA 706 (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report • <i>PSA 720 (Revised), The Auditor’s Responsibilities Relating to Other Information</i> • Philippine Standard on Assurance Engagements or PSAE 3410, Assurance Engagements on Greenhouse Gas Statements • Philippine Standard on Related Services or PSRS 4410 (Revised), Compilation Engagements • Philippine Standard on Review Engagements or PSRE 2400 (Revised), Engagements to Review Historical Financial Statements.

Source: OGA.

Implementation of the SEC SOAR Inspection Program

The Commission continues to adopt global practices to strengthen the integrity of the financial reports and disclosures. The OGA is pursuing the SEC SOAR Inspection Program to keep pace with global standards and to align the SEC requirements with the IOSCO principles, one of which is an adequate level of oversight or quality assurance of auditors.

The SOAR Inspection Program is the initiative of the SEC to do an on-site review of the quality control policies and procedures of SEC-accredited firms auditing PLCs and review of portions of the audit work of their selected audit engagements from time to time. It will be conducted by the OGA and will follow “risk based” approach in the selection of firms and engagements to be inspected. The implementation of the SOAR Inspection program shall complement the OGA’s present accreditation process. The SEC is presently laying down the groundwork for this Program. The Program will be operational in 2017.

Other Policies in Process

In 2016, the SEC also worked on the following important policies which are currently being finalized:

1. Proposed Amendments to the Corporation Code of the Philippines. The Commission through the OGC is closely coordinating with the Senate for the amendment of the Code to further advance the ease of doing business and the protection of the stockholders. Other proposed amendments include the grant of greater visitorial powers to the SEC; the imposition of stringent penalties in relation to the use of the corporate vehicle for fraud and graft and corruption; and the provision for dispute resolution and arbitration to enable corporations to avoid protracted litigation. The amendments to the Code have been formalized into a Committee Report and are now under deliberation by the Senate.
2. Proposed Amendments to the SRC. The Commission is currently working on the amendments to the SRC to further promote the development and competitiveness of the capital market, and to align its provisions with the IOSCO Principles, one of which is adequate level of oversight or quality assurance of auditors by the SEC. Among the proposals is to grant the SEC with more rigid regulatory powers over corporations covered by the SRC to ensure the protection of investors and elimination of distortions in the free market.
3. Amendments to SRC Rule 68, as Amended. The Commission has approved the proposed amendments to the subject Rule on April 21, 2016. The official release and publication of the Revised SRC Rule 68 has been put on hold to include recent developments such as the adoption of the expanded Auditors’ Report, increase in the threshold for financing and lending companies which will be required to engage the services of SEC-accredited audit firms/external auditors, etc.

4. IRR of the ICA (ICA Rules). As discussed in the Performance Highlights section, the CGFD spearheaded the drafting of the ICA Rules to align regulatory requirements with global standards and to further develop the Philippine capital market.
5. SEC Mediation Policy. Despite the passage of the SRC which transfers jurisdiction over intra-corporate cases to regular courts, the SEC still retains its power to adjudicate in residual cases, such as, but not limited to, Petition for Calling of Stockholders'/Membership Meeting; Petition for Change of Corporate Name; Petition for Revocation/Dissolution Cases; Registration Cases; Cases for Violation of the Corporation Code, the SRC and other special laws it implements; and Rehabilitation Cases pending as of June 30, 2000. In view of this, the Commission intends to implement the SEC Mediation Policy which establishes the SEC Rationale for Mediation; Coverage for Mediation; SEC Mediation Procedure; Qualifications of SEC Mediators; Code of Ethical Standards for Mediators; and Grievance Machinery.

The draft SEC Mediation Policy was posted on the SEC Website on April 25, 2016 to solicit comments and inputs from the public, government agencies and other stakeholders. The Commission received comments from the PSE and PDEX and inputs from the OADR. The OGC is now finalizing the draft SEC Mediation Policy.

Technical Assistance

In fulfillment of its mandate, the SEC rendered technical services to its various stakeholders and clients to ensure the alignment and coordination of policies and programs concerning the development and regulation of the corporate sector and the capital market, and the broader financial system. These are rendered by the Commission through participation in and recommendations to international, regional and inter-agency bodies; rendering of opinions and interpretative issuances; conduct of financial education for capital market professionals and the investing public; and submission of position papers in aid of legislation. (See Figure 2 for the Schematic Diagram of SEC and its Stakeholders.)

IOSCO

The SEC is a member of the IOSCO, the international body of the world's securities regulators that develops, implements and promotes internationally recognized standards for securities regulation. The Commission is a signatory to the IOSCO MMoU: Appendix B. As such, it is committed to seeking the legal authority necessary to become full signatory to the IOSCO MMoU: Annex A. In pursuit of this, the SEC continuously participated in a series of consultation meetings to formulate certain provisions of the SRC to ensure alignment with IOSCO Principles.

ASEAN

At the regional level, the Commission participates in initiatives to integrate the capital markets of the ASEAN Economic Community, otherwise known as the AEC. The SEC actively participates in the various working groups under the ACMF. As mentioned in the Performance Highlights section, the SEC assumed on November 14, 2015 the Chairmanship of the ACMF Working Group D which is responsible for the ASEAN CG initiative, comprising the ACGS and the ranking of the ASEAN PLCs. In 2016, the Commission chaired several meetings of the ACMF Working Group D which were attended by CG experts from the participating jurisdictions. These meetings resulted in the development of the new ACGS, which is expected to be released in 2017.

The SEC also continued its participation in the ACMF Working Group A which works on the ASEAN Disclosure Standards for Equity and Debt Securities, and in the ACMF Working Group B which is developing the ASEAN Collective Investment Scheme.

Schematic Diagram: SEC and its Stakeholders



Figure 2: SEC and its Stakeholders

Source: SEC Offices and Departments.

Further, the SEC co-chairs the new ASEAN Green Finance Working Group together with the Securities Commission Malaysia. Following the 25th meeting in Jakarta on September 8, 2016, which was hosted by the Indonesia Financial Services Authority, the ACMF announced that it will take a leadership role in identifying green finance standards that can be applied for the ASEAN region. This is in recognition of the importance of green finance in supporting sustainable growth in ASEAN and the increasing amount of global capital seeking green investments.

Other ACMF working groups in which the SEC provides its technical support include: the ASEAN Professional Mobility Working Group, which is another newly established working group tasked to explore efforts towards facilitating the movement of capital market professionals within ASEAN; the ASEAN Capital Market Programme Working Group, which has been established to facilitate the development of member countries through various capacity building programmes; and the ASEAN Stock Exchange Connectivity Working Group (also referred to as the ASEAN Trading Link), which was established to facilitate the cross-border trading among ASEAN countries.

Aside from the ACMF Working Groups, SEC also took part in the ASEAN Working Committee on Capital Market Development and the ASEAN Working Committee on Financial Services Liberalization; as well as other ASEAN Plus Initiatives such as the ASEAN+3 Bond Market Forum and the Asian Bonds Market Initiative.

ARFP

The SEC also took part in various meetings in relation to the ARFP wherein members of Securities Commissions from seven countries discussed their domestic regulatory environment and formulated rules that shall govern cross-border securities transactions. The Commission participated in the culminating activity of the ARFP held in Kuala Lumpur, Malaysia which resulted in the signing of a formal agreement to pursue the ARFP. The Philippines, having certain laws that prevent it from immediately becoming a signatory to the said agreement, is encouraged to sign the same at a later date and to continue to participate as an observer in succeeding meetings of the ARFP members.

Free Trade and Economic Partnership Agreements

In keeping with the intensifying pace of economic integration efforts, the SEC continued participating in bilateral, regional and multilateral discussions, collaborations and negotiations aimed at liberalizing investments and trade in services. These include the provision of inputs in the formulation of the framework agreements, including the framing of textual obligations and the inscription of initial and subsequent improvements in the industry-specific Philippine Schedule of Commitments. This is to ensure the consistency of international commitments with existing laws, and that the agreements among government agencies lead to the attainment of the Philippines' negotiating interests. The SEC was consulted by lead coordinating agencies not only in tabling of the offers during negotiations, but also in assessing whether the requests of external

negotiating partners may be given due course. These cover free trade agreements (FTA) and economic partnership agreements such as the following:

1. Philippine-Japan Economic Partnership Agreement;
2. Philippine-European Free Trade Association FTA;
3. ASEAN-Japan Comprehensive Economic Partnership Agreement;
4. ASEAN-China FTA;
5. ASEAN-India FTA;
6. ASEAN-Hong Kong FTA;
7. ASEAN-Australia-New Zealand FTA;
8. Asia Cooperation Dialogue; and
9. World Trade Organization General Agreement on Trade in Services.

The SEC also participated in the local inter-agency efforts on other FTAs in the pipeline: Regional Comprehensive Economic Partnership; ASEAN Trade in Services Agreement; and the Philippine-European Union FTA.

The diagrams of the ASEAN Capital Markets Development and Financial Liberalization Involving the SEC, and the Ongoing Regional and Bilateral FTAs are shown below.

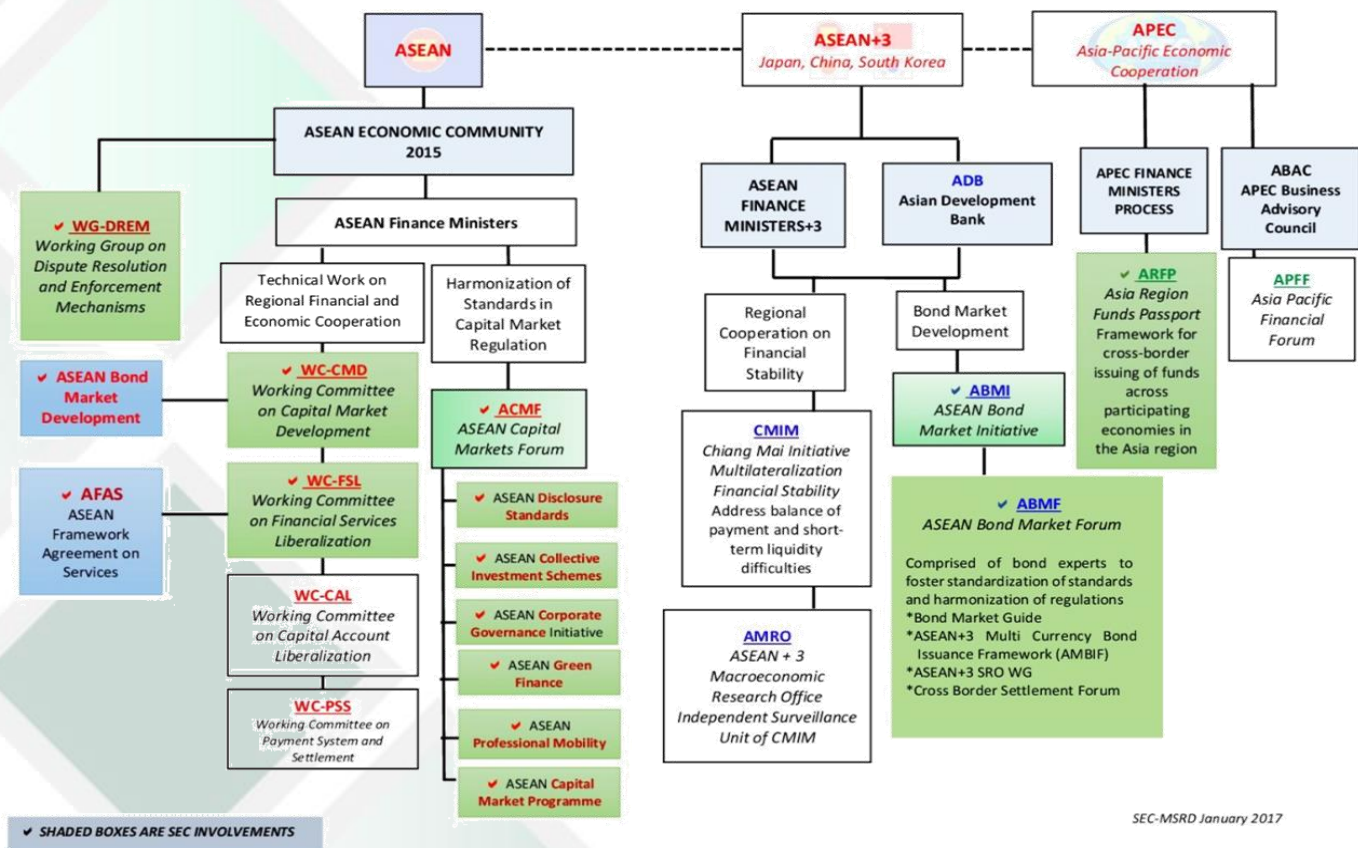


Figure 3: ASEAN Capital Markets Development and Financial Liberalization Involving the SEC

Source: MSRD.

Lead: DTI

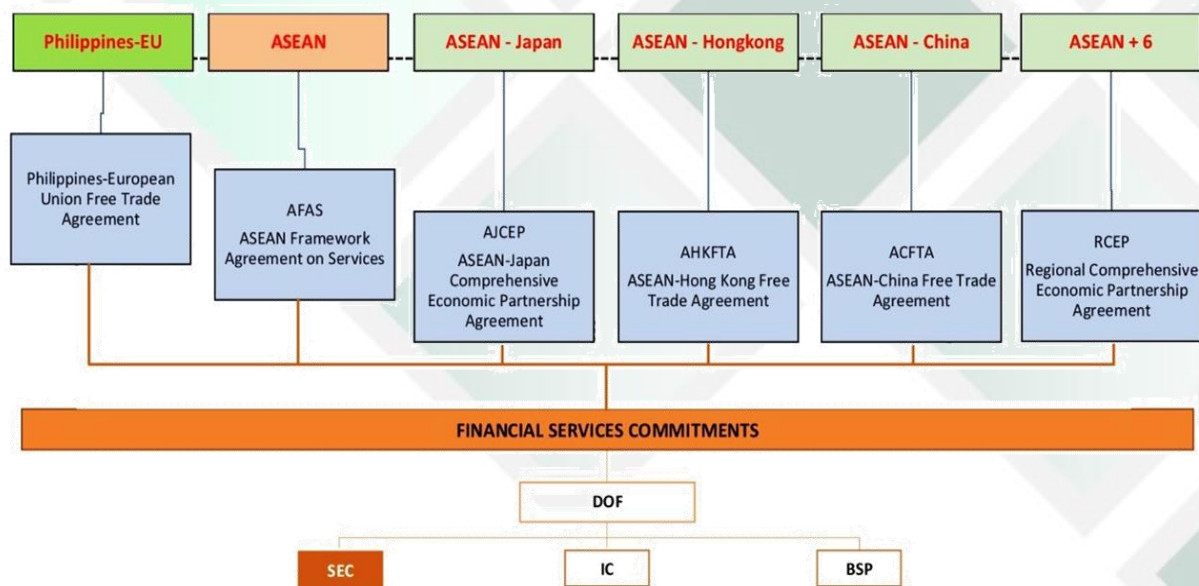


Figure 4: Ongoing Regional and Bilateral FTAs

Source: MSRD.

International Counterpart Regulators

To further advance the development and regulation of cross-border transactions, the Commission takes part in implementing international agreements such as the United Nations (UN) Convention against Corruption, UN Convention on Trade and Development, and European Union Generalized System of Preference Plus. The SEC also engages with international counterpart regulators to deepen its global perspective and explore areas of collaboration. This includes participation in the Corporate Registers Forum, an association of international corporate registries which reviews and exchanges information on developments in corporate business registers; and the AARG, a collaborative platform to raise audit quality in the ASEAN region.

Study Visits

The SEC hosted officials from Bangladesh for their study visit to the Philippines to look into the regulatory framework for the ETFs. The Commission shared the knowledge in crafting the ETF, and its experience in supervising the ETF market. The officers of First Metro ETF Corporation also shared with the Bangladesh delegation their experiences in actual establishment and operation of the said financial product. Likewise, key officials of the Philippine Depository and Trust Corporation (PDTC), PSE, and Securities Clearing Corporation of the Philippines (SCCP) also shared their respective roles in the ETF industry.

Another group who came on a study visit to the SEC was the Nepal Financial Information Unit (FIU) to learn the SEC initiatives on AML and Combating the Financing of Terrorism initiatives on SEC-covered persons, and monitoring of non-profit organizations.



Picture 17. Bangladesh SEC Study Visit. At the end of their visit, Bangladesh SEC Officials presented to the Philippine SEC a plaque of appreciation, which was received by Chairperson Teresita J. Herbosa, center. Also present are SEC Commissioner Ephyro Luis B. Amatong, leftmost, and SEC Commissioner Manuel Huberto B. Gaité, second from left.

Inter-Agency Bodies and Public-Private Sector Collaborations

On the national front, the SEC has been very active in inter-agency and public-private sector efforts to foster financial system resiliency, capital market development, national competitiveness, financial inclusion, investor protection, and financial reporting and accounting and auditing standards. The SEC is a member of the Financial Stability Coordination Council (FSCC); FSF; Financial Inclusion Steering Committee, and CMDC which work on developing a resilient and inclusive financial system and capital market. It also participates in the activities of the National Competitiveness Council; and is a member of the Task Force on Ease on Doing Business, which implements reforms in business regulations to improve the country's competitiveness.

The Commission actively participates in activities undertaken with the various inter-agency groups coordinating institutional arrangements and work collaborations relating to the country's development objectives in the areas of financial inclusion, microfinance and microinsurance, in the Philippine Development Plan 2017-2022 thru the Planning Committee on Macroeconomic Policy, and the National Strategy for Financial Inclusion.

The SEC is represented in the AMLC and is an active member of the NALECC. In the area of financial reporting and auditing, the SEC is a member of the FRSC, AASC and PIC; and is the Chair of the FSF's Council for Accreditation and Quality Control of Practicing CPAs. The auditing and accounting standards approved by the FRSC and the AASC are formally adopted by the SEC as part of its financial reporting rules for implementation by the companies.

The Commission, through the ERTD, continuously supports the initiatives of various inter-agency collaborations discussed earlier, especially those pertaining to free trade and economic partnership agreements on financial services. Among the projects and activities participated on by the ERTD are the DOF Statistical Bulletin 2015 edition; the Philippine Statistical Authority work program and proposed framework for the compilation of data on foreign investments; the FSCC study for a strong and resilient financial system that mitigates any build-up of systemic risks; and the submission to the BIR of information needed for their revenue regulations.

Bilateral Cooperation

The Commission entered into various bilateral and multilateral agreements to institutionalize its commitments with development partners, government agencies and private associations. In 2016, the SEC and the IFC (a member of the WB Group) signed an MOU to strengthen the country's regulatory framework and CG practices. The cooperation aims to raise market awareness of good governance to entice more foreign investments to the country. In the same year, the Commission also signed a MOA with LBP to allow payment for certificates of company registration and other applications with the SEC through ATMs, debit and credit cards of LBP and other banks recognized by Bancnet. A MOA was also executed between the SEC and the PCC, opening progressive opportunities for consultation between the two government agencies.



Picture 18. Signing of the MOU between the SEC and IFC. Chairperson Teresita J. Herbosa, center, and Ms. Jane Yuan Xu, IFC Philippines Country Manager, second from right, sign the MOU to strengthen the country's regulatory framework and CG practices. Also in the photo are (left to right) Commissioner Antonieta Fortunabe, Commissioner Manuel Huberto B. Gaité and Mr. Anar Aliyev, Operations Officer, East Asia Pacific CG Program.

Previously, the SEC entered into MOUs with the USAID and ADB for technical assistance. The Commission also entered into MOAs with other government agencies: the PhilHealth, Pag-IBIG Fund, and SSS for the implementation of the IBRS; the DILG for mutual cooperation on the implementation of the FCA and LCRA; and the DSWD for the coordinated regulation of corporations engaged in social welfare activity; among others. In fostering financial stability, the

SEC as member of the FSCC entered into a MOA with the Housing and Land Use Regulatory Board to monitor developments in the real estate sector.

SEC-OGC Opinions

The Commission, through the OGC, acted on the following requests for opinion on the interpretation of laws being implemented/administered by the Commission:

Table 7. SEC-OGC Opinions, Series of 2016

No.	Subject	Date Issued
16-01	Teleconferencing for Stockholders' Meeting	January 19, 2016
16-02	Anti-Dummy Law	February 12, 2016
16-03	Retail Trade Law; Exceptions	February 15, 2016
16-04	Registration of a Corporation to Engage in the Practice of Interior Design; Qualification of Board of Directors	February 16, 2016
16-05	Indivisibility of Subscription Contract; Payment of Balance of Unpaid Subscriptions; Delinquent Shares; Delinquency Sale	March 31, 2016
16-06	Retail Trade; Restaurant and Gift Shop Owned by Hotel	April 1, 2016
16-07	Quorum; Majority	
16-08	International Sea Freight Forwarding/Subcontracting	April 20, 2016
16-09	Issuance of Certificates of Stock Sold in Delinquency Sale	April 26, 2016
16-10	Retail Trade of Pest Control Chemicals, Machines, Equipment and Accessories	May 16, 2016
16-11	Voting in Non-Stock Corporations	May 24, 2016
16-12	Nationality Requirement for Non-Stock Non-Profit Corporations	May 24, 2016
16-13	Partially-Nationalized Industries and the Anti-Dummy Law	May 30, 2016
16-14	Foreign Participation in a Real Estate Brokerage Company	May 23, 2016
16-15	Nationality of Non-Stock Corporation; Acquisition of Land by a Non-Stock Corporation	June 1, 2016
16-16	Minimum Stock Subscription and Treasury Shares	June 27, 2016
16-17	Business of Leasing or Sub-leasing Advertising Spaces; Mass Media	July 11, 2016
16-18	Ownership, Control and Administration of an Online English School	July 21, 2016
16-19	Application of Control Test to Manning Companies	August 11, 2016
16-20	Allowed Activities of a Representative Office	August 25, 2016
16-21	Entities Engaged in Mass Media and Advertising	August 31, 2016
16-22	Power of Corporations to Enter into a Partnership or Joint Venture	October 4, 2016
16-23	Rights of a Stockholder in a Dissolved Corporation	October 5, 2016
16-24	Corporate Term of Educational Institutions Registered under the Corporation Law	October 13, 2016
16-25	Retail Trade	October 14, 2016
16-26	Arrangement between Bank and Depositor-Investor for Investment and Payment of Securities	November 23, 2016
16-27	Corporate Term of the Corporations Registered under the Corporation Law	November 23, 2016

No.	Subject	Date Issued
16-28	Applicability of Anti-Dummy Law to Business Process Outsourcing	November 23, 2016
16-29	Election of Foreign Stockholder as President of a Renewable Energy Company	November 25, 2016

Source: OGC.

The OGC opinions of novel nature are further discussed below:

SEC-OGC Opinion No. 16-21

RE: Entities Engaged in Mass Media and Advertising

The Corporation will lease digital space from media owners and will subsequently sublease such space to clients, who in turn will post their advertisements therein. It has been construed that subleasing a space as providing a medium to disseminate advertisements and messages, thus engaging in mass media. The third proposed activity (i.e., “to sell sponsorship, and to provide services to clients by measuring the effectiveness of the sponsorship via research [e.g. Olympics, Asian Games]”), on the other hand, can be classified as advertising.

Based on the foregoing, the activities proposed by the Corporation are under the activities of entities engaged in mass media and/or advertising. Hence, the foreign restrictions imposed by the Constitution as to mass media (i.e., 100% Filipino-owned)⁴ and advertising (i.e., at least 70% Filipino-owned)⁵ will apply.

SEC-OGC Opinion No. 16-23

RE: Rights of a Stockholder in a Dissolved Corporation

This is a request for opinion regarding the status and rights of a stockholder in a dissolved corporation with assets that remain unliquidated and is still doing business. The matter at hand involves issues related to the enforcement of the rights of stockholders, which is classified as an intra-corporate controversy. However, for purposes of information, following are OGC’s comments: A corporation with a revoked certificate of registration may continue as a body corporate for the purpose of liquidation and winding up of its affairs. The body corporate, however, can no longer conduct the usual business provided in its primary purpose. Its existence continues only for purposes of liquidation and winding up of its affairs. As to the rights of stockholders, “the termination of the life of a juridical entity does not by itself cause the extinction or diminution of the rights and liabilities of such entity (see *Gonzales vs. Sugar Regulatory Administration*, 174 SC Reports Annotated RA 377) nor those of its owners and creditors.”⁶

⁴ Sec 11 (1), Article XVI, 1987 Constitution of the Republic of the Philippines.

⁵ Sec 11 (2), Article XVI, 1987 Constitution of the Republic of the Philippines.

⁶ *Clemente et al., vs. Hon. CA, General Register (G.R.)* No. 82407, March 27, 1995.

SEC-OGC Opinion No. 16-27

RE: Corporate Term of Corporations Registered Under the Corporation Law

This is a request for a legal opinion about the corporate term of the Corporation which was registered sometime in 1962, prior to the passage of the Corporation Code, and which adopted a 50-year term in its AI. The counting of the 50-year term shall begin on the original date of its registration, which is on March 20, 1962. Given that the Corporation has not amended its corporate term, the Commission opines that such term had already expired on March 19, 2012.

In the matter at hand, the principle in previous Opinions with respect to the automatic amendment of the AI in light of new requirements finds no application because the 50-year term is not a new requirement for stock corporations that are not educational corporations. The original corporate term of the Corporation, therefore, must be retained and must be counted from the date of its registration.

Undocketed Opinion

RE: Concept of Retail in Relation to Retail Electricity Supply (EPIRA LAW)

This is a request for a Legal Opinion confirming the exemption of a Power Corporation from the coverage of the Retail Trade Liberalization Act of 2000 or RA 8762. The Commission opines that the concepts of “contestable market” and “retail” (in relation to retail electricity supply) as used in the Electric Power Industry Reform Act or EPIRA Law may have its own peculiar and technical meaning, the interpretation and application of which are vested on the Energy Regulatory Commission. Assuming arguendo, that the supply of electricity in the contestable market falls under the definition of retail under the Retail Trade Liberalization Act, the Power Corporation is still not covered by the foreign equity limitation imposed on retail trade enterprise because its paid-up capital is more than US\$2,500,000.

Undocketed Opinion

Re: Whether Renewable Energy Certificates (RECs) are Considered “Securities”

The RECs are not securities because they do not represent shares, participations or interests in a corporation, a commercial enterprise or a profit-making venture evidenced by a certificate, contract, instrument, whether written or electronic in character. Neither do the RECs fall under any of the enumerated examples of securities provided in the above-cited definition.

Specifically, the RECs cannot be considered investment contracts, as these certificates merely represent units of compliance with the Renewable Portfolio Standard (RPS) policy. In fact, considering the nature and purpose of the RECs vis-à-vis the RPS policy, it appears that the Renewable Energy Market (REM) is in place principally to stimulate the interest and growth of the electric industry participants in making use of renewable energy within a regulatory framework using market-based instruments. Thus, the REM, where the trading of the RECs

equivalent to an amount of power generated from renewable energy (RE) resources is made⁷, is in effect a regulatory mechanism by which the Department of Energy ensures that participants comply with the standards set by the RPS policy. While it can be said that the trading of RECs may involve investment of money, as a consequence of the bilateral contract for purchase thereof, the other elements of an investment contract, such as (1) common enterprise, and (2) profits coming solely or primarily from the efforts of others, are evidently lacking.

Another indication that the RECs are not securities is a consideration of the legal and regulatory framework where they operate. The DOE is the lead agency tasked to implement the RE Law, to cause the establishment and supervision of the REM and RE Registrar, and to direct the Philippine Electricity Market Corporation to implement changes to the Wholesale Electricity Spot Market (WESM) Rules in order to incorporate the rules specific to the operation of the REM under the WESM. Additionally, it was stated that the REM is a mandatory market, primarily created for the purpose of complying with the RPS, and that an exchange or clearing house for the facilitation of the trading of the RECs will no longer be established.⁸ Thus, the foregoing would demonstrate that there is no legislative intent for the REM to subject it to the supervision and regulation of this Commission.

OGA Opinions

The Commission, through the OGA, rendered opinions on the following accounting and financial reporting issues:

Table 8. SEC-OGA Opinions, Series of 2016

Date	Issues
January 18, 2016	Whether or not increasing the Retirement Fund's interest in the Company from 20% to 50% will result to the Retirement Fund's shares in the Company being treated as treasury shares of the company
April 11, 2016	Whether or not the company is exempted from 10% penalty on Retained Earnings due to excess Retained Earnings
June 27, 2016	Whether or not the circumstances present in the subject company would require the submission of Pro-Forma Financial Statements for Registration Statement
August 3, 2016	Appropriate comparative financial statement that should be submitted following a change in the reporting period from calendar year ending December 31 to fiscal year ending May 31
August 13, 2016	Applicable or appropriate financial statements that should be submitted with Registration Statement and guidance on the scope of and basis for Management's Discussion and Analysis section discussion

Source: OGA.

⁷ RA No. 9513, Section 4(qq).

⁸ Supplemental Letter dated April 4, 2016.

SEC Advisories

The SEC also issued 24 advisories during the year, mostly informing the public to be aware of fraudulent entities. These are posted on the SEC Website and other strategic places within the SEC premises.

Table 9. SEC Advisories, CY 2016

No.	Subject	Date Issued
1	Jap Rattanco	January 11, 2016
2	Jacama Sales and Marketing	January 11, 2016
3	Techno Innovation Marketing Enterprise Corporation/Time Corporation	January 19, 2016
4	24k Timesgold International Marketing, Inc. (also known as "TIMESGOLD")	January 11, 2016
5	SEC Accredited CG Training Providers	March 17, 2016
6	Starjed Micro Financing Corp. (also known as "STARJED")	March 15, 2016
7	Submission of the ACGR together with the Annual Report	March 16, 2016
8	Term Limits for Independent Directors	March 31, 2016
9	Dragon One Network Trends Corporation	April 7, 2016
10	Pretty Pink Holdings Co. Inc., aka Pretty Pink, Pretty Pink Online Shop, Pretty Pink Money Tree, Carissa Love, Pretty Pink Money Tree Investing	April 29, 2016
11	FarmOn/FarmOn Agricultural Production is not Registered with the Commission and Not Authorized to Solicit Investments through its Website www.farmon.ph	May 17, 2016
12	Pedvel Marketing / PV and VV Potential Development Ventures Corporation / Potential Economic Venture Consumers Cooperative a.k.a. PEDVEL	May 24, 2016
13	Public Warning Concerning the Investment Taking Activities of Shoppers' Circle, A Business Brand Adopted by Jmatth General Merchandise	May 19, 2016
14	Dollar International Investment Program	June 28, 2016
15	Lucky9Lives Marketing Corporation	July 19, 2016
16	Affinity Investment Group	July 4, 2016
17	My Science of Success Marketing, Inc.	July 26, 2016
18	Pyramid Marketing / Investment Taking Activities in Palawan	July 27, 2016
19	ASHOKFX	October 4, 2016
20	Five-Six Money Lenders	October 20, 2016
21	JUST 950	October 20, 2016
22	419 Scam	October 24, 2016
23	Foreign Exchange Trading	October 20, 2016
24	Informal Lenders	November 14, 2016

Source: OGC, EIPD and CGFD.

Corporate and Capital Market Regulation

Registration and Licensing

Primary Registration

In 2016, the CRMD, inclusive of the SOs, and the EOs approved the application for primary registration of a total of 37,925 companies, majority (89%) of which were domestic corporations. Most of the companies (69%) were registered at the Head Office and SOs in Metro Manila, while the remaining 31% were registered at the EOs around the country.

Table 10. Type and Number of Companies Registered, CY 2016

Type of Entity	CRMD	SO	BEO	CDO EO	CEO	DEO	IEO	LEO	TEO	ZEO	TOTAL
Registered Domestic Corporations	17,331	5,664	2,303	1,358	2,133	2,050	1,253	520	910	332	33,854
A. Stock	13,711	4,298	324	461	1,613	1,224	740	211	514	108	23,204
B. Non-Stock	3,620	1,366	1,979	897	520	826	513	309	396	224	10,650
Recorded Articles of Partnership	2,084	820	103	84	165	189	123	63	95	28	3,754
Companies Registered under FIA	-	99	-	-	-	-	-	-	-	-	99
Licensed Foreign Corporations	178	6	2	-	5	1	-	-	-	-	192
A. Branch Office	101	6	2	-	3	1	-	-	-	-	113
B. Representative Office	77	-	-	-	2	-	-	-	-	-	79
Licensed Multinational Companies	26	-	-	-	-	-	-	-	-	-	26
A. Regional Headquarters	5	-	-	-	-	-	-	-	-	-	5
B. Regional Operating Headquarters	21	-	-	-	-	-	-	-	-	-	21
Total:	19,619	6,589	2,408	1,442	2,303	2,240	1,376	583	1,005	360	37,925

Source: CRMD, EOs.

The SEC is the corporate registrar of the Philippines. Based on the records of the ICTD, following is the total number of registered entities with the Commission as at December 31, 2016:

Table 11. Number of Active Entities Registered as at December 31, 2016

Type of Entity	Number
Domestic Entities	
A. Stock Corporations	351,321
B. Non-Stock Corporations	186,647
Partnerships	
A. General	87,750
B. Limited	10,668
C. Professional	3,042
Foreign Entities	
A. Stock Corporations	3,921
B. Non-Stock Corporations	252
C. Partnerships	36
Total:	643,637

Source: ICTD.

Licensing of Capital Market Institutions

Of the 282 licensed capital market institutions which paid the prescribed annual fees for 2016, seven were newly licensed, while the rest were previously licensed.

Table 12. Type and Number of Capital Market Institutions Licensed, CY 2016

	Type of Capital Market Institution	Number of Licensed Institutions	Number of New Registrants
1	Brokers (Head Office)	8	-
2	Brokers (Branch Office)	5	-
3	Dealers (Head Office)	1	-
4	Dealers (Branch Office)	-	-
5	Brokers Dealers (Head Office)	126	4
6	Brokers Dealers (Branch Office)	21	1
7	Brokers in Proprietary Shares (Head Office)	3	-
8	Brokers in Proprietary Shares (Branch Office)	-	-
9	Voice Brokers (Head Office)	4	-
10	Voice Brokers (Branch Office)	-	-
11	Investment Houses (Head Office)	17	-
12	Investment Houses (Branch Office)	1	-
13	Investment Houses Engaged in Dealing Government Securities (Head Office)	11	-
14	Investment Houses Engaged in Dealing Government Securities (Branch Office)	6	-
15	Underwriters of Securities Engaged in Dealing Government Securities (Head Office)	12	-
16	Underwriters of Securities Engaged in Dealing Government Securities (Branch Office)	-	-
17	Government Securities Eligible Dealers (Head Office)	24	-

	Type of Capital Market Institution	Number of Licensed Institutions	Number of New Registrants
18	Government Securities Eligible Dealers (Branch Office)	-	-
19	Investment Company Advisers (Head Office)	11	-
20	Investment Company Advisers (Branch Office)	-	-
21	Mutual Fund Distributors (Head Office)	10	-
22	Mutual Fund Distributors (Branch Office)	-	-
23	Transfer Agents	22	2
Total:		282	7

Source: CRMD.

As of 2016, the total number of licensed capital market institutions regulated by the MSRD is 654, broken down as follows:

Table 13. Capital Market Institutions Regulated by MSRD

	Type	Number
1	Securities Brokers and Dealers (Head Office)	148*
2	Securities Brokers and Dealers (Branch Office)	27
3	Dealer in Government Securities	47
4	Stock Transfer Agents	22
5	Underwriter of Securities	12
6	Investment Houses (Head Office)	28
7	Investment Houses (Branch Office)	7
8	Investment Company Advisers	11
9	Mutual Fund Distributors	10
10	PLCs	265
11	PDEX Listed Issuers	40
12	Accredited Surety Companies	7
13	Exchanges	2
14	Clearing House	1
15	Securities Depositories	2
16	ETF	1
17	SROs	3
18	Registrars of Qualified Buyers	20
19	Operator of Alternative Trading System	1
Total:		654

*This includes one suspended broker dealer and one broker dealer under voluntary cessation with no registration with the CRMD during 2016 but were still monitored by the MSRD. Thus, only 146 securities brokers and dealers have registered with the CRMD during 2016.

Source: MSRD.

Licensing of Capital Market Professionals

The Commission, through the CRMD, licensed a total of 8,609 capital market professionals as of 2016. Of this total, 7,297 were issued renewed licenses while 1,312 were newly licensed. Of the newly licensed capital market professionals, 57% were CIS; 28% were Fixed Income Market Salesmen (FIMS); 13% were Salesmen, and the rest were AP/CO.

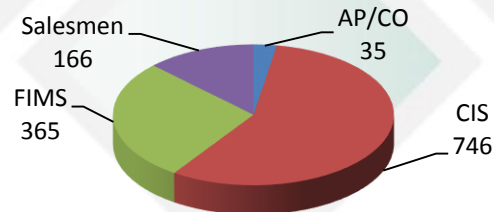


Figure 5. Type and Number of Capital Market Professionals Newly Licensed, CY 2016

Source: CRMD.

Licensing of Lending Companies and Financing Companies

In line with the provisions of the LCRA and FCA, the Commission, through the CRMD and the EOs, newly licensed a total of 383 financial institutions in 2016. Of these newly licensed financial institutions, 61% were Lending Companies and 39% were Financing Companies.

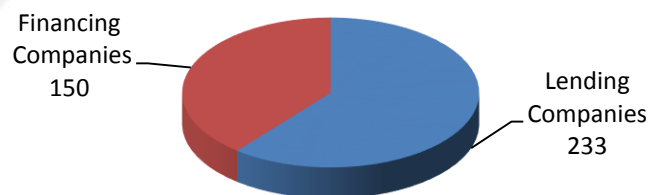


Figure 6. Type and Number of Financial Institutions Newly Licensed, CY 2016

Source: CRMD and EOs.

As of 2016, the total number of registered/licensed/accredited entities that are regulated by the CGFD is 16,115 broken down as follows:

Table 14. Type and Number of Entities Regulated by the CGFD as at December 31, 2016

Type	Number
1 Registered Issuers (Unlisted Securities)	11
2 Mutual Funds or Investment Companies	61
3 Issuers of Proprietary and Non-Proprietary Securities	94
4 ETF	1
5 Public Companies	32
6 Financing Companies	642

	Type	Number
7	Lending Companies	1,885
8	Foundations	13,262
9	Microfinance NGOs	127
	Total:	16,115

Source: CGFD.

Registration of Securities

The CGFD and MSRD evaluated and approved the RS of securities worth P418.9 billion to be sold or offered for sale or distribution within the country. Of this total, 32.69% were equities, 67.03% were debt securities, and 0.27% were proprietary and non-proprietary shares.

Table 15. Type and Value of Securities Registered, CY 2016

	Type of Securities	CGFD (in ₱)	MSRD (in ₱)	TOTAL (in ₱)
1	Equity (including Mutual Funds/Investment Companies)	31,282,124,324	105,683,312,800*	136,965,437,124
2	Debt Securities	-	280,820,000,000**	280,820,000,000
3	Proprietary and Non-Proprietary Shares/Certificates	1,145,931,893	-	1,145,931,893
	Total:	32,428,056,217	386,503,312,800	418,931,369,017

* The amount represents IPOs and follow-on offerings. The total IPOs registered with the Commission amount to ₱53,683,312,800 (See Table 2).

** This amount represents total securities registered with the SEC, including those under the Shelf-Registration program. Total Issued Value in 2016 amounts to ₱142,790,000,000. (See Table 1).

Source: MSR and CGFD.

Accreditation of Audit Firms/External Auditors, Asset Valuers and Credit Rating Agencies

The Commission's accreditation of audit firms/external auditors, asset valuers and credit rating agencies is in line with its mandate to protect investors.

The accreditation of audit firms/external auditors is in furtherance with one of the IOSCO's principles of securities regulations, i.e. auditors should have adequate levels of oversight. This accreditation will later on be complemented by the implementation of the SOAR Inspection Program. At present, the Commission grants three levels of accreditation to audit firms/external auditors – Levels A, B and C – depending on their qualifications and quality of their quality assurance manuals and results of the SEC review of the financial statements they have audited.

The SEC, BSP and IC through the Council for Accreditation and Quality Control of Practicing CPAs are now discussing the simplification and harmony of their procedures relative to their accreditation process and cross referrals of adverse findings among FSF member-agencies.

With respect to accreditation of asset valuers, the SEC MC No. 2-2014 (Guidelines on Assets Valuations) requires SEC-regulated companies to engage the services of SEC-accredited asset valuers for the valuation of their properties. The same Circular mandates SEC-accredited asset

valuers to adopt as basis of their valuation the current edition of the International Valuation Standards.

The SEC also grants accreditation to rating agencies in accordance with the 2015 IRR of the SRC which requires issuers of debt securities, such as bonds and commercial papers, to be rated by an SEC-accredited rating agency, unless such issuance is exempt from this requirement.

The accreditation is valid as follows: (a) for audit firms/external auditors - three (3) years and may be renewed after evaluation; (b) for property valuers – five (5) years, and may also be renewed after evaluation; and (c) for credit rating agencies – no term, but subject to payment of annual fees.

As at December 31, 2016, the OGA has a total of 540 accredited audit firms/external auditors, asset valuers and credit rating agencies.

Table 16. Type and Number of Entities Accredited by the OGA as at December 31, 2016

Type of Entity		Accredited as of CY 2016
1	External Auditors	424*
2	Audit Firms	102**
3	Asset Valuers	12
4	Credit Rating Agencies	2
Total:		540

*This consists of 420 with a three-year SEC accreditation; and four with a Conditional SEC Accreditation for four months.

** This consists of 99 with a three-year SEC Accreditation, and 3 with a Conditional SEC Accreditation for four months.

Source: OGA.

The details of the accreditation by level of the audit firms/external auditors are shown below:

Table 17. Number of Accredited Audit Firms and External Auditors as at December 31, 2016

Accredited Audit Firms				
Group	Number of 3-Year Accredited Audit Firms	Number of 4-Month Conditional Accredited Audit Firms	Total	% to Total
A	22	-	22	22
B	9	2	11	11
C	61	1	62	61
D	7	-	7	7
Total	99	3	102	100
Accredited External Auditors				
Group	Number of 3-Year Accredited Auditors	Number of 4-Month Conditional Accredited Auditors	Total	% to Total
A	146	-	146	34
B	23	2	25	6
C	219	2	221	52
D	32	-	32	8
Total:	420	4	424	100

Source: OGA.

By region, the audit firms/external auditors are distributed as follows:

**Table 18. Number of 3-Year Accredited Audit Firms and External Auditors By Region
As at December 31, 2016**

Location	Accredited Audit Firms					Accredited External Auditors						
	A	B	C	D	Total No. of Firms	Signing Partners				Sole Practitioners		Total No. of External Auditors
						A	B	C	D	C	D	
National Capital Region (NCR)	20	7	38	5	70	144	15	64	8	56	12	299
Cordillera Administrative Region (CAR)	-	-	-	-	-	-	-	-	-	-	-	-
Region I (Ilocos Region)	-	-	-	-	-	-	-	-	-	-	-	-
Region II (Cagayan Valley)	-	-	-	-	-	-	-	-	-	1	-	1
Region II (Central Luzon)	-	-	5	1	6	-	-	10	4	9	1	24
Region -IVA (CALABARZON)	-	-	6	1	7	-	-	9	1	15	3	28
Region IV-B (MIMAROPA)	-	-	-	-	-	-	-	-	-	-	1	1
Region V (Bicol Region)	-	-	-	-	-	-	-	-	-	-	-	-
Region VI (Western Visayas)	-	-	3	-	3	-	-	6	-	8	1	15
Region VII (Central Visayas)	2	2	4	-	8	2	8	8	-	11	-	29
Region VIII (Eastern Visayas)	-	-	-	-	-	-	-	2	-	2	1	5
Region IX (Zamboanga Peninsula)	-	-	-	-	-	-	-	-	-	2	-	2
Region X (Northern Mindanao)	-	-	2	-	2	-	-	3	-	3	-	6
Region XI (Davao Region)	-	-	3	-	3	-	-	3	-	3	-	6
Region XII (SOCCSKSARGEN)	-	-	-	-	-	-	-	-	-	3	-	3
Region XIII (Caraga)	-	-	-	-	-	-	-	-	-	1	-	1
Autonomous Region in Muslim Mindanao (ARRM)	-	-	-	-	-	-	-	-	-	-	-	-
Total:	22	9	61	7	99	146	23	105	13	114	19	420


Source: OGA.

During the year, the OGA approved 199 applications for accreditation of audit firms/external auditors, and denied 69 applications; while 12 applications have been abandoned by the applicant. Relative to the processing of these applications, the OGA reviewed 583 sets of Audited Financial Statements, and held 25 conferences with the audit firms/external auditors and/or their representatives.

**Table 19. Actions Taken on the Processing of Applications for Accreditation of
Audit Firms/External Auditors**

	Number
Approved applications	199
Denied applications	69
Abandoned applications	12
Referred corporations to other departments – recommended for imposition of penalty/further action	249
Penalized Audit Firms/External Auditors	139
Required Auditors to amend the company's audited financial statements	14

Source: OGA.



The summary of findings noted during the review of the financial statements in connection with the accreditation of audit firms/external auditors are summarized in the SEC Website. The common findings consisted of both non-compliance with prudential reporting requirements and effective standards, and some pertain to a misstatement and/or deviation from such prudential requirements and standards.

Compliance Monitoring

Compliance Monitoring of Entities

The Commission, through the Operating Departments and EOs, monitored a total of 53,984 regulated entities as to compliance with applicable laws, rules and regulations. Of these monitored entities, 94% were domestic corporations, foreign corporations and multinational companies.

Table 20. Type and Number of Entities Monitored, CY 2016

Type of Regulated Entity		Number
CRMD and EOs		
1	Domestic Corporations, Foreign Corporations and Multinational Companies	50,649
MSRD		
2	Securities Brokers and Dealers (Head Office)	148
2.1	PSE Members – 138	
2.2	Non-PSE Members- 10	
3	Dealers in Government Securities	47
4	Stock Transfer Agents	22
5	Underwriters of Securities	12
6	Investment Company Advisers	11
7	PLCs	265
8	Accredited Surety Companies	7
9	Exchanges	2
10	Clearing House	1
11	Securities Depositories	2
12	ETF	1
13	SROs	3
14	Registrars of Qualified Buyers	20
15	Operator of Alternative Trading System	1
16	Investment Houses	28
16.1	With Quasi-Banking License – 6	
16.2	Non-Quasi-Banking License- 22	
17	Mutual Fund Distributors	10
CGFD		
18	Registered Issuers (Unlisted Securities)	11
19	Mutual Funds or Investment Companies	61
20	Issuers of Proprietary and Non-Proprietary Securities	94
21	ETF	1
22	Public Companies	32
23	Financing Companies	237
24	Lending Companies	306
25	Foundations	1,982
26	Microfinance NGOs	31
Total:		53,984

Source: CRMD, CGFD, MSRD and EOs.

Monitoring and Evaluation of Reports and Disclosures

In line with monitoring the compliance of supervised entities, the SEC monitored and evaluated the reportorial requirements and disclosures submitted by these entities. The MSRDC monitored and evaluated a total of 26,947 reports submitted by market institutions, intermediaries and market professionals. Most of these reports were Current Report SEC Form 17-C (22%), SEC Form 30.1 (Affiliated Transactions of Broker Dealer) (20%), Reports on Persons Transacting PSE Shares (9%), and RBCA Reports (8.5%).

Table 21. Type and Number of Reports of Capital Market Entities and Professionals Monitored by the MSRDC, CY 2016

	Type of Report	No. of Reports
1	SEC Form 17-A (Annual Report)	261
2	SEC Form 17-Q (Quarterly Report)	784
3	SEC Form 17-C (Current Report)	5,843
4	SEC Form 17-L (Inability To File 17-A and 17-Q)	160
5	SEC Form 18-A (5% Ownership Report)	31
6	SEC Form 19-1 (Tender Offer – Initial Report)	7
7	SEC Form 20-IS (Preliminary Information Statement)	259
8	SEC Form 20-DIS (Definitive Information Statement)	264
9	18-AS	4
10	SEC Form 85-18-1	14
11	SEC Form 23-A (Initial Statement of Beneficial Ownership of Securities)	501
12	SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities)	2,327
13	SEC Form 10.1 (Confirmation)	69
14	SEC Form 10.1 (Notice)	171
15	SEC Form 10.2 Employees' Stock Option Plan	9
16	Written Notification of Completion or Termination of the Offering	9
17	Others (Amended, Compliance to Pending Applications, Queries and Others)	159
18	Documents Encoded for SEC i-View	150
19	AFS	246
20	Block Sales Reports	1,249
21	Brokers Sworn Statements of PSE Shares	615
22	Certificate of Compliance with Manual on CG	148
23	Secretary's Certification of Board Attendance in Meetings	148
24	Examination Calendar Submitted by CMIC	1
25	GIS	54
26	List of Directors, Officers, Salesmen and Employees Together with Their Respective Photos Taken Within 6 months, with Designations and Specimen Signatures	7
27	Monthly Complaints Report	314
28	Certification of Independent Director	381
29	Outsourcing Notification Letter	1
30	PDEX Report on Failed Posting of Firm Bid Yields	6
31	PDEX Report on Failed Trades	11
32	PDTC Report on Broker Shareholdings of PSE Shares	12

Type of Report		No. of Reports
33	PSE Disclosures for Posting at PSE EDGE Management System	76
34	PSE Report on Broker Shareholdings of PSE Shares	12
35	Report of Suspension in Listed Issued	19
36	Report of Trading Halt in Listed Issues	35
37	Report on Cases Handled by PSE Disclosure Department	12
38	Report on PSE Number of Shareholdings Owning at Least One Board Lot	12
39	Report on PSE on Foreign Ownership	12
40	Reports of Dockets of Examinations and Investigations Being Conducted	12
41	Reports of Persons Transacting PSE Shares	2,461
42	Reports Submitted by CMIC	36
43	RBCA Report	2,307
44	SCCP Daily Delivery Versus Payment Settlement Report	239
45	SEC Form 28-Broker Dealer and Amendment Form	3
46	SEC Form 28-T Termination Notices	81
47	SEC Form 30.1 Affiliated Transactions of Broker Dealer	14
48	SEC Form 30.2 Quarterly Compliance Report	696
49	SEC Form ICA-IA Amendment Form	1
50	SEC Form IH-AR-Annual Reports	29
51	SEC FORM IHFS (Special Form for Financial Statements of Investment Houses)	1
52	SEC Form IH-QPR (Investment Houses-Quarterly Progress Reports)	110
53	SEC Form IHU-A Amendment Form	27
54	Report on Training Program	148
55	Revised Manual on CG	3
56	Revised AML Manual	5
57	CG Self-Rating Form	1
58	AML Compliance Form	1
59	Amended Written Supervisory Procedures	138
60	Organizational Chart	144
61	Risk Management Plan	152
62	Business Continuity and Disaster Recovery Plan	137
63	Information Technology Plan	137
64	Contract of Service	42
65	Website Requirement	146
66	Notification on AP's Absence of Leave	23
67	Annual Report on Chinese Walls Measures	1
68	SEC Form 36 - Annual Report	22
69	30.1 Reports on Affiliated Transactions	5,405
70	Transfer Agent Exception Report	3
71	SEC Form BOF 001 Biodata of Board of Directors and Officers	29
Total:		26,947

Source: MSRD.

The CGFD, on the other hand, monitored and evaluated a total of 37,773 reports submitted by its supervised entities in 2016. These include Public Companies, MFCs, ETFs, Financing Companies, Lending Companies, Issuers of Membership Certificates/Shares, Timeshares, and Foundations' compliance with existing laws and regulations. A significant number of the reports monitored and evaluated were GIS (27%), AFS (24%), and reports required under SEC MC No. 8-2006 or the Revised Guidelines on Foundations (22%).

The CGFD monitors AFS - audited for companies with secondary licenses, and notarized for those below the threshold amounts set. The number of reports/disclosures monitored totaled 34,976 (26,377 for Foundations, 3,851 for Financing Companies; 4,544 for Lending Companies; and 204 for Microfinance Companies); while the number of reports/disclosures evaluated totaled 18,059 (11,025 for Foundations; 3,241 for Financing Companies; 3,646 for Lending Companies; and 147 for Microfinance Companies).

Table 22. Type and Number of Reports of Companies Monitored by the CGFD, CY 2016

	Type of Report	No. of Reports
1	Annual Report (SEC Form 17-A)	194
2	Quarterly Report (SEC Form 17-Q)	570
3	Current Report (SEC Form 17-C)	636
4	Inability to File Annual/Quarterly Reports (SEC Form 17-L)	33
5	Notice of Suspension of Reportorial Obligation (SEC Form 17-EX)	17
6	Report to be Filed by Beneficial Owners and Institutional Owners of more than 5% (SEC Form 18-A/18-AS)	23
7	Preliminary Information Statement (SEC Form 20-IS)	141
8	Definitive Information Statement and Proxy Solicitation Statement (SEC Form 20-IS)	165
9	Initial Statement of Beneficial Ownership (SEC Form 23-A)	107
10	Report on Changes on Beneficial Ownership (SEC Form 23-B)	56
11	Monthly Sales/Redemption Report	650
12	GIS	10,018
13	AFS	9,172
14	Special Form for Financial Statements (SFFS)	1,146
15	Annual Information Statement	389
16	Annual Fee	94
17	Reports Required under SEC MC No. 8-2006	8,373
18	1st Semester Semi-Annual Financial Statements	1,124
19	2nd Semester Semi-Annual Financial Statements	1,091
20	Quarterly Report (SEC Form Q-EPS)	979
21	Certification of the Corporate Secretary on the Attendance of Directors on the Board Meetings	338
22	Certification of the Compliance Officer on the Extent of Compliance to the Manual of CG	332
23	Revised AML Operating Manual	94
24	AML Compliance Form (AML-CF)	78
25	Revised Manual on CG	77

Type of Report		No. of Reports
26	CG Scorecard	73
27	Stock and Transfer Book	248
28	Others (Membership Book, Statement of Willingness to be Audited, Location Map)	1,555
Total:		37,773

Source: CGFD.

In addition, the CGFD conducted seven ocular inspections of companies that filed an RS for the registration of securities such as proprietary and non-proprietary shares or membership certificates. The Department verified the disclosures made by the issuer particularly the work program of the projects where the facilities and amenities that will be used by the prospective investor if he or she becomes a shareholder or member of the company.

The CGFD also conducted on-site audits of 15 MFCs to determine if these companies are compliant with the ICA, ICA Rule 35-1, SRC and its IRR. The Department notified the companies of the observations and findings, or issued show cause letters thereon, while the other matters, such as the license of the parties involved in the offering of mutual shares were endorsed to the MSRD and the CRMD.

For its part, the OGA reviewed a total of 711 sets of Audited Financial Statements and Interim Financial Statements (583 sets are relative to the processing of applications for accreditation, while 128⁹ sets are relative to the processing of the applications of corporations to register their securities for public offering). The OGA also reviewed financial statements and other financial reports, upon request of the SEC Operating Departments and other agencies, in aid of their investigative functions.

As part of the Commission's monitoring and enforcement functions, the OGA refers to the Operating Departments its noted violations in the review of the audited financial statements of companies. The Operating Departments assess penalties on the companies concerned, while the OGA assesses penalties on the SEC-accredited auditors of said companies.

The EIPD in its monitoring functions has prepared the following monitoring reports: 244 Daily Stock Market Reports, 244 Midday Reports, 244 Partial Market Reports, and 288 Review Market Activities. During the year, it also prepared 302 Weekly Monitoring Sheets that tracked the movement of the price, volume and price and volume percentage change of the particular listed issue for the reference week. It was able to take note of and record 2,260 news/rumors in the Total Market Surveillance System and closely monitored 64 issues that reached their trading price limits. It directed 189 broker dealers to disclose owners of certain client codes in the course of its fact finding activities and conducted 51 field investigations/surveillance.

⁹The CGFD and the MSRD referred 74 and 54 sets of financial statements, respectively, relative to the application for RS.

Enforcement

Resulting from the judicious monitoring of regulated entities and individuals, the Commission imposed fines and/or penalties to 11,414 firms and individuals for violation of laws, rules and regulations being enforced by the SEC. Majority of those fined and/or penalized were non-compliant with the Corporation Code, while the rest were non-compliant with the SRC, LCRA, FCA and various laws.

Table 23. Types of Violation and Number of Errant Entities Fined/Penalized, CY 2016

Type of Violation		No. of Violations
1	Firms non-compliant with the Corporation Code	10,944
2	Firms non-compliant with the SRC	61
3	Individuals non-compliant with the SRC	123
4	Firms non-compliant with the LCRA	8
5	Firms non-compliant with the FCA	8
6	Firms non-compliant with various laws	270
Total:		11,414

Source: CGFD, CRMD, EIPD, MSRD, OGA.

In the conduct of its fact-finding investigation on the complaints received, the EIPD made at least 51 ocular inspections on respondent corporations and issued 130 Notices of Conferences and/or Subpoenas to the concerned parties that are the subject of an ongoing investigation; conducted conferences with both complainants and respondents and issued Orders including but not limited to the following: closure and termination of investigation; payment of penalties, show cause orders, among others.

The Commission also issued 20 CDOs in 2016 to prevent fraud or injury to the public.

Table 24. CDOs Issued, CY 2016

Name of Company	Date Issued
Bacoor Doctors Medical Center, Inc.	January 12, 2016
Goldxtreme Trading Co.	January 26, 2016
Grandtime Automobile, Inc.	January 26, 2016
Success200 International Marketing Corporation	January 26, 2016
Klikmart Dragon, Inc. (also known as "Klikmart Rewards")	April 5, 2016
Klikmart Shopping Club Corp. (also known as "Klikmart Rewards")	April 5, 2016
Janus Carlo D. Manalang	April 5, 2016
Jacama Sales and Marketing	April 5, 2016
Satarah Wellness International	April 21, 2016
Satarah Investment Group Inc.	April 21, 2016
Satarah Wellness Marketing	April 21, 2016
Techno Innovation Marketing Enterprise Corporation/Time Corporation	May 12, 2016

Name of Company	Date Issued
Grandtime Automobile, Inc.	June 30, 2016
Starjed Micro Financing Corp.	July 19, 2016
Goldxtreme Trading Co.	July 19, 2016
Pretty Pink Holdings Co. Inc.	August 9, 2016
Dragon One Network Trends Corp.	September 27, 2016
Seven Star General Merchandise	September 27, 2016
MySuper Saver Company Limited	October 11, 2016
My Science of Success Marketing, Inc.	November 24, 2016

Source: EIPD.

As the primary investigative and enforcement arm of the Commission, the EIPD acts on complaints and investigations of violations of laws and rules enforced by the Commission, and takes action against erring entities by seeking the revocation of their primary registration in appropriate proceedings before the Commission En Banc, imposing the appropriate fines or penalties or by filing the appropriate criminal complaints before the DOJ. Among the violations acted upon by the Department are insider trading; unauthorized sale of securities; market manipulation; boiler room operations; Ponzi and pyramiding schemes; submission of falsified reports to the Commission like the GIS, RS, etc.; ultra vires acts committed in violation of the Corporation Code; and violations of PD 902-A.

For 2016, a total number of 122 cases of such violations involving corporations and individuals were investigated by the EIPD. Most of the cases involved the public offering and selling of investment contracts employing what is commonly known as a Ponzi scheme. Companies purporting to be engaged in multilevel network marketing were also found to be engaged in soliciting investments from the public in the guise of selling consumer products through pyramiding schemes. Relative to these pyramiding schemes, in 2016, there were hundreds of investors who tried to file their complaints with the SEC for possible recovery of the money they invested. The SEC, however, does not have jurisdiction to award damages arising from such scams as jurisdiction over such actions is now with the RTC under Section 63 of the SRC.

Thus, part of the EIPD's actions in this regard consisted of: launching of an information campaign and issuance of public advisories to investors requiring them to seek the assistance and advice of the SEC before dealing with entities seeking investments from the public; launching of an online watch against such scams by asking people to immediately report such activities through the Commission's "i-Message Mo" facility; and coordination with the DTI in reaching far-flung communities reported to be victimized by scam operators. A number of entities operating in Palawan and engaged in illegally offering investment contacts to the public were investigated and ordered to cease and desist by the Commission.

There were also 12 cases of market manipulation investigated by the EIPD using such manipulative devices as wash sales and hype and dump and two cases of insider trading.

The EIPD has likewise taken action against companies found in violation of the Corporation Code and PD 902-A. Notable among these violations are those involving Section 45 of the Corporation

Code on ultra-vires acts and Section 6 (1)(2) of PD 902-A for serious misrepresentation as to what the corporation can do or is doing to the great prejudice or damage to the general public. Eleven corporations were investigated by the EIPD for alleged ultra vires acts and 24 corporations were made to answer for serious misrepresentation resulting in the filing of petitions for revocation against said companies.

The administrative penalties imposed for violations of the SRC include fines ranging from ₱10,000 to ₱1,000,000 per transaction while violation of the Corporation Code is penalized with fines ranging from ₱1,000 to ₱5,000 as well as revocation of the corporate franchise or suspension.

Table 25. Number of Violations Acted Upon by the EIPD

Violations	Number of Cases
Insider Trading	1
Unauthorized Sale of Securities	75
Ponzi and Pyramiding Schemes	54
Submission of Falsified Reports	2
Ultra Vires Acts Committed in Violation of the Corporation Code of the Philippines	14
Violations of PD 902-A	27
Total:	173

Source: EIPD.

The EIPD also enlists the assistance of the OGA in the conduct of its investigation, particularly, in the review of the financial reports of the entities being investigated/complained.

The OGA also refers to the Operating Departments its noted violations in the review of the audited financial statements of companies. The Operating Departments assess penalties on companies concerned while the OGA assesses penalties on the SEC-accredited auditors of said companies. For the year 2016, the OGA has penalized 139 audit firms/external auditors.

On the other hand, the CGFD during the year has imposed penalties on Financing, Lending, Microfinancing, Foundations, and Proprietary/Non-Proprietary Shares.

Table 26. Number of Penalized Companies and the Total Penalties Collected

Companies	Number	Amount (in ₱)
Financing	44	4,010,688.51
Lending	33	1,631,585.83
Microfinancing	2	56,250.00
Foundations	217	5,214,852.52
Proprietary/Nonproprietary Shares	28	7,543,937.50
Total:	324	18,457,314.36

Source: CGFD.

The CGFD also issued a total of 1,674 show cause letters for the year 2016: 1,534 from the Monitoring Division and 140 from the Licensing Division.

Strategic Support

Economic Research and Training

The ERTD renders valuable strategic support not only to the Commission but also to the Operating and Support Departments. It coordinates the formulation and monitoring of the Agency's strategic and operational plans; prepares the Agency's inputs to government plans and related reports/updates; and helps prepare materials on the policies, plans, programs and accomplishments of the SEC for reporting to government oversight agencies.

The Department also acts as the focal SEC department in implementing infomercials and conduct of education programs for the public and on matters pertaining to performance governance and quality management systems. At the same time, it coordinates statistical compilation activities and represents the Commission in inter-agency activities on statistical concerns.

On national and international linkages, the ERTD provides technical support to inter-agency activities and coordinates on matters relating to multilateral, regional and bilateral international trade and economic partnership agreements on financial services. It coordinates the conduct of capacity building programs for capital market participants; administers certification examinations to capital market participants; and coordinates with foreign donors on the implementation of the SEC building projects/activities as assigned by the Commission En Banc.

Capital Market Training

During the year, the ERTD coordinated the Review of the SEC Certification Programs for both seminars and licensure examinations with the SEC Committee on Financial Examination created under SEC Office Order No. 639, Series of 2015, in line with the SRC provisions on the regulation and development of Securities Market Professionals. The Committee revised and updated the questions categorized into modules, and conducted orientation for market participants and professionals to inform them of the salient features of the Revised SEC Certification Programs. By the end of 2016, the Policies and Guidelines of the Revised SEC Certification Programs have been completed and approved by the Commission En Banc, together with the proposed corresponding new fees and charges.

Three orientation seminars were held during the year with 503 participants: for Certified Securities Representative - 378, AP - 25 and Orientation for Market Participants - 100.

With regard to the different certification programs for capital market participants, 2,190 examinees took the corresponding Licensure Examinations at the SEC Head Office and 376 in Cagayan De Oro, Cebu, Davao, Baguio, Iloilo and Palawan.

As shown in the table below, more than half took the licensure examination for Mutual Fund with 1,284 examinees or 58.63% of the total. Certification programs for Certified Securities Representative and Fixed Income had 461 examinees or 21.05% of the total and 225 examinees or 10.27% of the total, respectively. Few examinees took the various AP-Certification Programs.

Table 27. Number of Examinees in the Head Office per Certification Program

Certification Program	No. of Examinees	%
Mutual Fund	1,284	58.63
Fixed Income	225	10.27
Certified Securities Representative	461	21.05
AP M1	37	1.69
AP M2	35	1.60
AP M3	62	2.83
AP M4	49	2.24
AP M5	37	1.69
Total:	2,190	100

Source: ERTD.

The ERTD also provided necessary administrative and technical support to the conduct of various seminars, both in connection with the Commission's projects and other projects of the Commission with other agencies: (1) Investor education, with the FSF-Consumer Protection and Education Committee - 1,474 participants; plus seven fora conducted in Angeles City, Tarlac City, Davao City, Iloilo City, Legazpi City, Baguio City, Cagayan de Oro City, and Manila; (2) Financial education - 1,750 participants in Nueva Vizcaya, Valenzuela City, Catbalogan City, Kalibo, Aklan, and Malolos, Bulacan; and six student orientations with 457 students participants; and (3) Public Seminar on Registration and Monitoring of Lending Companies as part of the Commission's drive against informal lenders - 100 participants. In support of the government's ease of doing business initiative, the ERTD actively participated in financial education and trade expos in various parts of the country, reaching out to 4,000 participants in these activities.

In line with the Commission's international cooperation work, the ERTD coordinated two study visits during the year which consisted of 28 foreign visitors: (a) from Bangladesh on ETF briefings from the PDTC, PSE and SCCP; and (b) from Nepal FIU on AML and Combating the Financing of Terrorism initiatives on SEC covered persons and monitoring of non-profit organizations.



Picture 19. Consumer Welfare Month. Director Jose P. Aquino, second from left, leads the SEC participants during the celebration of the Consumer Welfare Month held at the BSP Assembly Hall on October 3, 2016. Also present is ERTD Training Division Asst. Director Jernel R. Macatangay, rightmost.

Economic Research and Statistics

Like the other support departments of the Commission, the ERTD continues to represent the Commission in various inter-agency meetings related to the FTA and financial stability related matters as resource person, and also as member of several Technical Committees created for certain studies and researches. The ERTD conducted with the assistance of the ADB a study on the proposed capacity building initiatives for the ASEAN member states by the ACMF Market Development Program.

It also lent technical support services to the other SEC departments: (a) on the Foreign Account Tax Compliance Act, a US tax regulation designed to improve compliance by US citizens who maintain accounts in non-US financial institutions or transact with non-US entities, coordinated the briefing for the SEC stakeholders; and disseminated the necessary information on the Agreement and the implications of its implementation on Private Financial Institutions; (b) assisted in the drafting of the SEC Financial Crisis Management Resolution; and (c) helped prepare the SEC Agency Transition Materials comprised of the SEC Transition Kit, SEC Transition Matrix, and SEC Transition Presentation presented by the Commission En Banc to DOF Secretary Carlos Dominguez III in support of the leadership of President Duterte. It also helped develop and finalize MC No. 12-2016 which pertains to the SEC proposed fees and charges and the SEC FOI Manual, together with the OCS. It also participated in the study tour of the ACRA Singapore in connection with its XBRL Implementation.

Publication on Top 1,000 Corporations in the Philippines

On statistical concerns, the Commission, through the ERTD, initiated the preparation and publication of the Top 1,000 Corporations in the Philippines. The report, entitled *“The Top 1,000 Corporations: Managing through Difficult Times (2014 Edition)”*, provides an overview and insights on the financial performance of the Philippines’ top 1,000 corporations for 2013 against the backdrop of domestic events that took place during the same year. This publication essentially informs business stakeholders on the financial performance of leading corporations in the Philippines in terms of Gross Revenues, Profits, Assets, Liabilities, and Equities. It also features sectoral review of the performance of PLCs, Financial Intermediation and Insurance Corporations, which include Companies Holding Investments, Financing and Lending Companies, and companies in the Business Process Outsourcing Industry, as SEC-regulated and monitored companies. It aims to inform interested groups, and to encourage them to use the data as bases for generating insights and perspectives and for validating similar reports by independent researches. The report on the top 1,000 corporations for 2014 and 2015 are both in process.

In this regard, the ERTD has obtained an Optical Media Board Commercial Replication Permit for the publication.

Strategic Management and Planning

The ERTD led the preparations and actual conduct of the FY 2017 Pre-Planning Conference and the FY 2017 Strategic Planning Conference held on January 13-15, 2016 and January 27-29, 2016, respectively. Based on the directions set during the FY 2017 Strategic Planning Conference, the SEC Departments and Special Offices updated and prepared their respective Performance Scorecard, Office/Department Performance Commitment and Review Form, and FY 2017 budget proposal. These planning activities made the Commission allocate its resources better and provided for a clearly understood and openly agreed upon direction of the Commission.

On administrative compliances, the ERTD coordinated with the other SEC departments to ensure compliance with the submissions required by the Inter-Agency Task Force on the Harmonization of the National Government Performance Monitoring, Information and Reporting Systems (AO 25 IATF) and by other agencies, on a timely basis. These include the updating of the SEC Citizen’s Charter which has been duly validated by the IATF as compliant with Citizen’s Charter requirements; the quarterly submission of the Budget Accountability Report to the Office of the President, DOF, DBM, and Commission on Audit (COA), and the submission of the FY 2017 Budget Documents required by the Senate and House of Representatives. The timely submission by the SEC of its reportorial requirements to oversight agencies manifests its genuine commitment to good CG.



Picture 20. FY 2017 Strategic Planning Conference. Chairperson Teresita J. Herbosa, seated, center, leads the Commissioners and Heads of Departments and Offices in setting the Commission's FY 2017 thrusts and priorities during the FY 2017 Strategic Planning Conference held at Green Canyon Eco Art Resort in Clark, Pampanga.

Information and Communications Technology Development

Like in any other government agency, the ICTD develops the information technology architecture for the Commission. It formulates the SEC Information Systems Strategic Plan (ISSP) and coordinates all the activities at SEC relative to its implementation. At the same time, it takes charge of the procurement planning, acquisition and deployment of all Information and Technology (ICT) resources in accordance with the SEC-ISSP; leads and facilitates application systems development activities, including the administration, maintenance, promotion and deployment of such systems; performs capacity planning activities and administers the network and communications infrastructure of the entire Commission; and ensures the proper maintenance of the computer and network facilities.

Like any other departments of the Commission, the ICTD participates in inter-agency electronic linkages and data-sharing arrangements.

The ICTD preserves the integrity of the SEC electronic data; takes charge of updating the database entries relative to any amendments to the capital structure/contributed capital of SEC registered companies; maintains archives and manages electronic copies of documents submitted by registered companies; coordinates with the other departments in the disposal of records in accordance with Philippine laws and SEC policy; and provides information of registered companies to SEC internal and external users.

Electronic Records and Management

With the improvement of information technology resources for the storage and retrieval of digitized documents, the ICTD has made document retrieval easier and faster through the installation and use of the SEC iView Facility, the full implementation of the SEC Express System (SES), and the launching of the SEC Express Nationwide Submission (SENS). The digitized documents and reports submitted to the SEC are made available to the public at a shorter period of time. In 2016, 93% of the public requests were attended to in less than an hour, a great improvement compared to 2001 when only 13% of public requests in the same amount of time were attended to, prior to the upgrading and installation of the new system. The noticeable improvement in public waiting time from 2001 to 2016 is shown in Figure 7.

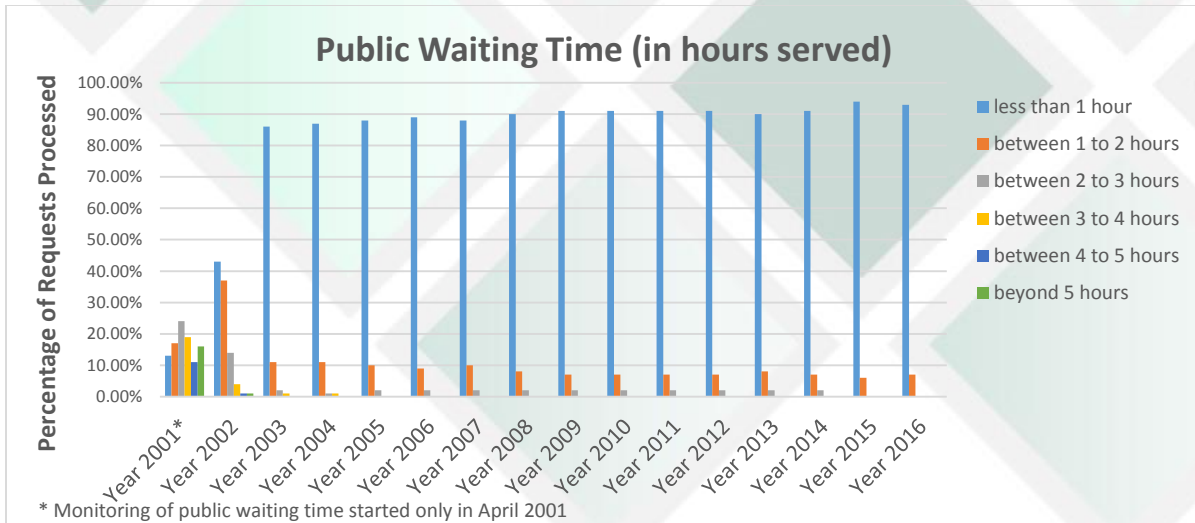


Figure 7. Retrieval of Company Files at the Public Reference Unit, CY 2001-2014

Source: ICTD.

In addition to the SES, launched in 2014, where the public can request SEC documents online or through appointment, the SENS was launched in March 2016 to give further convenience to the transacting public. It allowed filers an additional submission option to the Commission's standard procedures. With this option, filers can simply send their documents to the SEC through a designated courier or courier of their choice instead of submitting these personally at the SEC Head Office and/or SOs. The SENS provides an alternative option in the filing of SEC-regulated entities' reportorial requirements. This system helped in the Commission's commitment to lessen public waiting time and long lines in the delivery of service for the receipt of annual reports being filed; its impact is evident in the number of clients' requests served.

As shown in Table 28, the installation and utilization of the SEC i-View Facility, the full implementation of the SES, and the launching of the SENS delivered various services to the public in 2016.

Table 28. Delivered Services in 2016

I. Delivery of Public Reference Services	
Total Number of Clients' Requests Served	108,907
Total Number of Clients' Requests Served for Authentication	44,382
Income Generated for 2016	₱27,245,207
Public Waiting Time for 2016	
Percentage of Clients Served:	
a. Less than 1 Hour	93%
b. 1 Hour to Less than 2 Hours	7%
c. 2 Hours to Less than 3 Hours	0%
d. 3 Hours to 5 Hours	0%
II. Services Rendered for the Receipt and Release of SEC Documents	
a. Total Number of Reports Received	301,308
b. Total Number of Letters/Subpoenas, etc. Received	15,600
c. Total Number of Correspondences Approved & Documents Released thru Mail	40,668

III. Services Rendered for Conversion of SEC Documents to Electronic Format

Total Number of Documents Converted to Digital Form (Jan.–Dec. 2016)	
In- House Conversion	
Back files Records (prior to 1996)	3,600 pages
Current Files	7,580,000 pages
Total	7,583,600 pages
Total Number of Pages Converted to Digital Form from 1996 to 2016	
83, 075,153 pages	

Source: ICTD.

Information Systems and Development

1. In June 2016, the DBM approved the institutionalization of the ICTD and the creation of five additional positions distributed among its three divisions: the Systems Operations Division, the Information Systems Development and Management Division and the Electronic Records Management Division, to help upgrade the Commission's core services and internal operations.

The ICTD is tasked to: (a) formulate the SEC ISSP; (b) undertake procurement planning, acquisition and deployment of the Commission's ICT resources; (c) act as the lead coordinator on the development, administration and maintenance of application systems; (d) maintain and manage the contents of the SEC Website; and (e) maintain electronic copies of documents and reports.

2. The Commission's ISSP envisions to effectively and efficiently oversee and regulate covered entities and products; provide the public easier access to information and faster registration process; and provide SEC personnel with a comprehensive electronic monitoring facility. In line with this, the Commission ensures that its Annual Procurement Plan includes its ICT requirements, and that its Transparency Seal provides the required information to the public.
3. In fulfillment of one of its primary functions to manage and supervise information system development projects, the ICTD accomplished the enhancement of the following in-house-developed systems: (1) adoption of additional security code to ensure authenticity of certification issued and to expand its deployment to all the SEC EOs and SOs; and (2) adoption of a security code in the system-generated Purchase Request (PR), in compliance with the prescribed guidelines by the COA for PR preparation.
4. In addition, the following systems were deployed: (1) the enhanced SEC Website with Content Management System for the departments'/offices' respective web content; and (2) i-Message Mo, the on-line facility accessible to the public where they can lodge their queries and other concerns to the appropriate SEC departments/offices and receive response to the same via e-mail.
5. The ICTD further spearheaded the development and consequent implementation of the following ICT systems:

- Company Investments and Financial Statistics System (CiFSS) is a comprehensive company information and statistical reporting system that provides up-to-date reports containing company data and financial information (on stock and non-stock corporations, including partnerships, to the extent feasible). The system will utilize basic company information obtained from the SEC-i-Register/Company Registration database and the encoded MS Excel data from the AFS and GIS, along with the electronic filings of the GFFS, and for the future, industry-specific SFFS, and other data to be extracted from XBRL filings, including other reports which may later be included for processing by the system.

Being primarily a business intelligence application system, apart from the generation of statistics and dashboards on SEC-registered firms, the CiFSS is envisioned to support certain compliance-monitoring and enforcement functions of the SEC through red-flagging and/or alert mechanisms. It is expected to enhance the Commission's ability to receive digital filings through a web portal, provide full text searching capabilities on scanned AFS submissions, and e-commerce facility for chargeable services.

The Commission engaged the service of the Procurement Service of the DBM (PS-DBM) for the procurement of consulting services for the supply, delivery, installation, configuration and implementation of a fully functional CiFSS.

- Extensible Business Reporting Language or XBRL-based Reporting System, which will utilize the features and functionalities of XBRL, is an open international standard for digital business reporting, to facilitate regulated entities' compliance to SEC reportorial requirements and ease the analysis of regulated entities' performance based on submitted reports. The system will also provide the facility to receive and make publicly available a wide range of corporate data. Japan International Cooperation Agency provided assistance for a feasibility study on the adoption of the XBRL-Based Reporting System and an orientation of the representatives of the SEC, BIR, DOF and audit firms on the XBRL technology. The ICTD coordinated with a prospective highly technical consultant for drafting of the Terms of Reference.

The next phase of the project, which will be coordinated with the OGA, shall be the development of the taxonomy for the reports.

- Human Resource Information System or HRIS, deployed in 2015 and pilot-tested in the first quarter of 2016, integrates the Commission's human resource database; and will ease the recording, updating and monitoring of personnel information, attendance, and leave credits. Ninety-five per cent of the employee's training data per employee has already been encoded; and the parallel implementation of the automated monitoring system for all employees is ongoing.

- Property Management and Inventory System (PMIS) was developed to assist in the efficient recording and monitoring of the status and aging of the SEC equipment, assets and properties. Currently, the MS Excel-based inventory is being updated for uploading to the PMIS.

In collaboration with the DICT, and in coordination with the MSRDR, the ICTD undertook the preparatory activities for the on-line submission of the RBCA Reports submitted by the Broker-Dealers via e-mail with the adoption of the PKI to ensure authenticity and security.

Also, the ICTD, together with the CRMD, rolled out the IBRS in the EOs. This single-window application is a program whereby an entity registering with SEC is also issued its TIN and ERNs, without the need for the new registrant to apply for these directly in the BIR, Pag-IBIG, PhilHealth and SSS.



Picture 21. Roll out of the IBRS to EOs. Extension Office Directors sign the IBRS-generated Certificate of Registration during the rollout conducted by ICTD and CRMD.

General Administration and Support

Human Resource Development and General Services

Under the SRC, the Commission shall be exempt from laws, rules and regulations on compensation, position classification and qualification standards; the Commission, however, endeavors to make its system conform as closely as possible with the principles under the Compensation and Position Classification of 1989 (RA 6758, as amended).

As such, the HRAD implements the Civil Service law, rules and regulations, in matters of recruitment and selection, training and development, scholarship grants, performance management, merit promotion, employee welfare and administrative disciplinary actions. Its other functions include providing timely and effective administrative and general support to the departments and offices of the Commission; providing administrative support and assistance in the procurement process of the SEC in accordance with RA 8194 and its Revised IRR and other applicable laws and rules; managing the Citizens' Charter and monitoring compliance with the Anti-Red Tape Act of 2001 (RA 8794); implementing Gender and Development (GAD) programs; and administering the internship program at the SEC, among others. The HRAD also coordinates with the ERTD and the FMD with regard to the compliances required by the AO 25 IATF.

Human Resources Management and Development

In recognition of its workforce as valuable asset, the Commission, through the HRAD, ensures that all policies related to employees' welfare are implemented, and proper assistance is given to employees in the processing of their requirements from other government agencies. It coordinates with the other SEC Departments and Special Offices with regards to the implementation of the SEC Strategic Performance Management System. Cognizant of the importance of the physical well-being of its employees, the HRAD leads the conduct of the Annual Physical Examination for SEC employees in coordination with a medical card company paid for by the SEC employees; it carried out medical and dental consultations year-round to SEC employees in 2016.

Learning Resource and Information

The Commission through the HRAD continues to develop the capacity of its human resources. To holistically capacitate the SEC workforce, the SEC personnel are sent to foreign trainings for exposure to new developments, in addition to the in-house training programs, which aim to develop the required skills and flexibility to move to other areas of the SEC operations. Regular trainings on global standards and practices for the SEC accountants and lawyers, and MSRD and EIPD personnel, are held to enhance their skills and proficiency on standards and practices on their respective function. Modular trainings are provided to technical personnel to update their

knowledge and skills on the latest conventions and practices on securities market, law enforcement and handling of cases, among others.

On the GAD, the HRAD dutifully provided capacity building and developmental trainings for the GAD Focal Points. As special undertaking, it conducted a tribute for the 2016 SEC retirees inclusive of a financial awareness program to help mentor them on the management of their retirement pay.

The HRAD administered internship programs to students from the different colleges and universities in the country. A total of 100 students were assigned as student-trainees in the different Departments and Special Offices of the Commission.

Procurement and General Services

The HRAD continued to support the Commission's Bids and Awards Committee and the TWG in the procurement activities of the Commission. These procurement activities are all posted in the SEC Website through coordination with the ICTD. During the year, the HRAD ably facilitated the transfer of the SEC Offices and Departments to its new Head Office at the Philippine International Convention Center.

Organizational Rebranding

Considering the increasing mandate of the SEC requiring the use of advanced technology, and in celebration of the Commission's 80th Anniversary, the Commission decided to pursue an organizational rebranding for the SEC. The Commission, through the HRAD, conducted the SEC Logo Design contest, which paved the way for a novel SEC Logo duly registered with the National Historical Commission of the Philippines in April 2016. A handbook was developed that includes templates and guidelines on the proper usage and implementation of the new logo. The SEC, in coordination with Philippine Postal Corporation, launched a commemorative stamp with the new SEC logo in celebration of the Commission's 80th Anniversary. It was also timely that the SEC moved to its new temporary office during the year.

Financial Management

A Hall of Fame Awardee as one of the Most Outstanding Accounting Offices in the NG Sector, the FMD continuously leads the Commission's implementation of key Public Financial Management reforms of the NG.

The FMD ensures the proper recording in the accounting books of all the transactions of the SEC, the preparation of periodic financial statements and other financial reports, and the timely completion and submission of the Commission's AFS and other requirements for submission to the COA. The Department also ensures that all the income and disbursements are all properly recorded, and that these are all covered by proper documentation – in terms of supporting papers, authorization, and within the SEC budget. Its functions include the preparation and submission of the Commission's budget documents and financial reports required by the DBM and other agencies.

It has fully implemented the new GAM, which took effect on June 15, 2016. This centralized the processing of Disbursement Vouchers (DV) in the Accounting Division in compliance with the GAM requirement to incorporate accounting entries into the DVs, thus resulting to faster processing of DVs.

To successfully implement the new GAM procedures, the FMD, in coordination with the ERTD, trained representative employees from the different Departments/Offices including the EOs who are involved in processing financial documents and supporting documents for claims and requests for payment. In further compliance with the GAM, the FMD removed the semi-expendable items (i.e. items below ₱15,000) in the list of Plant, Property and Equipment.

The FMD also calibrated the deadlines for submission of documentary requirements for various claims/financial transactions. Moreover, the FMD coordinated with the ERTD in ensuring compliance with the submissions required by the AO IATF on the harmonization of NG performance monitoring, information and reporting systems, on a timely basis.

Contribution of the SEC to the NG

The SEC collections totaled to almost ₱3 billion in 2016; total collections remitted to the NG amounted to ₱2.8 billion, or an excess of ₱700 million when compared to its target collections of ₱2.1 billion. Its total budget provided by the General Appropriations Act for FY 2016 was ₱635 million; compared to its collections remitted to the NG of ₱2.8 billion, the SEC contributed a total of ₱2.2 billion in 2016 to the NG. Details of the 2016 collections follow:

Table 29. SEC Collections, CY 2016

Particulars	Total Collections by SEC (in ₦)	Collections/Income Retained (in ₦)	Collections to NG (in ₦)
Licensing Fees	77,089,306.00	-	77,089,306.00
Registration Fees	2,433,532,826.24	82,200,000.00	2,351,332,826.24
Fines and Penalties	174,885,498.23	11,700,000.00	163,185,498.23
Rent Income	7,955,005.12	7,955,005.12	-
Seminar Fee	4,849,553.48	4,849,553.48	-
Interest Income	353,801.83	352,988.25	813.58
Other Service Income	257,378,575.77	6,100,000.00	251,278,575.77
Miscellaneous Income	1,186,973.86	-	1,186,973.86
Total:	2,957,231,540.53	113,157,546.85	2,844,073,993.68

Source: FMD.

For the last ten years, the Commission collected a total of ₦21.5 billion against target of ₦12.8 billion, or an excess of ₦8.7 billion or 68%, as shown below:

Table 30. SEC Targets and Collections, CY 2007-2016

Year	Actual Collections (in ₦)	Annual Target (in ₦)	Excess Collections (in ₦)
2007	1,765,416,026.57	714,903,000.00	1,050,513,026.57
2008	1,344,852,670.79	750,647,000.00	594,205,670.79
2009	1,078,733,150.33	834,671,000.00	244,062,150.33
2010	1,208,117,773.69	898,650,000.00	309,467,773.69
2011	1,783,894,634.69	914,863,000.00	869,031,634.69
2012	2,639,579,805.29	1,264,226,000.00	1,375,353,805.29
2013	3,445,732,518.67	1,327,437,000.00	2,118,295,518.67
2014	2,677,600,666.52	1,948,265,000.00	729,335,666.52
2015	2,750,654,171.88	2,034,360,000.00	716,294,171.88
2016	2,842,887,019.82	2,136,078,000.00	706,809,019.82
Total:	21,537,468,438.25	12,824,100,000.00	8,713,368,438.25

Source: FMD.

For the same period, the Commission contributed a total of ₦21.5 billion to the NG against total appropriations received of ₦4.4 billion, or a net contribution to the NG of ₦17.1 billion, as follows:

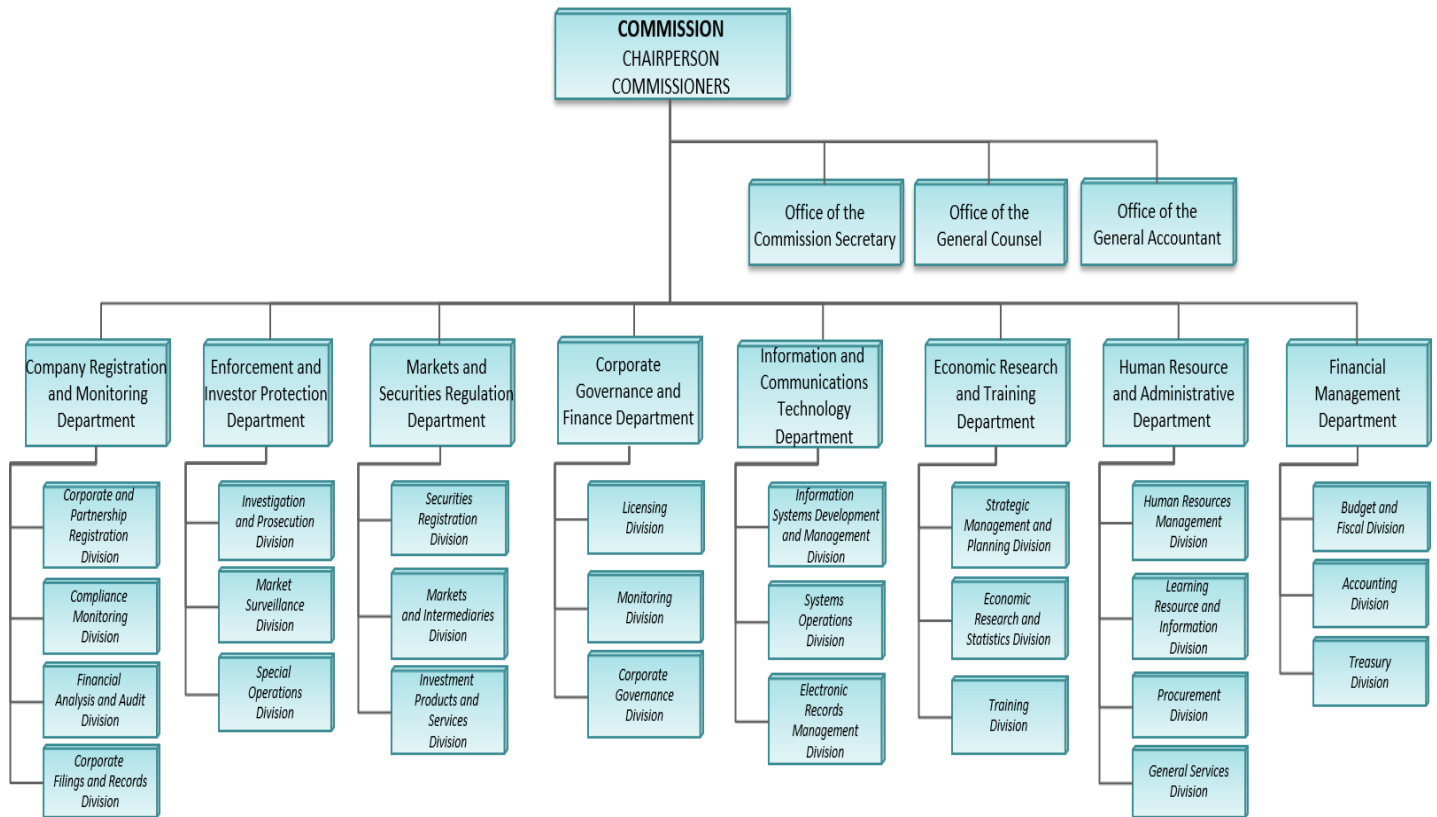
Table 31. SEC Net Contributions to the NG, CY 2007-2016

Year	Collections for NG (in ₦)	Annual Appropriations (in ₦)	Net Contributions (in ₦)
2007	1,765,416,026.57	433,888,000.00	1,331,528,026.57
2008	1,344,852,670.79	435,883,000.00	908,969,670.79
2009	1,078,733,150.33	286,464,000.00	792,269,150.33
2010	1,208,117,773.69	256,954,000.00	951,163,773.69
2011	1,783,894,634.69	446,865,000.00	1,337,029,634.69
2012	2,639,579,805.29	505,220,000.00	2,134,359,805.29
2013	3,445,732,518.67	257,699,000.00	3,188,033,518.67
2014	2,677,600,666.52	562,113,000.00	2,115,487,666.52
2015	2,750,654,171.88	588,415,000.00	2,162,239,171.88
2016	2,842,887,019.82	635,451,000.00	2,207,436,019.82
Total:	21,537,468,438.25	4,408,952,000.00	17,128,516,438.25

Source: FMD.

Securities and Exchange Commission

ORGANIZATIONAL CHART



Extension Offices*



Satellite Offices**



* Extension Offices under the Office of the Commissioners.

** Satellite Offices under the Company Registration and Monitoring Department.

*** Robinsons Galleria Cebu Satellite Office under the Cebu Extension Office.



Securities and Exchange Commission

✉ Secretariat Building, PICC Complex, Pasay City 1307



☎ 818-7215 | www.sec.gov.ph

<http://imessagemo.sec.gov.ph/login.php>