OFFICE OF THE GENERAL ACCOUNTANT

NOTICE

TO	**:**	**ALL CONCERNED AUDITING FIRMS AND EXTERNAL AUDITORS AND COVERED CORPORATIONS**
FOR	**:**	**REQUEST FOR COMMENTS ON PROPOSED AMENDMENTS IN SEC ACCREDITATION GUIDELINES OF AUDITING FIRMS AND EXTERNAL AUDITORS**

The Securities and Exchange Commission (SEC) hereby requests all interested parties to submit their comments and/or inputs on the attached draft of the Proposed Amendments to the Revised SRC Rule 68 and SEC Memorandum Circular No. 20, Series of 2019, particularly on the following items:

Revised Securities Regulation Code (SRC) Rule 68

1. Part I. 3.B. Additional Requirements for Independent Auditors of SEC-Regulated Entities and Other Entities

    i. Accreditation Categories
    ii. Scope and Limitation of Accreditation - particularly ((g.) Suspension or Revocation)
    iii. Accreditation Requirements for Individual Independent Auditors or Signing Partners - particularly on the required track record (4)

2. Part I. 5. OTHER DOCUMENTS TO BE FILED WITH THE FINANCIAL STATEMENTS

3. Annex 68-A Quality of Audit Work of Applicants for Accreditation and Accredited Independent Auditors

SEC Memorandum Circular No. 20, Series of 2019

Section 3. Covered Institutions and Appointment of External Auditors (SEC)
Section 5. Qualification Requirements (SEC)

The written comments and/or inputs on the exposure draft must be submitted to the Office of the General Accountant (OGA) via electronic mail at secoga@sec.gov.ph **on or before 15 May 2026**.

Also, attached is the comparative matrix of the proposed amendments for your reference.

Issued on __ March 2026.

SEC MEMORANDUM CIRCULAR NO. __
SERIES OF 2026

TO	**:**	**ALL CONCERNED AUDITING FIRMS AND EXTERNAL AUDITORS AND COVERED CORPORATIONS**
SUBJECT	**:**	**AMENDMENTS IN SEC ACCREDITATION GUIDELINES OF AUDITING FIRMS AND EXTERNAL AUDITORS**
DATE	**:**	**________ 2026**

WHEREAS, the Revised Securities Regulation Code (SRC) Rule 68 provides under Part I, Section 3.B the requirements for independent auditors of SEC-regulated and other covered entities, including the accreditation categories, the grounds for suspension and revocation of accreditation, and the accreditation requirements for auditing firms, individual independent auditors or signing partners of audit firms, particularly their required track records. Further, Annex 68-A of the Revised SRC Rule 68 establishes the standards for evaluating the quality of audit work of applicants for accreditation and accredited independent auditors;

WHEREAS, Securities and Exchange Commission (SEC) Memorandum Circular No. 20, series of 2019, entitled *Guidelines on the Adoption of Centralized (One-Stop-Shop) Framework for Accreditation/Selection of External Auditors/Auditing Firms of the Securities and Exchange Commission, Bangko Sentral ng Pilipinas and Insurance Commission's Regulated and Supervised Institutions*, provides the guidelines on the accreditation and selection of external auditors/auditing firms and likewise sets out the accreditation categories and the corresponding required track record for such auditors;

WHEREAS, Section 179 of the Revised Corporation Code and Section 5 of the Securities Regulation Code provide that the SEC shall have the power and authority to exercise supervision and jurisdiction over all corporations.

WHEREAS, the SEC amended Paragraph 3.B.(i) (Accreditation Categories) of Part I of the Revised SRC Rule 68 and Section 3 of SEC Memorandum Circular No. 20, Series of 2019 to update the coverage of SEC accreditation by including corporations with government contracts among those required to be audited by SEC-accredited auditors;

WHEREAS, the SEC deems it necessary to include an additional schedule under Part I. 5 of the Revised SRC Rule 68 to facilitate the monitoring of corporations with government contracts;

WHEREAS, the SEC amended Par. 3. B. (ii). (g) Suspension or Revocation of Accreditation of Part I of the Revised SRC Rule 68 to include instances when auditors commit deliberate acts of manipulation or conceal material findings, or demonstrate a pattern of repeated violations. The amendments strengthen ongoing oversight by ensuring that accreditation remains contingent on continuous compliance with audit quality, ethical, and regulatory standards.

WHEREAS, to update the SEC group category threshold, the SEC amended Par. 3. B. (iii). (b). (4). *Specific Requirements* of Part I of the Revised SRC Rule 68 and Section 5 of SEC Memorandum Circular No. 20, Series of 2019 by increasing the threshold *relative to qualification per group category,* thereby ensuring that only auditors with sufficient experience, and track records are accredited to handle audits of SEC-regulated entities, which is vital for enhancing audit quality, safeguarding investor confidence, and upholding the integrity of financial reporting;

WHEREAS, to enhance the quality of audit work and strengthen evaluation standards for SEC Accreditation the SEC amended Items 3 and 4 of ANNEX 68-A of the Revised SRC Rule 68 by imposing stricter thresholds, thereby requiring auditors to demonstrate a higher level of competence, diligence, and adherence to the standards, which is essential for ensuring reliable financial reporting and protecting investor interests.

WHEREAS, to update the Conditional Accreditation Limitations, the SEC amended 2nd paragraph of Item 3.B (v) of ANNEX 68-A of the Revised SRC Rule 68 by ensuring that conditional accreditation remains a temporary corrective measure rather than a recurring alternative to full compliance.

WHEREAS, to update the considerations for outright denial of the application for accreditation, the SEC amended Item No. 2 of ANNEX 68-A of the Revised SRC Rule 68 by addressing serious audit failures, ethical breaches, and repeated non-compliance that cannot be remedied through conditional accreditation. It explicitly covers misrepresentation, non-cooperation with regulatory review, improper use of accounting frameworks, excessive material findings, and recurring client-related violations.

WHEREAS, the foregoing amendments are intended to protect the public interest, reinforce accountability, maintain and uphold the integrity and credibility of the accreditation system throughout the validity of accreditation, and ensure that auditors continue to comply with professional, ethical, and regulatory standards;

NOW, THEREFORE, in the exercise of its regulatory authority, the SEC hereby promulgates the following amendments to strengthen the accreditation framework under Part I. 3.B, Part I. 5, and Annex 68-A of the Revised SRC Rule 68, as follows:

SECTION 1. Amendments to Part I. 3.B. Additional Requirements for Independent Auditors of SEC-Regulated Entities and Other Entities

B. Additional Requirements for Independent Auditors of SEC-Regulated Entities and Other Entities

(i) Accreditation Categories

The accreditation of independent auditors serves as a quality control mechanism or quality assurance review by the Commission on the work of the accredited external auditors.

The following entities shall have independent auditors accredited by the Commission under the appropriate category:

Group A

1. Issuers of registered securities which have sold a class of securities pursuant to a registration under Section 12 of the SRC except those issuers of registered timeshares, proprietary and non proprietary membership certificates which are covered in Group B. This category shall also cover corporations applying for the registration of their securities;

2. Listed companies with securities traded on an exchange;

3. Public companies or those which have total assets of at least Fifty Million Pesos (P50 Million) or such other amount as the Commission shall prescribe, and having two hundred (200) or more holders each holding at least one hundred (100) shares of a class of its equity securities;

4. Clearing agencies and clearing agencies as depositories;

5. Stock exchanges, securities exchanges, and other self-regulatory organizations; and

6. **Corporations awarded a single government contract amounting to at least ₱100 million, or combined government contracts totaling at least ₱150 million within the reporting year, shall be required to engage an SEC-accredited external auditor under this category beginning in the year the applicable threshold is reached and shall remain subject to this requirement until the project/s have been fully completed or delivered.**

Group B

1. Issuers of registered timeshares and membership certificates (proprietary or non-proprietary)

2. Investment houses

3. Brokers and dealers of securities

4. Investment companies without registered securities or not in the process of registration

5. Government securities eligible dealers

6. Universal banks registered as underwriters

7. Investment company advisers

8. Special purpose corporations under the Securitization Act of 2004
9. Other SEC-supervised corporations as may be required by law

Group C

1. Financing companies with assets over ₱10 million in the preceding year
2. Lending companies with assets over ₱5 million in the preceding year
3. Transfer agents
4. Non-stock, non-profit corporations including foundations which solicit or receive **annual donations or contributions amounting to more than Twenty-Five Million Pesos (P25 Million), or with annual fund balance amounting to more than One Hundred Million Pesos (P100 Million)**, over the preceding three (3) years, or such higher amount that the Commission may set through order or guidelines.

   A non-stock, non-profit corporation that is already scoped in by the above requirement can only be excluded if its **annual donations or contributions fall below Twenty-Five Million Pesos (P25 Million) and annual fund balance fall below One Hundred Million Pesos (P100 Million)**, over the preceding three (3) years; **and**
5. Other corporations were deemed vested with public interest by the Commission, even without a secondary license requirement.

(ii) Scope and Limitation of Accreditation

xxx xxx

(g) **The accreditation of an auditing firm and/or partner ("Auditor") shall remain effective unless any of the following occurs:**

1. **The Auditor's request for withdrawal of accreditation is approved by the Commission; or**
2. **The BOA registration and license have expired; or**
3. **The accreditation of the Auditor is suspended or revoked by the Commission.**

The accreditation of the Auditor may be suspended, revoked or modified by the Commission, after notice and hearing, under any of the following circumstances:

1. **The Auditor has committed acts that would constitute grounds for outright denial under the relevant provisions of this Rule—whether identified through post-approval monitoring, or any other review, evaluation or investigation conducted by the Commission;**

2. **The Auditor committed repeated violations of the Securities Regulation Code, Revised SRC Rule 68, Philippine Standards on Auditing (PSAs), or other applicable regulations;**
3. **The Auditor has manipulated material findings by reclassifying them as minor or immaterial findings, or concealing said findings, or committing any other form of misrepresentation;**
4. **The Auditor has aided, abetted, counseled, commanded, induced or procured any violation of this rule, regulation or order of the Commission or laws being implemented by the Commission;**
5. **The Auditor has engaged in any act, transaction, practice or course of business which operates or would operate as a fraud or deceit upon any person; and**
6. **The Auditor has failed to comply with the SOAR requirements or for such other grounds as provided in this Rule.**

(iii) Accreditation Requirements for Individual Independent Auditors or Signing Partners

xxx xxx

(b) Specific Requirements

xxx xxx

(4) At the time of application, the applicant must have the following **recent** track record:

(i) For Group A applicant, he shall have had a minimum of **five (5) corporate clients with total assets of at least One Hundred Million Pesos (P100 Million) each**, or such amount as may be prescribed by the Commission;

(ii) For Group B, he shall have had a minimum of **five (5) corporate clients with total assets of at least Fifty Million Pesos (P50 Million) each**, or such amount as may be prescribed by the Commission;

(iii) For Group C, he shall have had a minimum of **five (5) corporate clients with total assets of at least Five Million Pesos (P5 Million) each**, or such amount as may be prescribed by the Commission.

SECTION 2. Amendments to ANNEX 68-A

QUALITY OF AUDIT WORK OF APPLICANTS FOR ACCREDITATION AND ACCREDITED INDEPENDENT AUDITORS

1. The latest Audited Financial Statements (AFS) of at least two (2) clients of the applicant to be selected using a risk-based approach, by the Commission from the certified list of clients provided by the applicant, shall be submitted for review.

   In case the applicant is an Engagement Quality Control Reviewer (EQCR)[1], the Commission shall review the latest AFS of at least two (2) clients, where he is the EQCR to be selected randomly from the certified list of clients submitted by the applicant. If there are noted deficiencies in the AFS subjected for evaluation, in relation to an EQCR's application, the Commission is not precluded from re-evaluating the existing accreditation of the related signing partner of the evaluated AFS since he is primarily responsible for the audit of the financial statements on which he expressed an opinion. The Commission shall likewise consider in the evaluation the findings on the financial statements of the applicant's clients or the accredited auditors' clients that were reviewed in relation to regulatory monitoring or processing of an application of the company-client. Results of the engagement level review under the SOAR Inspection Program shall likewise be considered.

2. **An application for accreditation shall be outright denied, and the remedy of conditional accreditation shall not be available under any of the following circumstances:**

   i. Gross negligence in the conduct of the audit to comply with any of the PSA and such other issuances of the AASC and/or the Commission;

   ii. Conduct of an audit despite the lack or eventual loss of independence as provided for under the Code of Ethics for Professional Accountants in the Philippines;

   iii. Conduct of any non-audit services for his statutory audit clients, if he has not undertaken the safeguards to reduce the threat to his independence;

   iv. **When the applicant misrepresents, conceals, or submits erroneous or misleading information during the evaluation of the financial statements of a selected company, whether intentionally or through gross negligence;**

   v. **When the company-client adopts an accounting framework lower than or inconsistent with the appropriate framework required under the Revised SRC Rule, and the external auditor expresses an unqualified opinion, despite the presence of material misstatements arising from the use of an incorrect accounting framework, where such circumstances warrant a qualified opinion, adverse opinion, or disclaimer of opinion;**

vi. **<u>When the applicant refuses or fails to submit explanations, confirmations, supporting documents, or access to records required by the Office of the General Accountant (OGA) or the Commission during the evaluation or review process;</u>**

vii. **<u>When any of the basic components of the financial statements, as prescribed by the applicable financial reporting framework, or any of the required supporting documents, is not presented, including but not limited to the following:</u>**

a. **<u>Supplemental Written Statement of the Auditor (for stock corporations not covered by Part II of this Rule)</u>**
b. **<u>SEC supplementary schedules covered by the Auditor's Report.</u>**

viii. **<u>The Auditor's Report does not substantially comply with the PSA, SRC Rule 68, and other relevant regulations;</u>**

ix. **<u>When the applicant fails to maintain independence from the client, has undisclosed conflicts of interest, or otherwise violates applicable ethical and professional standards, including cases where it is proven that the auditor directly prepared the financial statements, and there is evidence after review that such preparation compromises the integrity, objectivity, or reliability of the audit engagement;</u>**

x. **<u>When, after evaluation of the financial statements of a selected company, the applicant is formally assessed by the Office of the General Accountant (OGA) to have committed a fifth offense arising from violations related to the same audit client, as determined during the review process;</u>**

xi. **<u>When a single set of financial statements contains six (6) or more material findings, whether arising from disclosure deficiencies, misstatements, or deviations;</u>**

xii. **<u>When the review of the application conducted by the OGA establishes that the applicant or accredited external auditor repeatedly accepted or continued audit engagements with a client that does not comply with consolidation requirements, despite prior written advice or notice of such non-compliance; and</u>**

xiii. **<u>When the review of the application shows that the applicant has records of previous delisting, suspension, or revocation of accreditation, the application may only be accepted after the lapse of two (2) audit periods, or such period as may be prescribed by the Commission.</u>**

3. For Groups A and B Applications

A. For **Group A or Group B applications**, the audit work of an applicant shall be approved for five (5)-year accreditation only if the evaluation of the audited financial statements (AFS) of each of the applicant's clients **shows no material findings arising from disclosure deficiency, misstatement, or deviation**. **The number of minor findings therein shall not exceed two (2) items for each AFS. The level of deficiencies acceptable for Group B accreditation shall also be minor findings that do not exceed three (3) items for each AFS.**

B. **Notwithstanding the rules of outright denial of application, if the evaluation results in material findings, and the following are met, then:**

The applicant shall be granted conditional accreditation under Group A and B if there is ONLY one (1) material finding arising from disclosure deficiency, misstatement or deviation, or the number of minor findings exceeds the limit.

If there are two (2) material findings, the applicant may be given a downgraded Conditional B.

For any conditional accreditation under Groups A or B, the applicant is also given an option for a downgraded 5-yr C, provided that the results of the financial statement evaluation qualify the applicant for five-year Group C accreditation.

Notwithstanding the group category applied for and the manifested intent to avail, the final accreditation and group category remain subject to the consideration and approval of the approving authority.

C. **An applicant may only be granted conditional accreditation on the same category up to three (3) times, whether consecutive or non-consecutive, during the entire accreditation history of the applicant.**

If, after the third conditional accreditation, the subsequent application is still eligible only for conditional accreditation, then applicants under Group A and Group B may be granted either five (5)-year accreditation or conditional accreditation under a lower category, provided they qualify based on the number of material findings; otherwise, the application shall be outright denied.

Applicants who are outright denied due to exceeding the limit of three (3) conditional accreditations or withdrawn or abandoned, may only re-apply after one (1) audit period.

For clarity, conditional accreditation shall not be available for any application falling under the grounds for outright denial, as specified in the relevant provisions.

D. In case of renewal applications and the findings on the clients' AFS include material deficiency or misstatement, the applicant independent auditor shall be assessed penalties **based on Section 12 of MC No. 13, Series of 2009 or subsequent circulars issued by the Commission**.

Material findings on the AFS of the applicant/s' company clients shall also be assessed penalties based on SEC MC. No. 08, Series of 2009 or subsequent circulars issued by the Commission.

4. For Group C Applications

A. An application for accreditation under Group C shall be denied if upon evaluation, the AFS of company-clients show that there are material **findings** therein as follows:

i. The Notes to Financial Statements are substantially incomplete due to the absence of more than three (3) disclosure items on significant accounts; (material disclosure deficiency)

ii. More than two (2) accounting policies on significant accounts are not in accordance with the applicable financial reporting framework, and/or there are material misstatements (material deviation and material misstatement).

A combination of more than one (1) material finding under items (i) and (ii) even if below the limit per each category, would constitute a ground to grant only a conditional accreditation.

B. An applicant may only be granted conditional accreditation on the same category up to three (3) times, whether consecutive or non-consecutive, during the entire accreditation history of the applicant.

If, after the third conditional accreditation, the subsequent application is still eligible only for conditional accreditation, then applicants shall be outright denied.

Applicants who are outright denied due to exceeding the limit of three (3) conditional accreditations or withdrawn or abandoned, may only re-apply after one (1) audit period.

For clarity, conditional accreditation shall not be available for any application falling under the grounds for outright denial, as specified in the relevant provisions.

C. In case of renewal applications and the findings on the clients' AFS include material deficiency or misstatement, the applicant independent auditor **<u>and company-clients</u>** shall be assessed penalties **<u>based on Section 12 of MC No. 13, Series of 2009 or subsequent circulars issued by the Commission</u>**.

<u>Material findings on the AFS of the applicant/s' company clients shall also be assessed penalties based on SEC MC. No. 08, Series of 2009 or subsequent circulars issued by the Commission</u>

5. The materiality of a deficiency, misrepresentation or misstatement shall be determined based on the tests set by the Commission in Part III of this Rule or any amendments thereto.

6. Existing accredited external auditors under Group B or C can only apply for upgrading of accreditation after one (1) year from the grant of their accreditation.

7. The Commission is not precluded from re-evaluating an existing accreditation of an external auditor, regardless of the validity of its accreditation period, if the circumstances would warrant further re-evaluation.

Section 3. Amendments to Part I. 5. OTHER DOCUMENTS TO BE FILED WITH THE FINANCIAL STATEMENTS

The schedule as provided in Annex 68-L must be accomplished and submitted with the AFS by corporations that hold government contracts.

A notarized schedule shall disclose the following details for each project or contract entered into with any government agency: (i) Description of the project; (ii) Name of the specific government agency involved; (iii) Total contract cost; (iv) Status; and (v) Start date and expected completion date. This schedule must be covered by an Auditor's Report.

Section 4. REPEALING CLAUSE

All other rules and regulations, circulars, or memoranda or any part thereof, in conflict with or contrary to this Rule or any portion hereof, are hereby repealed or modified accordingly.

Section 5. EFFECTIVITY CLAUSE

A. This Circular shall become effective for AFS covering periods ending 31 December 2026 and onwards.

B. All other requirements shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of national circulation in the Philippines.

Annex 68-L

SCHEDULE OF CONTRACTS WITH THE GOVERNMENT

Name of Company ______________________ SEC Registration No. ______________________

For the year Ended ______________________

(a) Item Number	(b) Description of Projects//Programs/Activities	(c) Contract Cost	(d) Status	(e) Date of Award	Project Duration (f) Start Date	(g) Completion Date
	Awarding Government Agency: ______ Name of Project/Program/Activity: ______ Location: ______		___Accomplished* ___On-going** ___Planned**			

**Accomplished: Please indicate the actual completion date of the project.*

***On-going and Planned: Please indicate the projected completion date of the project.*

COMPARATIVE MATRIX OF PROPOSED AMENDMENTS IN SEC ACCREDITATION GUIDELINES OF AUDITING FIRMS AND EXTERNAL AUDITORS

Par. 3. B. (i) *Accreditation Categories* of Part I of the Revised SRC Rule 68 and Section 3 of SEC Memorandum Circular No. 20, Series of 2019	
CURRENT RULES	**AMENDED RULES**
Group A	Group A
(1) Issuers of registered securities under Section 12 of the SRC, except timeshares or membership certificates (under Group B)	(1) Issuers of registered securities under Section 12 of the SRC, except timeshares or membership certificates (under Group B)
(2) Listed companies with securities traded on an exchange	(2) Listed companies with securities traded on an exchange
(3) Public companies with ₱50 million in assets and 200 or more shareholders holding at least 100 shares each	(3) Public companies with ₱50 million in assets and 200 or more shareholders holding at least 100 shares each
(4) Clearing agencies and clearing agencies as depositories	(4) Clearing agencies and clearing agencies as depositories
(5) Stock exchanges, securities exchanges, and other self-regulatory organizations	(5) Stock exchanges, securities exchanges, and other self-regulatory organizations
	(6) **<u>Corporations awarded a single government contract amounting to at least ₱100 million, or combined government contracts totaling at least ₱150 million within the reporting year, shall be required to engage an SEC-accredited external auditor under this category beginning in the year the applicable threshold is reached and shall remain subject to this requirement until the project/s have been fully completed or delivered.</u>**

Group B	Group B
(1) Issuers of registered timeshares and membership certificates (proprietary or non-proprietary)	(1) Issuers of registered timeshares and membership certificates (proprietary or non-proprietary)
(2) Investment houses	(2) Investment houses
(3) Brokers and dealers of securities	(3) Brokers and dealers of securities
(4) Investment companies without registered securities or not in the process of registration	(4) Investment companies without registered securities or not in the process of registration
(5) Government securities eligible dealers	(5) Government securities eligible dealers
(6) Universal banks registered as underwriters	(6) Universal banks registered as underwriters
(7) Investment company advisers	(7) Investment company advisers
(8) Special purpose corporations under the Securitization Act of 2004	(8) Special purpose corporations under the Securitization Act of 2004
(9) Other SEC-supervised corporations as may be required by law	(9) Other SEC-supervised corporations as may be required by law
Group C	Group C
(1) Financing companies with assets over ₱10 million in the preceding year	(1) Financing companies with assets over ₱10 million in the preceding year
(2) Lending companies with assets over ₱5 million in the preceding year	(2) Lending companies with assets over ₱5 million in the preceding year
(3) Transfer agents	(3) Transfer agents
(4) Non-stock, non-profit corporations including foundations which solicit or receive annual donations or contributions and/or with fund balance amounting to more than Twenty-Five Million Pesos (P25 Million) and One Hundred Million Pesos (P100 Million), respectively, over the preceding three (3) years, or such higher amount that the Commission may set through order or guidelines.	(4) Non-stock, non-profit corporations including foundations which solicit or receive **annual donations or contributions amounting to more than Twenty-Five Million Pesos (P25 Million), or with annual fund balance amounting to more than One Hundred Million Pesos (P100 Million)**, over the preceding three (3) years, or such higher amount that the Commission may set through order or guidelines.
A non-stock, non-profit corporation that is already scoped in by the above requirement can only be excluded if its annual donations or contributions and/or fund balance fall below Twenty-Five	A non-stock, non-profit corporation that is already scoped in by the above requirement can only be excluded if its **annual donations or contributions fall below Twenty-Five Million Pesos (P25**

Million Pesos (P25 Million) and One Hundred Million Pesos (P100 Million), respectively, over the preceding three (3) years; and (5) Other corporations deemed of public interest by the Commission, even without a secondary license requirement	**Million) and annual fund balance fall below One Hundred Million Pesos (P100 Million)**, over the preceding three (3) years; **and** (5) Other corporations were deemed vested with public interest by the Commission, even without a secondary license requirement.

Par. 3. B. (ii). (g) Suspension or Revocation of Part I of the Revised SRC Rule 68	
CURRENT RULES	**AMENDED RULES**
IV. Suspension and Revocation **xxx xxx** (g) The accreditation of an auditing firm, partner or sole practitioner shall be effective unless any of the following occurs: (1) the auditing firm or auditor's request for withdrawal of accreditation is approved by the Commission; (2) the accreditation is suspended or revoked by the Commission, after due notice and hearing, for failure to comply with the SOAR requirements or for such other grounds as provided in this Rule; or (3) the BOA registration and license have expired and no application for renewal has been filed with the BOA.	**IV. Suspension, Revocation and Modification of Accreditation** **xxx xxx** (g) **The accreditation of an auditing firm and/or partner ("Auditor") shall remain effective unless any of the following occurs:** **1. The Auditor's request for withdrawal of accreditation is approved by the Commission; or** **2. The BOA registration and license have expired; or** **3. The accreditation of the Auditor is suspended or revoked by the Commission.** **The accreditation of the Auditor may be suspended, revoked or modified by the Commission, after notice and hearing, under any of the following circumstances:** 1. **The Auditor has committed acts that would constitute grounds for outright denial under the relevant provisions of this Rule—whether identified through post-approval monitoring, or any other review, evaluation or investigation conducted by the Commission;** 2. **The Auditor committed repeated violations of the Securities Regulation Code, Revised SRC Rule 68, Philippine**

Par. 3. B. (ii). (g) Suspension or Revocation of Part I of the Revised SRC Rule 68	
CURRENT RULES	**AMENDED RULES**
	Standards on Auditing (PSAs), or other applicable regulations; 3. **The Auditor has manipulated material findings by reclassifying them as minor or immaterial findings, or concealing said findings, or committing any other form of misrepresentation;** 4. **The Auditor has aided, abetted, counseled, commanded, induced or procured any violation of this rule, regulation or order of the Commission or laws being implemented by the Commission;** 5. **The Auditor has engaged in any act, transaction, practice or course of business which operates or would operate as a fraud or deceit upon any person; and** 6. **The Auditor has failed to comply with the SOAR requirements or for such other grounds as provided in this Rule.**

Par. 3. B. (iii). (b). (4). *Specific Requirements* of Part I of the Revised SRC Rule 68 and Section 5 of SEC Memorandum Circular No. 20, Series of 2019	
CURRENT RULES	**AMENDED RULES**
At the time of application, the applicant must have the following track record:	At the time of application, the applicant must have the following recent track record:
(i) For Group A applicant, he shall have had a minimum of five (5) corporate clients with total assets of at least Fifty Million Pesos (P50 Million) each, or such amount as may be prescribed by the Commission;	(i) For Group A applicant, he shall have had a minimum of **five (5) corporate clients with total assets of at least One Hundred Million Pesos (P100 Million) each**, or such amount as may be prescribed by the Commission;
(ii) For Group B, he shall have had a minimum of three (3) corporate clients with total assets of at least Twenty Million Pesos (P20 Million) each, or such	(ii) For Group B, he shall have had a minimum of **five (5) corporate clients with total assets of at least Fifty Million Pesos (P50 Million) each**, or such amount as may be prescribed by the Commission;

amount as may be prescribed by the Commission; (iii) For Group C, he shall have had a minimum of three (3) corporate clients with total assets of at least Five Million Pesos (P5 Million) each, or such amount as may be prescribed by the Commission.	(iii) For Group C, he shall have had a minimum of **<u>five (5) corporate clients with total assets of at least Five Million Pesos (P5 Million) each</u>**, or such amount as may be prescribed by the Commission.

Item No. 2 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT RULES	**AMENDED RULES**
III. Outright denial The following instances are considerations for denial of the application for accreditation: (i) Gross negligence in the conduct of the audit or failure to comply with any of the PSA and such other issuances of the AASC and/or the Commission; (ii) Issuance of an unqualified opinion which is not supported by full compliance by the auditee with the applicable financial reporting framework due to a material deficiency or misstatement in the financial statements; (iii) Auditor's report substantially not in accordance with the prescribed wordings under PSA and any related subsequent issuances; (iv) Conduct of an audit despite the lack or eventual loss of independence as provided for under the Code of Ethics for Professional Accountants in the Philippines; (v) Conduct of any non-audit services for his statutory audit clients, if he has not	**III. Outright denial** <u>An application for accreditation shall be outright **denied**, and the remedy of conditional accreditation shall not be available, under any of the following circumstances:</u> .Gross negligence in the conduct of the audit to comply with any of the PSA and such other issuances of the AASC and/or the Commission; .Conduct of an audit despite the lack or eventual loss of independence as provided for under the Code of Ethics for Professional Accountants in the Philippines; .Conduct of any non-audit services for his statutory audit clients, if he has not undertaken the safeguards to reduce the threat to his independence; .**<u>When the applicant misrepresents, conceals, or submits erroneous or misleading information during the evaluation of the financial statements of a selected company, whether intentionally or through gross negligence;</u>**

Item No. 2 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT RULES	**AMENDED RULES**
undertaken the safeguards to reduce the threat to his independence.	**When the company-client adopts an accounting framework lower than or inconsistent with the appropriate framework required under the Revised SRC Rule, and the external auditor expresses an unqualified opinion, despite the presence of material misstatements arising from the use of an incorrect accounting framework, where such circumstances warrant a qualified opinion, adverse opinion, or disclaimer of opinion;** **When the applicant refuses or fails the submission of explanations, confirmations, supporting documents, or access to records required by the Office of the General Accountant (OGA) or the Commission during the evaluation or review process;** **When any of the basic components of the financial statements, as prescribed by the applicable financial reporting framework, or any of the required supporting documents, is not presented, including but not limited to the following:** **a. Supplemental Written Statement of the Auditor (for stock corporations not covered by Part II of this Rule)** **b. SEC supplementary schedules covered by the Auditor's Report.** **The Auditor's Report does not substantially comply with the PSA, SRC Rule 68 and other relevant regulations;**

Item No. 2 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT RULES	**AMENDED RULES**
	When the applicant fails to maintain independence from the client, has undisclosed conflicts of interest, or otherwise violates applicable ethical and professional standards, including cases where it is proven that the auditor directly prepared the financial statements, and there is evidence after review that such preparation compromises the integrity, objectivity, or reliability of the audit engagement; **When, after evaluation of the financial statements of a selected company, the applicant is formally assessed by the Office of the General Accountant (OGA) to have committed a fifth offense arising from violations related to the same audit client, as determined during the review process;** **When a single set of financial statements contains six (6) or more material findings, whether arising from disclosure deficiencies, misstatements or deviation;** **When the review of the application conducted by the OGA establishes that the applicant or accredited external auditor repeatedly accepted or continued audit engagements with a client that does not comply with consolidation requirements, despite prior written advice or notice of such non-compliance; and** **When the review of the application shows that the applicant has records of previous delisting, suspension, or**

Item No. 2 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT RULES	**AMENDED RULES**
	revocation of accreditation, the application may only be accepted after the lapse of two (2) audit periods, or such period as may be prescribed by the Commission.

Items 3, 4 and 5 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT POLICIES	**AMENDED POLICIES**
3. For Groups A and B Applications A. For Group A or B applications, the audit work of an applicant shall be acceptable only if there is no material disclosure deficiency or material misstatement in the AFS of each of the applicant's clients. B. In case there is a material deficiency or misstatement in the financial statements of the company-clients or regulated entities, the applicant shall be recommended only for conditional Group A or B or C accreditation, depending on the level of deficiency or misstatement. The conditional accreditation shall be subject to the following conditions: i. In case of renewal applications and the findings on the clients' AFS include material deficiency or misstatement, the applicant independent auditor shall be assessed a penalty; ii. The conditional accreditation shall be effective for a period of four (4) months only from the date of grant; iii. A copy of the two (2) clients' AFS, to be selected randomly using a risk-based approach, signed by the independent auditor during the said period shall be	3. For Groups A and B Applications **A.** For **Group A or Group B applications**, the audit work of an applicant shall be approved for five (5)-year accreditation only if the evaluation of the audited financial statements (AFS) of each of the applicant's clients **shows no material findings arising from disclosure deficiency, misstatement, or deviation. The number of minor findings therein shall not exceed two (2) items for each AFS. The level of deficiencies acceptable for Group B accreditation shall also be minor findings that do not exceed three (3) items for each AFS.** B. **Notwithstanding the rules of outright denial of application, if the evaluation results in material findings, and the following are met, then:** **The applicant shall be granted conditional accreditation under Group A and B if there is ONLY one (1) material finding arising from disclosure deficiency, misstatement or deviation, or the number of minor findings exceeds the limit.**

Items 3, 4 and 5 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT POLICIES	**AMENDED POLICIES**
submitted to the Commission at least 15 business days before the lapse of the four (4)-month period. The Commission will still review the AFS as of the next reporting period of the same client that was originally inspected. This is to check whether the findings that were originally noted have been addressed or remediated accordingly; .In cases where there are still material findings noted in the submitted AFS of the auditor with conditional accreditation or where the findings that were originally noted have not been addressed or remediated, this shall be a sufficient ground for the downgrading of the applicant's accreditation, denial of the application or disqualification from future accreditation, depending on the magnitude of the findings. .In cases where there are no material findings noted in the submitted AFS of the auditor with conditional accreditation, the final approval of the accreditation, which shall be effective for three (3) years, shall be granted. .Provided, however, that an applicant can avail or be granted conditional accreditation on the same level up to three (3) times only. Compliance with Condition (iii) shall be strictly followed. C. The list of findings on the clients' AFS resulting from the foregoing procedures shall be referred to the operating department of the Commission which monitors the compliance by the said company clients for imposition of appropriate penalties under existing rules.	**If there are two (2) material findings, the applicant may be given a downgraded Conditional B.** **For any conditional accreditation under Groups A or B, the applicant is also given an option for a downgraded 5-yr C, provided that the results of the financial statement evaluation qualify the applicant for five-year Group C accreditation.** **Notwithstanding the group category applied for and the manifested intent to avail, the final accreditation and group category remain subject to the consideration and approval of the approving authority.** **C. An applicant may only be granted conditional accreditation on the same category up to three (3) times, whether consecutive or non-consecutive, during the entire accreditation history of the applicant.** **If, after the third conditional accreditation, the subsequent application is still eligible only for conditional accreditation, then applicants under Group A and Group B may be granted either five (5)-year accreditation or conditional accreditation under a lower category, provided they qualify based on the number of material findings; otherwise, the application shall be outright denied.**

Items 3, 4 and 5 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT POLICIES	**AMENDED POLICIES**
	Applicants who are outright denied due to exceeding the limit of three (3) conditional accreditations or withdrawn or abandoned, may only re-apply after one (1) audit period. **For clarity, conditional accreditation shall not be available for any application falling under the grounds for outright denial, as specified in the relevant provisions.** **D.** In case of renewal applications and the findings on the clients' AFS include material deficiency or misstatement, the applicant independent auditor shall be assessed penalties **based on Section 12 of MC No. 13, Series of 2009 or subsequent circulars issued by the Commission**. **Material findings on the AFS of the applicant/s' company clients shall also be assessed penalties based on SEC MC. No. 08, Series of 2009 or subsequent circulars issued by the Commission.**
4. Group C Applications An application for accreditation under Group C shall be denied if upon evaluation, the AFS of company-clients show that there are material deficiencies or misstatements therein as follows: 1. Any of the basic components of the financial statements as prescribed by the applicable financial reporting framework, or any of the following required documents is not presented:	4. Group C Applications **A.** An application for accreditation under Group C shall be denied if upon evaluation, the AFS of company-clients show that there are material **findings** therein as follows: **i. The Notes to Financial Statements are substantially incomplete due to the absence of more than three (3) disclosure items on significant accounts; (material disclosure deficiency)**

Items 3, 4 and 5 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT POLICIES	**AMENDED POLICIES**
a Supplemental Written Statement of Auditor (for stock corporations not covered by Part II of this Rule); b Any of SEC supplementary schedules covered by the Auditor's Report. 2. The Auditor's Report does not substantially comply with the PSA, SRC Rule 68 and other relevant regulations; 3. The Notes to Financial Statements are substantially incomplete due to the absence of more than five (5) disclosure items on significant accounts; 4. More than three (3) accounting policies on significant accounts, as defined under paragraph III of SEC MC No. 8, Series of 2009, or any of its amendments, are not in accordance with the applicable financial reporting framework, or there are material misstatements involving the said accounts. A combination of more than one (1) material finding under items (iii) and (iv) even if below the limit per each category, would constitute a ground for denial of the application.	**ii. More than two (2) accounting policies on significant accounts are not in accordance with the applicable financial reporting framework, and/or there are material misstatements (material deviation and material misstatement).** **A combination of more than one (1) material finding under items (i) and (ii) even if below the limit per each category, would constitute a ground to grant only a conditional accreditation.** **B. An applicant may only be granted conditional accreditation on the same category up to three (3) times, whether consecutive or non-consecutive, during the entire accreditation history of the applicant.** **If, after the third conditional accreditation, the subsequent application is still eligible only for conditional accreditation, then applicants shall be outright denied.** **Applicants who are outright denied due to exceeding the limit of three (3) conditional accreditations or withdrawn or abandoned, may only re-apply after one (1) audit period.** **For clarity, conditional accreditation shall not be available for any application falling under the grounds for outright denial, as specified in the relevant provisions.** **C.** In case of renewal applications and the findings on the clients' AFS include

Items 3, 4 and 5 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT POLICIES	**AMENDED POLICIES**
	material deficiency or misstatement, the applicant independent auditor **and company-clients** shall be assessed penalties **based on Section 12 of MC No. 13, Series of 2009 or subsequent circulars issued by the Commission**. **Material findings on the AFS of the applicant/s' company clients shall also be assessed penalties based on SEC MC. No. 08, Series of 2009 or subsequent circulars issued by the Commission**
5. The foregoing requirements for the level of quality of audit work may be changed by the Commission as circumstances may warrant through appropriate issuances. A. The materiality of a deficiency, misrepresentation or misstatement shall be determined based on the tests set by the Commission in Part III of this Rule or any amendments thereto. B. As a remedy on the denial of application due to any of the foregoing deficiencies, the applicant may be granted, upon request, a conditional accreditation subject to the following conditions: i. In case of renewal application for Group C category and the findings on the clients' AFS include material deficiency or misstatement, the applicant-independent auditor shall be assessed a penalty based on Section 12 of MC No. 13, Series of 2009 or subsequent circulars issued by the Commission;	5. The materiality of a deficiency, misrepresentation or misstatement shall be determined based on the tests set by the Commission in Part III of this Rule or any amendments thereto.

Items 3, 4 and 5 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT POLICIES	**AMENDED POLICIES**
i.The conditional accreditation shall be effective for a period of four (4) months only from the date of grant; i.A copy of the clients' AFS, to be selected randomly using a risk-based approach, signed during the said period shall be submitted to the Commission at least 15 business days before the lapse of the four (4)-month period; v.The final approval of the accreditation, which shall be effective for three (3) years, shall not be granted unless the said AFS are compliant with the effective accounting standards and SRC Rule 68. v.In cases where there are still material findings noted in the submitted AFS of the auditor with conditional accreditation or where the findings that were originally noted have not been addressed or remediated, this shall be a sufficient ground for the downgrading of the applicant's accreditation, denial of the application or disqualification from future accreditation, depending on the magnitude of the findings. i.In cases where there are no material findings noted in the submitted AFS of the auditor with conditional accreditation, the final approval of the accreditation, which shall be effective for three (3) years, shall be granted. Provided, however, that applicant can only avail or be granted conditional accreditation on the same level up to three (3) times only. Compliance with Condition (iii) shall be strictly followed.	

Items 3, 4 and 5 of ANNEX 68-A of the Revised SRC Rule 68	
CURRENT POLICIES	**AMENDED POLICIES**
C. The list of findings on the clients' AFS resulting from the foregoing procedures shall be referred to the operating department of the Commission which monitors the compliance by the said company clients for imposition of appropriate penalties under existing rules.	