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

*Innovating
for
Competitiveness*

ANNUAL REPORT

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List of Acronyms and Abbreviations

AAFS – Annual Audited Financial Statement

ABMF – ASEAN +3 Bond Market Forum

ABMI – Asian Bonds Market Initiative

ACGR – Annual Corporate Governance Report

ACGS – ASEAN Corporate Governance Scorecard

ACMF – ASEAN Capital Market Forum

ADB – Asian Development Bank

AEC – ASEAN Economic Community

AFS – Audited Financial Statement

AMLA – Anti-Money Laundering Act

AMLC – Anti-Money Laundering Council

AO 25 IATF – Administrative Order No.25 Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems

AP – Associated Person

APEC – Asia Pacific Economic Cooperation

APP – Annual Procurement Plan

ASEAN – Association of Southeast Asian Nations

BAC – Bids and Awards Committee

BEO – Baguio Extension Office

BIR – Bureau of Internal Revenue

BOA – Board of Accountancy

BOC – Bureau of Customs

BOSS – Bohol One-Stop Shop

BP – Batas Pambansa

BSP – Bangko Sentral ng Pilipinas

CA – Commonwealth Act

CAFSR – Computer-Assisted Annual FS Review

CCP – Corporation Code of the Philippines

CDO – Cease and Desist Order

CDOEO – Cagayan De Oro Extension Office

CEO – Cebu Extension Office

CFD – Corporate Finance Department

CG – Corporate Governance

CGFD – Corporate Governance and Finance Department

CGTP – CG Training Provider

CiFSS – Company Investments and Financial Statistics System

CIC – Credit Information Corporation

CIS – Certified Investment Solicitors

CIS – Collective Investment Scheme

CISA – Credit Information System Act

CIS-URDB – Certification Issuance System – Unified Reference Database

CN – Convertible Note

CO – Compliance Officer

COMELEC – Commission on Elections

CPA – Certified Public Accountant

CPIIC – Cebu Province Investment and Incentives Center

CRA – Credit Rating Agency

CRMD – Company Registration and Monitoring Department

CRS – Common Reporting Standards [FATCA]

CRS – Company Registration System [SEC]

CSC – Civil Service Commission

CSR – Certified Securities Representative

DEO – Davao Extension Office

DILG – Department of the Interior and Local Government

DOF – Department of Finance

DOJ – Department of Justice

DSWD – Department of Social Welfare and Development

DTI – Department of Trade and Industry

DV – Disbursement Voucher

eNGAS – electronic New Government Accounting System

ERN – Employer’s Registration Number

ERTD – Economic Research and Training Department

EIPD – Enforcement and Investor Protection Department

EO – Extension Office

EODB – Ease of Doing Business

ESOP – Employee Stock Option Plan

EWBC – East West Banking Corporation

FATCA-IGA – Foreign Account Tax Compliance Act Inter-Governmental Agreement

FCA – Financing Company Act

FIMS – Fixed Income Market Salesman

FMD – Financial Management Department

FRB – Financial Reporting Bulletin

FS – Financial Statement

FSCC – Financial Stability Coordination Council

FSF – Financial Sector Forum

GAM – Government Accounting Manual

GCG – Governance Commission for GOCCs

GFFS – General Form of Financial Statements

GIS – General Information Sheet

GOCC – Government-Owned or -Controlled Corporation

HRAD – Human Resource and Administrative Department

HRIS – Human Resource Information System

IBRS – Integrated Business Registration System

IC – Insurance Commission

ICA – Investment Company Act

ICT – Information and Communications Technology

ICTD – Information and Communications Technology Department

IEO – Iloilo Extension Office

IFC-WB – International Finance Corporation – World Bank

IOSCO – International Organization of Securities Commissions

IPO – Intellectual Property Office

IRR – Implementing Rules and Regulations

LCRA – Lending Company Regulation Act

LEI – Leading Economic Indicators

LEO – Legazpi Extension Office

MBC – Makati Business Club

MC – Memorandum Circular

MFD – Mutual Fund Distributor

MFE – Multilateral Financial Entities

MMoU – Multilateral Memorandum of Understanding

MOA – Memorandum of Agreement

MOU – Memorandum of Understanding

MSRD – Markets and Securities Regulation Department

NBI – National Bureau of Investigation

NEDA – National Economic and Development Authority

NG – National Government

NGO- Nongovernment Organization

OECD – Organization for Economic Cooperation and Development

OGA – Office of the General Accountant

OGC- Office of the General Counsel

Pag-IBIG Fund – Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno

PD – Presidential Decree

PDEX – Philippine Dealing and Exchange Corporation

PDIC – Philippine Deposit Insurance Corporation

PECCAVI – Philippine Ecclesiastical Catholic Church Apostolic Vicar Incarnant

PFM – Public Financial Management

PhilHealth – Philippine Health Insurance Commission

PIPHC – Prosperous Infinite Philippine Holdings Corporation

PLC – Publicly-Listed Company

PMIS – Property Management and Inventory System

PMTS – Procurement Monitoring and Tracking System

PNP – Philippine National Police

PSA – Philippine Statistics Authority

PSE – Philippine Stock Exchange

PSEi – Philippine Stock Exchange index

RA – Republic Act

RBCA – Risk Based Capital Adequacy

RS – Registration Statement

S/FIMS – Salesmen/Fixed Income Market Salesman

SAE – Special Accessing Entities

SALN – Statement of Assets, Liabilities and Net Worth

SEC – Securities and Exchange Commission

SFFS – Special Form of Financial Statements

SHP – Special Hearing Panel

SRC – Securities Regulation Code

SRO – Self-Regulatory Organization

SSS – Social Security System

SO – Satellite Office

TCEO – Tarlac City Extension Office

TOR – Terms of Reference

TWG – Technical Working Group

VMC – Victorias Milling Company Incorporated

XBRL – Extensible Business Reporting Language

ZEO – Zamboanga Extension Office

Message of the Commission

In the year 2015, the Securities and Exchange Commission boldly carried out reforms and innovations to sustain the competitiveness of the Philippine corporate and capital market, as the global economy advances toward freer flow of capital and greater interconnectivity of markets.

We introduced policy reforms to create an enabling environment for market growth and resiliency. We updated the Securities Regulation Code's Implementing Rules and Regulations to enable the market to meet the challenges posed by increasing market sophistication and regional integration. We launched the *Philippine Corporate Governance Blueprint 2015* to raise the country's corporate governance standards at par with global standards and, ultimately, contribute to the development Philippine capital markets.

We intensified the vigilant enforcement of laws and regulations administered by the Commission to protect investors from fraudulent practices and reinforce investor confidence in the country. Our efforts resulted in significant milestones in 2015, with the filing of criminal complaints against entities involved in a global investment scam and the conviction of high-profile individuals for violation of the Securities Regulation Code.

We harnessed the potential of information and communications technology to better serve our clients. We launched the *Integrated Business Registration System* and *Certification Issuance System-Unified Reference Database* which significantly reduced the steps and time to start a business and secure a certification, respectively.

These, and our many other significant reforms and accomplishments in 2015 are discussed in this report. As the Commission enters into its 80th year of service, we thank our stakeholders for the continued trust and confidence. In 2015, SEC received citations for sincerity in fighting corruption and for being the 8th best performing government agency. These, all the more, inspire and challenge us to take on greater reforms and innovations for the growth and competitiveness of the Philippine corporate and capital market.

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

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, protection of investors, widest participation of ownership and democratization of wealth.

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

With the growing number of corporations and other forms of associations that SEC 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, SEC must progressively perform its critical role as the prudent registrar and supervisor of the corporate sector and the independent guardian of the capital market.

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

- ◆ The SEC Reorganization Act or Presidential Decree (PD) 902-A in 1976, as subsequently amended by PDs 1653, 1758 and 1799 reorganized the Commission to give it ample powers to protect the public and their investments. Under the Act, the Commission was reorganized into a collegial body; and was given additional powers and functions, including quasi-judicial powers over intra-corporate disputes as well as absolute jurisdiction, supervision and control over all corporations, partnerships or associations that are the grantees of primary franchise and/or a license or permit issued by the government to operate in the Philippines.
- ◆ The Corporation Code of the Philippines (CCP) or the Batas Pambansa (BP) 68 in 1980 gave SEC the mandate to register corporations, collect fees from registering corporations, and prescribe reportorial requirements. Along with the granting of

authority to register corporations, it empowered SEC to reject articles of incorporation or disapprove any amendment thereto if the same is not in compliance with the requirements of BP 68.

The Code also required all registered corporations to submit to 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 SEC may require within the prescribed period. Likewise, it authorized SEC to promulgate rules and regulations reasonably necessary to enable it to perform its duties particularly in the prevention of fraud and abuses on the part of the controlling stockholders, members, directors, and trustees or officers of corporations.

- ◆ The Revised Securities Act or BP 178 in 1982 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. BP 178 provided, among others, for a more sophisticated disclosure mechanism of securities to be offered to investors.
- ◆ The Securities Regulation Code (SRC) or Republic Act (RA) 8799 in 2000 provided for the SEC reorganization to give greater focus on the Commission's role in capital market development, fostering good corporate governance (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. 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; 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 FS, certified by an independent CPA, and such other requirements as SEC may deem necessary. It also included provisions on internal record keeping and accounting controls to be complied with by companies. 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.

Section 68 of the SRC on special accounting rules reinforced the power of 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 CCP relative to financial reporting. It also includes rules and regulations governing registration statements 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 FS, 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 FS preparation, responsibility to FS, qualifications and reports of independent auditors, additional requirements for independent auditors of 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 processes. 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 FS and the protection of investors. Financial Reporting Bulletins (FRBs) are also issued by the Commission as needed to cover additional Financial Reporting Requirements.

- ◆ 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 (CIC), 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.
- ◆ Microfinance Nongovernment Organizations (NGOs) Act or RA 10693 in 2015 mandated 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 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, SEC is tasked with “serious responsibility of enforcing all laws affecting corporations and other forms of associations not otherwise vested in some other government offices.” In addition to the aforementioned laws, the Commission also implements and acts either as lead or support agency in administering and enforcing special laws, the more significant of which are:

- ◆ Anti-Money Laundering Act (AMLA) of 2001 (RA 9160, as amended)
- ◆ Lending Company Regulation Act (LCRA) of 2007 (RA 9474)
- ◆ Financing Company Act (FCA) (RA 5980, as amended)
- ◆ Investment Company Act (ICA) (RA 2629)
- ◆ Investment Houses Law (PD 129)
- ◆ Retail Trade Liberalization Act of 2000 (RA 8762)

- ◆ Foreign Investments Act of 1991 (RA 7402, as amended)
- ◆ Omnibus Investments Code of 1987 (Executive Order 226, Book III)
- ◆ Anti-Dummy Law (CA 108, as amended)
- ◆ Civil Code of the Philippines (RA 386, Title IX – Partnership)
- ◆ Securitization Act of 2004 (RA 9267)
- ◆ Real Estate Investment Trust Act of 2009 (RA 9856)
- ◆ Personal Equity and Retirement Account Act of 2008 (RA 9505)

Function

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

1. Have jurisdiction and supervision over all corporations, partnerships or associations that are the grantees of primary franchises and/or a license or permit issued by the Government;
2. Formulate policies and recommendations on issues concerning the securities market, advise Congress and other government agencies on all aspects of the securities market and propose legislation and amendments thereto;
3. Approve, reject, suspend, revoke or require amendments to registration statements, and registration and licensing applications;
4. Regulate, investigate or supervise the activities of persons to ensure compliance;
5. Supervise, monitor, suspend or take over the activities of exchanges, clearing agencies and other SROs;
6. Impose sanctions for the violation of laws and the rules, regulations and orders issued pursuant thereto;
7. Prepare, approve, amend or repeal rules, regulations and orders, and issue opinions and provide guidance on and supervise compliance with such rules, regulations and orders;
8. Enlist the aid and support of and/or deputize any and all enforcement agencies of the Government, civil or military as well as any private institution, corporation, firm, association or person in the implementation of its powers and functions under this Code;
9. Issue cease and desist orders to prevent fraud or injury to the investing public;
10. Punish for contempt of the Commission, both direct and indirect, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court;
11. Compel the officers of any registered corporation or association to call meetings of stockholders or members thereof under its supervision;
12. Issue *subpoena duces tecum* and summon witnesses to appear in any proceedings of the Commission and in appropriate cases, order the examination, search and seizure of all documents, papers, files and records, tax returns, and books of accounts of any entity or person under investigation as may be necessary for the proper disposition of the cases before it, subject to the provisions of existing laws;
13. Suspend, or revoke, after proper notice and hearing the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law; and,
14. Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws.

Mission

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

We shall be guided in this mission by the values of integrity, professionalism, accountability, independence and initiative.

Values

Integrity

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

Professionalism

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

Accountability

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

Independence

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

Initiative

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

Vision

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

Performance Highlights

In 2015, the Commission aimed to raise the competitiveness of the Philippine corporate and capital market at par with international standards and practices by introducing key innovations and reforms in the policy and regulatory environment. As it took on this challenging task, the Commission increasingly earned the trust and confidence of the business community, fellow government agencies and the general public.

In the *2014/15 Social Weather Stations Survey of Enterprises on Corruption* conducted from November 14, 2014 to May 12, 2015, the SEC garnered one of the highest net sincerity rating in fighting corruption among 36 institutions. The survey was based on interviews with a random sample of executives of small, medium and large enterprises from various urban areas in the country. In the *Second Semester 2015 Makati Business Club (MBC) Executive Outlook Survey* conducted among MBC members from July 6, 2015 to August 7, 2015, the SEC was ranked as the 8th best performing agency among 64 government agencies. On December 15, 2015, the SEC was awarded with a *Recognition of Commitment* by the Presidential Anti-Organized Crime Commission in view of its vital contribution to the government's efforts to curb the proliferation of scams and investment fraud.

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This section revisits the key accomplishments of the Commission in 2015, as carried out by its Offices and Departments, which brought about these recognitions and enabled the Commission to efficiently fulfill its mandate.

Office of the General Counsel (OGC)

The Commission, through OGC, introduced the first interpretation of Section 10.1(e) of the SRC by way of the Commission En Banc's decision in *"Alliance Global v. Corporate Finance Department (CFD) now known as the Corporate Governance and Finance Department (CGFD)." In the said case, the Commission affirmed the ruling of CFD imposing a penalty on Alliance Global for offering and selling securities without a registration statement. The Alliance Global's argument was that its securities are exempt under Section 10.1(e) of the SRC i.e.:*

"The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly IN CONNECTION WITH the sale of such capital stock. x x x"

Since neither the Philippine Supreme Court nor the Commission has previous interpretation of the provision, the OGC conducted in-depth research on the history of the provision and consulted with United States authorities to produce a proper interpretation. Based on its study, OGC counter-argued that the phrase *"in connection with the sale of capital stock"* therein does not only refer to the act of soliciting an exchange of securities, as claimed by Alliance Global; rather, it refers to any activity or service that has a logical relation to the sale of capital stock.

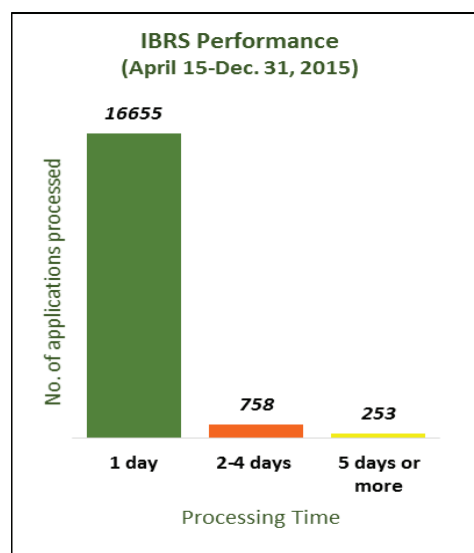
In view of the decision rendered by the Commission En Banc based on the OGC's recommendation, there is now an authority as to interpretation of Section 10.1(e) of the SRC.

Office of the General Accountant (OGA)

The *Terms of Reference (TOR) of the Council for Accreditation and Quality Control for the Practicing Certified Public Accountants (Council)*, an initiative of the Financial Sector Forum (FSF), was finalized and signed by SEC, Bangko Sentral ng Pilipinas (BSP), Insurance Commission (IC) and the Board of Accountancy (BOA) in September 2015. The Council was created by the FSF to act as its technical working group (TWG) providing advisory assistance on the areas of accreditation/selection of external auditors and adherence to quality control standards in the conduct of audit. The TOR aims to simplify accreditation procedures and ensure quality control of practicing CPAs, and to enhance the actions on referrals of adverse findings and the harmony among FSF member-agencies and BOA. The implementation of the TOR will benefit the external auditors and auditing firms accredited by the FSF member-agencies. As of December 31, 2015, there are 642 accredited external auditors; of which, 439 are accredited by SEC, 97 by IC, 85 by BSP, and 21 are commonly accredited by the three (3) agencies. As of the same period, there are 174 accredited auditing firms; of which, 94 are accredited by SEC, 32 by IC, 35 by BSP, and 13 are commonly accredited by the three (3) agencies.

OGA spearheaded the holding of the 2015 Regulators' Forum in collaboration with the Philippine Institute of Certified Public Accountants on March 18, 2015 and with the participation of the Council's member-agencies namely, SEC, BSP, IC and BOA. The forum served as a venue to inform external auditors of updates on the accreditation requirements and procedures of the four (4) agencies as well as the common findings noted by them in the evaluation of the audited financial statements (AFS) submitted by external auditors applying for accreditation.

Company Registration and Monitoring Department (CRMD)



In response to the call of the International Finance Corporation-World Bank (IFC-WB) to implement reforms to improve the ease of doing business in the country, the CRMD, in cooperation with Information and Communications Technology Department (ICTD), initiated and implemented in 2015 the *Integrated Business Registration System (IBRS)* and the *Certification Issuance System-Unified Reference Database (CIS-URDB)*.

The IBRS, fully implemented in April 2015, integrated the registration procedures of the SEC with those of the Social Security System (SSS), *Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno* (Pag-

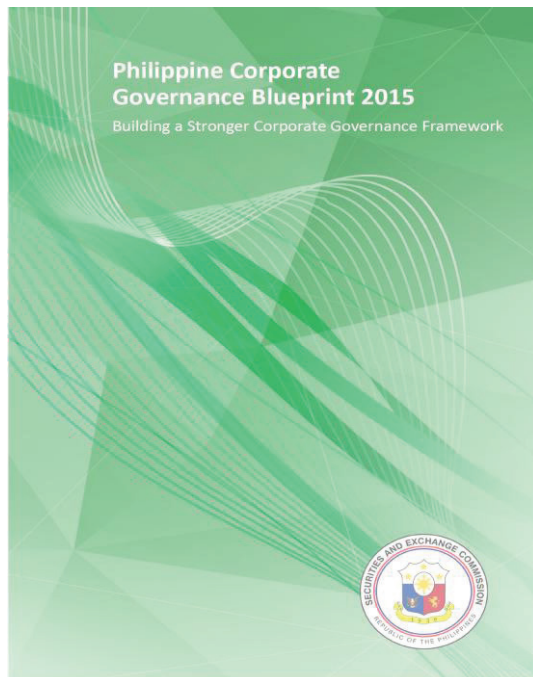
IBIG Fund) and Philippine Health Insurance Commission (PhilHealth). The system essentially acts as a one-stop-shop where companies registering with the SEC can simultaneously register with, and be issued their SSS, Pag-IBIG Fund and PhilHealth Employer's Registration Numbers (ERNs) without physically going to said offices. By consolidating the processes of SEC with the social agencies, the IBRS aims to cut the business registration process in the country from 16 steps and 34 days, to 6 steps and 8 days. As of December 31, 2015, 99% of the new registrant-corporations at SEC Main Office benefitted from it, having been issued their ERNs along with their SEC registration numbers in just one (1) day.

The CIS-URDB, deployed in May 2015, streamlined the process for obtaining *Certification of No Derogatory Information/Good Standing* for SEC-registered companies by centralizing relevant information from various SEC Departments into a common reference database for the issuance of certification. It significantly reduced the number of steps to complete the issuance process, the number of offices to go to, the number of forms to accomplish, and the number of signatories. Applicants now transact only with CRMD which uses the unified database as reference in the issuance of the Certificate which are now released within one (1) to two (2) days.

Corporate Governance and Finance Department (CGFD)

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To raise the global competitiveness of Philippine corporations, SEC launched in November 2015 the *Philippine Corporate Governance Blueprint 2015 (CG Blueprint): Building a Stronger Corporate Governance Framework*. As the Commission's CG roadmap for the next five years, the CG Blueprint puts forward specific and concrete guidelines for further strengthening the CG regime in the country. It focuses on the *G20/Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance*, namely: (1) Shareholders and their Rights of Ownership; (2) Role of Institutional Investors and Financial Advisors; (3) Duties to Other Stakeholders; (4) Disclosure and Transparency; and (5) Board Roles and Responsibilities. The CG Blueprint's recommendations shall serve as the framework for the 2016 CG Code.

Through the technical assistance of the Asian Development Bank (ADB), SEC led by CGFD convened a Consultative Group composed of various stakeholders to draft the CG Blueprint. This ensured that all relevant interests were considered in the drafting of the document. Dr.

Jesus P. Estanislao, who is considered as the Philippines' CG guru, served as the Technical Consultant for the CG Blueprint.

Enforcement and Investor Protection Department (EIPD)

A major highlight in the unrelenting efforts of the Commission, through EIPD, to curb investment fraud and other scams is the issuance of a Cease and Desist Order (CDO) and the filing of two (2) separate criminal complaints before the Department of Justice (DOJ) against *Prosperous Infinite Philippine Holdings Corporation (PIPHC)* and certain individuals who were using the trade name *Emgoldex and/or Emgoldex Philippines* for violations of Sections 8 and 28 of the SRC, i.e., selling or offering for sale or distribution unregistered securities to the public and without a license, respectively. Each violation of the SRC is punishable, upon conviction, with a fine of not more than PhP5 million or seven (7) to 21 years imprisonment, or both. These enforcement actions resulted from months of investigation in coordination with the Department of the Interior and Local Government (DILG), Philippine National Police (PNP), National Bureau of Investigation (NBI) and National Intelligence Coordinating Agency.

EIPD continued to monitor cases filed in court and actively worked hand in hand with government prosecutors in prosecuting violations of the SRC and other laws being enforced and administered by the Commission. One of the cases that EIPD closely monitored and worked on was the case of *People of the Philippines vs. Rosario Baladjay and Saturnino Baladjay*. In 2015, Regional Trial Court of Makati Branch 56 rendered a judgment of conviction against accused Rosario Baladjay for 65 counts of violation of Section 8 of the SRC. She was sentenced to suffer the straight penalty of seven (7) years of imprisonment for each count or a total of 455 years. These enforcement actions protected Filipino investors from the fraudulent practices of the entities and individuals concerned, and helped improve investor confidence in the country.

Markets and Securities Regulation Department (MSRD)

In its commitment to develop the capital market, the Commission, through MSRD undertook several actions and engagements in 2015 to broaden the capital market.

MSRD reviewed and recommended approval of Registration Statements (RS) of companies wanting to raise capital. Nine (9) issuer companies offering equity securities (Common and Preferred shares) amounting to a total of PhP79.19 billion had their RS approved by the Commission. While for the debt securities comprising of bonds and short term commercial papers, 14 RS were approved with a total amount of PhP120.10 billion.

MSRD also supervised and monitored markets, market institutions, intermediaries and professionals during the year. A total of 22,660 reports were received, acknowledged, analysed and monitored submitted by 601 regulated entities.

The performance of both equity and debt markets was likewise monitored by the Department.

The Philippine Stock Exchange index (PSEi) broke past the 8,100 level in April 2015 and registered a new all-time high at 8,127.48 points totalling 27 record finishes for the year. The PSEi, however, demonstrated a downward trend midway through the year as the global markets began to decline because of uncertainties on the impact of changes in the quantitative easing policy of the US and slowing growth of China. Despite these external events, the PSEi was able to finish as the second-best performing index in Association of South East Asia Nations (ASEAN), next to Vietnam's VN Index. Four (4) companies were added to the roster of PSE listed firms amassing an aggregate of Php510 billion proceeds of initial public offering.

As for the fixed income market, the total outstanding corporate debt listed at the bond exchange at the end of 2015 increased by 14.71% to Php539.5 billion from previous year's Php470.3 billion. The total trading volume, however, fell to Php39.97 billion from the previous year's Php45.95 billion.

Finally, MSRDC reviewed existing regulatory frameworks of the securities industry, conducted market-related research and recommended rules and/or reforms as well as reviewed 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.

Baguio Extension Office (BEO)

In keeping with the Commission's commitment to intensify information campaign against investment scams, BEO conducted and/or participated in the dissemination of information and warning about persons and entities reported to be soliciting investments from the public without proper licenses. BEO became an active participant in the newly-created Task Force against Illegal Investments and Scams working with different government offices and enforcement agencies to facilitate investigations against persons and entities reportedly engaged in investment scams. With reference to specific entities being investigated in Baguio-Benguet area, BEO also coordinated with other government agencies and issued specific certifications confirming registration/non-registration of reported entities.

BEO likewise coordinated with media organizations for a more far-reaching information campaign against investment scams. These include the following: two (2) interviews with Baguio print media, seven (7) news articles and two (2) feature articles focusing on warnings against and updates on investment scams; warnings by means of radio press releases to major radio stations, and an interview with Bombo Radyo Baguio; eight (8) interviews/appearances with local television news (ABS-CBN Baguio/TV Patrol Northern Luzon) and two (2) for national TV news (ABS-CBN's Bandila and GMA News TV/Investigative Documentaries) from April to August of 2015. These made the public more aware of the laws applicable to solicitation of investments, the legal requirements for entities intending to engage in investment business, as

well as the penalties and consequences of unauthorized solicitation of investments from the public.

Cagayan De Oro Extension Office (CDOEO)

CDOEO conducted extensive information dissemination in relation to the SEC Advisory issued on July 28, 2015 informing the public that Mutual Universe Corporation is not authorized to solicit investments. CDOEO notified potential investors through radio and television interviews of the unauthorized solicitation of investments of Mutual Universe Corporation and similar business undertakings. This averted the investment taking by the said companies in the areas served by CDOEO.

In terms of process improvement, CDOEO developed an in-house computer system which enabled it to generate corporate data at a faster speed. CDOEO generates corporate data such as investments in Region 10, list of companies by industry, among others, which are requested by government agencies and the private sector including the Department of Trade and Industry (DTI), City Government of Cagayan de Oro, and National Economic and Development Authority (NEDA). The system significantly reduced CDOEO's response time to clients' data requests from three (3) weeks to less than an hour. The efficient information dissemination and data generation of CDOEO benefitted about 500 investors throughout Region 10 and CARAGA Region.

Cebu Extension Office (CEO)

In 2015, CEO partnered with the Cebu Province Investment and Incentives Center (CPIIC), which was created under the Provincial Investment Code to foster a conducive business environment in Cebu. One of the priority projects of the CPIIC is the establishment of a one-stop shop that will facilitate registration of new investments. As part of CPIIC staff's training towards the establishment of a one-stop shop, CEO conducted a Basic Training and Capacity-building for them and for other investment promotions officers of the different municipalities of Cebu province. CEO had previously partnered with the Province of Bohol through their Bohol One-Stop Shop (BOSS) in a similar endeavor. In addition, CEO conducted a similar capacity building program for the staff of the Mandaue City Investments Promotion Center later in the year.

Davao Extension Office (DEO)

DEO achieved 275% increase in the number of in-house information seminars conducted. A total of 11 seminars were held compared to only 4 in 2014. This upgraded service which primarily focused on reportorial compliance requirements, improved the monitoring functions of DEO significantly, particularly in the number of corporations found compliant. The baseline in 2014 was 1,720 compliant corporations. For 2015, DEO targeted to monitor 2,580 compliant corporations but actual accomplishment in this performance measure was 2,740 corporations. This is 66% higher than the 2014 baseline and 6% higher than the target for 2015. The increased

frequencies in the conduct of these seminars have benefitted at least 661 clients/participants through improved client education and reportorial compliance/good governance.

Iloilo Extension Office (IEO)

In 2015, the top ten (10) new businesses registered in IEO were general construction, hotel, real estate and trading with large amount of paid-up capital invested. This speaks of the economic progress of Iloilo. Thus, IEO performed its role to protect the valued investors by conducting Investors' Protection Fora and distributing pamphlets and posters to raise awareness on the nature of pyramiding and Ponzi schemes in the country. IEO also participated in the Civil Service Commission's "Government Express at the Mall" held on September 7 to 11, 2015 at SM City Iloilo. IEO was one (1) of the 27 government agencies which offered frontline services to the public during the said event.

Legazpi Extension Office (LEO)

Seeing the need to counter the proliferation of investment scams in the Bicol region, LEO intensified its information campaign to protect the public from these illegal activities. Tapping on its wide network in the region, LEO coordinated with the Regional Executives and Directors Association, the PNP and the Philippine Information Agency-Region V to disseminate SEC Advisories; and with local TV and radio stations to air investment scam alerts. It also distributed tarpaulins with SEC ALERT and Investment Scam Checklist to major cities and towns in the region. LEO conducted three (3) seminars on investment scams attended by a total of 225 PNP officials and personnel. LEO also acted as resource person in nine (9) seminars on such topics as SEC regulatory powers and mandate, reportorial requirements, and investment scams. These seminars educated a total of 788 participants, including barangay officials, students and senior citizens.

Picture 1. LEO Seminar on Combatting Investment Scams for PNP officials and personnel in Legazpi City



Tarlac City Extension Office (TCEO)

For the first time since it was established in 2012 and despite limited manpower, TCEO successfully organized and conducted in 2015 three (3) *Seminars on Reportorial Requirements and on Investment Scams* at the Session Hall of Tarlac City Hall which were attended by a total of 213 participants. TCEO also served as resource person in four (4) radio interviews, as well as in four (4) seminars conducted by the Integrated Bar of the Philippines and Department of Agrarian Reform-Tarlac. Internally, TCEO maintained an updated encoding of corporate profiles of registered companies.

Zamboanga Extension Office (ZEO)

Largely impelled by the Commission's thrust to increase public awareness of its role in fostering inclusive growth, ZEO expanded the Commission's presence in Western Mindanao through the conduct of seminars/lectures outside Zamboanga City and onsite monitoring of targeted firms. From a mere four (4) seminars/lectures held outside Zamboanga City in 2014, ZEO increased this to ten (10) in 2015. This includes the conduct of anti-investment scam orientation seminar and onsite examination of foundations in the Autonomous Region in Muslim Mindanao Province of Tawi-Tawi. ZEO also conducted seminars/lectures and onsite monitoring in Zamboanga del Sur (Pagadian City and Tukuran), Zamboanga Sibugay (Ipil, Surabaya and Tungawan) and Zamboanga del Norte (Ipil, Liloy, Kabasalan, Katipunan, Dipolog, Dapitan and Sindangan). A total of at least 220 participants attended the seminars, and 25 firms were monitored onsite. Aside from these, ZEO also responded to queries and requests for assistance lodged by other government agencies such as DTI-Zamboanga del Sur and the National Economic Research and Business Assistance Center.

Picture 2. ZEO Anti-Investment Scam Orientation Seminar in Dipolog City



Corporate and Capital Market Development

Policy Measures

The Commission adopts policy measures to spur the growth and secure the stability of the corporate and capital market in the midst of the constantly evolving economic environment. One of the key policies adopted by SEC in 2015 was the **2015 SRC IRR known as the 2015 SRC Rules**. SEC deemed it crucial to update 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. After a series of consultations with stakeholders and thorough review and consideration of their inputs, the Commission En Banc approved the *2015 SRC Rules* on August 4, 2015, which took effect on November 9, 2015. Among the salient features of the rules are:

- ◆ **Shelf registration** is expanded. Under the shelf registration program, securities to be issued in tranches may be registered for an offering to be made on continuous or delayed basis for a period not exceeding three (3) years.
- ◆ **Commercial paper** is now simply defined as evidence of indebtedness of any person with maturity of 365 days or less. The new rules ceased using the terms of long term commercial paper and short term commercial paper. Selling commercial papers is also made easier with the requirement of an issuer rating instead of a separate rating for each issuance.
- ◆ **A new category of exempt security** is introduced. This involves securities issued or guaranteed by multilateral financial entities (MFEs) established through a treaty or binding agreement to which the Philippines is a party.
- ◆ **Public offerings which have a limited character** are also exempt from registration. Such offerings will be exempt as long as the covered securities are available only to the parties or persons named in the application for exemption for a specified period. An example of this is the employee stock option plan (ESOP) issued by a corporation to its eligible employees.
- ◆ **Underwriters** are no longer required to underwrite securities solely on a firm commitment basis. They can agree on a different plan of distribution with the issuing company subject to the approval of SEC. However, as a general rule, issuers of registered securities, except issuers of proprietary/non-proprietary membership certificates or shares, are still required to enter into an underwriting agreement with an investment bank or investment house.

- ◆ **Extension of period to sell securities.** The period to sell securities subject of registration is extended from two (2) days to ten (10) business days from the date of effectivity of the registration statement.
- ◆ **Relaxed requirements for qualified buyers.** The financial capacity of individuals to qualify as qualified buyer has been reduced from PhP25 million to PhP10 million annual gross income. Any verifiable document may now be submitted to prove financial capacity. Income tax return is optional.
- ◆ The **mandatory tender offer rules** have also been updated. The new rules now provide for two levels of action depending on the threshold triggered: (a) a disclosure action; and (b) mandatory tender offer action. The rules also provide for a set of guidelines in the conduct of valuation and issuance of fairness opinion.

To further encourage corporate and capital market development, the Commission En Banc issued nine (9) Memorandum Circulars (MCs) in 2015 espousing sound and ethical business practices among its supervised entities and individuals:

- ◆ **SEC MC No. 1 “Deadline Extension for Amendment of the Principal Office Address”** extended until June 30, 2015 the period for filing applications for amendment of Articles of Incorporation or Articles of Partnership to specify the principal office address;
- ◆ **SEC MC No. 2 “Additional Guidelines on Corporate Governance Training Programs and Lectures”** provides guidelines for: (a) accreditation of corporate governance speakers/resource persons; (b) conduct of training by accredited training providers; (c) conduct of in-house corporate governance training seminars; (d) updated mandated topics to be discussed during the first training of each director or key officer; (e) conduct of seminars through videoconference; (f) duration of training; and, (g) exemption from SEC MC No. 20 series of 2013 “All Members of the Board of Directors and Key Officers of Publicly Listed Companies to attend Corporate Governance Trainings only with SEC Accredited Training Providers;”
- ◆ **SEC MC No. 3 “Filing of Annual Corporate Governance Report (ACGR)”** clarifies the schedule of submission of ACGRs of newly listed companies, which is also to be followed for the posting of the same in the company’s website;
- ◆ **SEC MC No. 4 “Amendment to Section 3 of SEC Memorandum Circular No. 19, Series of 2014”** amended Section 3 of SEC MC No. 19 s. 2014 on the due date of submission of the Anti-Money Laundering Compliance Forms of financing and lending companies;
- ◆ **SEC MC No. 5 “Amendment on the Guidelines and Procedures on the Use of Corporate and Partnership Names”** amended paragraph 11(a) of SEC MC No. 21 s. 2013 “Omnibus

Guidelines and Procedures on the Use of Corporate and Partnership Names” to provide that the word “Investment(s)” can be used only by entities organized as investment house or investment company;

- ◆ **SEC MC No. 6 “Guidelines on the Use of Corporate Names of Corporations with Dissolved and Revoked Certificates of Registration”** amended paragraph 15 of SEC MC No. 21, Series of 2013 “Omnibus Guidelines and Procedures on the Use of Corporate and Partnership Names” to provide that the name of a corporation or partnership that has been dissolved or whose registration has been revoked shall not be used by another corporation except in meritorious cases as determined by the Commission En Banc; and that only expired corporations may apply for re-registration using the same corporate name;
- ◆ **SEC MC No. 7 “Standards and Rules for Accreditation of Special Accessing Entities (SAE) to the Credit Information System”** prescribes the standards and rules that shall be adopted by the CIC in accrediting SAEs pursuant to R.A. No. 9510 or the CISA. These include the application requirements; criteria for accreditation; procedure for accreditation; and, post-qualification, execution of contract, and maintenance of accreditation;
- ◆ **SEC MC No. 8 “Amendment on the Guidelines and Procedures on the Use of Corporate and Partnership Names”** amended paragraph 1 of SEC MC No. 21, s. 2013 “Omnibus Guidelines and Procedures on the Use of Corporate and Partnership Names” to provide that the corporate name of all non-stock, non-profit corporations including NGOs and foundations, engaged in microfinance activities shall use the word “Microfinance” or “Microfinancing;” and that said corporations shall state in the purpose clause of their Articles of Incorporation that they shall conduct microfinance operations pursuant to Republic Act No. 8425 or the Social Reform and Poverty Alleviation Act; and,
- ◆ **SEC MC No. 9 “Final Extension for Amendment of the Principal Office Address”** further extended until December 31, 2015 the period for filing applications for amendment of Articles of Incorporation or Articles of Partnership to specify the principal office address.

In the area of financial reporting, the Commission through the OGA issued on December 22, 2015 **FRB No. 18 “Age Requirement for Financial Statements”** which adopted the proposed amendments to Part II Section 4 of SRC Rule 68 to extend the effectivity of FS relative to filing of RS from 135 days to 180 days. This is in line with the preparation for the ASEAN capital market integration and for consistency with the adopted ASEAN Framework.

The Commission likewise commenced the drafting of crucial policy measures which are currently being refined. SEC, through CGFD, led the preparation of the **Microfinance NGOs Act IRR** in coordination with the Department of Finance (DOF), DTI, Department of Social Welfare and Development (DSWD) and other stakeholders from the public and private sectors. The draft

IRR is set to be released for public exposure in January 2016. The OGC led the drafting of the **2016 Rules of Procedures of the Commission (Draft Rules of Procedures)** which revises the 2006 Rules of Procedure of the Commission, Rules on Motions for Reconsideration and Execution, and Appeals from decisions of SROs. The draft rules were exposed for public comment in December 2015. The Commission also began working on the **amendments to the ICA IRR**. A TWG composed of representatives from CGFD, MSRD, OGA and OGC was formed and is presently drafting amendments to the said rules.

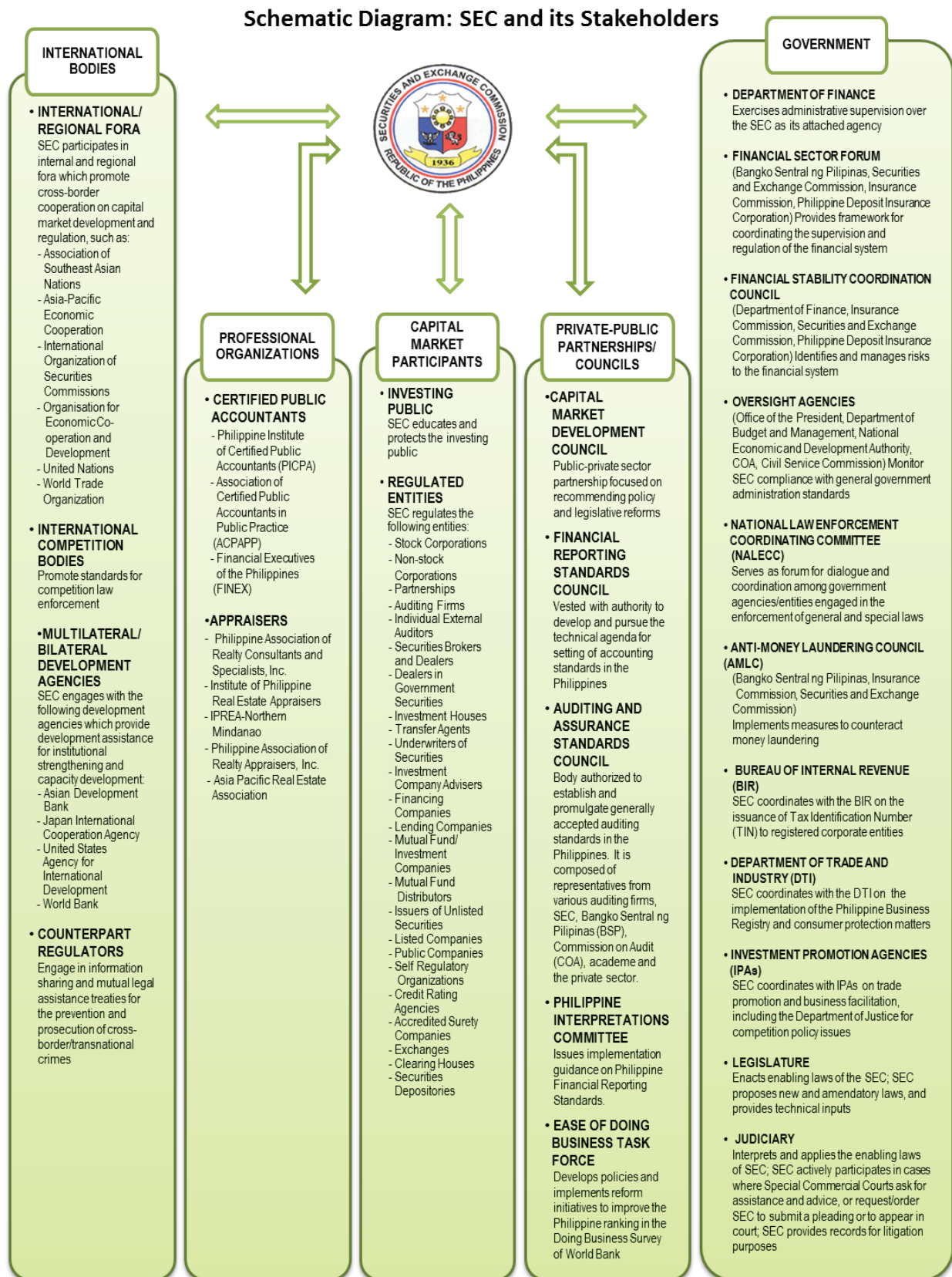
Technical Assistance

The corporate and capital market thrives on the synergy of a broad range of stakeholders. As such, the Commission engages with relevant international and regional bodies, inter-agency bodies, private-public partnership councils, professional organizations, and capital market participants to establish a conducive environment for corporate and capital market development. The figure shown next page specifies the wide spectrum of stakeholders that the Commission engages with.

At the regional level, SEC was actively engaged in the various working groups under the **ASEAN Capital Market Forum (ACMF)** which pursues freer flow of capital and greater connectivity of the ASEAN capital markets. The Commission assumed the Chairmanship of the **ACMF Working Group D** on November 14, 2015. ACMF Working Group D is responsible for the ASEAN CG initiative, comprising the ASEAN Corporate Governance Scorecard (ACGS) and the ranking of ASEAN publicly-listed companies (PLCs). Prior to taking the helm of the Working Group, the SEC has been active in promoting the ASEAN CG initiative to the Philippine PLCs. In the first half of 2015, it conducted a series of **Roundtable Discussions on ACGS** which is believed to have significantly contributed to the increased ACGS scores of Philippine PLCs. The ACGS and the consequent ranking of ASEAN PLCs were the basis for the recognition of the top 50 ASEAN PLCs during the inaugural **ASEAN Corporate Governance Conference and Awards** held on 14 November 2015 at the Manila Polo Club, Makati City. Eleven (11) Philippine PLCs were among the top 50 ASEAN PLCs. As the Chair of ACMF Working Group D, SEC is tasked with steering the CG initiative to the next phase, beginning with a holistic review of the ACGS and coordinating with the CG experts and senior regulators from the other participating countries on all other relevant matters and work programmes that would further promote and strengthen corporate governance within the region.

SEC also continued to serve as a member of **ACMF Working Group A** which works on the ASEAN Disclosure Standards for Equity and Debt Securities; and **ACMF Working Group B** which is tasked to develop the ASEAN Collective Investment Scheme (CIS). SEC likewise participated in the **ASEAN Working Committee on Capital Market Development (WC-CMD)** and the **ASEAN Working Committee on Financial Services Liberalization (WC-FSL)** which are tasked to undertake technical work on regional financial and economic cooperation for the ASEAN Economic Community (AEC). The Commission also extended its assistance in ASEAN Plus Initiatives such as the **Asian Bonds Market Initiative (ABMI)** and the **ASEAN+3 Bond Market Forum (ABMF)**. ABMI is an initiative of the ten ASEAN Member States plus China, Japan, and South Korea – also known as ASEAN+3. Supported by ADB, ABMI was designed to promote bond market development in the region. ABMF is a working group under ABMI. It comprises of bond market experts from the region who are tasked to develop a strategy to foster standardization of market practices and harmonize regulations. Furthermore, SEC actively participated in the framing of the regulatory framework of the **Asia Pacific Economic Cooperation (APEC) Asia Region Funds Passport** for cross-border issuing of funds across participating economies in the Asia region.

Figure 1. SEC and its Stakeholders



The Commission likewise supported inter-agency efforts in pursuit of the broader objective of the AEC Blueprint 2025 to attain freer flow of trade in services, capital and people. It participated in bilateral, regional and multilateral discussions, collaborations, as well as negotiations, on liberalizing investments and trade in services. These covered free trade and economic partnership agreements such as:

- ◆ Philippine-Japan Economic Partnership Agreement;
- ◆ Philippine-European Free Trade Association Free Trade Agreement;
- ◆ Philippine-European Union Free Trade Agreement;
- ◆ ASEAN Framework Agreement on Services;
- ◆ ASEAN Trade in Services Agreement;
- ◆ ASEAN-Japan Comprehensive Economic Partnership Agreement;
- ◆ ASEAN-China Free Trade Agreement;
- ◆ ASEAN-India Free Trade Agreement;
- ◆ ASEAN Hong Kong Free Trade Agreement;
- ◆ ASEAN-Australia-New Zealand Free Trade Agreement;
- ◆ Regional Comprehensive Economic Partnership Agreement;
- ◆ Asia Cooperation Dialogue; and,
- ◆ World Trade Organization General Agreement on Trade in Services.

SEC is a member of the **International Organization of Securities Commissions (IOSCO)**, the international body of the world's securities regulators that develops, implements and promotes internationally recognized standards for securities regulation. SEC is a signatory to IOSCO Multilateral Memorandum of Understanding (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 2015, the SEC worked on its pending application to be an Appendix A signatory to the IOSCO MMoU Concerning Consultation and Cooperation and the Exchange of Information. SEC, led by EIPD, closely coordinated with the IOSCO Verification Team 2 led by the Financial Services Authority of Japan as penholder of said application. It facilitated a series of meetings between the penholder and key officials of the Anti-Money Laundering Council (AMLC), BSP, Court of Appeals and DOF to discuss matters concerning the application.

At the national level, SEC actively participated in **inter-agency and public-private sector** efforts to foster financial system resiliency, capital market development, national competitiveness, financial inclusion and investor protection. These include activities undertaken with AMLC; Financial Stability Coordination Council (FSCC); FSF; Task Force on Ease of Doing Business (EODB Task Force); Capital Market Development Council; Auditing and Assurance Standards Council; Financial Reporting Standards Council; Philippine Interpretations Committee; Council for Accreditation and Quality Control of Practicing CPAs; and, National Law Enforcement Coordinating Committee, among others.

The more recent initiatives include support to domestic preparations in line with the implementation of the country's **international commitments to exchange tax-related**

information between and/or among tax authorities, such as the Philippine-United States Foreign Account Tax Compliance Act Inter-Governmental Agreement (FATCA-IGA) and the automatic exchange of information following the Common Reporting Standards (CRS) developed by the OECD. In this regard, SEC will be tapped to assist in undertaking information dissemination activities and providing inputs to the due diligence requirements to be drafted by DOF and Bureau of Internal Revenue (BIR) to ease SEC-supervised financial sector institutions and other registered entities' compliance with their FATCA-IGA and CRS reporting obligations, if any.

Picture 3. Study visit of officials from the High Commission of the Republic of Zambia



To further foster bilateral relations with other countries, the Commission hosted two (2) **foreign delegations** that were on study visit to the Philippines in 2015. In September, the SEC hosted officials of the High Commission of the Republic of Zambia who are on study tour of select Philippine government agencies to gain insights from the latter's anti-corruption programs. As one of the agencies chosen by the Office of the Ombudsman to be part of the study tour, SEC officials shared with the delegates the Commission's initiatives against corruption. In December, SEC hosted the weeklong study visit of officials of Bhutan Royal Government who aim to promote reforms in the areas of corporate regulation and securities market regulation in their home country. During the visit, SEC officials shared about the Commission's company registration process, ease of doing business initiatives, supervision of securities market; corporate governance reforms; market surveillance techniques and investor protection measures. SEC also coordinated the Bhutanese delegates' visit to the PDEX; PSE; Securities Clearing Corporation of the Philippines; and Maybank ATR King Eng Securities Inc. where they were briefed on the evolving trends in the stock and bond markets.

Picture 4. Study visit of officials from the Royal Government of Bhutan



Within the bureaucracy, the Commission forged the following **partnerships with other government agencies** in 2015 to enable inter-agency collaboration and cooperation in the implementation of shared commitments:

- ◆ **Memorandum of Understanding (MOU) with DOF, DTI, DILG, Local Government of Quezon City, BIR, SSS, PhilHealth, Pag-IBIG Fund, and National Competitiveness Council** dated April 14, 2015 to cooperate as members of the inter-agency EODB Task Force in the implementation of activities to achieve the objectives of the Gameplan for Competitiveness under Administrative Order 38 s. 2013;
- ◆ **Memorandum of Agreement (MOA) with SSS, PhilHealth, and Pag-IBIG Fund** dated April 14, 2015 to effectively implement the online issuance of SSS, PhilHealth and Pag-IBIG Fund's ERNs through SEC IBRS, which is one of the reform initiatives of the EODB Task Force to reduce the number of steps in starting a business;
- ◆ **MOA with DILG** dated April 14, 2015 to carry out mutual cooperation on the implementation of FCA and LCRA, specifically on the issuance and/or cancellation of business permits of financing and lending companies and the prevention of scams;
- ◆ **MOU with BSP, DOF, Department of Education, DTI, DSWD, Department of Budget and Management, NEDA, IC, Commission on Filipinos Overseas, Philippine Statistics Authority (PSA), Philippine Deposit Insurance Corporation (PDIC) and Cooperative Development Authority**, dated July 1, 2015, to cooperate in the implementation of the National Strategy for Financial Inclusion which aims to establish a financial system that is accessible and responsive to the needs of the entire Philippine population toward a broad-based and inclusive growth;

- ◆ **MOA with DSWD** dated July 8, 2015 to establish close coordination in the regulation of social work agencies, social welfare and development agencies and other corporations engaged in social welfare activity;
- ◆ **MOA with IC, PDIC and Land Bank Leasing Corporation** dated September 14, 2015 for the construction of the Financial Regulators' Center in Taguig City which shall house the permanent office of SEC; and,
- ◆ **MOA with Commission on Elections (COMELEC)** dated October 19, 2015 to carry out mutual assistance and information sharing for the effective implementation of election laws vis-à-vis the enforcement of CCP in time for the 2016 National and Local Elections.

Picture 5. Signing of MOA between SEC and COMELEC



In terms of legislative measures, SEC submitted to Congress the proposed **amendments to the CCP** focused on matters relating to ease of doing business and stockholders' protection. Other proposed amendments included the grant of greater visitorial powers to SEC; imposition of stringent penalties in relation to the use of the corporate vehicle for fraud and graft and corruption; and provision for dispute resolution and arbitration to enable corporations to avoid protracted litigation. During the 16th Congress, Senator Bam Aquino delivered the Sponsorship Speech for the amendments to the CCP in September 2015, while the House of Representatives' Committee on Trade and Industry conducted its initial hearing on the bill on December 14, 2015.

The Commission also worked on proposed **amendments to the SRC** to further promote the development and competitiveness of the capital market. Among the proposals drafted was to grant SEC more rigid regulatory powers over corporations covered by the Commission to ensure the protection of investors and the elimination of distortions in the free market. The proposed bill will be submitted to the 17th Congress for sponsorship and deliberation.

Aside from these, the Commission submitted position papers on various bills filed in the House of Representatives and Senate regarding, among others, renewal and granting of legislative franchises of broadcasting companies, telecommunication companies and airline companies.

In response to formal requests from the public and government agencies, the Commission through OGC issued 39 **opinions on interpretation of laws being implemented by the Commission**, 15 of which are Docketed SEC Opinions.

Table 1. SEC-OGC Opinions s. 2015

No.	Subject	Date Issued
15-01	Whether real estate is considered "income-generating real estate" under the Real Estate Investment Trust Act of 2009	April 22, 2015
15-02	Conduct of Stockholders' Meeting in Metro Manila	July 02, 2015
15-03	Alternative References of Stock Ownership Other Than the STB	July 03, 2015
15-04	Broker/Dealer in Proprietary Shares; Mutual Fund Distributor	July 20, 2015
15-05	Voting Rights of Members in a Non-Stock Corporations	July 21, 2015
15-06	Investment by a Representative Office in Stocks of a Domestic Company	July 21, 2015
15-07	Corporate Liquidation	July 21, 2015
15-08	Political Contributions by Corporations	July 27, 2015
15-09	Liquidation of Non-Stock Corporation	Aug. 27, 2015
15-10	Retail Trade	Sept. 02, 2015
15-11	Winding-Up Period; Trustees in Liquidation	Sept. 04, 2015
15-12	Non-Stock Savings and Loan Association; Limitations as to the Compensation of Trustees	Sept. 22, 2015
15-13	Amendment of By-laws adding three (3) additional Corporate Officers designated as Presidents	Nov. 03, 2015
15-14	Foreign Equity Limitations on Ground Handling Services	Nov. 03, 2015
15-15	Holding Companies Deemed Domestic Market Enterprises; Subject to FINL	Nov. 03, 2015

Among the highlights of these opinions are the following:

- ◆ **SEC OGC-Opinion No. 15-04 addressed to Novel Capital, Inc.** pertains to an inquiry whether it is possible for Novel Capital, Inc. (Novel Capital) to incorporate an affiliate as Securities Broker/Dealer in Proprietary Shares (Non-SRO Member), and to subsequently register as a Mutual Fund Distributor (MFD).

Novel Capital can incorporate an affiliate as Securities Broker/Dealer in Proprietary Shares by complying with the requirements for registration, such as putting up a minimum paid-up capital of PhP5,000,000.00, among others; however, it may not subsequently register as MFD in view of the restriction on its authority to deal only in proprietary shares.

- ◆ **SEC OGC-Opinion No. 15-12 addressed to Cavite Naval Base Savings and Loan Association, Inc.** is in response to an inquiry on whether or not Cavite Naval Base Savings and Loan Association, Inc. should deduct the proposed honorarium of its Trustees in the net income of the previous year before computing the 10% allowable honorarium to be given to its Board of Trustees for the current year.

Under Section 30 of the CCP, there are two requisites before members of the board of directors can be granted compensation aside from reasonable per diems: (1) when there is a provision in the by-laws fixing their compensation; and (2) when the stockholders representing a majority of the outstanding capital stock at a regular or special meeting agree to give the directors compensation, which shall not exceed 10% of the net income before income tax for the preceding year. Since Section 30 is likewise applicable to non-stock corporations, it is reasonable to conclude that, in general, the trustees of non-stock non-profit corporations can be given compensation, aside from reasonable per diems, (1) when there is a provision in the by-laws fixing their compensation; and (2) when the majority of the members agree, at a regular or special meeting, to give compensation to the trustees.

Further, as to what constitutes "net income before income tax of the corporation during the preceding year," the Commission had previously opined that based on the legislative deliberations on the matter, it shall be computed based on the "net income before income tax of the year during which the directors have served as such." As explained by the lawmakers, the compensation paid to the directors pursuant to the provisions of the proviso will be considered an expense during the year and therefore deducted from gross income in order to produce the net income before income tax.

It is a basic accounting rule that an expense should be recognized as an expense on the period it was incurred. This being the case, it is thus sufficiently clear that in determining what would be appropriate compliance with Section 30, the proposed compensation for the current year should not exceed 10% of the net income before income tax of the preceding year when the director or trustee served as such; without need of deducting the proposed compensation anew from the previous year's net income.

- ◆ **SEC Opinion No. 15-08 Re: Political Contributions** clarified that the coverage of Section 36(9) of the CCP providing a prohibition against corporations giving donations to any political party, candidate or for the purpose of any partisan political activity is absolute and applies to all corporations whether domestic or foreign.

Further, the Commission opined that Section 95 of the Omnibus Election Code, providing an enumeration of the entities prohibited from making political contributions, did not limit the CCP provision on the same but only further specified those banned from doing so because of benefits, privileges, license or franchise received from government.

- ◆ **Opinion for Bureau of Customs (BOC)** is in response to BOC's request for opinion on whether the registration of a Government-Owned or -Controlled Corporation (GOCC) or its subsidiary with the Commission removes the governmental nature of the entity (i.e. its status as a GOCC) such that exemptions to GOCCs and their subsidiaries from submitting a BIR- Importer's Clearance Certificate to the BOC shall no longer apply to the said entity.

The Commission opined that Sections 3(p)1 and 272 of the "GOCC Governance Act of 2011" which define Nonchartered GOCCs and provide for their creation and registration with the Commission pursuant to the CCP recognize that there are nonchartered entities that require registration with the Commission but are, nonetheless, considered GOCCs. Hence, in providing for the existence of a Nonchartered GOCC which shall be evaluated and monitored by the Governance Commission for GOCCs (GCG) and requiring that the registration of said entity with the Commission under the provisions of the CCP must be with the endorsement of the GCG, the governmental nature of the said entity remains. Registration with the Commission does not alter the governmental nature of the registrant entity as a GOCC.

To educate the public and protect them from fraudulent entities and investment products, the Commission issued a total of 37 advisories in 2015, mostly warning the public about entities offering unauthorized investment products. The advisories were posted on the SEC website and other strategic places.

Table 2. SEC Advisories, CY 2015

	Subject	Date Posted
1	Emgoldex Philippines' Pinoy Style Patak	Feb. 13, 2015
2	SEC Disclaimer (Emgoldex Philippines)	Mar. 10, 2015
3	One Lightning Corporation	Mar. 10, 2015
4	One Lightning Corporation (Advisory No. 2)	Mar. 12, 2015

¹ SEC. 3(p) *Nonchartered GOCC* refers to a GOCC organized and operating under Batas Pambansa Bilang 68, or "The Corporation Code of the Philippines".

² SEC.27. *Requisites for the Creation of a New GOCC or Related Corporation under The Corporation Code.*—A government agency seeking to establish a GOCC or Related Corporation under "The Corporation Code of the Philippines" shall submit its proposal to the GCG for review and recommendation to the President for approval before registering the same with the Securities and Exchange Commission (SEC). The SEC shall not register the articles of incorporation and bylaws of a proposed GOCC or Related Corporation, unless the application for registration is accompanied by an endorsement from the GCG stating that the President has approved the same.

5	Submission of the ACGR together with the Annual Report	Mar. 13, 2015
6	Satarah Wellness Marketing	Mar. 27, 2015
7	SEC highly recommends to all PLCs to adopt best Corporate Governance practices	Apr. 06, 2015
8	One Lightning Corporation (Advisory No. 3)	Apr. 17, 2015
9	Advisory for Branch Offices of Foreign Stock Corporations and Regional Operating Headquarters (ROHQ)/ Regional Headquarters (RHQ) of Multinational Companies	May 04, 2015
10	Recaneli Phils. Intl. Foundation Inc. and Phils. Recaneli Mother Intl. Foundation the Voice for Global Solutions on Poverty	May 22, 2015
11	Hyper Program Intl. Direct Sales and Trading Corp./ HPI Direct Sales and Trading Corp.	May 22, 2015
12	Foreign Currency Trading and Commodities Futures Contracts of Metisetrade, Inc.	Jun. 10, 2015
13	J79 Galore Online Marketing	Jun. 11, 2015
14	Bagong Lahing Filipino Development Foundation, Inc.	Jun. 11, 2015
15	Goldextreme Trading Co.	Jun. 11, 2015
16	Interpol issues global alert for potentially lethal illicit diet drug	Jun. 23, 2015
17	BSP Advisory -"Warning on Unauthorized Deposit-taking Activities" / "Babala Ukol sa mga Tumatanggap ng Deposito ng Walang Pahintulot."	Jun. 24, 2015
18	Success200 International Marketing Corporation , aka Sucess200	Jul. 22, 2015
19	F.L.A.G Prosperity Marketing Inc. aka Freedom Life Advanced Global Prosperity Marketing Inc.	Jul. 22, 2015
20	All Listed, Public and Mutual Funds Companies re: Clarification on the Term Limits of Independent Directors	Jul. 22, 2015
21	Capitol Hills Golf & Country Club, Inc.	Jul. 24, 2015
22	SEC Removes Deadline for Filing Petition to Lift Order of Revocation of Registration	Jul. 24, 2015
23	Wealth Builder Advertising	Jul. 27, 2015
24	Mutual Universe Corporation	Jul. 27, 2015
25	Grandtime Automobile Inc. (also being referred to as "Grand Time or GTA")	Jul. 30, 2015
26	Klikmart Shopping Club Corp. aka "Klikmart Rewards"	Jul. 30, 2015
27	One Dream Global Marketing, Inc.	Aug. 07, 2015
28	Global Intergold	Aug. 14, 2015
29	Forward Direct Selling Corporation	Aug. 20, 2015
30	SEC Warning to Recruiters, Sellers, and Offerors of Unregistered Securities	Aug. 25, 2015
31	One Team Global Solutions Inc.	Sep. 04, 2015
32	Starnet Lifestyle General Trading Inc.	Sep. 28, 2015

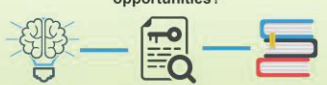
33	Alliance of Networkers of the Phils. Organization, Inc. ("ANPO")	Sep. 28, 2015
34	Bridges Team Effort Network and Marketing Corp. ("Bridges Team Effort")	Sep. 28, 2015
35	Direct Marketing Group International Corporation doing business as DMG International	Oct. 21, 2015
36	Smartpay International	Nov. 13, 2015
37	The Public is hereby Advised to Exercise Caution in Dealing with Individual Formerly Connected with the Philippine Stock Exchange	Dec. 22, 2015

The Commission also developed and disseminated information, education and communication materials to raise public awareness and vigilance against investment scams.

Picture 6. SEC Investment Scam Checklist

INVESTMENT SCAM CHECKLIST

OFFER of high or fantastic earnings on your investments or some business opportunities?



THINK EXAMINE STUDY

If you come across any investment offer by phone, e-mail, flyers, newspaper ads, or directly by any person, or by any other means, you must ask questions to protect yourself and your money...

How?

Get the following information:

1. Name of the person and the company making the offer.
2. Address of both the person and the company.
3. Phone number, particularly the land line. Do not accept cellular phone number(s) --- the owner cannot be traced.
4. SEC Registration as an investment taker. Please bear in mind the following:
 - a. SEC company registration does not grant authority to sell investment instruments, such as securities, bonds, commercial papers, or similar financial instruments.
 - b. Only investment houses and financing companies with QB (quasi-banking) license and with SEC registered securities may offer to sell the same to more than 19 investors.
 - c. Only SEC registered persons (brokers/dealers/sales man) may offer or sell SEC registered securities to the public.

***Important!!!** >>> Do not be tricked or tempted by offers of promissory notes or post-dated checks which will be issued in your favor to allegedly ensure the payment of earnings and the reimbursement of your investments.*

Do NOT deal with THEM!

IF

1. Unwilling or hesitant to give any of the information
2. No SEC registration or appropriate license to engage in activities indicated in 4b or 4c.
3. Claims to have QB license or SEC registered securities.
 - a. Get the information such as the number of investors, minimum placement, rate of return, etc.
 - b. Check and verify the name of the company from the list of companies who may offer investments as posted on the SEC Website.

Inquire from the SEC Corporate Governance & Finance Department 584-6103 or the Markets & Securities Regulation Department 584-5703
4. Fails to give information or not listed in the SEC Website

What to do?

1. Report to the Enforcement and Investor Protection Department (02) 584-6337.
2. Seek NBI or police assistance in case of emergency situation



Securities & Exchange Commission
Republic of the Philippines
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Corporate and Capital Market Regulation

Registration and Licensing

The Commission renders registration and licensing services to entities that seek to enter the corporate and capital market. It processes and approves applications for **primary registration** of domestic corporations, foreign corporations, multinational corporations and partnerships; and **secondary registration** of issuers of securities, capital market intermediaries, financing companies, lending companies, operators of alternative trading system, registrars of qualified institutional buyers, exchanges, self-regulatory organizations (SROS), clearing agencies and depositories. SEC also processes and approves applications for **licensing of capital market professionals** composed of Association Persons (APs), Compliance Officers (COs), Salesmen/Fixed Income Market Salesman (S/FIMS), and Certified Investment Solicitors (CIS). It also processes and approves applications for **accreditation** of external auditors, auditing firms, asset valuers/appraisal companies, credit rating agencies (CRAs), surety companies and CG training providers (CGTPs).

In 2015, the Commission approved the primary registration of a total of 34,935 corporations. Of this total, 89% were domestic corporations, 10% were partnerships and the rest were foreign corporations and multinational companies. Majority of the entities (71%) were registered through CRMD in SEC Head Office and Satellite Offices (SOs) in Metro Manila, while 29% were registered through EOs across the country.

Table 3. Type and Number of Companies Registered, CY 2015

Type of Entity	CRMD	BEO	CDOEO	CEO	DEO	IEO	LEO	TCEO	ZEO	TOTAL
Registered Domestic Corporations	21,784	1,512	1,452	1,959	1,881	1,131	546	642	339	31,246
A. Stock	16,983	244	439	1,424	1,045	617	178	350	82	21,362
B. Non-stock	4,801	1,268	1,013	535	836	514	368	292	257	9,884
Recorded Articles of Partnership	2,705	135	81	162	158	105	52	70	18	3,486
Licensed Foreign Corporations	171	-	-	-	-	-	-	-	-	171
A. Branch Office	91	-	-	-	-	-	-	-	-	91
B. Representative Office	80	-	-	-	-	-	-	-	-	80
Licensed Multinational Companies	32	-	-	-	-	-	-	-	-	32
A. Regional Headquarters	6	-	-	-	-	-	-	-	-	6
B. Regional Operating Headquarters	26	-	-	-	-	-	-	-	-	26
TOTAL	24,692	1,647	1,533	2,121	2,039	1,236	598	712	357	34,935

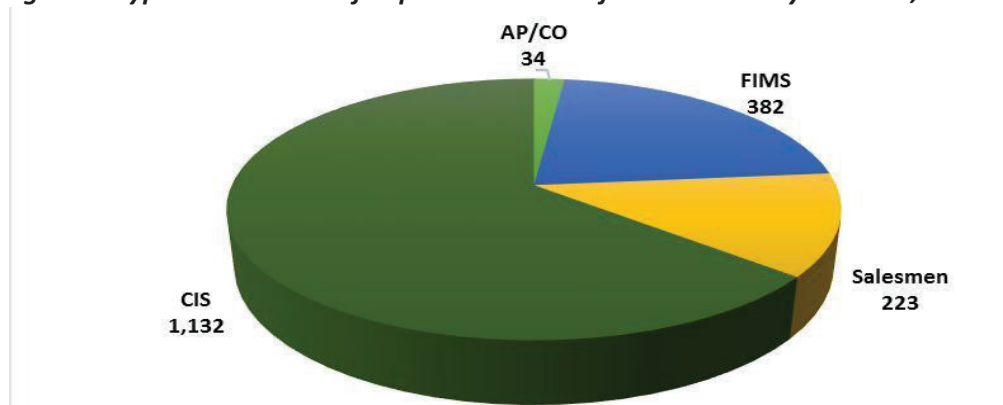
The Commission, through CRMD, licensed a total of 280 capital market institutions. Of this total, 96% were issued renewed licenses while 4% were new registrants. Most of the licensees were Brokers Dealers (Head Office) comprising 42% of the total, followed by Underwriter of Securities engaged in dealing Government Securities (Head Office) at 9%, and Brokers Dealers (Branch Office) and Transfer Agents at 8% each.

Table 4. Type and Number of Capital Market Institutions Licensed, CY 2015

Type of Capital Market Institution		Number of Licenses Renewed in 2015	Number of Licenses Issued in 2015 (New Registrants)	Total
1	Brokers (Head Office)	8	0	8
2	Brokers (Branch Office)	5	0	5
3	Dealers (Head Office)	1	0	1
4	Dealers (Branch Office)	0	0	0
5	Brokers Dealers (Head Office)	117	0	117
6	Brokers Dealers (Branch Office)	20	1	21
7	Brokers in Proprietary Shares (Head Office)	3	0	3
8	Brokers in Proprietary Shares (Branch Office)	0	0	0
9	Voice Brokers (Head Office)	4	0	4
10	Voice Brokers (Branch Office)	0	0	0
11	Investment Houses (Head Office)	16	0	16
12	Investment Houses (Branch Office)	3	0	3
13	Investment Houses engaged in dealing Government Securities (Head Office)	9	1	10
14	Investment Houses engaged in dealing Government Securities (Branch Office)	6	0	6
15	Underwriter of Securities engaged in dealing Government Securities (Head Office)	25	0	25
16	Underwriter of Securities engaged in dealing Government Securities (Branch Office)	0	0	0
17	Government Securities Eligible Dealers (Head Office)	12	0	12
18	Government Securities Eligible Dealers (Branch Office)	0	0	0
19	Investment Company Advisers (Head Office)	10	1	11
20	Investment Company Advisers (Branch Office)	0	0	0
21	Mutual Fund Distributors (Head Office)	9	1	10
22	Mutual Fund Distributors (Branch Office)	0	0	0
23	Transfer Agents	21	0	21
24	Listed Companies	0	0	0
25	Mutual Fund or Investment Companies	0	2	2
26	Issuers of Proprietary/Non-Proprietary shares/certificates	0	5	5
TOTAL		269	11	280

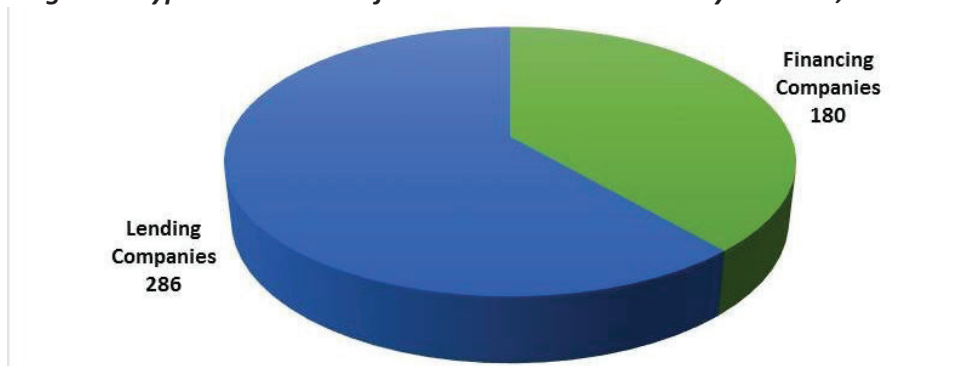
The Commission, through CRMD, newly licensed a total of 1,771 capital market professionals. Of this total, 64% were CIS; 22% were FIMS; 13% were Salesmen, and the rest were AP/CO.

Figure 2. Type and Number of Capital Market Professionals Newly Licensed, CY 2015



In line with the provisions of LCRA and FCA, the Commission, through CRMD and EOs, newly licensed a total of 466 financial institutions. Of these newly licensed financial institutions, 61% were Lending Companies and 39% were Financing Companies.

Figure 3. Type and Number of Financial Institutions Newly Licensed, CY 2015



The Commission processed and approved a total of 62,850 other applications in relation to the primary registration and secondary licenses issued. Of this total, 80% or 50,162 were processed and approved by CRMD, and 20% or 12,688 were processed and approved by EOs. Most of these applications were registration of Stock and Transfer Book; amendment of Articles of Incorporation, By-Laws, and Articles of Partnership; and, issuance of Certifications.

In line with SRC provisions, the Commission, through CGFD and MSRD, evaluated and approved the RS of securities worth PhP218 billion to be sold or offered for sale or distribution within the country. Of this total, 42% were equities, 55% were debt securities, and the rest were proprietary and non-proprietary shares. CGFD issued comment letters to 23 companies relative to their respective RS.

As part of processing applications for RS, CGFD and MSRD referred applicants' FS to OGA for review. OGA reviewed a total of 312 sets of FS of corporations proposing to register their securities for public offering. It also held 21 conferences with representatives of various companies in relation to proposed registration of securities under SRC and request for clarification/opinion on certain accounting issues.

Table 5. Type and Value of Securities Registered, CY 2015 (in PhP)

TYPE OF SECURITIES		CGFD	MSRD	TOTAL
1	Equity (including Mutual Funds/Investment Companies)	11,692,476,128	79,185,695,975	90,878,172,103
2	Debt Securities	-	120,100,000,000	120,100,000,000
3	Proprietary and Non-proprietary Shares/Certificates	7,089,395,200	-	7,089,395,200
TOTAL		18,781,871,328	199,285,695,975	218,067,567,303

As of 2015, the Commission, through OGA and CGFD, accredited a total of 572 entities. Of the accredited entities, 78% were auditing firms, 17% were auditing firms, and the rest were asset valuers, CGTPs and credit rating agencies. For the year 2015, OGA evaluated a total of 2,152 sets of FS in relation to the processing of applications for accreditation as external auditors and auditing firms. It issued a total of 888 written communications to applicants containing its findings on the applications and on the FS. During the year, OGA granted 41 Conditional Accreditation and 147 Three (3)-Year Accreditation to qualified external auditors and auditing firms. It also held 29 conferences with external auditors and/or their representatives in relation to their application for SEC accreditation as auditing firms and external auditors. OGA also reviewed the AFS of 74 companies referred by SEC Operating Departments and Offices as well as by the Senate. CGFD, on the other hand, processed and approved the application for accreditation of five (5) CGTPs, which increased the total number of SEC-accredited CGTPs to 13 as of 2015.

Table 6. Type and Number of Entities Accredited, CY 2015

Type of Entity		Accredited in CY 2015	Accredited as of CY 2015
1	External Auditors	121	444 ³
2	Auditing Firms	26	96 ⁴
3	Asset Valuers	4	17
4	Credit Rating Agencies	0	2
5	CGTPs	5	13
TOTAL		156	572

To bring its registration and licensing services closer to the public, entice more investors and encourage compliance of regulated entities with their reportorial obligations, SEC, through the initiatives of CRMD, established two (2) additional SEC SOs in major shopping malls in Metro Manila in 2015, one each in SM Manila and Robinsons Galleria.

Picture 7. Opening of SEC SO in SM Manila



³ Out of 444 external auditors, 439 were granted a three (3)-year SEC Accreditation. The remaining 5 were granted a Conditional SEC Accreditation.

⁴ Out of 96 auditing firms, 94 were granted a three (3)-year SEC Accreditation. The remaining 2 were granted a Conditional SEC Accreditation.

Picture 8. Opening of SEC SO in Robinsons Galleria



In the last quarter of 2015, CRMD again concluded negotiations for the establishment of an SO in SM City North EDSA, the MOA for which was signed in December 2015. Likewise, CRMD facilitated the negotiations for the establishment of the first SO outside Metro Manila to be located in Robinsons Galleria-Cebu. The MOA covering the same was also concluded in November 2015. The operations of Robinsons Galleria-Cebu SO shall be under the supervision of SEC CEO. Both new SOs will have its soft opening by January 2016 and be fully operational by February 2016.

During the third quarter of 2015, CRMD, in collaboration with ICTD, conceptualized yet another process innovation called the Company Registration System (CRS). The CRS was developed as the online registration facility of the Commission. The inception report followed by the systems requirements specifications (blue print) on the various aspects of the project has already been finalized and signed in December 2015. Thereafter, systems development started. The project is set to be launched by June 2016.

Compliance Monitoring

To ensure the practice of good corporate governance in the corporate and capital market, the Commission monitors the registered, licensed and accredited entities' compliance with applicable laws, rules and regulation. In 2015, the Commission, through the Operating Departments and EOs, closely monitored the compliance of 57,352 regulated entities.

Table 7. Type and Number of Entities Monitored, CY 2015

Type of Regulated Entity		Number
A.	Domestic Corporations, Partnerships, Foreign Corporations and Multinational Companies	53,661
B.	Securities Brokers and Dealers	147
	1 PSE Members - 134	
	2 Non-PSE Members- 13	
C.	Dealer in Government Securities	76
D.	Investment Houses	27
	1 with quasi-banking license - 6	
	2 non-quasi-banking license- 21	
E.	Transfer Agents	21
F.	Underwriter of Securities	12
G.	Investment Company Advisers	11
H.	Mutual Fund Distributor	10
I.	Registered Issuers (unlisted securities)	14
J.	Mutual Funds or Investment Companies	59
K.	Issuers of Proprietary/Non-proprietary shares/certificates	92
L.	Public Companies	34
M.	Listed Companies	262
N.	Accredited Surety Companies	8
O.	Exchanges	2
P.	Clearing House	1
Q.	Securities Depository	2
T.	Exchange Traded Fund	1
U.	Self-Regulatory Organizations	3
V.	Registrar of Qualified Buyers	17
W.	Operator of Alternative Trading System	1
X.	Financing Companies	197

Y.	Lending Companies	267
Z.	Foundations	2,427
TOTAL		57,352

The Commission ensures full and fair disclosure by the regulated entities through the monitoring and evaluation of their reportorial obligations. In 2015, CRMD and EOs monitored and evaluated a total of 35,872 and 89,383 reports, respectively, of domestic corporations, partnerships, foreign corporations and multinational companies. The MSRD, on the other hand, monitored and evaluated a total of 22,667 reports submitted by capital market entities and professionals. Of these reports, 60% were submitted by broker dealers, investment house, underwriter of securities, government securities eligible dealers, investment company advisers, mutual fund distributors, APs, S/FIMS and CIS; while 40% were submitted by issuers of registered securities and listed companies.

Table 8. Type and Number of Reports of Capital Market Entities and Professionals Monitored by MSRD, CY 2015

Type of Report		Number
A.	Reports of Broker Dealers/Investment House/Underwriter of Securities/Government Securities Eligible Dealers/Investment Company Advisers/Mutual Fund Distributors/Associated Persons/Salesmen/Fixed Income Market Salesmen/Certified Investment Solicitors	13,637
1	Annual Audited Financial Statement (AAFS)	3
2	SEC Form 52-AR (AAFS for Brokers Dealers)	79
3	SEC Form 30.1 Affiliated Transactions of Broker Dealer	4,979
4	General Information Sheet (GIS)	10
5	Manual on Corporate Governance (MCG) - Secretary's Certification	57
6	MCG - Compliance Officer Certification	87
7	SEC Form IH-QPR- (Investment Houses-Quarterly Progress Reports)	24
8	SEC Form IHFS (Special Form for Financial Statements of Investment Houses)	7
9	SEC Form IH-AR-Annual Report	1
10	SEC Form 36-TA Amendment Form	3
11	SEC Form 28-Salesmen/Associated Person Amendment Form	9
12	SEC Form 28-T Termination Notice	196
13	SEC Form ICA-T Termination Notice (Investment Company Advisers)	21
14	SEC Form IHU-A Amendment Form (Investment Houses/Underwriters of Securities)	3
15	SEC Form 28-BDA Broker-Dealer Amendment Form	52
16	SEC Form 30.2 Quarterly Compliance Report	707
17	SEC Form 30.1 Report on Broker Director Rule	923
18	Risk Based Capital Adequacy (RBCA) Report	1,466

19	Report of Persons Transacting PSE Shares	2,187
20	Block Sales Report	1,536
21	Report of Trading Halt in Listed Issues	28
22	Report of Suspension in Listed Issues	17
23	Brokers Sworn Statements of PSE Shares	1,123
24	PSE Disclosures for Posting at PSE Edge	79
25	Daily RBCA Report	38
26	Revised Manual on Corporate Governance	2
B.	Reports of Issuer of Registered Securities/Listed Companies	9,030
1	SEC Form 17-A (Annual Report)	210
2	SEC Form 17-Q (Quarterly Report)	672
3	SEC Form 17-C (Current Report)	4,158
4	SEC Form 17-L (Inability to file SEC Form 17-A and SEC Form 17-Q)	126
5	5% Owners Report	27
6	SEC Form 23-A (Initial Statement of Beneficial Ownership of Securities)	922
7	SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities)	2,349
8	SEC Form 20-IS (Preliminary Information Statement)	218
9	SEC Form 20-DIS (Definitive Information Statement)	178
10	Tender Offer Report	21
11	Written Notification of Completion or Termination of the Offering	7
12	18-A-15	22
13	18-AS-1	2
14	SEC Form 10-1 (Notice of Exemption)	118
	TOTAL	22,667

In line with monitoring the compliance of entities under its supervision, CGFD monitored and evaluated a total of 45,975 reports submitted by financing companies, lending companies, foundations, mutual fund, exchange traded fund, public companies, registered issuers (unlisted securities, issuers of proprietary/non-proprietary shares/certificates and other companies supervised by the Department. A significant number of the reports monitored and evaluated were GIS (28%), Audited Financial Statements (26%), and reports required under SEC MC No. 8 s. 2006 or the Revised Guidelines on Foundations (21%).

Table 9. Type and Number of Reports of Financing Companies, Lending Companies, Foundations, Mutual Fund, Exchange Traded Fund, Public Companies, Registered Issuers (Unlisted Securities, Issuers of Proprietary/Non-proprietary Shares/Certificates) and Other Companies Monitored by CGFD, CY 2015

Type of Report		Number
1	SEC Form 17-A (Annual Report)	139
2	SEC Form 17-Q (Quarterly Report)	405
3	SEC Form 17-C (Current Report)	691
4	SEC Form 17-L (Inability to File SEC Form 17-A and SEC Form 17-Q)	45
5	18-A/18-AS (5% Owners Report)	19
6	SEC Form 23 A/B (Beneficial Ownership Reports)	369
7	Information Statements (Preliminary and Definitive)	294
8	Tender Offer Report	6
9	SEC Form 17-EX (Notification of Suspension of Duty to File)	36
10	Sales/Redemption Report	686
11	GIS	12,940
12	Audited Financial Statements (AFS)	11,961
13	Special Form of Financial Statements (SFFS)	1,286
14	Annual Information Statements	616
15	Annual Fee	140
16	Reports required under SEC Memorandum Circular No. 8 s. 2006	9,684
17	1st Semester Semi-Annual Financial Statements	1,267
18	2nd Semester Semi-Annual Financial Statements	1,210
19	SEC Form Q-EPS (Quarterly Report)	784
20	Certification of the Corporate Secretary on the attendance of directors on the board meetings	430
21	Certification of the Compliance Officer on the extent of compliance to the Manual of Corporate Governance	412
22	Revised Anti-Money Laundering Operating Manual	119
23	AMLA Compliance Form	69
24	Revised Manual on Corporate Governance	113
25	Corporate Governance Scorecard	93
26	Stock and Transfer Book	290
27	Others (Membership Book, Statement of Willingness to be Audited, Location Map)	1,871
TOTAL		45,975

To closely monitor the compliance of accredited external auditors, OGA compiled the following information in a database for ease of processing and analysis:

- ◆ List of Existing Accredited External Auditors and Firms;
- ◆ List of Clients of Accredited External Auditors and Firms;
- ◆ List of Managing Partners of Accredited Auditing Firms;
- ◆ List of Affiliated Foreign Auditing Firms of Accredited Auditing Firms;
- ◆ List of Accredited External Auditors with Penalty Imposed;
- ◆ List of Companies referred to Operating Departments for Imposition of Penalty; and,
- ◆ List of Denied Applications for Accreditation.

The Commission, through EIPD, also continued to monitor the trading of listed issues in the PSE. In 2015, EIPD prepared the following monitoring reports and participated in the market-wide rehearsals of the new PSE trading system:

- ◆ 255 Daily Stock Market Reports;
- ◆ 237 Mid-day Reports;
- ◆ 255 Partial Market Reports;
- ◆ 280 Weekly Monitoring Sheets; and,
- ◆ 609 news uploaded to the Total Market Surveillance System.

Enforcement

To effectively regulate the corporate and capital market and protect the interest of investors, the Commission enforces laws, rules, regulations and orders within its mandate, and imposes sanctions for violation thereof. In 2015, the Commission, through its Operating Departments, imposed fine and/or penalty to a total of 19,194 entities for non-compliance with laws being implemented by the Commission. Most of the fined and/or penalized entities were non-compliant with the CCP (97%), while the rest were non-compliant with the SRC, LCRA and various laws.

Table 10. Type of Violation and Number of Errant Entities Fined/Penalized, CY 2015

Type of Violation		Number
1	Firms non-compliant with the CCP	18,665
2	Firms non-compliant with the SRC	131
3	Individuals non-compliant with the SRC	115
4	Firms non-compliant with the LCRA	4
5	Firms non-compliant with various laws	279
TOTAL		19,194

In addition, EIPD received and acted on a total of 181 cases; out of which, 102 cases involved violations of SRC particularly the sale or offering of unregistered investment securities; 19 cases for violations of the CCP; and 10 cases for violations of PD 902-A. The rest were violations of the Anti-Dummy Law and LCRA. EIPD likewise filed 15 Petitions/Motions for issuance of CDOs. The Commission, through OGC, acted on these Petitions/Motions and issued 11 CDOs.

Table 11. Cease and Desist Orders Issued, CY 2015

Case No.	Name of Company	Date Issued
11-14-014	Grand Alliance of Business Leaders Association, Inc.	Jan. 29, 2015
03-12-001	Philippine Landgroup, Inc.	Feb. 12, 2015
07-14-013	Boracay Trans-Pacific Properties, Inc. & Paradisya Land, Inc.	Feb. 12, 2015
03-15-015	One Lightning Corporation	Feb. 12, 2015
11-14-014	Grand Alliance of Business Leaders Association, Inc.	Apr. 28, 2015
04-15-016	Metisetrade, Inc.	May 14, 2015
05-15-019	Bacoor Doctors Medical Center, Inc.	Jun. 09, 2015
05-15-018	Satarah Wellness Marketing et. al.	Jun. 30, 2015
09-15-023	Klikmart Shopping Club Corp. and Klikmart Dragon, Inc. (also known as "Klikmart Rewards")	Oct. 16, 2015

10-15-026	Emgoldex Philippines, Global Intergold, Prosperous Infinite Phils. Holding Corporation	Nov. 05 2015
06-15-020	Hyper Program International Direct Sales and Trading Corporation and HPI Direct Sales and Trading Corporation	Nov. 05 2015

The highlights of these CDOs are as follows:

- ◆ In the matter of **One Lightning Corporation vs. EIPD (SEC CDO Case No. 03-15-015)**, the Commission En Banc issued a CDO against One Lightning for offering and selling securities in the form of investment contracts without securing a registration statement when it offered memberships to the public, which enabled its members to recruit others for a commission and entitled its members to obtain different beauty products
- ◆ In the matter of **Emgoldex Philippines, Global Intergold, Prosperous Infinite Phils. Holding Corporation (SEC CDO Case No. 10-15-026)**, Emgoldex Philippines (Emgoldex) is an unregistered entity who entices and solicits investments from the public, through internet, in the amount of PhP36,500.00 with a promise of return amounting to PhP180,000.00. It later transformed into Global Intergold and then to PIPHC.

The EIPD, in coordination with the DILG, PNP, PNP-Crime Investigation and Detection Group Anti-Fraud and Commercial Crimes Unit and NBI, presented evidence and statements from witnesses that Emgoldex and its allied entities are engaged in investment activities without the necessary license from the Commission to offer/sell securities. On 05 November 2015, the Commission issued a CDO against Emgoldex/Global Intergold, PIPHC and its allied entities from further offering/selling securities in the form of investment contracts.

Aside from the 11 CDOs, OGC also decided and terminated 153 cases, 49 of these concerned appeals to the En Banc on the decisions of Operating Departments and 104 were residual cases from the defunct Securities Investigation and Clearing Department of SEC. The following are the highlights of these cases:

- ◆ In the matter of **Victorias Milling Co., Inc. (VMC) vs. East West Banking Corp. (EWBC) (SEC En Banc Case No. 04-15-368)**, in July 1997, VMC filed a Petition for Rehabilitation. On September 2003, VMC executed a Convertible Note (CN) in favor of EWBC, whereby VMC promises to pay EWBC the amount of PhP200,396,734.00 at the rate of 8% per annum. On February 2014, VMC signified to EWBC to redeem the issued CN, however, EWBC refused to accept VMC's payment. EWBC argues that it has a right to convert the CN into equity as provided in the CN while VMC argues that it has a right to redeem the CN and is prepared to pay the said amount.

The Special Hearing Panel 1 (SHP1) ruled in favor of EWBC. In April 2015, VMC appealed SHP1's Decision to the Commission En Banc. On August 2015, the Commission En Banc

reversed and set aside SHP1's Decision. It ruled in favor of VMC because the latter properly exercised its right of redemption as provided in the terms and conditions in the Rehabilitation Plan and CN.

- ◆ In the matter of **Yahoo! Inc. (Yahoo!) vs. Yahoo Food Industries, Inc., et. al. (SEC En Banc Case No. 01-07-94)**, in February 2006, Yahoo! filed a Petition for Change of Name with the OGC against Respondent corporations for using the word "Yahoo". Yahoo! claims that it has the exclusive right to use the "Yahoo". In January 2007, OGC dismissed Yahoo!'s petition on the following grounds: (1) it has no priority of adoption over the word "Yahoo"; (2) it was registered with the Intellectual Property Office (IPO) on a later date (2003) compared to the date of incorporation (1997-2000) of Respondent corporation; and, (3) the word "Yahoo" is not considered an internationally well-known mark.

Yahoo! appealed OGC's Decision with the Commission En Banc. The Commission En Banc reversed and set aside OGC's Decision on the ground that: (1) Yahoo! has priority of adoption over the word "Yahoo" because it was incorporated in the United States in 1995 which is earlier than the date of incorporation of Respondent corporations in 1997-2000; (2) Yahoo! filed an application for the name "Yahoo" and "Yahooligans" in the IPO as early as 1996 but it was only registered in 2003. The protection of law on trademarks is reckoned from the date of filing of its registration application with the IPO. The date of filing is vital and controlling in determining a trade name or trademarks priority of adoption; (3) Yahoo! presented a DTI Decision dated 01 October 2007 that its name is internationally and locally well-known.

- ◆ In **Re Philippine Ecclesiastical Catholic Church Apostolic Vicar Incarnant Simbahang Katoliko Pilipino (PECCAVI)**, this is a Petition for Review on Certiorari assailing the CRMD Order dated 28 August 2014, dismissing PECCAVI's Petition to Set Aside the Order of Revocation. The Petition for Review on Certiorari was dismissed for being filed beyond the 10-day period from receipt of the assailed order.

However, PECCAVI and, in effect, all concerned corporations, are informed that a new petition may be filed with the CRMD to set aside the Order of Revocation, subject to the payment anew of petition fees. The filing of petitions to set aside an order of revocation due to delinquency in filing of reports is no longer prescribed for as long as the corporate term has not yet expired. This in line with the Commission's Resolution No. 396 Series of 2015, as well as the current bill amending the CCP permitting perpetual corporate terms.

- ◆ In **Lopez vs. Fernandez et al.**, although Article 1830 of the Civil Code includes the withdrawal of a partner as one of the causes for dissolution, an agreement of the partners, like any other contract, is binding among them and normally takes precedence to the extent applicable over the Civil Code's general provisions. Thus, an express provision in the Articles of Partnership that the withdrawal of any partner shall not bring

about the dissolution of the partnership must govern and the partnership shall continue to exist and carry on its activities among the remaining or surviving partners.

In order for the Commission to create and appoint a management committee, the following circumstances must first be proven: (i) There is imminent danger of dissipation, loss, wastage or destruction of assets or other properties; or (ii) There is paralization of business operations of such corporations or entities which may be prejudicial to the interest of minority stockholders, parties-litigants or the general public. However, the appointment of a management committee for a going corporation is a last resort remedy, and should not be employed when another remedy is available. Relief by receivership (or creation of a management committee) is an extraordinary remedy and is never exercised if there is an adequate remedy at law or if the harm can be prevented by an injunction or a restraining order, or an action for accounting. Bad judgment by directors, or even unauthorized use and misapplication of the company's funds, will not justify the appointment of a receiver (or a creation of a management committee) for the corporation if appropriate relief can otherwise be had.

Strategic Support

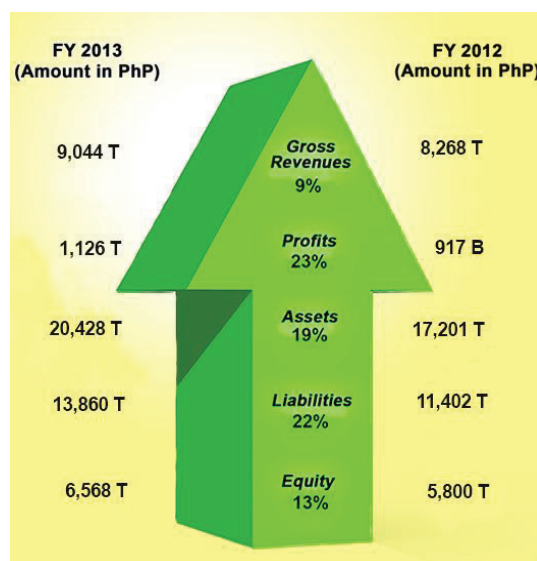
Economic Research and Training

Economic Research and Statistics

The Commission, through the Economic Research and Training Department (ERTD), prepared and published *The Top 1,000 Corporations: Managing through Difficult Times (2014 Edition)*. The report provides an overview as well as insights on the financial performance of the FY 2013 Philippines' top 1,000 corporations against the backdrop of domestic events that took place during the same year. It also features sectoral review of the performance of PLCs, Financial Intermediation and Insurance Corporations, which include Holding, Investment, Financing and Lending Companies 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 researchers.

Figure 4 gives a snapshot of the year-on-year growth rates and the amount of gross revenues, profits, assets, liabilities and equity of the top 1,000 corporation, as may be gleaned from the said report.

Figure 4. Financial Performance of the Fiscal Year 2013 Philippines' Top 1,000 Corporations

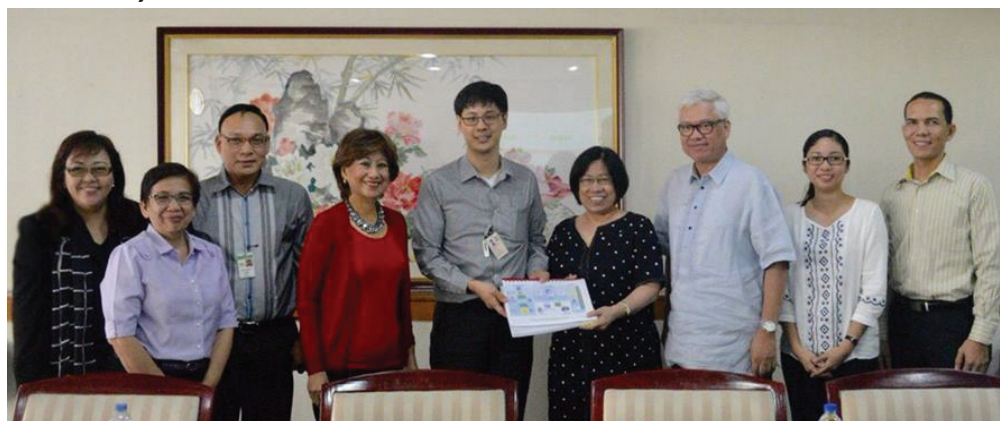


The ERTD extended support to government agencies and inter-agency bodies' initiatives on statistical matters, such as inputs for PSA's updating of Philippine Statistical Development Plan Mid-Term Results Monitoring Matrix 2011-2017, estimation of the Gross Regional Domestic Product of Regions IV-A (Calabarzon), and VII (Central Visayas), and estimation of Leading

Economic Indicators (LEI); provision of data for DOF Statistical Yearbook; assisted in implementing the DOF-SEC data sharing agreement; and participated in activities of the Inter-Agency Committee on Investment Statistics composed of government statistical compilers, investment promotion agencies and data provider-agencies. ERTD likewise supported similar efforts of the FSCC-Corporate Leverage Working Group, FSF-Reporting, Information Exchange and Dissemination Committee, and the inter-agency group involved in the compilation of data for the Other Financial Corporations Survey. It also responded to requests for information by individual and institutional researchers. On top of these, ERTD provided inputs, participated in inter-agency discussions, and coordinated the submission of agency inputs/comments and commitments in the various free trade and economic partnership agreements discussed in the *Technical Assistance* section.

To further provide timely and relevant information in aid of the policy-making, monitoring and enforcement functions of the Commission and other financial regulators, ERTD led preparations for the development of the Company Investments and Financial Statistics System (CiFSS). The CiFSS is primarily a statistical reporting system but due to the wealth of information to be captured from various internal sources, it is likewise envisioned to support the compliance-monitoring work of SEC Operating Departments. The system will capture basic company registration and financial data contained in the various documents, reports and disclosures submitted by corporate filers, including other relevant data which may be obtained from the existing databases. The database build up phase will include data from the structured templates for GIS and FS using the general form or special form for FS, i.e., GFFS and SFFS submitted in Excel format. The World Bank assisted the Commission in preparing the *TOR for the Supply, Delivery, Installation, Configuration, Development, Testing and Implementation of the CiFSS*, and related documentations. These were completed and turned over to the Commission on November 10, 2015 for use in succeeding phases of the project.

Picture 9. SEC Officials, headed by Chairperson Teresita J. Herbosa, accepted the CiFSS Project TOR from the World Bank team led by Dr. Karl Kendrick T. Chua.



Capital Market Training

ERTD coordinated the conduct of eight (8) certification seminars which benefitted 542 prospective Certified Securities Representatives (CSRs) and APs.

Table 12. Number of Certification Seminars and Participants, CY 2015

Type of Certification Seminar	No. of Seminars Conducted	No. of Participants
1. CSR	6	447
2. AP	2	95
TOTAL	8	542

Picture 10. Certification Seminar for Associated Person



As part of the certification program for securities market professionals, ERTD administered the following licensure examinations to 3,778 applicants. 46% of the applicants passed the examinations.

Table 13. Result of Licensure Examinations, CY 2015

Type of Certification Program	No. of Examinees	No. of Passers	%
1 AP Module 1	72	19	26%
2 AP Module 2	78	25	32%
3 AP Module 3	91	13	14%
4 AP Module 4	77	20	26%
5 AP Module 5	73	20	27%

6	Certification Examination for the FIMS	672	356	53%
7	Investment Company Representative Certification	2,715	1,282	47%
	TOTAL	3,778	1,735	46%

It also coordinated the conduct of nine (9) **public seminars** on relevant topics to educate the corporate and capital market participants and the general public on specific regulations of the Commission. Officials from the Offices and Departments concerned served as resource persons in these seminars.

Table 14. Number of Public Seminars and Participants, CY 2015

Name of Public Seminar		Number of Participants
1.	Public Seminar on Registration and Monitoring of Foundation (6)	441
2.	Speaker Accreditation-Roundtable Discussion	35
3.	Follow-up Workshop for Public Listed Companies	47
4.	Corporate Governance workshop for ASEAN Corporate Governance Scorecard	38
	TOTAL	561

To educate the youth, the Commission through ERTD held **student orientations** for six (6) universities/colleges. A total of 694 students were oriented on corporate and capital market development, company registration, and investor information.

Table 15. Number of Student Orientations and Participants, CY 2015

Name of University/College		Number of Participants
1.	PLT College Inc. Nueva Vizcaya	72
2.	University of Pangasinan	232
3.	University of St. La Salle - Bacolod	97
4.	University of the Philippines – Diliman, School of Statistics	98
5.	University of Batangas	58
6.	University of San Carlos Cebu	137
	TOTAL	694

Strategic Planning

ERTD coordinated the preparations for and conduct of the FY 2016 Pre-Planning Conference Focus Group Discussion and Strategic Planning Conference which were held on March 9-10, 2015 and April 7-8, 2015, respectively. The directions and plans resulting from these activities informed the SEC proposed budget for FY 2016 as well as the performance targets in the initial

implementation of SEC Strategic Performance Management System. ERTD also coordinated the formulation of the SEC Mission, Core Values and Vision Statement for FY 2016-2019, which was approved by the Commission En Banc for recitation during the weekly SEC Flag Raising Ceremony starting January 2016. ERTD also assisted the SEC Performance Management Team in coordinating the Commission's compliance with the good governance conditions and other eligibility requirements for the grant of the FY 2015 Performance-Based Bonus.

Picture 11. SEC FY 2016 Strategic Planning Conference



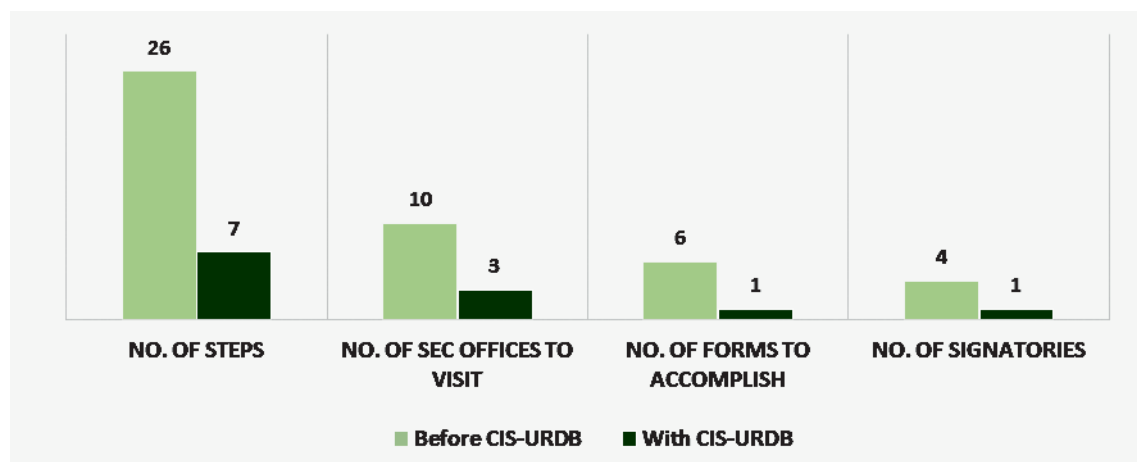
Information and Communications Technology Development

The Commission, through ICTD, leveraged information and communications technology (ICT) to upgrade its core services and its internal operations. In 2015, ICT completed the development of five (5) innovative ICT systems and began the development of four (4) more ICT systems.

The following ICT systems were completed in 2015:

- ◆ *IBRS*, as previously discussed in the *Performance Highlights* section, was fully implemented in April 2015. It integrated the registration procedures of the SEC with those of SSS, Pag-IBIG Fund and PhilHealth. By consolidating the processes of the SEC with these social agencies, IBRS aims to cut the business registration process in the country from 16 steps and 34 days, to 6 steps and 8 days. As of December 31, 2015, 99% of the new registrant-corporations at SEC Main Office benefitted from it, having been issued their ERNs along with their SEC registration numbers in just one (1) day.
- ◆ *CIS-URDB*, as previously discussed in the *Performance Highlights* section, was deployed in May 2015. It streamlined the process for obtaining Certification of No Derogatory Information/Good Standing for SEC-registered companies by centralizing relevant information from various SEC Departments into a common reference database for the issuance of certification. It significantly reduced the number of steps to complete the issuance process, the number of offices to go to, the number of forms to accomplish, and the number of signatories.

Figure 5. Streamlined Certification Issuance Process through CIS-URDB



- ◆ *Enhanced SEC Website*, the design and content of which was completed in 2015 and to be launched in 2016, intends to transform the existing SEC website into a more interactive website that is rich in content, creates high visual impact, user-centric, and widely accessible and benchmarked with other Securities Commissions. The enhanced SEC website will serve as the Commission's main platform for information

dissemination; online services; clients' feedback and queries; online learning resources; and virtual community of SEC stakeholders.

- ◆ *Human Resource Information System or HRIS*, deployed in 2015 and set for testing/pilot implementation in the first quarter of 2016, aims to integrate the Commission's human resource database; and ease the recording, updating and monitoring of personnel information, attendance, and leave credits.
- ◆ *Procurement Monitoring and Tracking System or PMTS*, deployed in August 2015, seeks to assist the Commission in monitoring the implementation of its Annual Procurement Plan (APP), and to further standardize the procurement process and corresponding documentary requirements.

The development of the following ICT systems was pursued in 2015 and is currently ongoing:

- ◆ *CiFSS*, as previously discussed in the *Economic Research and Training* section, is primarily a statistical reporting system but is likewise envisioned to support the compliance-monitoring work of SEC operating departments. The system will capture basic company registration and financial data contained in the various documents, reports and disclosures submitted by corporate filers, including other relevant data which may be obtained from the existing databases. ICTD assisted in reviewing the TOR and technical reports for the development of CiFSS. With technical assistance from the World Bank, the TOR for the Supply, Delivery, Installation, Configuration, Development, Testing and Implementation of the CiFSS, along with the related technical documentation containing the current systems review and assessment of internal and external end-user requirement were completed in November 2015.
- ◆ *Computer-Assisted Annual FS Review (CAFSR)* will support and facilitate the evaluation and analysis of audited FS submitted by SEC-registered corporations. The project includes the delivery of application, web and database servers, database management software, as well as other software licenses.
- ◆ *Extensible Business Reporting Language (XBRL)-based Reporting System* will utilize the features and functionalities of XBRL, 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 the submitted reports. The system will also provide the facility to receive and make publicly available a range of corporate data. Japan International Cooperation Agency provided assistance for a feasibility study on the adoption of the XBRL-Based Reporting System and orientation of representatives of SEC, BIR, DOF and accounting firms on the XBRL technology. The next phase shall be the development of taxonomy for the reports.
- ◆ *Property Management and Inventory System (PMIS)* intends to assist in the efficient recording and monitoring of status and aging of SEC equipment, assets and properties. The reconciliation of pertinent records, and the conversion of data into PMIS format were initiated in 2015.

General Administration and Support

Human Resource Development and General Services

Human Resources Management and Development

The Commission, through the Human Resource and Administrative Department (HRAD), continued to strengthen the Commission's workforce by assisting the SEC Personnel Selection Board in the rigid recruitment and selection of competent individuals. To ensure the health and well-being of SEC employees, HRAD coordinated the conduct of the Annual Physical Examination and provided medical and dental services. HRAD recommended to the Civil Service Commission (CSC) the reconstitution of the SEC Grievance Committee and the updating of the Grievance Procedure. The Amended Grievance Machinery Procedure has been approved by the CSC-National Capital Region Office. To more effectively support the human resources, the HRAD assisted the ICTD in the development of the HRIS. As mentioned in the *Information and Communications Technology Development* section, HRIS is a computer-based system of timekeeping and attendance recording, including generation of real time leave balances, updated service record and personal data sheet. HRAD also supported the SEC Statement of Assets, Liabilities and Net Worth (SALN) Review and Compliance Committee in reviewing the completeness of entries in employees' FY 2014 SALN.

Learning Resource and Information

The HRAD provided local and international trainings to SEC employees to further enhance their competencies. It managed the SEC Library which served both SEC employees and the public; and maintained the SEC Citizen's Charter which was duly validated by the Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems (AO 25 IATF) as compliant with Citizen's Charter requirements. HRAD also deployed a total of 272 student interns to various Offices/Departments in 2015.

Procurement

HRAD assisted the SEC Bids and Awards Committee (BAC) in the preparation, submission, implementation and monitoring of the Commission's FY 2015 APP. It also assisted SEC BAC in the conduct of the Agency Procurement Compliance and Performance Indicators System Self-Assessment. Both the FY 2015 APP and APCPI Self-Assessment were submitted to and validated as compliant by the AO 25 IATF. As mentioned in the *Information and Communications Technology Development* section, HRAD, in partnership with ICTD, prepared and implemented the PMTS. Starting August 2015, PMTS was strictly implemented in the SEC Head Office. All

Purchase Requests were system-generated including the digital recording of approval thereof. System enhancements as a result of the assessment activities done by the BAC Secretariat and ICTD made procurement monitoring and tracking more efficient.

General Services

HRAD, in coordination with the Commission on Audit and the Financial Management Department (FMD), conducted the annual inventory of the Commission's assets in the Head Office and Extension Offices. It led the conduct of fire and earthquake drills for SEC employees, in coordination with the Metropolitan Manila Development Authority, Bureau of Fire Protection and Barangay Wack-Wack. It also assisted CRMD and ICTD in setting up the SOs in SM Manila and Robinsons Galleria. As part of its support to the Commission, the HRAD published in newspaper of general circulation all SEC MCs, Invitations To Bid, 2015 SRC Rules, Orders (Revocation of Certificate of Articles of Incorporation), CDOs, Order/Summons and other Notices issued by the Commission.

Financial Management

FMD, a hall of fame awardee as one of the Most Outstanding Accounting Office in the National Government Sector, continued to lead the Commission's implementation of key Public Financial Management (PFM) reforms of the National Government (NG).

In 2015, FMD successfully converted from electronic New Government Accounting System (e-NGAS) 1.2 to e-NGAS 2.0 and correspondingly trained its staff on the use of e-NGAS 2.0. It also conducted training for its staff and staff of other Departments on the Unified Accounts Code Structure, Philippine Public Sector Accounting Standards, Revised Chart of Accounts and the Government Accounting Manual (GAM).

The Department contributed in the effort of the Commission in securing approval of the President thru the Department of Budget and Management of the SEC Interim Pay Plan and the successful implementation of the said pay plan in 2015.

Contribution of SEC to the National Government

SEC Financial Performance in 2015

Total income collected for the year 2015 for the NG amounted to PhP2,751 million against target of PhP2,034 million or an excess of PhP716 million. Its total budget provided by the General Appropriation Act for 2015 was PhP588 million. Compared to its collections remitted to the NG, SEC contributed to NG a total of PhP2,163 million in 2015. Details of 2015 collections follow:

Table 16. SEC Collections in PhP, CY 2015

Particulars	Amount		
	Total Collections by SEC	Collections/Income Retained	Collections to NG
Licensing Fees	68,757,387.41	-	68,757,387.41
Registration Fees	2,287,337,999.54	83,901,500.00	2,203,436,499.54
Fines and Penalties	181,874,423.97	12,405,500.00	169,468,923.97
Rent Income	6,942,549.66	6,942,549.96	-
Seminar Fee	7,102,262.35	7,102,262.35	-
Interest Income	121,035.97	120,090.00	945.97
Other Service Income	312,693,239.99	3,702,825.00	308,990,414.99
Total	2,864,828,899.19	114,174,727.31	2,750,654,171.88

SEC Financial Performance for the last 10 years

For the last 10 years, the Commission collected a total of PhP19.5 billion against target of PhP11.4 billion, or an excess of PhP8.1 billion or 71%, as shown below:

Table 17. SEC Collections vs. Target Collections in PhP, CY 2006-2015

	Amount		
Year	Collections for NG	Targeted Collections	Excess over Target
2006	863,267,633.03	680,860,000.00	182,407,633.03
2007	1,765,416,026.57	714,903,000.00	1,050,513,026.27
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
Total	19,557,849,051.50	11,368,882,000.00	8,188,967,051.16

For the same period, the Commission contributed a total of PhP19.5 billion to the NG against total appropriations received of PhP4.1 billion, or a net contribution to the NG of PhP15.4 billion, as follows:

Table 18. SEC Net Contributions in PhP, CY 2006-2015

	Amount		
Year	Collections for NG	Annual Appropriations	Net Contributions
2006	863,267,633.03	332,937,000.00	530,330,633.03
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
Total	19,557,849,051.46	4,106,438,000.00	15,451,411,051.46

In line with the implementation of key PFM reforms, the FMD will pursue the following plans and programs in 2016:

1. Full implementation of the GAM which takes effect on January 1, 2016. The processing of disbursement vouchers (DVs) will be centralized in the Accounting Division due to the new requirement in GAM that the Accounting entries will be incorporated in the DV. This will also facilitate the processing of the DVs;
2. Removal from the list of Plant, Property and Equipment of semi-expendable items (items below PhP15,000) in compliance with the GAM;
3. Reconciliation of the PPE per books against the physical count of PPE; and,
4. Full implementation of the e-Budget.

