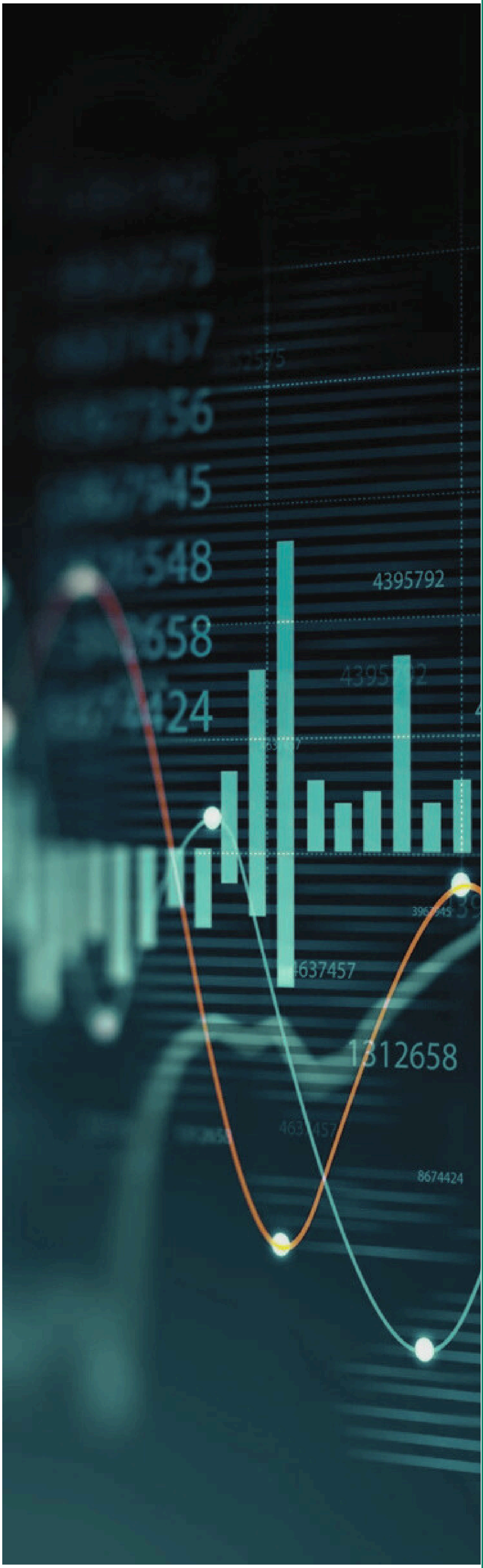


Securities and Exchange Commission
PHILIPPINES

2017 Annual Report

Contents

Performance Highlights

During the year, the Commission sustained to carry out its mandate of prudently regulating while inclusively fostering the growth and development of the corporate sector and the capital market, which are essential components in maintaining the country's macroeconomic stability and ultimately in laying the foundations toward a comfortable life for all Filipinos.

The Commission spearheaded the formulation and issuance of policies that are essential to building a resilient and inclusive corporate sector and capital market. Notable of these are Rules and Regulation on MPO on IPO, Rules and Regulations on the Implementation of the SOAR Inspection Program, Integrated Annual CG Report (I-ACGR), Draft Governance, Social and Financial Performance Standards for Accreditation of Microfinance NGOs, Proposed Rules and Regulations Governing Crowdfunding, Implementing Rules and Regulations of the Investment Company Act (ICA-IRR), and Amendments to the Rules and Regulations to Implement the Provisions of FCA (RA 8556).

The SEC rendered technical services to its various stakeholders and clients to ensure the alignment and coordination of policies and programs concerning the regulation and development of the corporate sector and the capital market, and the broader financial system. On the ASEAN, the Commission steered a number of meetings for participating jurisdictions that resulted to the development of a new ASEAN CG Scorecard (ACGS). The Commission, in collaboration with the International Finance Corporation (IFC), conducted training for Publicly-Listed Companies (PLCs) for them to effectually implement the Code of CG. The SEC helped steer the development of the ASEAN Green Bond Standards. Also, it met up with its co-regulators and foreign counterparts for policy discussion and peer exchange on matters such as audit oversight and investor education. Moreover, it acted on requests for opinions on the interpretation of laws it implements and administers. Ever conscious of its thrust to protect the investing public, the Commission issued advisories against fraudulent entities.

In 2017, the Commission, executed initiatives that contributed to the ease of doing business in the Philippines. The Commission approved and issued a remarkable number of registrations and licenses of domestic and foreign entities as well as partnerships. SEC granted the Money Market Association of the Philippines (MART) a provisional license to act as SRO for the Government Securities Repurchase Agreement (GS Repo) Market, which is pivotal to the efficient functioning of the financial market. Instrumental to the funding of the various economic activities of the country's various industries, the Commission registered a considerable amount of equity and debt securities as well as dollar denominated securities.

SEC ascertained compliance of the entities with laws, rules and regulations under its mandate through sustained monitoring and evaluation of their reportorial requirements and disclosures. Evident to its effort on judicious monitoring, the Commission imposed the appropriate fines and penalties on erring firms and individuals.

The Commission contributed significantly to the National Government. During the year, SEC collected P2.97 billion, much higher than what it received from the national budget of P647 million. This section notes the outstanding accomplishments of the Commission in 2017 through its various Departments and Special Offices, which concertedly worked together in the sustained carrying out of the SEC mandate. Without a doubt, 2017 is a meaningful year for SEC.

The Office of the General Counsel (OGC) continuously acts on appeals and petitions filed before the Commission En Banc, and issues opinions in reply to requests made on the interpretation of laws administered by the Commission. In instances when the decisions of the Commission are questioned or raised on appeal, the OGC, in collaboration with the Office of the Solicitor General, represents the Commission before the RTC, Court of Appeals, and Supreme Court (SC).

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

In 2017, the OGC led several investigation cases, and served as member of investigation panels.

Cases Handled

Delayed Submission of Reportorial Requirements

1. SEC En Banc Case No. 04-12-255, In the Matter of San Miguel Corporation v. Corporate Governance and Finance Department. – San Miguel Corporation was ordered to settle the penalty of ₱769,293,968.10 for late filing of SEC Forms 23-A and 23-B.
2. SEC En Banc Case No. 07-11-241, Sumimoto Metal Mining Philippine Building Corporation v. Corporate Governance and Finance Department. – Sumimoto was ordered to pay the assessed penalty of ₱8,265,200 for late submission of SEC Form 23-A.

Final Decisions on CDO Issued

1. SEC CDO Case No. 05-12-006, In the Matter of CJH Development Corporation and CJH Suites Corporation v. Enforcement and Prosecution Department (EPD). – The SC declared the CDO valid on November 28, 2016. On November 3, 2017, the En Banc ruled that the Motion for Issuance of Permanent CDO filed on July 9, 2012 by the EPD is superfluous because the CDO issued by the En Banc became permanent upon the mere lapse of the five-day reglementary period.

2. SEC Administrative Case No. 10-09-109, Phil-Asia Care Plans, Inc. – A CDO was issued because of the continuous sale of Pre-Need Plans from 2002-2009. The SC affirmed that the CDO is valid. On July 27, 2017, an Order was issued revoking the certificate of registration of Phil-Asia Care Plans, Inc.

Opinions Issued

1. SEC OGC Opinion 17-12, RE: Ticketing Service is not a Retail Trade under RTLA. – The Ticketing Activity of Phil Co should not be considered as retail trade under RTLA because the "ticket" being sold by Phil Co is not a merchandise or good for consumption. A concert or event ticket is not merchandise or good that can, on its own, be consumed for personal gratification or satisfaction of the holder. A ticket is a document or an

evidence of contract ensuring the holder the right of access or a seat reservation to the venue or theatrical performance.

2. SEC OGC Opinion 17-11, RE: Clarification of OGC Opinion No. 11-41. – Government Service Insurance System (GSIS), San Miguel Corporation Retirement Plan (SMCRP), PLDT Beneficial Trust (PLDT-BT), and Premier Capital Venture Corp. (PCVC) own their PSE shares above the maximum limits by virtue of the exemptive relief granted to them by the Commission. Exemptive reliefs are granted on a case-to-case basis, and should not be construed as continuing authority to exceed the limitations imposed on single block or industry ownership of the PSE. As a result, they cannot exercise pre-emptive rights.

Legal Support and Legislative Liaison

Corporation Code and SRC Amendments

During the year, the OGC refiled the Amendments to the Corporation Code of the Philippines in the 17th Congress. The amendments include provisions on the formation of the one person corporation, perpetual corporate term, grant of greater visitorial powers to the SEC, imposition of stringent penalties in relation to the use of the corporate vehicle for fraud and graft and corruption, and for alternative dispute resolution to enable corporations to avoid protracted litigation. The bills embodying the amendments to the Code are presently pending in both Houses and Congress.

Also in 2017, the OGC filed the Amendments to the SRC. The amendments to the SRC are meant to further promote the development and competitiveness of the capital market, and to align its provisions with the IOSCO Principles, one of which is an adequate level of oversight or quality assurance of audit firms by the SEC. The bills proposing amendments to the SRC, Senate Bill No. 1595 and House Bill No. 6691, are currently pending in the Senate and the House of Representatives, respectively.

IOSCO and SRC

In line with the Commission's efforts to become a full signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU): Appendix "A", amendments to the provisions of the SRC on access to bank records, information sharing and confidentiality received encouraging response.

The Office of the General Accountant (OGA) operates with three groups: the Accreditation Group, the Special Report/Investigation Group and the new SOAR group, which represent the SEC in its active participation in the development of accounting and auditing standards by continuously updating rules, standards and practices to comply with global standards and practices on financial reporting and auditing such as the International Financial Reporting Standards (IFRS) and the International Standards on Auditing; monitors compliance by covered entities for consistency and comparability of financial statements of Philippine corporations; undertakes other regulatory activities to determine the level of compliance by corporations and by external auditors, of the adopted global standards; and takes appropriate actions in case of violations.

Specifically, the Accreditation Group evaluates sets of financial statements in relation to the processing of applications for accreditation as external auditors and audit firms. The Group also accredits property valuers. In the evaluation of the financial statements audited by the applicants for accreditation as external auditors, the Group in effect performs monitoring functions over their corporate clients where monetary fines are imposed by the SEC both on the companies and accredited external auditors for material deficiencies or misstatements noted. The Special Report/Investigation Group issues pronouncements as part of the rules on financial reporting of the Commission. The Special Report/Investigation Group also reviews Audited Financial Statements (AFS) and Interim Financial Statements of companies which filed registration statements under Section 12 of the SRC.

Created in 2017, the SOAR Group is responsible in the implementation of the SOAR Inspection Program, which is an initiative of the SEC to do an on-site review of the quality control policies and procedures of accredited firms auditing companies with equity or debt securities listed in an Exchange and a review of portions of the audit work on selected audit engagements of these firms from time to time. The SOAR Inspection Program is intended to improve confidence in the AFS of PLCs by promoting high-quality and more transparent financial reporting to protect the interests of investors and other users of the AFS; it is also designed to promote compliance with the requirements of the SEC, as well as with professional and ethical standards. The implementation of the program is embodied in SEC MC No. 9, Series of 2017 issued by the Commission on August 18, 2017.

New financial reporting rules issued during the year were:

1. The adoption of the Revised Statement of Management's Responsibility (SMR) for Financial Statements through the issuance of FRB No. 20, to align with the adoption of the new and revised auditor report under Philippine Standards on Auditing No. 700.

2. The amendment of FRB No. 6 on *Deposit for Future Subscription* in order to align with the change in procedures of the Company Registration and Monitoring Department (CRMD) to comply with the ease of doing business requirement.

3. The adoption of MC No. 9, Series of 2017 on Rules and Regulations on the implementation of the SOAR Inspection Program.

4. The adoption of new accounting and auditing standards, amendments to the existing auditing standards and interpretations as part of the Commission's rules and regulations on financial reporting, embodied in MC No. 10, Series of 2017. As a matter of policy, all accounting and auditing standards approved by the Financial Reporting Standards Council (FRSC) and Auditing Assurance Standards Council (AASC) are formally adopted by the SEC as part of its financial reporting rules for the implementation by companies. These include:

    a. Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4, Insurance Contracts*
    b. PFRS 15, *Revenue from Contracts with Customers*
    c. Clarifications to PFRS 15, *Revenue from Contracts with Customers*
    d. Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2016-01: Conforming Changes to PIC Q&As – Cycle 2016, and
    e. PIC Q&A No. 2016-04: Application of PFRS 15, *Revenue from Contract with Customers* on Sale of Residential Properties under Pre-Completion Contracts.

Launching of the SOAR Inspection Program

In preparation for the efficient implementation of the program, the OGA had a one week training on internal guidelines for the conduct of the SOAR Inspection, sponsored by the United States Agency for International Development (USAID) through its Integrity for Investments Initiative (i3) Project. Further, a study visit at the US Public Company Accounting Oversight Board and the US SEC in November 2017 of some members of the SOAR Group has been arranged also through the help of the USAID. The following activities were also undertaken:

1. A roundtable discussion was held with different stakeholders, such as the external auditors of PLCs in December 2017. The attendees, which mostly came from big auditing firms, welcomed the SEC initiative and expressed their full support to the program as they are well aware of the international requirements for professional practice. Another roundtable discussion was held in February 2018, this time with the PLCs.

2. Also in December 2017, the SOAR group met with the representatives of Group A accredited auditing firms and discussed about the timeline and requirements of SOAR inspection, which is expected to commence in the second quarter of 2018 after the tax filing deadline and the archiving of working papers.

3. The SEC issued MC No. 15, Series of 2017, on December 15, 2017, mandating all PLCs to submit an I-ACGR. The I-ACGR has 16 Principles containing recommendations for compliance by PLCs in the Philippines. Specifically, Principle 9 in the I-ACGR recommends that the PLCs should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality. One of the additional recommendations to Principle 9 of the I-ACGR states whether the Company's external auditor agreed to be subjected to the SOAR Inspection to be conducted by the OGA.

4. The Commission held an in-house industry briefing in February 2018 on the latest developments on highly-specialized industries which aims to provide an overview on the industry's current trends, key players, customers, competitors, suppliers and regulators that shape the industry. The briefing also aims to update the SEC on the risk areas where common accounting and auditing issues are encountered. The SEC plans to conduct an industry briefing quarterly and five highly-specialized industries have been selected for the first industry briefing.

5. The SOAR team completed the SOAR Internal Guidelines and Independence Policy. The SOAR Internal Guidelines is the Inspection team's manual of procedures, which should be strictly observed and followed in the conduct of inspection.

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

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

The SEC, Bangko Sentral ng Pilipinas (BSP) and Insurance Commission (IC) through the Council for Accreditation and Quality Control of Practicing CPAs are now discussing the simplification and harmony of their procedures relative to their accreditation process and cross referrals of adverse findings among the member-agencies of the Financial Sector Forum (FSF). As of December 31, 2017, there are 439 independent auditors accredited with the SEC, 95 with the IC, and 91 with the BSP, 27 of whom are commonly accredited by the three agencies; and 108 independent auditing firms accredited with the SEC, 29 with the IC and 28 with the BSP, 13 of whom are commonly accredited by the three agencies.

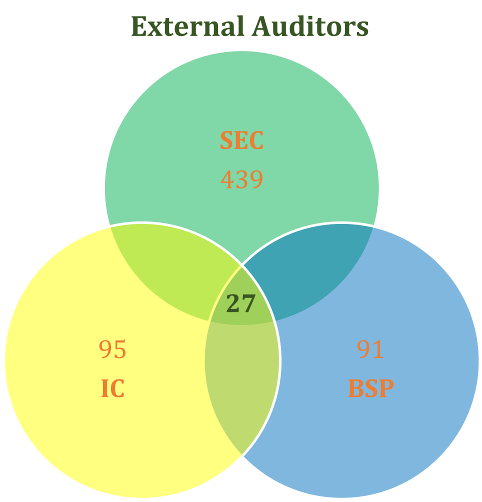


Figure 1. *Independent Auditors and Auditing Firms Accredited with SEC, IC and BSP.*
Source: OGA.

SEC through OGA was designated as the one-stop-shop agency to accept, process, and approve applications for multiple accreditations by SEC, BSP and IC. To capacitate SEC on this initiative, the DBM recently approved additional 22 plantilla positions to strengthen and improve the manpower complement of OGA.

Other Initiatives/Involvements of the OGA

1. The OGA actively participated in the revision of the Philippine Valuation Standards adopting the 2017 version of the International Valuation Standards together with the DOF. The Commission through the OGA spearheaded the coordination among the FRSC, the Board for Real Estate Services of the PRC, and the Bureau of Local Governments of the DOF for discussion of these standards, to ensure that the valuation standards adopted are compliant with the IFRS.

2. The Commission continues to spearhead the Regulators' Forum, together with the FSF members and the BOA of the PRC, to educate/inform external auditors of the common findings noted by each regulator in the course of their review of financial statements of their regulated entities in connection with the accreditation process.

3. The OGA is also pursuing, together with the Information and Communications Technology Department (ICTD), the Computer-Assisted AFS Archival and Review or CAAFSAR, which is presently in process, to support and facilitate the evaluation and analysis of AFS submitted by the SEC-registered corporations. The OGA is still working on the agreement with the IFRS Foundation.

4. As earlier mentioned, the SEC is a member of the FRSC, AASC and the PIC. At the same time, the OGA represents the Commission as resource person in inter-agency meetings and business and professional groups' meetings on matters related to financial reporting and accounting matters, and also as member of TWGs created for certain studies and researches on such matters. These include TWGs organized by the World Bank (WB), most especially on the Report on the Observance of Standards and Codes (ROSC), relative to the Study of the Philippine Accounting Profession; DOF; FSF; Executive Committee of the Financial Stability Coordinating Council (FSCC); and the FSCC TWG on Corporate Leverage Workstream. The OGA personnel is always represented in accountants' fora, conventions, technical sessions, conventions, etc. as speaker for SEC Updates and Financial Reporting.

5. The OGA, in coordination with the Human Resource and Administrative Department (HRAD), ensures that all OGA staff are compliant with all the Continuing Professional Education requirements of the accounting profession.

The Office of the Commission Secretary (OCS), in addition to being the Commission's custodian of official issuances and records, handles media relations for the Commission. The OCS also acts as secretariat to the En Banc and organizes Commission Meetings weekly, as well as Executive Session Meetings as needed.

During the year, the OCS organized two press conferences and issued various press releases and information materials to reporters and other external parties. It has successfully hosted the first Commission Meeting conducted via teleconferencing in 2017, pursuant to the SEC Internal Guidelines on the Attendance and Participation of Commissioners, Directors, Heads of Special Offices, and Other Resource Persons, in Commission and Executive Session Meetings through Teleconferencing, Videoconferencing and Other Remote or Electronic Means. The office also dutifully prepared the minutes of the Commission and Executive Session meetings all throughout the year, and issued hundreds of Resolutions and Decisions made by the En banc.

The OCS led the updating of the SEC Freedom of Information (FOI) Manual in compliance with the FOI requirements, and submitted both the FOI Information Inventory and FOI Registry to the Presidential Communications Operations Office. It further spearheaded the initiatives to comply with the provisions of the Data Privacy Act, such as constituting the Data Privacy Act Task Force, and issuing opinions to different offices to strengthen data protection measures in observance of the Data Privacy requirements.

The Company Registration and Monitoring Department (CRMD) has always shown full support to the Commission's efforts for efficiency and competitiveness by continuously modernizing and streamlining its processes, while also increasing the quality of its frontline services. All its initiatives during the year were focused on the ease of doing business in the country.

Company Registration

The year 2017 was a year of great significance to the SEC as it was on November 24, 2017 when the CRMD implemented fully, after a series of trial testing, the new Company Registration System (CRS) to replace the SEC i-Register. The CRS is a web-based automation of applications for company registration and licensing that minimizes face-to-face transactions through online submission and pre-processing of documentary requirements. As of December 31, 2017, the CRMD received and processed 2,927 applications under the CRS during the little over a month of its operations.

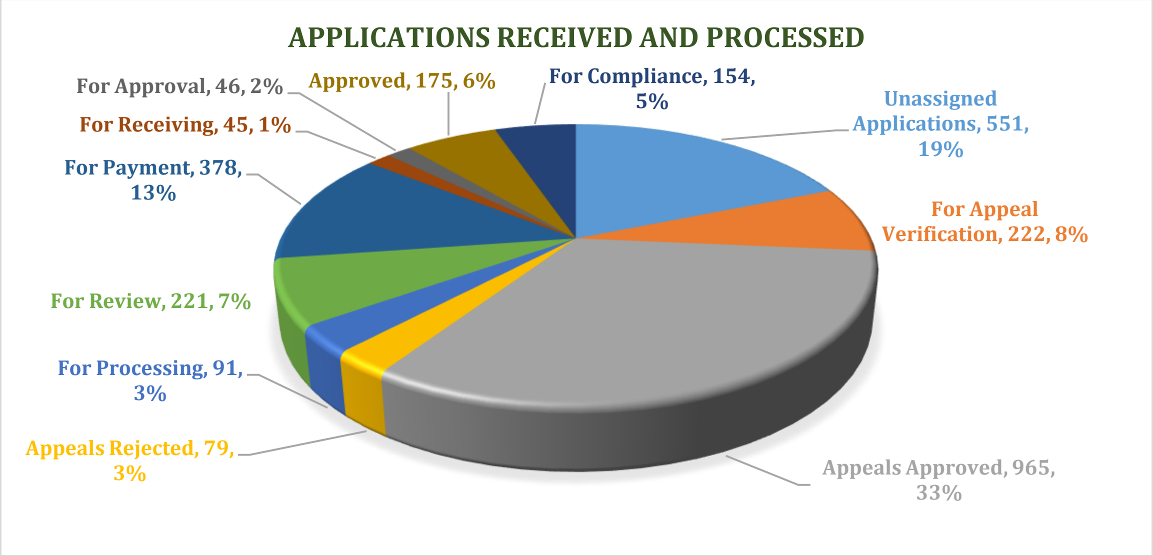


Figure 2. *Applications Received and Processed through the CRS from November 24, 2017 up to December 31, 2017. Source: CRMD.*

As a new system, the CRS has room for improvement, hence, it is constantly being enhanced to improve its performance.

In addition to the transactions processed and approved through the CRS, the manual transactions approved already reached a tremendous number of more than 267,000 applications, thereby generating more than ₱2.3 billion in revenues, as of the end of December 2017. The given figures for the end of December 2017 have surpassed the total number of approved transactions and income generated by the CRMD for the Commission during the entire year of 2016.

The number of applications filed with the Satellite Offices (SO) during 2017 has also been immensely far more numerous than those received during the entire 2016. During 2017, a total of 62,437 applications were processed, thereby translating to revenues in filing fees in the total amount of ₱720.7 million.

Green Lane Unit (GLU)

The Green Lane Unit or GLU, established as a one-stop shop for the registration and licensing of companies, continuously serves the registrants as the "fast lane unit" of the CRMD, where 80% of applications filed from January 2017 to November 23, 2017 (a day before the full implementation of the CRS) was processed and approved within one day.

Integrated Business Registration System (IBRS) and Certification Issuance System-Unified Reference Database (CIS-URDB)

The IBRS and the CIS-URDB have been sustained in 2017. The IBRS is the online issuance of the Employer Registration Numbers of Pag-IBIG, PhilHealth and Social Security System (SSS), and of the Unified Registration Records, including the system-generated Taxpayer Identification Numbers of the BIR to all new applicant registrants, without them physically registering with the respective government agencies. The CIS-URDB is a database build up/update of company information that significantly simplified the process of obtaining a Certificate of No Derogatory Information.

Capital Market Participants Registry System (CMPRS)

The CMPRS is a system developed by the CRMD in direct coordination with the ICTD, now allows the online licensing of Capital Market Professionals. The new system modernized another major frontline service of the Commission; the CMPRS used to be called the Unified Database for Market Participants.

Establishment of SOs

In 2017, the Muntinlupa City SO started operations, and a new Memorandum of Agreement for an SO in SM Mall of Asia in Pasay City was started to be worked out.

Consolidated Guidelines and Procedures on the Use of Corporate and Partnership Names

SEC MC No. 14, Series of 2017 on "Consolidated Guidelines and Procedures on the Use of Corporate and Partnership Names" was issued on December 8, 2017. The MC represents a consolidation of four previous issuances on the subject, but simplifies the regulations and gives adequate guidance to the general public as to the corporate or partnership name that is appropriate for the designated purpose, and compliant with the provisions of the MC.

Strengthened Enforcement

The CRMD continued to strengthen its enforcement function in 2017. The Compliance Monitoring Division monitored and has determined thousands of corporations that registered in 2012 and 2013 but failed to submit the required reports for two years from their incorporation, a violation of the express mandate of the Corporation Code; accordingly, they were the subject of two SEC Suspension Orders dated December 21, 3017.

The Commission through the Corporate Governance and Finance Department (CGFD) relentlessly promotes good corporate practices and principles required of its stakeholders, and in 2017, it released guidelines and implemented new policies aligned with the international standards, and held conferences as information campaign.

ASEAN CG Forum in Davao

The SEC, as Chair of the ASEAN Capital Markets Forum (ACMF) Working Group (WG) D on CG and as Co-Chair of the ACMF Green Finance WG and in partnership with the DOF, hosted the ASEAN CG and Green Finance Conference in Davao City in commemoration of the 50th Anniversary of the ASEAN in February 2017.

The Conference focused on the CG initiatives and developments in the ASEAN region and the Philippine PLCs' experience with the ACGS. It also included a lecture on the recently released Philippine Code of CG for PLCs, as well as an introductory discussion on Green Finance.

ACGS

As earlier mentioned, the SEC assumed in 2015 the Chairmanship of the ACMF WG D which is responsible for the ASEAN CG initiative, comprising the ACGS and the ranking of ASEAN PLCs. Six ASEAN countries are actively involved in this initiative, namely: the Philippines, Indonesia, Malaysia, Singapore, Thailand and Vietnam. As the Chairman, the SEC steered several meetings of the WG attended by CG experts of the participating jurisdictions. This resulted in the development of a new ACGS which was released in March 2017.

The revisions took into account the new principles and recommendation found in the G20/Organization of Economic Cooperation Development (OECD) Principles of CG as well as increased investor expectations and other developments in CG practices. Other enhancements include a reallocation of the weightage for the sections and certain questions and streamlining of the questions to reduce the over-all number. An independent validation is also added as another level in the assessment process. The improvements were made to strengthen the quality of the assessment.

Implementation of the Code of CG for PLCs

Key to the effective implementation of the CG Code for PLCs is a proper education and awareness campaign for the covered companies. In this regard, the IFC, a member of the WB Group, and the SEC conducted a series of roundtable discussions with the objective of introducing to the participants the good CG practices recommended in the Code. Five sessions were organized between late March and mid-May 2017 at the PICC to train company key officers in implementing the new Code, and a total of 270 representatives of PLCs were trained on the recommendations found in the Code.

As the first step towards the implementation of the Code, all PLCs were required to submit their Manuals on CG on or before May 31, 2017. Two hundred forty one companies complied with this requirement, while 26 were given show cause orders and penalized for non-compliance.

SEC - PSE CG Forum

In November 2017, the SEC and the PSE, in partnership with the USAID's i3, IFC, Good Governance Advocates and Practitioners of the Philippines and Management Association of the Philippines conducted the 4th SEC - PSE CG Forum.

The objective of the Forum was to create a venue for discussion of critical topics that address relevant and timely issues in the Philippine business environment, specifically Cybersecurity and IT Governance, Improving the Philippine Investment Climate by Balancing Bank Secrecy and Transparency, Millennials and the Future of CG, and the new SEC - PSE I-ACGR.

I-ACGR

The SEC and the PSE worked together to come up with the I-ACGR with the intention of harmonizing the CG reportorial requirements of both agencies. This is an implementation of another action plan item under the Philippine CG Blueprint released in 2015, which is the Commission's CG roadmap for the next five years. The I-ACGR includes the CG practices found in the PSE CG Guidelines for Listed Companies and the ACGS. In line with this, the I-ACGR contains all relevant information and disclosure with regard to PLCs' CG policies and practices. This report will be submitted to both SEC and PSE as their compliance with the CG reportorial requirement.

The I-ACGR is expected to take the place of the current Annual CG Report of the SEC and will be used as a tool to disclose PLCs' compliance/non-compliance with the recommendations provided under the CG Code for PLCs, which follows the "comply or explain" approach.

Ease of Doing Business Project

In response to the call for the ease of doing business in the Philippines, the CGFD continued its commitment and issued on April 6, 2017 SEC MC No. 7, Series of 2017 – Limiting the Requirements for Group "C" Accredited Independent Auditors/CPAs of Financing Companies (FCs) and Lending Companies (LCs) per Asset Size, whereby Group "C" accredited external auditors shall no longer be required for FCs whose assets in the preceding fiscal year is ₱10 million and below; and LCs whose assets in the preceding fiscal year is ₱5 million and below.

SEC Initiatives and Actions against Five/Six Informal Lenders

In support to the campaign of President Rodrigo Duterte against the Five/Six money lenders, the Commission continued throughout 2017 its crackdown on informal lenders which began in October 2016.

In February 2017, the SEC met with the Secretary of the DTI and the Federation of Indian Chambers of Commerce (Phil.), Inc. (FICCI) to form a TWG that will discuss the transition where the government will allow the Indian informal lenders to legitimize their lending businesses. The TWG, composed of the SEC, Department of Labor and Employment, National Bureau of Investigation (NBI), Bureau of Immigration, Department of Foreign Affairs, DTI, Embassy of India and the FICCI, met to discuss the streamlining of processes and requirements, and drafting of guidelines and procedures in the registration and licensing of LCs based on ownership, nature of business (trading, lending, etc.) and others.

The CGFD personnel were also deputized as members of the Task Force created to conduct surveillance and investigate informal lenders, and recommend their prosecution, if warranted. Several surveillance investigations were done throughout the year.

The CGFD, through its Monitoring Division, also recommended the revocation of the registration of 1,283 LCs and 834 partnerships that are operating without Certificate of Authority.

Focus on Microfinance

As mentioned, the Microfinance NGOs Act provided that the SEC shall establish an accrediting body for the microfinance NGOs to be known as the Microfinance NGO Regulatory Council (MNRC). The SEC Chairperson is named the Chairman of the MNRC which shall be assisted by a Secretariat to be lodged at the SEC. The CGFD was designated to act as Secretariat to the MNRC, and has initiated the following:

1. Governance, Social and Financial Performance Standards for Microfinance NGOs

   The Governance, Social and Financial Performance Standards are part of the accreditation standards provided under RA 10693. Taking cue from the good governance practices recommended in the CG Code for PLCs and taking into consideration the unique circumstances of Microfinance NGOs, the CGFD initiated the drafting of standards geared towards the promotion of good governance for Microfinance NGOs. These were introduced to the Microfinance NGOs through a series of public consultations in different regions in the Philippines. To facilitate ease of assessment for the accreditation process, the standards are presented in a checklist format answerable by "yes" or "no".

2. MCs, Advisories and Notices Regarding the Transitional Accreditation of Microfinance NGOs

   The CGFD initiated the issuance of the following:
   - Advisory on Transitional Accreditation of Microfinance NGOs;
   - MC No. 1, Series of 2017 – Rules on Capital Contribution and Corporate and Trade Names of Microfinance NGOs;
   - MC No. 2, Series of 2017 – Clarification of the Three-Year Consecutive Microfinance Operations Requirements; and
   - Draft Governance, Social and Financial Performance Standards for comments

3. TWGs and Committee Meetings

   TWGs and Committee meetings were held with the assistance of the Asian Development Bank (ADB), the Association of Certified Public Accountants in Public Practice and the FRSC to: 1) discuss issues and comments raised on the Governance, Social and Financial Performance Standards; 2) draft Standard Chart of Accounts and Pro-forma Financial Statements for the Microfinance NGOs; and 3) develop a Financial Reporting Standards and Framework for SEs (Microfinance).

   The CGFD, as the Secretariat of the MNRC, with the assistance of the Microfinance Council of the Philippines conducted Regional Public Consultations and Workshops in Manila, Cebu, Pampanga and Davao.

Active Participation in Congressional Hearings for the Bill on Collective Investment Schemes (CIS)

The SEC, through the CGFD, has actively participated in TWGs and Committee meetings and in deliberations of Congress on the bill on CIS since December 2016. The proposed law envisions the SEC as the single regulator of the CIS, and provides for a CIS Investors Protection Fund.

Amendments to IRRs

1. FCA, RA 5980 as amended by RA 8556

   The CGFD initiated amendments to the IRR of RA 8556 otherwise known as the FCA of 1998 in response to the evolving nature of FC transactions as well as the dynamic character of the capital market. This was also in line with the enactment of RA 10881, an Act amending investment restrictions in specific laws governing companies cited in the foreign investment negative list, which in effect allowed 100% foreign ownership over FCs. The amendments referred to definition and registration of branch offices, lifting of nationality requirement, additional documentary requirements for foreign directors, and exemption from the 30% single borrowers limit rule.

2. ICA IRR, RA 2629

   The CGFD helped finalize the ICA IRR which it started in 2015 and was approved in December 2017. The ICA IRR was implemented to align the rules with global standards and to further develop the Philippine capital market. The ICA rules provided, among others, the requirements for incorporation of Investment Companies, more commonly known as Mutual Fund Companies (MFCs), registration of shares and units of participation to be offered to the public, monitoring of their operations and submission of required reports, etc. Relevant provisions amended are the introduction of unitized mutual funds, feeder fund, Fund-of-Funds and co-managed funds; also, the amendment provided requirements and qualifications on the participants in the operation of the funds.

Other CGFD Involvement

1. Exchange of Information by Request

   The CGFD, in coordination with the DOF and the BIR, provided information requested by the OECD on companies under its jurisdiction, on matters related to SEC registration, monitoring and enforcement. The CGFD attended meetings, and met with the OECD representatives who visited the Philippines in December 2017 to discuss if the information are available, accessible and can be shared.

2. Public Seminars

   To strengthen public awareness, the CGFD conducted several public seminars in the SEC Head Office and in the provinces, on registration and monitoring of FCs, LCs, Microfinance NGOs and Foundations and Investor Protection. A seminar was also conducted for the benefit of the Indian community in the Philippines.

3. Participation in the Drafting of Proposed Bills

   These bills include:

   a. Financial Consumer Act of the Philippines, which proposes amendments on provision of financial products and services. In the proposal, the SEC will be one of the implementing agencies of the Act.
   b. Secured Transactions Bill, also known as Financial Inclusion Act, which seeks to expand the use by MSMEs of their movable assets (e.g. inventories, crops, machinery, etc.) as collateral for loans.
   c. Act Providing for the Accreditation of NGOs and People's Organizations (POs) Eligible to Access Government Funds and for the System of Accountability and Transparency for the Use of These Funds, which proposes government funds for NGOs and POs for their projects once accredited by a Multi-Partite Body. The SEC was proposed to be part of the said body as it regulates registered NGOs and POs and hence will facilitate exchange of information.

The Enforcement and Investor Protection Department (EIPD) continues to be in the forefront of the Commission's efforts to counter the proliferation of investment scams and other violations of the SRC. In pursuit of its mandate, the Department has intensified its efforts and enhanced its capability in the enforcement of securities laws and in protecting investors and the investing public.

Aggressive Crackdown against Spurious Lending Firms and Individuals

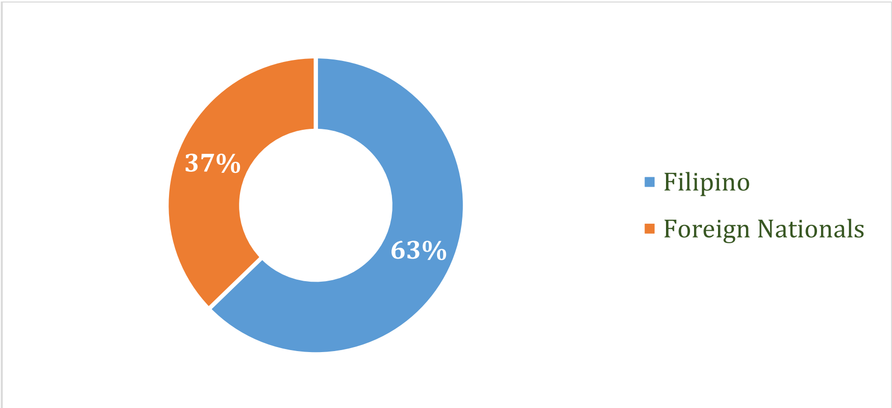


Figure 3. *Complaints Filed Against Errant Individuals*
Source: EIPD.

In its relentless campaign to combat investment fraud and other violations of securities laws, the EIPD has filed criminal complaints before the City Prosecutor of Pasay City against 17 firms represented by 153 individuals of whom 57 were foreigners. Also, two cases were filed with the Department of Justice against Plastel Solutions, Incorporated and Calata Corporation represented by Joseph Calata and seven persons.

Table 1. *Firms Filed with Criminal Complaints, CY 2017*

	Corporate Name
1	Maan & Bhaker Lending Inc.,
2	Satguru Lending Corp.,
3	Bhata Jogi and Swali Lending and Trading Corp.,
4	Balak 1008 Lending and Trading, Inc.,
5	Paramjit Harvinder Gold Lending, Inc.,
6	7 Lions Lending Management Corp.,
7	Purewal and Rashpal Lending, Inc.,
8	Sartaj Lending Inc.,
9	Phil86 Gurunanak Lending and Trading Corp.,
10	Manak Purlohara Lending Corp.,
11	Amsuda Lending Corp.,
12	X-Cee786 Lending and Trading Inc.,
13	Star 77777 Lending and Trading Inc.,
14	Divya and Kavita Lending Corp.,
15	All-In 7000 Lending and Trading Corp.,
16	Nuarasidhu55 Lending and Trading Corp.,
17	Chardikla 786Lending and Trading Inc.

Source: EIPD.

Acting as the investigating and prosecuting arm of the SEC, the EIPD posted 17 advisories warning the public of fraudulent investment schemes and not to deal nor transact with them. Advisories were also issued for investment scams in Tungawan Zamboanga and in Marinduque.

Table 2. *SEC Advisories, CY 2017*

	Advisories
1	My Community E-Commerce System Inc. a.k.a. My Community Credit Cooperative
2	RU Affiliates
3	Pluggle, Inc.
4	Lets Philippines Humanitarian Foundation
5	Xtrade.com
6	MGC Forex Philippines
7	Monspace Philippines
8	Razzledazzle Enterprise
9	Programme Blessing for the Filipino People Association, Inc.
10	Kappa (Kabus Padatoon)
11	Golden Heart Helping Hand Foundation
12	Bullion Buyer Ltd.
13	Brainmax Holdings and Trading, Inc.
14	JJ Poor to Rich
15	Sureadz/Sureadz
16	J.I. Joe Marketing
17	7seals Trading and Fazcoin Marketing Services

Source: EIPD.

In addition, through proper investigation and coordination with other operating departments, the EIPD issued CDO against the following persons/companies found violating the SRC rules, namely: The Seashore Beach Club, Inc., FastLegacy Marketing International Inc. and Hyun Lee Scofield a.k.a. Johnny Scofield, Greenlife Leisure Farms, Inc. and/or Greenlife Leisure Farm and Development, Inc., MySuper Saver Company Limited, Seven Star General Merchandise, Palawan Entre-Business Company, Alexis M. Valle and Joseph G. Chavez, and Elite 360 International Holdings Inc. and/or Elite Global Invasion Trading Corporation.

Following the recent much publicized investment scam controversy in Puerto Princesa, Palawan, the EIPD, in coordination with DTI Palawan and NBI Palawan, assisted several public victims and complainants to lodge a criminal suit for estafa and violation of the SRC rules against the officers, directors, stockholders and agents of Real Techno Trading, Infinite Gold Marketing, Abrilliance Power Trading, All Access Gateway Incorporated, Palawan Entre-Business and Company, and Innov8 Beauty and Wellness. The EIPD personnel travelled to Palawan and provided assistance and legal counseling to the victims of the multi-million scam.

Together with agents from the NBI Anti-Fraud and Action Division, the EIPD implemented the first-ever arrest and subsequent prosecution of Rosalie Daro, an illegal lender, for violation of RA 9474 (LCRA). The arrest took place in the New Antipolo Public Market through this joint operation.

The team also responded to the call for assistance by about 140 public school teachers from Bulacan, Pampanga, Tarlac, and Nueva Ecija. The EIPD assisted in the drafting and filing of their complaint-affidavits and evaluation of evidence against St. Bernadette Credit and Lending Corporation (St. Bernadette) and its officers; they also extended assistance in the filing of the suit by the public school teachers for violation of RA 3765 (An Act to Require the Disclosures of Finance Charges in Connection with Extension of Credit) and RA 8484 (An Act Regulating the Issuance and Use of Access Devices, Prohibiting Fraudulent Acts) as St. Bernadette required the surrender of ATM cards by the public school teacher borrowers.

Anti-Money Laundering Division (AMLD)

The EIPD spearheaded the creation of the AMLD to help protect SEC-registered persons from exploitation for money laundering and terrorist financial activities. The EIPD personnel, including those from other SEC departments, participated in various trainings and knowledge acquisition seminars on anti-money laundering with discussions of cases and principles, and financial crime threats conducted by the Anti-Money Laundering Council and ADB.

As the Anti-Money Laundering Desk of the Commission, the EIPD actively participated in the 2nd National Risk Assessment (NRA) as resource person providing vital information on Non Profit Organizations, LCs and FCs, NRA Report Part II, and serves as the focal unit in the preparation of the NRA Report, Part III.

Virtual Currencies

With the emergence of virtual currencies in the Philippine financial system, the EIPD started issuing public advisories and warnings to exercise caution relative to bitcoins and other cryptocurrencies. The EIPD initiated an in-house Commission-wide seminar conducted by foreign consultants on cryptocurrency and initial coin offering on December 20, 2017, and was also attended by BSP officials and officers of private entities.

Knowledge Sharing

The Commission, through the EIPD, has been proactive in educating the public on financial crimes and investment scams. To create public awareness on such operations, EIPD personnel joined activities sponsored by government agencies and various organizations. During the year, the EIPD participated and acted as resource speakers in the 2017 Financial Education Expo hosted by the BSP; the "Trabaho, Negosyo, Kabuhayan at Konsumer 2017 hosted by DTI in Taguig City; Victorias City, Negros Occidental; Calapan City, Oriental Mindoro; Maasin City, Leyte; Siquijor; and San Fernando, La Union; and in the SEC Caravan 2017 seminar entitled *"SEC Gender and Development (GAD) Investor Information Protection Seminar",* in Zamboanga City; Bacolod, Negros Occidental; Tacloban, Leyte; and Dumaguete, Negros Oriental. The EIPD also appeared in a series of television and radio programs, within and outside Metro Manila, orienting the public on how to detect and prevent investment scams and related issues.

Coordination with Law Enforcement Agencies

The EIPD, aside from attending the regular monthly and special meetings of the National Law Enforcement Coordinating Committee (NALECC), a government body created under EO No. 829, Series of 1982, contributes to the objective of the NALECC for the effective enforcement of general and special laws to ensure unified direction and integration of efforts throughout the country in the suppression of criminal activities, and in the promotion and maintenance of peace and order, public safety and security, by providing vital intelligence information in the form of data contained in the Commission's data base consisting, among others, of name of officers, directors and incorporators of various companies and corporate filings.

The EIPD represents the Commission as member of NALECC and a member of the following sub-committees: (1) Sub-Committee on Anti-Money Laundering/Countering the Financing of Terrorism; (2) Sub-Committee on International Law Enforcement; (3) Sub-Committee on Organized Crime; (4) Sub-Committee on Intelligence Coordination; (5) Sub-Committee on Civic Involvement; and (6) Sub-Committee on Cybercrime.

Monitoring of Securities Trading

The EIPD continued to keep up with the developments in the securities trading system by closely monitoring the trading of securities at the Exchange and has prepared the following monitoring reports: 239 Daily Stock Market Reports, 206 Midday Reports, 238 Partial Market Reports, and 269 Review Market Activities. During the year, it also prepared 404 Weekly Monitoring Sheets that tracked the movement of the price, volume, and price and volume percentage change of the particular listed issue for the reference week. It was able to build its database and upload 1,588 news/rumors in the Total Market Surveillance System and closely monitored 32 issues that reached their trading price limits. It directed 189 broker dealers to disclose beneficial owners of certain client codes in the course of its fact finding activities and conducted 62 field investigations/surveillance.

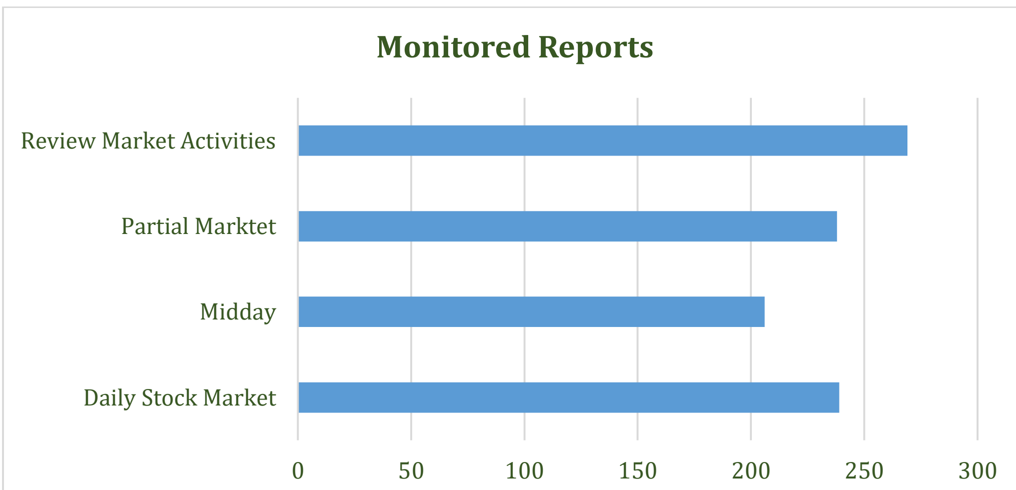


Figure 4. *EIPD Monitored Reports, CY 2017.*
Source: EIPD.

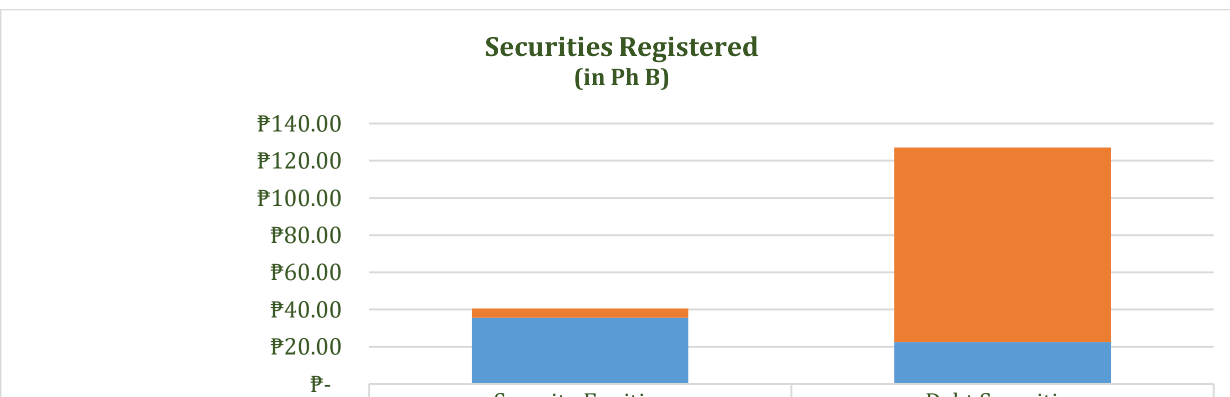
The Markets and Securities Regulation Department (MSRD), with its three divisions, is directly involved in the supervision of the capital market. It registers and supervises securities, securities markets and markets institutions, securities market participants, and intermediaries. It additionally monitors compliance of these entities with the various legal and regulatory requirements.

The MSRD likewise reviews existing regulatory frameworks of the securities industry, conducts market-related researches and recommends rules and reforms as necessary. It further reviews proposed rules of SROs and other market participants, and proposed products and services in the market to ensure their consistency with securities laws, regulations, policies and global best practices.

Shelf Registration Program

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

In 2017, private companies registered with the SEC around ₱40.6 billion equities, ₱127.15 billion debt securities, and US$330 million Dollar Denominated Securities (DDS). Of these amounts, 12% or ₱5 billion equities, around 82% or ₱104.7 billion debt securities, and 100% DDS were registered under the shelf registration program. Issuers under the program included SMC Global Power Holdings Corporation, Vista Land & Lifescapes, Inc., Aboitiz Power Corporation, Megaworld Corporation, STI Education Services Group, Inc., Double Dragon Properties Corp., SM Prime Holdings, Inc., San Miguel Corporation, Ayala Corporation, Ayala Land, Inc., 8990 Holdings, Inc., and Del Monte Pacific Limited.



	Security Equities	Debt Securities
Shelf Registration	₱5.00	₱104.70
IPOs and Follow On Offering	₱35.62	₱22.45

Figure 5. *SEC-Registered Securities, CY 2017.*
Source: MSRD.

Online Submission of Risk-Based Capital Adequacy (RBCA) Reports

The MSRD, in coordination with the ICTD and in collaboration with the Department of Information Communication Technology (DICT), set up a facility that allows Brokers Dealers to submit digitally-signed RBCA Reports via e-mail through the adoption of the Public Key Infrastructure (PKI) technology to ensure authenticity and security. Under the SEC MC No. 12, Series of 2017, the Commission provided a transition period from December 2017 to May 2018 for the electronic submission of the RBCA reports. The facility will be fully implemented after the transition period.

Provisional License of MART

The Commission approved on November 16, 2017 the provisional license of MART to act as an SRO for the GS Repo market subject to certain conditions. The securities to be used under the repurchase agreements will be limited to Philippine Peso denominated government securities. To date, MART has approved the application to become GS REPO participants of 17 GS Eligible Dealers (GSEDs) for the repo market. In addition, MART has also approved the applications of three voice brokers who will not be undertaking repo transactions themselves, but shall act as brokers who will execute GS repo transactions in behalf of their GSED clients.

Proposed Rules and Regulations Governing Crowdfunding

On November 29, 2017, the proposed Rules and Regulations Governing Crowdfunding was released for public comments. Crowdfunding generally refers to a fund-raising activity, typically through an online platform that seeks to raise money from a large number of individuals to support start-ups and/or SMEs. Its advantages are: less cost of raising capital, a more populist fundraising option not previously available, investments are credibility-based, and allows a fund-raising avenue for MSMEs.

The crowdfunding market, however, comes with challenges such as: the investor's lack of knowledge and trust towards commercial transactions through the internet; lack of access to internet and gadgets necessary for crowdfunding; and vulnerability of the system to hackers and fraudulent activities. Hence, rules were proposed to ensure that crowdfunding shall operate in a manner consistent with investor protection, public interest, market integrity and transparency. The crowdfunding rules are intended to provide thriving SMEs wider access to financing and to ensure protection for persons who will participate in crowdfunding.

Other MCs/directives issued:

1. SEC MC No. 11, Series of 2017 on Simplified Registration Statement (SRS) for Hospitals (SEC Form 12-1 SRS), issued on September 29, 2017 allows hospitals seeking to register their securities to use this form in lieu of the current SEC Form 12-1, and to engage the services of Group B SEC-accredited external auditors or auditing firms under some conditions.

2. SEC MC No. 6, Series of 2017 on Guidelines on the Submission of the Annual Report on the Segregation of Functions (Chinese Walls), issued on March 17, 2017 to effectively implement Rule 34.11 of the 2015 SRC Rules, requiring Broker Dealers to submit an annual report on the measures they have taken to enforce Chinese Wall Rules.

3. SEC MC No. 13, Series of 2017 on Rules and Regulations on MPO on IPO issued on November 28, 2017 aims to increase public ownership level of Philippine PLCs, as part of the Commission's efforts to encourage more

Filipinos to participate in capital markets, thus enhancing overall effectiveness of listed shares in the Philippines, and boosting liquidity, improving price discovery and lessening opportunities for price manipulation. The Rules require all companies that will file registration statements with the intention to list their shares for trading in an Exchange to apply for registration with a public float of at least 20%. All PLCs shall at all times maintain an MPO of at least 20%. If the MPO of a PLC falls below 20% at any time after registration, such PLC shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

4. Directives on DDS re the PSE Listing Rules on DDS issued on April 6, 2017, mandating the creation and maintenance of accounts of investors or DDS-holders under the Name-On-Central-Depository (NOCD) arrangement in accordance with the Philippine Depository & Trust Corporation Rules and Procedures. The directive was issued to address confusion on the NOCD requirement, and as a response to a letter request of a certain Issuer and Issue Manager.

5. The proposed Rules and Regulations governing the registration and trading of Structured Warrants was released on January 11, 2017 for comments. Structured Warrant is a financial product issued by a third-party financial institution that gives the holder the right, but not the obligation, to either buy or sell an underlying asset at a predetermined price on or before a certain date in the future.

The Baguio Extension Office (BEO) continues to provide courteous, timely and efficient public service in 2017. It prides itself for fast and efficient processing of registration documents for partnerships and corporations, amendments thereto and other transactions within its authority, thereby assuring clients from all over Luzon of quality public service they deserve, to further facilitate the ease of doing business in the country. This year, the BEO has registered 438 stock corporations, 1,646 non-stock corporations and 115 partnerships, as well as processed such other applications including amendments of corporate and partnership documents, increase of authorized capital stock, issuance of certificates of authority to lending corporations and issuance of licenses to transact business for foreign corporations, among others. The volume of transactions in the BEO has markedly increased this year, evidenced by the 61.19% increase in its collections from registration fees, licenses, penalties and other transactions, as compared to last year's collections for the national government.

In May 2017, the BEO participated in two local media programs: *Usapang Legal* at ZRadio Baguio City and *Morning Sky* at SkyCable TV Baguio in keeping with the Commission's commitment to intensify information campaign against investment scams and in support of the government's drive against informal lenders as a means of information dissemination and warning relative to persons and entities reported to be soliciting investments from the public, or engaging in the lending business, but without the proper licenses for those purposes. In October 2017, the BEO participated in the Cooperative Month Celebration of the Cooperative Development Authority (CDA) – CAR, conducting lectures likewise on investment scams and informal lending activities sought to be curtailed.

The BEO considers likewise as a significant accomplishment the considerable increase in the number of LCs it has registered for the year. From its registration and licensing of 25 LCs in 2016, the BEO registered a total of 52 new LCs this year, or an increase of 108%, thereby giving a very good indication that our government through the SEC has indeed succeeded in its campaign against informal lenders.

In November 2017, the BEO conducted a Public Orientation Seminar for the launching of the CRS at the Baguio City Hall, attended by 120 participants from Baguio City, La Union and Pangasinan, and other nearby towns and provinces.

Picture 1. CRS Orientation. *Atty. Regina May Cajucom of the BEO, with Ms. Erlida Cabatic and Ms. Annette Tamayo of the CRMD serve as resource persons in the Public Orientation for the launching of the CRS.*

In 2017, the Cagayan de Oro Extension Office (CDOEO) upgraded its local database system to include the monitoring of the timely submission of the annual reporting requirements, unauthorized amendment, unauthorized issuance of capital stocks, and non-filing of application for availability of exemption of all corporations in the database. By the end of the year, the system has generated 8,444 show-cause letters to erring corporations. This breakthrough in monitoring could be the solution of the clients' complaints of reports after the deadline even if the number of corporations involved is more than 20,000. The database of this system is MySQL 5.0, an open-source software, and its front-end is Visual Basic.

The CDOEO has been holding regularly at least two in-house seminars per month on investment and reportorial requirements of corporations. A total of 720 representatives of newly registered corporations benefited from this initiative.

Picture 2. Investor Education Initiatives. *The CDOEO holds public seminars to keep its stakeholders informed of the current SEC requirements for registration, and of the latest investment scams.*

The SEC Cebu Extension Office (CEO) spent its 2017 reaching out to its stakeholders and Local Government Units of Regions VII and VIII.

In 2017, the office participated in the Bohol Business One-Stop Shop (BOSS) Caravan, a project of the Bohol Investment Promotion Center. The BOSS Caravan was a series of one-day activity for business owners and potential entrepreneurs where business fora and registrations with government agencies were carried out. Participating agencies included the SEC, DTI, SSS, Pag-IBIG, PhilHealth, and Department of the Interior and Local Government.

The CEO joined the caravans held in the municipalities of Inabanga, Dimiao, Talibon, Sevilla, and Baclayon. During these BOSS caravans, aside from giving lectures on registration requirements, investment scams, and lending and financing Regulations, the CEO officials and employees also listened individually to those who were victimized by investment scams and unregistered or irregular lending activities.

Picture 3. BOSS Caravan. *In one of the BOSS caravans, the requirements for registration and how to prevent investment scams are discussed.*

During the year, the CEO also served as resource speaker in the following fora, information drives, and orientations:

1. Forum conducted by the Association of Government Information Officers-Philippine Information Agency;
2. Orientation on the New Format of the GIS for the Irrigation Development Officers of Region VII;
3. Bohol Teachers Congress; and
4. Information dissemination drive in Leyte and Samar

Aside from the orientation on CRS, the lectures and topics also included registration requirements, investment scam prevention, concerns with illegal lenders, new format of the GIS, and special topics tailored to the needs of the audience, such as on "How to Have a Legal Standing as a Women's Group" and "Empowering Women through SEC".

Truly, 2017 had been a fruitful year for the CEO and it commits to continually strive to bring the Commission and its services to the people of Regions VII and VIII and serve them with utmost integrity and professionalism.

The year 2017 continued the tradition of successes and accomplishments for the Davao Extension Office (DEO). The collective effort of its personnel complement of 15 played a major role in contributing to the agency's over-all performance. Total collections amounted to ₱95.3 million and net income was of ₱77.7 million.

Bolstered by the growing interest of new investors in Davao City and its nearby areas of responsibility, 2,471 new entities were registered, up from 2016's number of 2,239. The continued confidence of existing stakeholders resulted in the approval of 671 amendments, a 42% increase from the previous year; 94 corporations with approved increase in their authorized capital stock, 49% more than in 2016; and 3,309 firms monitored, a 55% jump from 2016's 2,130.

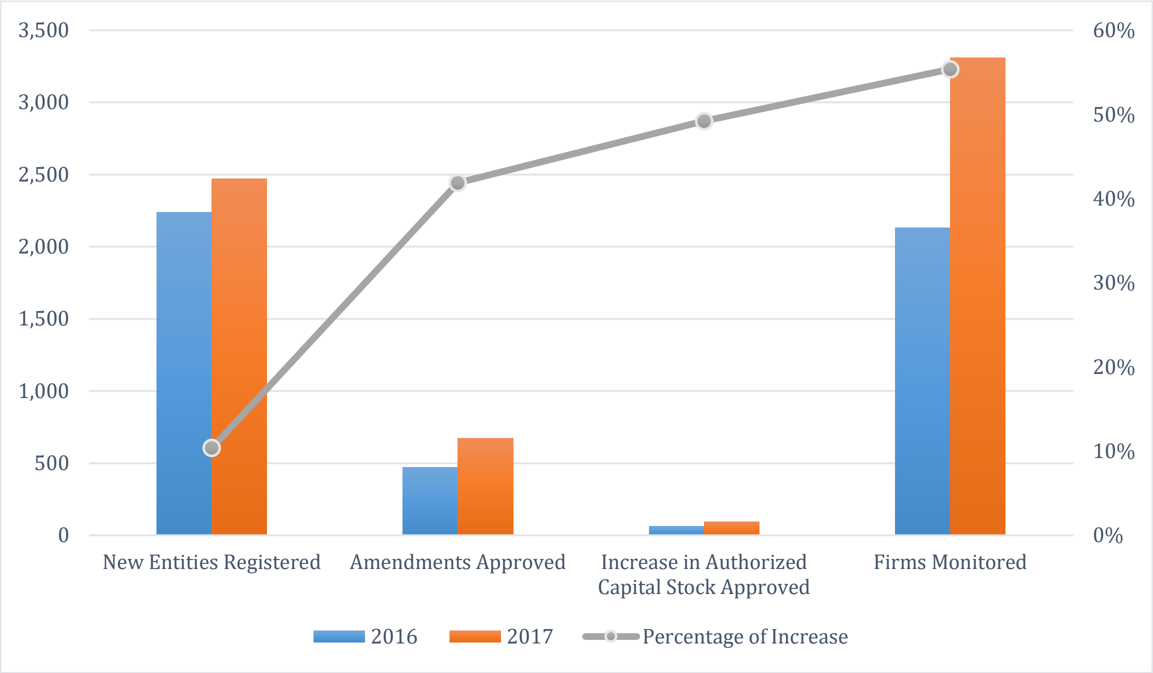


Figure 6. *DEO's performance in 2016 and 2017.*
Source: DEO.

Perhaps the most significant accomplishment for 2017 of the DEO was the 652% increase in the amount of fines and penalties collected. In figures, the DEO collected ₱32.3 million in 2017 compared to the ₱4.3 million collected in 2016. This was brought about by the intensified efforts to monitor lending and financing corporations operating without certificates of authority.

The last quarter of the year brought about changes to the way the DEO will be providing service to its stakeholders. On November 15, 2017, a free public orientation and seminar was conducted on the CRS as a prelude to its launching on November 21, 2017. The successful event saw 170 attendees from the government and private sector eagerly participating in the said activity.

Picture 4. CRS Orientation. *Prior to the launch of the CRS, the DEO conducts a Public Orientation and Seminar to its prospective stakeholders.*

Reliability, resiliency, competency, and efficient assistance to the public provided the framework for the DEO to surpass what it had set out to do at the start of 2017. The DEO has indeed succeeded in gaining more significance in the lives of its stakeholders and partner agencies. For 2018 and the years after, the DEO is committed to ensuring that the SEC values of integrity, professionalism, accountability, independence, initiative and teamwork will be the guiding principles in ensuring excellent service to the public.

The Iloilo Extension Office (IEO) adapts to the ever-changing and rapidly developing business environment of Iloilo, Antique, Capiz, Aklan, Negros Occidental and Guimaras Island by providing them the best service and effective investors' education. The IEO reaches out to the different provinces to conduct investors' forum to educate as well as to protect.

In line with the Commission's intensive effort in its public information campaign, the IEO, in partnership with PICPA Western Visayas Region and PICPA Antique Chapter, had a Regional Regulators Forum in Antique attended by a total of 260 participants from PICPA, GACPA, ACPAPP, ACPAE, ACPACI members, businessmen, and representatives of corporations (both stock and non-stock), informal lenders, cooperative banks, law enforcers, bookkeepers and students. SEC updates on New Laws and Regulations, Investors Protection, AMLA, CG, Informal Lenders and other related topics were discussed during the forum, which was supported by Hon. Elmer C. Untaran, Mayor of San Jose Buenavista, and Hon. Rhodora J. Cadiao, Governor of Antique.

Picture 5. Regional Regulators Forum. *SEC and PICPA Officials lead the Forum in Antique.*

Likewise, the IEO held the "CBIT and SEC Forum 2017" in St. Paul University – Iloilo, under its project "SEC Educating One and All: Anti-Scam Campaign for Academic Sector". Headed by Atty. Ma. Cristina T. Montelibano, Securities Counsel III and Ms. Eva Marie G. Gosiaco, Securities Specialist II, the topics included Registration Requirements, Investment Scams, Reportorial Requirements, and Violations and Penalties. Around 80 participants (both students and faculty) attended the forum. Students and educators play important roles in the society, thus a well-informed academic sector results to an intelligent investor.

On May 4, 2017, the IEO represented the SEC when the Philippine Statistics Authority (PSA) conducted simultaneous news conferences held across all regions of the country. The news conference focused on the economic performance of the region for 2014-2016, as well as the policy implications of the 2016 Gross Regional Domestic Product estimates on the region's development. Ms. Eva Marie G. Gosiaco, Securities Specialist II, answered queries from the media during the open forum particularly on the programs and projects implemented by the SEC. Knowledge gained from the conference was integrated in the NEDA reports submitted every quarter by the IEO.

The IEO conducted its first public orientation on the CRS and Reportorial Requirements on August 11, 2017. Due to limited space, the IEO was only able to invite 24 CPA practitioners, who requested for another session. Prior to the launch of the CRS, the IEO had its second public orientation on the CRS on November 15, 2017. Personnel from the Head Office, Ms. Ronalyn Puatu and Mr. Andrew Montesa of the CRMD served as resource speakers to a total of 133 participants composed of CPA and lawyer practitioners, businessmen/entrepreneurs, college students, local and national government officials/representatives, and PICPA members. DTI – Iloilo Provincial Director Diosdado P. Cadena, Jr. supported the online registration and was also present in the orientation.

For its response to the government's call to address gender issues in governance, the SEC in coordination with the City Government of Bacolod conducted the GAD Investor Information Protection Seminar. The topics included the GAD's Role in the Capital Market, Microfinance and Lending, Investment Scams, Investment Products, CRS, and Lecture on Sexual Harassment.

The IEO further participated and/or served as resource persons in the following discussions, summit, meetings, seminars, and roadshows:

1. WB Roundtable Discussion on the completion of the Report on the Observance and Standards of Codes, Accounting and Auditing (ROSC-A&A) for the Philippines
2. 2017 BIR Annual Tax Campaign Kick Off
3. PICPA-Iloilo Chapter Seminar on BIR and SEC Recording and Reporting
4. Meeting of the Department of Health-Regional Office (RO) VI with the Barangay Health Workers (BHWs') Regional Summit
5. Meeting of the Iloilo Investment Facilitation Network (IIFN)
6. 2017 Investment Priorities Plan (IPP) Regional Roadshow
7. Meeting of the Local Economic & Investment Promotion Office

In 2017, the IEO registered 1,289 new corporations and 130 partnerships, and collected ₱26.4 million. Since the office only incurred about ₱10.7 million of expenses for the year, it had a net income of ₱15.7 million.

In line with the Commission's thrust to intensify the campaign against investment scams, and as part of the Legazpi Extension Office's (LEO) contribution to the Commission's new online registration, it conducted lectures and seminars, and guested interviews.

In May, it held lectures on investment scams in Catanduanes. Participants were Philippine National Police officers and staff. The LEO, further, had a briefing and meet up with the Provincial Government of Catanduanes.

In addition to the regular consultations and meetings with the Regional Executives and Directors Association in Legazpi, the LEO had regular interviews with the Bombo Radyo, DZGB, Radyo Siram, Brigada Legazpi and Idol 89.2 – FM, as well as with the ABS-CBN Bicol.

In November, the LEO conducted a Public Orientation Seminar prior to the launching of the CRS.

Picture 6. Anti-Scam Campaign. *The PNP officers and staff listen intently to the discussion at Camp Francisco Camacho, Virac Catanduanes.*

Historically, there is a trending increase in the number of transactions and amount of collections of the Tarlac Extension Office (TEO) from the time it was established in 2012. For 2017, the TEO was able to cope with the tremendous increase in the number of transactions and amount of collections despite limited manpower, not to mention its updated encoding on corporate profile of every company that registers in its office. Aside from registrations, collections and administrative works in the office and as part of the Corporate and Capital Market Development Service, the TEO was able to organize five seminars by its own and two seminars wherein it acted as a resource speaker.

This year, the TEO processed and approved 2,587 applications for registrations, recordings and other applications for corporate undertaking/activities that under existing laws require prior actions by the SEC. The scope of TEO's monitoring function is confined only within its area of responsibility concerning corporations in the provinces of Tarlac, Pampanga, Bulacan, Zambales, Bataan, Aurora, Nueva Ecija, Pangasinan including corporations inside Clark Development Corporation and Subic Bay Metropolitan Authority. Its monitoring includes the determination of timeliness of the submission of the reportorial requirements of corporations and their possible violations of the Corporation Code and other related laws. TEO was able to monitor 1,103 corporations.

In response to the other needs of the public including other government agencies, the TEO received registration of Stock and Transfer Books, Memberships Books, AFS, General Information Sheet (GIS) and other reports.

In 2017, the TEO's collections from license fees, registration fees, fines and penalties, legal research fees, and miscellaneous income totaled to ₱41.6 million.

The Zamboanga Extension Office (ZEO) is the first of the Commission's Extension Offices to conduct a gender sensitivity seminar for its personnel and clienteles on October 25, 2017 at Palacio del Sur, attended by 21 female and 6 male participants. The facilitators were Ms. Diana Z. Elviña-Cortes of HRAD and Atty. Annabelle F. Corral-Respall of the ZEO. The activity served as introduction to making the data from the corporations, particularly of financial institutions like lending, financing and micro-finance corporations, to be sex-disaggregated as a tool for gender analysis to effectively address gender issues in the field of economy and capital market.

The Commission's Extension Offices, which are the forefront in serving the provincial stock and non-stock corporations, are no less than part of the institutional commitment to be gender sensitive government offices. Hence, the personnel were provided opportunities to be trained as GAD trainers and facilitators by the Civil Service Institute. The ZEO personnel with gender lens would work on the system that will no longer overlook the contribution of women both in micro and macro economy, as well as to highlight the role of private financial institutions in the countryside development through gender-relevant data.

The mainstreaming of GAD is a call for all government offices to address gender issues in governance as a Constitutional mandate as well as to honor commitments to international conventions to which the Philippines is a signatory party. The SEC, as a regulating agency of corporations and partnerships, has seriously responded to the need for our government to be gender aware of the issues particularly of the marginalized sectors. Unlike other agencies, which are social service providers, the Commission in the field of economic development and investment promotion and protection, seeks to make its rich data relevant and gender responsive in the overall national development planning.

Picture 7. GAD investor Information Seminar. *Atty. Respall and Atty. Uro welcome the participants to the first Gender-Sensitivity training in Zamboanga.*

Policy Measures

In 2017, the Commission implemented various policy measures which enhanced the regulatory framework and fostered the continued growth of the capital market in particular and the business sector in general. During the year, 15 Memorandum Circulars were promulgated.

Table 3. *SEC Memorandum Circulars Issued, FY 2017*

No.	Subject	Date Issued
1	2017 Filing of Annual Financial Statements and GIS	(Superseded by MC No. 2 s. 2017)
2	2017 Filing of Annual Financial Statements and GIS	February 24, 2017
3	Consolidated Schedule of Fees and Charges	March 07, 2017
4	Term Limit of Independent Directors	March 10, 2017
5	Certificate of Qualification	March 10, 2017
6	Guidelines on the Submission of the Annual Report on Segregation of Functions (Chinese Wall)	March 17, 2017
7	Limiting the Requirement for "Group C" Accredited Independent Auditors/Certified Public Accountants of Financing and Lending Companies per Asset Size	April 06, 2017
8	Signatories and penalty for non/late submission of the Manual on Corporate Governance	April 20, 2017
9	Rules and Regulations on the Implementation of the Securities and Exchange Commission (SEC) Oversight Assurance Review Inspection Program	August 18, 2017
10	Adoption of New and Revised Accounting Standards and Interpretations	August 29, 2017
11	SEC Form 12-1 SRS for Hospitals	September 29, 2017
12	Online Submission of RBCA Reports	October 09, 2017
13	Rules and Regulations on MPO on IPO	December 01, 2017
14	Consolidated Guidelines and Procedures on the Use of Corporate and Partnership Names	December 08, 2017
15	I-ACGR	December 15, 2017

Source: OCS.

OGA Accounting and Auditing Rules

In compliance with global standards and practices on financial reporting and auditing, as well as finding ways to make doing business in the country easier, the OGA issued two FRBs.

1. *FRB No. 20* pertaining to the Revised Statement of Management's Responsibility (SMR) for Financial Statements was issued to align with the new and revised auditor report under Philippine Standards on Auditing No. 700.

2. *FRB No. 6* on *Deposit for Future Subscription* was amended to align with the change in procedures of the CRMD in harmony with the ease of doing business requirement.

Likewise, the Commission En Banc approved the issuance of SEC MC No. 10, Series of 2017 adopting the following pronouncements as part of the SEC rules and regulations on financial reporting:

1. Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*
2. PFRS 15, *Revenue from Contracts with Customers*
3. Clarifications to PFRS 15, *Revenue from Contracts with Customers*
4. PIC Q&A No. 2016-01: Conforming Changes to PIC Q&As – Cycle 2016
5. PIC Q&A No. 2016-04: Application of PFRS 15, *Revenue from Contracts with Customers* on Sale of Residential Properties under Pre-Completion Contracts

Rules and Regulations on the Implementation of the SOAR Inspection Program

On August 18, 2017, the OGA issued SEC MC No. 9, Series of 2017 on the Rules and Regulations on the Implementation of the SOAR Inspection Program. The MC covers the description of the program, composition of the SOAR Inspection Team, rules of conduct and the independence of the team, as well as consultation of the team with resource persons. The MC also details the scope, coverage and frequency of the inspections, the inspection process, and the procedures on reporting after the inspection. The MC as well includes the remediation process in addressing findings and issues in the course of the inspection. It further specifies the responsibilities of the auditing firms undergoing inspections, and the procedures and sanctions for violations identified during the inspection.

Rules and Regulations on MPO on IPO

Under these Rules and Regulations, all companies that will file registration statements with the intention to list their shares for trading in an Exchange shall apply for registration with a public float of at least 20%. All PLCs shall at all times maintain an MPO of at least 20%. If the MPO of a PLC falls below 20% at any time after registration, such PLC shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

Issued on November 28, 2017, the Rules and Regulations on MPO on IPO aims to increase the public ownership level of PLCs, as part of the Commission's efforts to encourage more Filipinos to participate in the capital markets.

Rules and Regulations Governing Crowdfunding

In recognition of the recent financial innovation of raising funds for a venture or business activity performed through internet platforms, the proposed Rules and Regulations Governing Crowdfunding was released for public comments on November 29, 2017. It aims to ensure that crowdfunding shall operate in a manner that is consistent with investor protection, and in the interest of the public, market integrity and transparency.

Implementation of the Microfinance NGOs Act (RA 10693)

In the implementation of RA 10693, the MNRC, through the CGFD, initiated the issuance of the following:

1. Advisory on Transitional Accreditation of Microfinance NGOs, which directed Microfinance NGOs that were able to secure a Certificate of No Derogatory Information to coordinate with the Revenue District Office to update their registration;
2. MNRC MC No. 1, Series of 2017 on Rules on Capital Contribution and Corporate and Trade Names of Microfinance NGOs, which required Microfinance NGOs to have an initial minimum capital contribution of

₱1 million, and maintain a minimum fund balance of the same amount. The MC also directed the Microfinance NGOs to amend their Articles of Incorporation and By-Laws to include the word Microfinance in their corporate and trade names;

3. MNRC MC No. 2, Series of 2017 on Clarification of the Three-Year Consecutive Microfinance Operations Requirements, which explained that Microfinance NGOs that are spin-offs of an old entity may add the length of operations of the previous entity to fulfil the three-year existence requirement of the RA 10693; and
4. Draft Governance, Social and Financial Performance Standards for public comments. The draft Standards is in accordance with the provision of the Microfinance NGOs Act directing the MNRC to establish an accreditation system for Microfinance NGOs. The draft issuance provides the financial, social and governance indicators and standards that shall be used to accredit Microfinance NGOs.

ICA IRR

In alignment with the global standards and in the development of the capital market, the ICA IRR provided the requirements for incorporation of MFCs, registration of shares and units of participation to be offered to the public, monitoring of their operations and submission of required reports, among others. Relevant provisions amended are the introduction of unitized mutual funds, feeder fund, Fund-of-Funds and co-managed funds; also, the amendment provided requirements and qualifications on the participants in the operation of the funds.

Amendments to the IRR of FCA (RA 8556)

In line with the enactment of R.A. No. 10881, an act amending the investment restrictions in specific laws governing companies cited in the foreign investment negative list and for other purposes, in effect allowing 100% foreign ownership over FCs and in response to the evolving nature of transactions, as well as the ever dynamic character of the capital market, the Commission En Banc approved the amendment of the IRR of RA 8556 otherwise known as the FCA of 1998. The amendments include the definition and registration of branch offices, lifting of nationality requirement, additional documentary requirements for foreign directors, and exemption from the 30% single borrowers limit rule.

Amendments to the Corporation Code of the Philippines

The Commission, through the OGC, refiled the Amendments to the Corporation Code in the 17th Congress. The amendments provided the formation of the one person corporation, perpetual corporate term, grant of greater visitorial powers to the SEC, imposition of stringent penalties in relation to the use of the corporate vehicle for fraud and graft and corruption, and for alternative dispute resolution to enable corporations to avoid protracted litigation. The bills embodying the amendments to the Code are presently pending in both Houses and Congress.

Amendments to the SRC

In 2017, the Amendments to the SRC was filed. The amendments aim to further promote the development and competitiveness of the capital market, and to align its provisions with the IOSCO Principles, one of which is an adequate level of oversight or quality assurance of audit firms by the SEC. The bills proposing amendments to the SRC, Senate Bill No. 1595 and House Bill No. 6691, are currently pending in the Senate and the House of Representatives, respectively.

Streamline documentary requirements

In response to the call for the ease of doing business in the Philippines, the Commission continued its commitment and issued on April 6, 2017 SEC MC No. 7 s. 2017 on Limiting the Requirements for Group "C" Accredited Independent Auditors/CPAs of FCs and LCs per Asset Size. The circular no longer requires the following to submit an auditor's report issued by an independent auditor together with the Financial Statement: (1) FCs whose assets in the preceding fiscal year is ₱10 million and below; and (2) LCs whose assets in the preceding fiscal year is ₱5 million and below.

Licensing of SRO for the Government Securities Repo Market

The SEC approved on November 16, 2017 the application of MART for provisional license to act as the SRO for the Government Securities Repo Market. The repo market is pivotal to the efficient functioning of almost all financial markets. It will provide participants a platform to borrow scarce securities and hedge positions to effectively improve liquidity in the local currency bond markets and help the development of capital markets.

Other MCs/directives issued

1. SEC MC No. 11, Series of 2017 on SRS for Hospitals (SEC Form 12-1 SRS), issued on September 29, 2017 allows hospitals seeking to register their securities to use this form in lieu of the current SEC Form 12-1, and to engage the services of Group B SEC-accredited external auditors or auditing firms under some conditions.

2. SEC MC No. 6, Series of 2017 on Guidelines on the Submission of the Annual Report on the Segregation of Functions (Chinese Walls), issued on March 17, 2017 to effectively implement Rule 34.11 of the 2015 SRC Rules, requiring Broker Dealers to submit an annual report on the measures they have taken to enforce Chinese Wall Rules.

3. Directives on DDS re the PSE Listing Rules on DDS issued on April 6, 2017, mandating the creation and maintenance of accounts of investors or DDS-holders under the Name-On-Central-Depository (NOCD) arrangement in accordance with the Philippine Depository & Trust Corporation Rules and Procedures. The directive was issued to address confusion on the NOCD requirement, and as a response to a letter request of a certain Issuer and Issue Manager.

4. The proposed Rules and Regulations governing the registration and trading of Structured Warrants was released on January 11, 2017 for comments. Structured Warrant is a financial product issued by a third-party financial institution that gives the holder the right, but not the obligation, to either buy or sell an underlying asset at a predetermined price on or before a certain date in the future.

Consolidated Guidelines and Procedures on the Use of Corporate and Partnership Names

The Commission, through the CRMD, issued SEC MC No. 14, Series of 2017 on Consolidated Guidelines and Procedures on the Use of Corporate and Partnership Names, which consolidated four previous issuances on the subject, but simplified the regulations and gave adequate guidance to the general public as to the corporate or partnership name that is appropriate for the designated purpose, and compliant with the provisions of the MC.

On matters of cross-border integration and national linkages, the Commission actively participated in regional, international, national and inter-agency initiatives. At the regional level, the Commission is involved on initiatives to integrate the capital markets of the Association of Southeast Asian Nations (ASEAN) Economic Community, otherwise known as the AEC. The SEC also contributed to the various WG under the ASEAN Capital Market Forum (ACMF) which include: ACMF WG D on ASEAN CG initiative; ACMF Green Finance WG on ASEAN Green Bonds Standards; ACMF WG A on ASEAN Disclosure Standards for Equity and Debt Securities; the ACMF WG B on ASEAN Collective Investments Scheme (CIS); and the ACMF Professional Mobility WG on fostering better mobility of ASEAN capital market professionals within the region.

At the national level, the SEC enthusiastically shared ideas with inter-agency bodies and public-private councils pursuing policies and initiatives which heavily impact the development of the country's corporate sector and capital market. The Commission holds membership in the FSCC, FSF, Financial Inclusion Steering Committee, and Capital Market Development Council. Relatedly, SEC is represented in the Consumer Protection and Education Committee (CPEC) of the FSF, responsible for conceptualizing and implementing consumer protection activities against the proliferation of unlawful and unethical business practices as well as various financial scams.

Table 4. *Technical Assistance, FY 2017*

No.	Nature of Technical Assistance	Total
1	International/inter-agency meetings/activities participated in	729
2	Inputs/recommendations to international/inter-agency plans, programs, reports	138
3	Position papers in aid of legislation	68
4	Opinions	26
5	Lecture-briefing for students	60
6	Seminars for capital market participants	49
7	Investor information seminars	151
8	Advisories	40
9	Notices	335
10	Requests for plain copy (through courier)	9,786
11	Requests for plain copy (through appointment)	5,587
12	Requests for plain copy (walk-in)	546
13	Requests for certified copy (through courier)	45,409
14	Requests for certified copy (personal and through mailing)	70
15	Requests for certified copy (walk-in)	1,167
16	Requests for certified copy (through appointment)	26,910
17	Requests for generation of investment statistics	42
18	Requests for generation of listing of SEC-registered companies	25
19	Requests for reverse search	313
20	Exempted from appointment with approval of Dept. Director	50
21	Other technical assistance rendered	21,640
Total:		**113,141**

Source: SEC Departments/Offices.

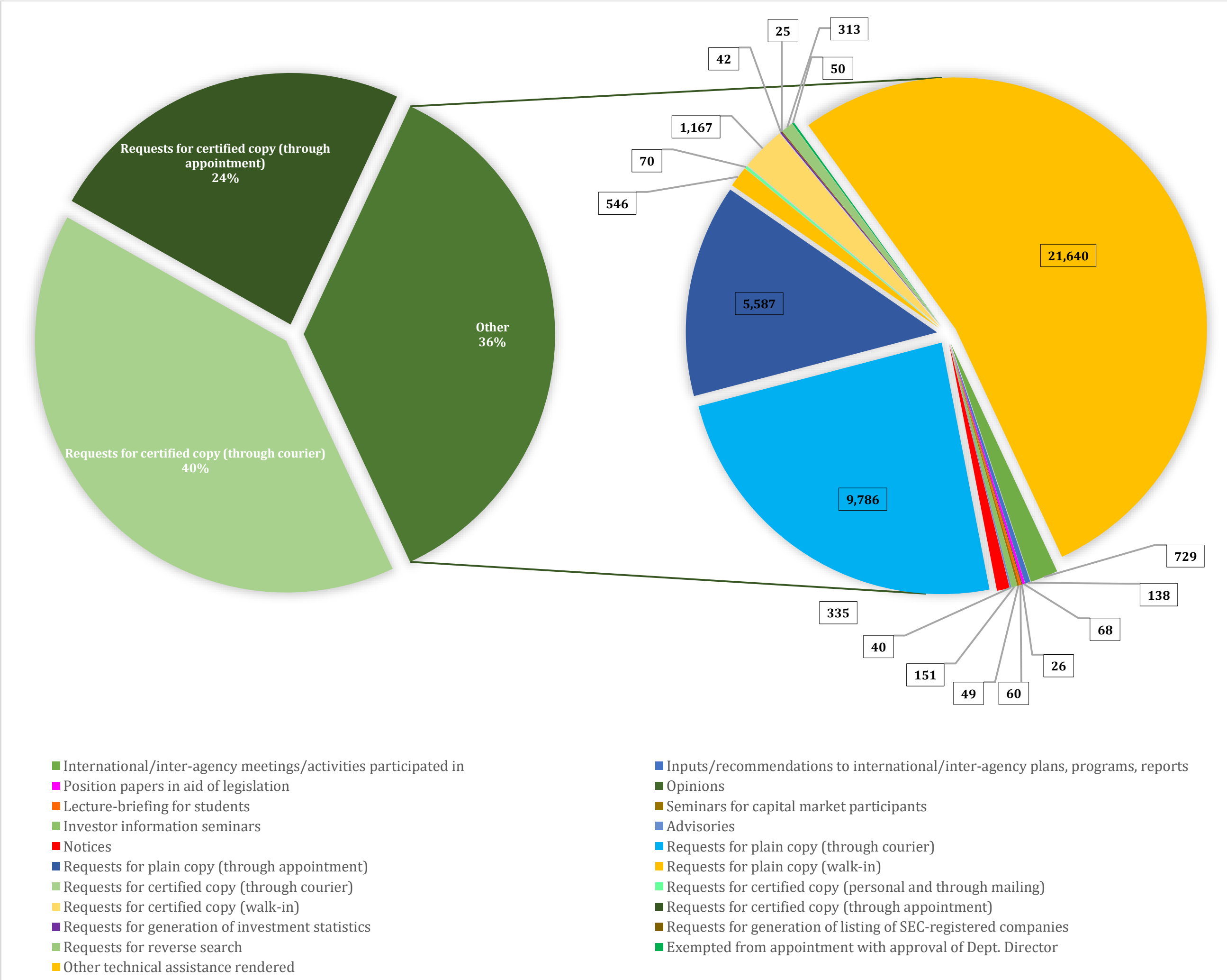


Figure 7. *Technical Assistance Rendered in 2017.*
Source: SEC Departments/Offices.

As regulator of the corporate and capital market, SEC commented and prepared position papers on proposed legislation relevant to its mandate. It likewise acted on formal request for opinions from its various stakeholders on matters involving the interpretation of the laws which the Commission implements. SEC steadfastly promoted investor education across the country through conducting lecture-briefing for students in the academe; carrying out fora for capital market participants and investors; and publicizing information campaigns against scam. As repository of corporate and capital market filings and disclosures, the Commission provided the requesting public on their needs for corporate documents in plain and in authenticated copies. In 2017, the Commission delivered 113,141 technical assistance services.

Training on the Implementation of the Code of CG for PLCs

The SEC, in partnership with the IFC, trained 250 representatives of PLCs to help them implement the Code of Corporate Governance that took effect in 2017. The Code seeks to increase the responsibilities of the board, ensure the competence and commitment of its directors, promote full disclosure in financial and non-financial reporting, and bring the CG standards of the Philippine companies closer to the international level. The release of the Code is part of the SEC and IFC's partnership to enhance the country's regulatory framework and investment climate.

Development of the ASEAN Corporate Governance Scorecard (ACGS)

As the Chairman of the ACMF WG D, the SEC steered several meetings of the ACMF WG D attended by CG experts of the participating jurisdictions. This resulted in the development of a new ACGS which was released in March 2017. The revisions took into account the new principles and recommendation found in the G20/OECD Principles of Corporate Governance as well as increased investor expectations and other developments in corporate governance practices. Other enhancements include a reallocation of the weightage for the sections and certain questions and streamlining of the questions to reduce the over-all number. An independent validation is also added as another level in the assessment process. The improvements were made to strengthen the quality of the assessment.

Development of the ASEAN Green Bond Standards

Chairperson Teresita J. Herbosa, as Co-Chair of the Green Finance WG of the ACMF, helped steer the development of the ASEAN Green Bond Standards (AGBS) which was launched by the ACMF in November 2017. The AGBS was developed based on International Capital Market Association Green Bond Principles tailored to meet the needs and commitment of ASEAN. The AGBS label is to be used only for issuers and projects in the region, and specifically excludes fossil fuel-related projects.

Conduct of the CG and Green Finance Conference

In support of the AEC, the Commission, through the MSRD, held the CG and Green Finance Conference with the aim to promote continued good CG among Philippine PLCs, and to introduce the concept of green financing to the local audience.

Conduct of the Regulators' Forum

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

SEC and its Stakeholders

Securities and Exchange Commission
PHILIPPINES

INTERNATIONAL BODIES

- International/ Regional Fora
- International Competition Bodies
- Multilateral/ Bilateral Development Agencies
- Counterpart Regulators

GOVERNMENT AGENCIES

- Department of Finance
- Financial Sector Forum
- Financial Stability Coordination Council
- Oversight Agencies
- National Law Enforcement Coordinating Committee
- Anti-Money Laundering Council
- Bureau of Internal Revenue
- Department of Trade and Industry
- Investment Promotion Agencies
- Legislature
- Judiciary
- Landbank of the Philippines
- Philippine Judicial Academy
- Credit Information Corporation
- Administrative Order 25 Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems

CORPORATE SECTOR AND CAPITAL MARKET PARTICIPANTS

- Investing Public
- Regulated Entities
- Accredited Entities

PROFESSIONAL ORGANIZATIONS

- Certified Public Accountants
- Appraisers
- CG Partners

PRIVATE-PUBLIC PARTNERSHIPS/ COUNCILS

- Capital Market Development Council
- Financial Reporting Standards Council
- Auditing and Assurance Standards Council
- Philippine Interpretations Committee
- Ease of Doing Business Task Force
- National Competitiveness Council
- Council for Accreditation and Quality Control of Practicing CPAs
- Microfinance NGO Regulatory Council

Figure 8. *SEC and its Stakeholders.*

Strengthening of public awareness against informal lenders

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

The Commission held TWG Meetings for the Transition Period for Informal Lenders. Representatives from DFA, DTI, DOLE, BI, Embassy of India and the Federation of Indian Chamber of Commerce (Philippines) (FCCI) attended the meetings. In addition, a seminar on RA 9474 was conducted for the benefit of the Indian Community in the Philippines.

Additionally, the Commission, through the OGA participated in the meetings of the various Sector/Council/Committee/TWG of which it is a part of, such as the World Bank, Department of Finance, FSF, Executive Committee of the FSCC, FSCC Steering Committee, FSCC on Corporate Leverage Workstream, Council for Accreditation and Quality Control of Practicing CPAs, TWG created by the Council for Accreditation and Quality Control of Practicing CPAs, Financial Reporting and Standards Council, Auditing and Assurance Standards Council, and PIC.

OGC Opinions

The Commission, through the OGC, acted on the following requests for opinions on the interpretation of laws being implemented:

1. Opinion No. 17-03 Re: Foreign Corporation; Doing Business; Online Gaming
2. Opinion No. 17-04 Re: Foreign Equity Restriction in Ground Handling Services.
3. Opinion No. 17-05 Re: Ownership, Control, and Administration of an Online English School and Diving School.
4. Opinion No. 17-06 Re: Equity restructuring through the increase of par value.
5. Opinion No. 17-07 Re: Foreign Equity Limitation.
6. Opinion No. 17-08 Re: Revocation and Re-Registration of a Corporation.
7. Opinion No. 17-09 Re: Corporate Term of Condominium Corporation.
8. Opinion No. 17-10 Re: Condominium Corporation: Membership; Proxy Rules; Compensation of Directors and Officers; Hold-Over Capacity; Corporate Term.
9. Opinion No. 17-11 Re: Retail Trade; Ticketing Activity.
10. Opinion No. 17-12 Re: Clarification on SEC-OGC Opinion.
11. Opinion No. 17-13 Re: Applicability of Section 43 of the Corporation Code to Joint Venture Partnership.
12. Opinion No. 17-14 Re: International Freight Forwarding Applicability of Anti-Dummy Law.
13. Opinion No. 17-15 Re: Compensation of Trustees; Acquisition of Land by a Non-Stock, Non-Profit Religious Corporation.
14. Opinion No. 17-16 Re: Exemption from Retail Trade Liberalization Act, Foreign Investments Act and Anti-Dummy Law.

OGA Opinions

The OGA acted on requests for comments/opinion/clarification on the following issues/matters referred by other operating departments and as directed by the Commission:

1. House Bill No. 4468, "An Act Further Amending Commonwealth Act No. 146 or The Public Service Act, as Amended" authored by Hon. Joey Sarte-Salceda and House Bill No. 4501, "An Act Further Amending Commonwealth Act No. 146 or The Public Service Act, as Amended" authored by Rep. Arthur C. Yap;
2. Request for confirmation on accounting treatment for a subsequent event;
3. Request for confirmation from exemption from the requirement to include an Emphasis of Matter paragraph in the audit report, as required by SRC Rule 68, as amended, and Philippine Standards on Auditing (PSA) 570, Going Concern;
4. Request for data on the number of cases investigated or detected involving violation of the provisions of the SRC;
5. Request for confirmation on declaration of dividends out of Retained Earnings;
6. Request for guidance whether the AFS as of December 31, 2012-2015 are compliant with the requirements of SRC Rule 68, as amended in the light of the issuance of qualified and unqualified opinion by the company's external auditors;
7. Request for inputs to queries posed to the attached questionnaire relative to the Global Forum on Transparency and Exchange of Information for Tax Purposes;
8. Request for confirmation whether or not insignificant subsidiaries should be consolidated;
9. Request for opinion on whether or not restrictions appearing in the Articles of Incorporation and/or By-laws of a corporation on the transfer of shares will bind the corporation and third parties if such are not carried over by annotation in the pertinent Certificate of Stock, corporation's power to discipline its members by commencing expulsion proceedings applies to stockholders thereof, and a corporation may refuse or deny registration of transfer of shares through endorsement or delivery by the owners thereof;
10. Request for opinion on appropriate financial statements that should be submitted in case of a change in accounting period;
11. Request for confirmation on possible violation of SRC Rule 68, as amended, due to disclaimer of opinion on its Audited Financial Statements;
12. Request for comments on the Proposed Reporting on Disclosure Requirements of BSP;
13. Request for comments and recommendation on the Glossary of Investment-Related Definitions from the Inter-Agency Committee on Investment Statistics;
14. AFS Review relative to various investigations;
15. BSP's Related Party Transactions Proposed Guidelines; and
16. Request for Exemptive Relief.

Tax Incentives Management and Transparency Act (TIMTA)

In line with the implementation of Republic Act No. 10708 or TIMTA, the ERTD assisted the DOF's Research and Information Office in related efforts to build up a database by providing the FY 2014 top 1,000 corporations comparative financial data. The TIMTA law aims to promote fiscal accountability and transparency in the grant and management of tax incentives by developing a means to measure government's exposure to these grants which will able the government to monitor, revise and analyze the economic impact thereof and optimize the social benefit of the incentives.

Financial Stability Monitoring Initiatives

The ERTD through the ERSD has also participated in efforts at consolidating data for financial stability monitoring, including the compilation of data for the Other Financial Corporations Survey, Balance of Payments and Flow of Funds analysis, and Corporate Financial Trends Survey under the auspices of the BSP's Department of Economic Statistics and the FSCC-Corporate Leverage Workstream, respectively. To further boost the country's capacity to generate market information to identify brewing financial pressures, the ERSD also participated and provided agency inputs to the FSF-Information and Exchange Committee.

Primary Registration

A business organization is deemed imbued with juridical personality from the time the Certificate of Incorporation is issued by SEC. CRMD and EOs directly handle the primary registration of domestic corporations, recording of articles of partnerships, and licensing of foreign corporations and multinational companies.

In 2017, a total of 38,566 registrations and licenses were approved and issued. Most of the companies, 25,693 or 67% were processed at CRMD in the Head Office while 12,873 or 33% were processed at EOs around the country.

Table 5. *Type and Number of Companies Registered, CY 2017*

Type of Entity	CRMD	BEO	CDO EO	CEO	DEO	IEO	LEO	TEO	ZEO	TOTAL
Registered Domestic Corporations	22,428	2,084	1,458	2,472	2,244	1,291	594	1,144	448	34,359
A. Stock	18,134	438	589	1,862	1,335	751	265	758	162	24,294
B. Non-Stock	4,490	1,646	869	610	909	540	329	386	286	10,065
Recorded Articles of Partnership	2,865	115	140	218	227	130	53	217	25	3,990
Companies Registered under FIA	-	-	-	-	-	-	-	-	-	-
Licensed Foreign Corporations	172	3	0	7	2	1	0	0	0	185
A. Branch Office	78	3	0	3	0	1	0	0	0	85
B. Representative Office	94	0	0	4	2	0	0	0	0	100
Licensed Multinational Companies	32	0	0	0	0	0	0	0	0	32
A. Regional Headquarters	8	0	0	0	0	0	0	0	0	8
B. Regional Operating Headquarters	24	0	0	0	0	0	0	0	0	24
Total:	**25,693**	**2,202**	**1,598**	**2,697**	**2,473**	**1,422**	**647**	**1,361**	**473**	**38,566**

Source: CRMD, EOs.

Table 6. *Number of SEC-Registered Active Companies as of December 31, 2017*

Type of Entity	Number of Firm	% to Total
Domestic Entities		
A. Stock Corporations	371,062	55.12%
B. Non-Stock Corporations	193,198	28.70%
Partnerships		
A. General	90,291	13.41%
B. Limited	10,954	1.63%
C. Professional	3,259	0.48%
Foreign Entities		
A. Stock Corporations	4,091	0.61%
B. Non-Stock Corporations	256	0.04%
C. Partnerships	37	0.01%
Total:	**673,148**	**100.00%**

Source: ICTD.

The SEC is the corporate and capital market registrar of the Philippines. Based on the records of the ICTD, there were 673,148 active entities registered with the Commission as of December 31, 2017.

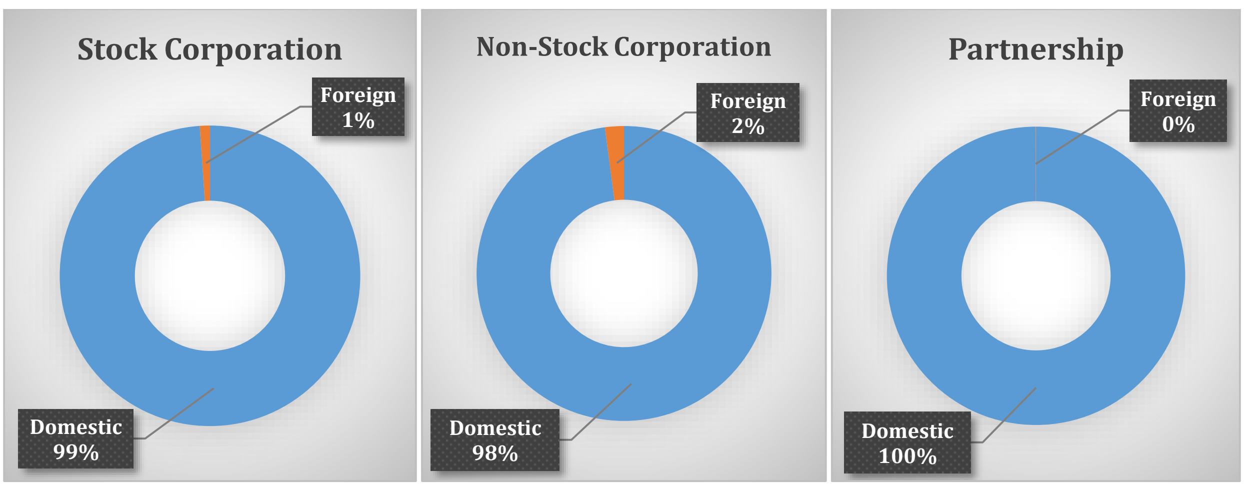


Figure 9. *Domestic and Foreign Entities Distribution.*
Source: ICTD.

Licensing of Capital Market Institutions

Capital market institutions play a vital role in the financial intermediation process essential for the growth and development of the Philippine capital market. They serve as channels in mobilizing the savings of people for funding various economic activities in the country.

CRMD deals with the licensing of capital market institutions. As of December 31, 2017, the Commission licensed a total of 282 capital market institutions. Of this total, 5 or 2% were newly licensed while 277 or 98% were issued renewed licenses.

Table 7. *Type and Number of Capital Market Institutions Licensed, CY 2017*

	Type of Capital Market Institution	Number of Licensed Institutions	Number of New Registrations
1	Brokers (Head Office)	8	-
2	Brokers (Branch Office)	5	-
3	Dealers (Head Office)	1	-
4	Dealers (Branch Office)	-	-
5	Brokers Dealers (Head Office)	126	1
6	Brokers Dealers (Branch Office)	21	-
7	Brokers in Proprietary Shares (Head Office)	3	-
8	Brokers in Proprietary Shares (Branch Office)	-	-
9	Voice Brokers (Head Office)	4	-
10	Voice Brokers (Branch Office)	-	-
11	Investment Houses (Head Office)	17	-
12	Investment Houses (Branch Office)	1	-
13	Investment Houses Engaged in Dealing Government Securities (Head Office)	11	-
14	Investment Houses Engaged in Dealing Government Securities (Branch Office)	6	-
15	Underwriters of Securities Engaged in Dealing Government Securities (Head Office)	12	-
16	Underwriters of Securities Engaged in Dealing Government Securities (Branch Office)	-	-
17	Government Securities Eligible Dealers (Head Office)	24	-
18	Government Securities Eligible Dealers (Branch Office)	-	-
19	Investment Company Advisers (Head Office)	11	2
20	Investment Company Advisers (Branch Office)	-	-
21	Mutual Fund Distributors (Head Office)	10	2
22	Mutual Fund Distributors (Branch Office)	-	-
23	Transfer Agents	22	-
Total:		**282**	**5**

Source: Office of the Cabinet Secretary Monitoring and Evaluation Report of the SEC.

The number of licensed capital market institutions monitored and supervised by MSRD as of December 31, 2017 is 669, broken down as follows:

Table 8. *Capital Market Institutions Regulated by MSRD, FY 2017*

	Type	Total as of 2017
1	Securities Brokers and Dealers (Head Office)	149
2	Securities Brokers and Dealers (Branch Office)	27
3	Dealer in Government Securities	47
4	Stock Transfer Agents	22
5	Underwriter of Securities	12
6	Investment Houses (Head Office)	28
7	Investment Houses (Branch Office)	7
8	Investment Company Advisers	13
9	Mutual Fund Distributors	12
10	PLCs	268
11	PDEx Listed Issuers	44
12	Accredited Surety Companies	10
13	Exchanges	2
14	Clearing House	1
15	Securities Depositories	2
16	Exchange Traded Fund (ETF)	1
17	SROs	3
18	Registrars of Qualified Buyers	20
19	Operator of Alternative Trading System	1
Total:		**669**

Source: MSRD.

CGFD monitored and supervised 17,247 entities. Majority of which are Foundations (78%), followed by LCs (16%), and FCs (5%). The rest include: Registered Issuers (Unlisted Securities), Mutual Funds or Investment Companies, Issuers of Membership Certificates/Shares, ETFs, Public Companies, and Microfinance NGOs.

Table 9. *Type and Number of Entities Regulated by the CGFD, CY 2017*

	Type	Total as of 2017
1	Registered Issuers (Unlisted Securities)	9
2	Mutual Funds or Investment Companies	64
3	Issuers of Proprietary and Non-Proprietary Securities	94
4	ETF	1
5	Public Companies	33
6	FCs	817
7	LCs	2,716
8	Foundations	13,386
9	Microfinance NGOs	127
Total:		**17,247**

Source: CGFD.

OGA accredited 543 entities and individuals. Most of which are individuals (78%) comprising of External Auditors while the others are entities (22%) consisting of Audit Firms, Asset Valuers, and Credit Rating Agencies.

Table 10. *Type and Number of Entities Accredited by the OGA, CY 2017*

	Type of Entity	Accredited as of December 31, 2017
1	External Auditors	424*
2	Audit Firms	103**
3	Asset Valuers	14
4	Credit Rating Agencies	2
Total:		**543**

**This consists of 415 with a three-year SEC accreditation; and 9 with a Probationary SEC Accreditation for four to six months.*
***This consists of 102 with a three-year SEC Accreditation, and 1 with a Probationary SEC Accreditation for five months.*
Source: OGA

“Securities” are shares, participation or interests in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract, instrument, whether written or electronic in character.

MSRD and CGFD evaluate and approve securities prior to public offering. The registration of securities is demand driven, carries market risk, and influence by other factors such as state of the economy, current events, corporate earnings, and interest rate movements.

In 2017, CGFD and MSRD evaluated and approved securities worth ₱189.3 billion. Of this total, ₱127.2 billion or 67% comprised of debt securities while **₱**61.6 billion or 33% consist of equity security. In addition, US$470 million worth of dollar denominated securities was also registered.

Table 11.*Type and Value of Securities Registered, CY 2017*

	Type of Securities	CGFD (in ₱)	MSRD (in ₱ & US$)	TOTAL (in ₱ & US$)
1	Equity (including Mutual Funds/Investment Companies)	28,091,928,108	₱40,624,306,520*	₱68,716,234,628
	Dollar Denominated		US$330,000,000	US$330,000,000
2	Debt Securities	-	₱127,150,000,000	₱127,150,000,000
3	Proprietary and Non-Proprietary Shares/ Certificates	**510,000,000**	**-**	**₱510,000,000**
Total:		**28,601,928,108**	**₱167,774,306,520**	**₱196,376,234,628**

**The amount includes 27,465,681,900.00 worth equity securities through IPO.*
Source: CGFD and MSRD

IPO refers to the first time the stocks of usually smaller and younger private companies seeking capital for expansion are offered to the public.

In 2017, the Commission En Banc approved four IPO applications of equity securities (common shares) with a total issue value of ₱27.5 billion.

Table 12. *Approved IPO Applications – Equity Securities, CY 2017*

IPO		Registered Shares		Shares to be Offered to the Public				
No.	**Name of Issuer**	**Offered Shares**	**Issued and Outstanding**	**Primary Offer**	**Secondary Offer**	**Maximum Offer Price (in ₱)**	**Issue Value (in ₱)**	**Permit to Sell**
1	Chelsea Logistics Holdings Corporation	1,821,977,615	1,275,384,615	546,593,000	-	10.68	7,996,655,590.00	July 21, 2017
2	Eagle Cement Corporation	575,000,000	4,425,000,005	500,000,000	75,000,000	15.00	8,625,000,000.00	May 15, 2017
3	Cebu Landmasters, Inc.	430,000,000	-	430,000,000	150,000,000	6.56	3,804,800,000.00	May 17, 2017
4	Wilcon Depot, Inc	1,393,906,200	2,705,817,946	1,393,906,200	-	5.05	7,039,226,310.00	March 17, 2017
Total:							**27,465,681,900.00**	

Source: MSRD.

CRMD, EOs, MSRD, CGFD, and OGA evaluate and monitor the entities they respectively regulate in compliance with applicable laws, rules and regulations being implemented and administered by the SEC. In 2017, the Commission through the operating departments, Special Office and EOs evaluated and monitored 74,395 entities. Majority, 68,818 or 93% were domestic corporations, foreign corporations and multinational companies.

Table 13. *Type and Number of Entities Monitored, CY 2017*

	Type of Regulated Entity		Number
	CRMD and EOs		
1	Domestic Corporations, Foreign Corporations and Multinational Companies		**67,644**
	MSRD		**651**
2	Securities Brokers and Dealers (Head Office)		171
	2.1	PSE Members –	
	2.2	Non-PSE Members-	
3	Voice Brokers		4
4	Dealers in Government Securities		24
5	Stock Transfer Agents		22
6	Underwriters of Securities		12
7	Investment Company Advisers		11
8	PLCs		264
9	Accredited Surety Companies		7
10	Exchanges		2
11	Clearing House		1
12	Securities Depositories		2
13	SROs		3
14	Registrars of Qualified Buyers		20
15	Operator of Alternative Trading System		1
16	Investment Houses		35
	16.1	With Quasi-Banking License –	
	16.2	Non-Quasi-Banking License-	
	Issuer of Registered Equity/Debt Securities (Delisted)/Reporting		17
17	Mutual Fund Distributors		10
18	Registered Commercial Paper Issuers		1
19	PDEx Listed Issuers		32
20	Applications for Securities (Equity, Debt, & Dollar Denominated)		12
	CGFD		**5,015**
21	Registered Issuers (Unlisted Securities)		48
22	Mutual Funds or Investment Companies		312
23	Issuers of Proprietary and Non-Proprietary Securities		470
24	ETF		4
25	Public Companies		165
26	FCs		283
27	LCs		892
28	Foundations		2,385
29	Microfinance NGOs		169
30	PLCs		287
	OGA		**1,085**
31	External Auditors		886
33	Audit Firms		183
34	Asset Valuers		13
35	Credit Rating Agencies		3
Total:			**74,395**

Source: CRMD, CGFD, MSRD, OGA and EOs.

Monitoring and Evaluation of Reports and Disclosures

In keeping with monitoring compliance of regulated entities, the SEC monitored and evaluated the reportorial requirements and disclosures submitted by these entities.

On one hand, MSRD monitored 23,525 reports and disclosures submitted by capital market intermediaries, market institutions and professionals. Most of these reports were SEC Form 30.1.4 Affiliated Transactions of Broker Dealer (21%), SEC Form 17-C (Current Report) (16%), and RBCA Report/Capital Adequacy Report (11%).

Table 14. *Type and Number of Reports of Capital Market Entities and Professionals*

	Type of Report	No. of Reports
1	Amended Written Supervisory Procedures	3
2	AMLA Compliance Form	2
3	Annual Audited Financial Statements/SEC Form 52 AR	25
4	Block Sales Reports	1,457
5	Brokers Sworn Statements of PSE Shares	1,750
6	Certificate of Compliance with Manual on CG (SEC Form MCG-2002	101
7	Certificate of Compliance with the Rules and Regulations	2
8	Documents encoded for SEC i-View	39
9	Examination Calendar Submitted by CMIC	5
10	GIS	12
11	List of Directors, Officers, Salesmen and Employees Together with Their Respective Photos Taken Within 6 months, with Designations and Specimen Signatures	29
12	Monthly Complaints Report	1,170
13	Notification on AP's Absence of Leave	37
14	Others (Amended, Compliance to Pending Applications, Queries and Others)	66
15	Outsourcing Notification Letter	5
16	PDEX Report on Failed Posting of Firm Bid Yields	7
17	PDEX Report on Failed Trades	10
18	PDTC Report on Broker Shareholdings of PSE Shares	12
19	PSE Disclosures for Posting at PSE EDGE Management System	83
20	PSE Report on Broker Shareholdings of PSE Shares	10
21	RBCA Report/Capital Adequacy Report	2,683
22	Report of Suspension in Listed Issued	16
23	Report of Trading Halt in Listed Issues	54
24	Report on Cases Handled by PSE Disclosure Department	11
25	Report on PSE number of Shareholdings Owning at Least One Board Lot	13
26	Report on PSE on Foreign Ownership	12
27	Reports of Dockets of Examinations and Investigations Being Conducted	20
28	Reports of Persons Transacting PSE Shares	2,014
29	Reports on the results of investigations conducted by CMIC with respect to listed companies	4
30	Reports submitted by PSE	15
31	Revised AML Operating Manual	4
32	SEC Form 17-A (Annual Report)	122
33	SCCP Daily Delivery Versus Payment Settlement Report	210
34	SEC Form 10.1 (Confirmation of Exemption from Registration))	184

	Type of Report	No. of Reports
35	SEC Form 10.2 Request for Exemption - Employees' Stock Option Plan (ESOP)	14
36	SEC Form 17-C (Current Report)	3,723
37	SEC Form 17-L (Inability To File 17-A and 17-Q)	47
38	SEC Form 17-Q (Quarterly Report)	440
39	SEC Form 18 - AS (5% Ownership Report - Institutions)	10
40	SEC Form 18-A (5% Ownership Report - Individuals)	24
41	SEC Form 19-1 (Tender Offer – Initial Report)	179
42	SEC Form 20-DIS (Definitive Information Statement)	90
43	SEC Form 20-IS (Preliminary Information Statement)	219
44	SEC Form 23-A (Initial Statement of Beneficial Ownership of Securities)	458
45	SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities)	1,800
46	SEC Form 28 - IHU/GSED-CO/AP (Application of Compliance Officer/Associated Person of Investment House/Underwriter of Securities/GSED and Amendment thereto)	4
47	SEC Form 28-AP/28-AP AMD (Application of Associated Person and Amendment thereto)	6
48	SEC Form 28-BD/28-BDA (Application for Registration of a Broker Dealer and Amendment thereto)	54
49	SEC Form 28-S/28-S AMD Application of Salesperson of a Broker Dealer and Amendment thereto)	31
50	SEC Form 28-T (Termination Notices)	64
51	SEC Form 30.1.4 Affiliated Transactions of Broker Dealer	5,038
52	SEC Form 30.2 Quarterly Compliance Report	623
53	SEC Form 34.11 AR Annual Report on Chinese Walls Measures	223
54	SEC Form 36 - Annual Report	6
55	SEC Form 36 -ER Transfer Agent Exception Report	1
56	SEC Form 85-18-1 (Report on Outstanding CP Issuances)	7
57	SEC Form BDF 001 Biodata of Board of Directors and Officers	23
58	SEC Form ICA-CIS/CO-T Termination Notice of CO/CIS of ICA	5
59	SEC Form IH-AR-Investment House Annual Reports	34
60	SEC FORM IHFS (Special Form for Financial Statements of Investment Houses)	11
61	SEC Form IH-QPR (Investment Houses-Quarterly Progress Reports)	59
62	SEC Form IHU/IHU-A (Application for registration as an Investment House/Underwriter of Securities & Amendment thereto)	6
63	Secretary's Certification of Board Attendance in Meetings	109
64	Spot Audit Report	7
65	Started and completed audit of CMIC	7
66	Trading Participants subject to Spot Audit of CMIC	8
67	Written Notification of Completion or Termination of the Offering	8
Total:		**23,525**

Source: MSRD.

On the other hand, CGFD monitored 31,489 reports and disclosures submitted by its supervised entities indicated in the table below. Most of these reports were GIS (26%), Audited Annual Financial Statements (23%), and Reports required under SEC MC No. 8-2006 (20%).

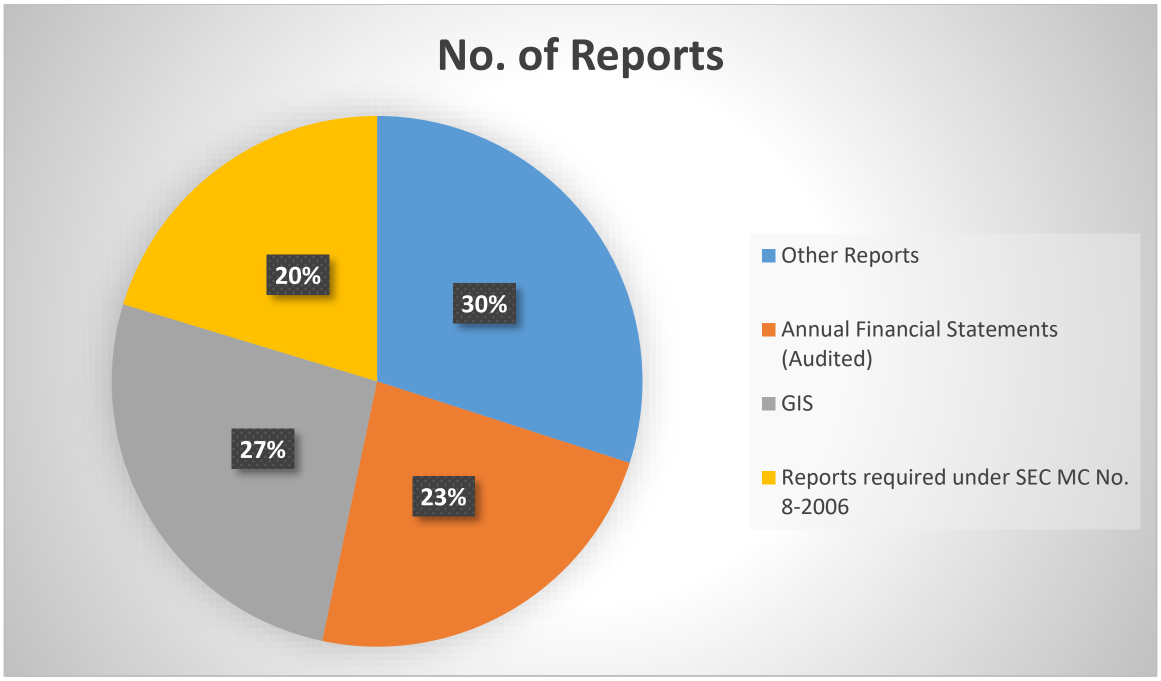


Figure 10. *Reports Monitored by CGFD.*
Source: CGFD.

Table 15. *Type and Number of Reports of Companies Monitored by the CGFD, CY 2017*

	Type of Report	No. of Reports
1	1st Semester Semi-Annual Financial Statements	1,127
2	2nd Semester Semi-Annual Financial Statements	1,103
3	AMLA Compliance Form	104
4	Annual Fee (Credit Rating)	0
5	Annual Financial Statements (Audited)	7,351
6	Annual Information Statement	268
7	Certificate of Compliance with Manual on CG (SEC Form MCG-2002)	85
8	Certification of Independent Director	201
9	Certification of the Corporate Secretary on the Attendance of Directors on the Board Meetings	161
10	CG Scorecard	359
11	GIS	8,303
12	Membership Book	750
13	Monthly Sales/Redemption Report	730
14	Other reports/disclosures monitored and evaluated (please specify)	216
15	Reports required under SEC MC No. 8-2006	6,396
16	Revised AML Operating Manual	91
17	SEC Form 17-A (Annual Report)	150
18	Revised Manual on CG	281
19	SEC Form 17-C (Current Report)	675
20	SEC Form 17-EX (Notice of Suspension of Reportorial Obligation)	21
21	SEC Form 17-L (Inability To File 17-A and 17-Q)	43
22	SEC Form 17-Q (Quarterly Report)	490
23	SEC Form 20-DIS (Definitive Information Statement)	165

	Type of Report	No. of Reports
24	SEC Form 20-IS (Preliminary Information Statement)	475
25	SEC Form 23-A (Initial Statement of Beneficial Ownership of Securities)	93
26	SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities)	66
27	Secretary's Certification of Board Attendance in Meetings	191
28	Special Form Financial Statements	1,079
29	Stock and Transfer Book	228
30	Website Requirement	287
Total:		**31,489**

Source: CGFD.

Monitoring of Covered Companies

The CGFD Licensing Division monitored 204 companies, 200 of which are active companies consisting of: 94 issuers of proprietary and non-proprietary shares or membership certificates and timeshares, 62 MFCs, one exchange trade fund, one closed-end investment company, 33 public companies, and nine registered unlisted issuers of securities. Two thousand eight hundred sixty-four reports were monitored; revenues collected amounted to ₱9.3 million. On the other hand, the CGFD Monitoring Division, on the other hand, also monitored 2,527 companies consisting of 1,987 foundations, 68 microfinance NGOs, 273 LCs and 199 FCs and 26,865 reports; total revenues collected amounted to ₱17.5 million.

During the year, the CGFD made ocular inspections of three issuer companies that filed a Registration Statement of their securities (proprietary and non-proprietary shares or membership certificates), primarily to validate the disclosures of the issuers relative to the work program of the projects. Twenty-five on-site audits were also conducted on eight MFCs to determine their compliance with ICA Rule 35-1.

Monitoring of Covered Companies' Compliance with CG

The CGFD monitors compliance with the CG requirements of PLCs, registered issuers of proprietary and non-proprietary shares, public companies and mutual funds. For 2017, the CGFD monitored 1,270 reports and collected revenues from penalties totaling ₱739,200.00.

The Commission vigilantly monitored and subsequently fined and/or penalized 23,717 erring entities and individuals. Of this total, 21,747 (92%) entities were found non-compliant with the Corporation Code. The rest were violations of entities and individuals for non-compliance with the SRC, LCRA, FCA, and with various laws and other laws implemented by the Commission.

Table 16. *Types of Violation and Number of Errant Entities Fined/Penalized, CY 2017*

	Type of Violation	No. of Violations
1	Firms non-compliant with the Corporation Code	21,747
2	Firms non-compliant with the SRC	434
3	Individuals non-compliant with the SRC	110
4	Firms non-compliant with the LCRA	407
5	Firms non-compliant with the FCA	162
6	Firms non-compliant with various laws	740
7	Firms non-compliant with other laws implemented by SEC	117
	Total:	**23,717**

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

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

In 2017, 25,049 reports submitted by regulated entities were reviewed and monitored, and 16 errant entities were penalized for an amount totalling to ₱12.5 million.

Table 17. *Listed Companies Penalized, CY 2017*

Company	Violation	Amount Penalized (in ₱)
1. 8990 Holdings	Rule 17.1.1.1.2 of the 2015 SRC-IRR untimely submission of SEC Form 17-Q	52,700.00
2. Integrated Micro-Electronics Inc.	SRC Rule 23.1.2 – Failure to file the Statement of Changes in Beneficial Ownership of Securities (SEC Form 23-B)	33,500.00
3. IP E-Games Ventures Inc.	Late filing of SEC Forms 17-C and 17-Q and Non-holding of Annual Stockholders Meeting	1,087,400.00
4. Abacore Capital Holdings Inc.	Untimely submission of SEC Form 17-A	219,000.00
5. Cosco Capital	SRC Rules 20.3.3.3 and 20.3.3.4	104,000.00
6. Asia Amalgamated Holdings Corporation	SRC Rule 68, as amended – incurred material deficiencies and non-compliance with the requirements of the rules on AAFS	118,500.00
7. Sumitomo Metal Mining Philippine Holdings Corp.	Second violation of SRC Rules 23 (In reference to the Decision dated 10 October 2017 of the SEC En Banc on the case entitled *Sumitomo Metal Mining Philippine Holdings Corp. vs. Corporate Finance Department*	8,265,200.00
Total:		**9,880,300.00**

Source: CGFD, MSRD, EIPD.

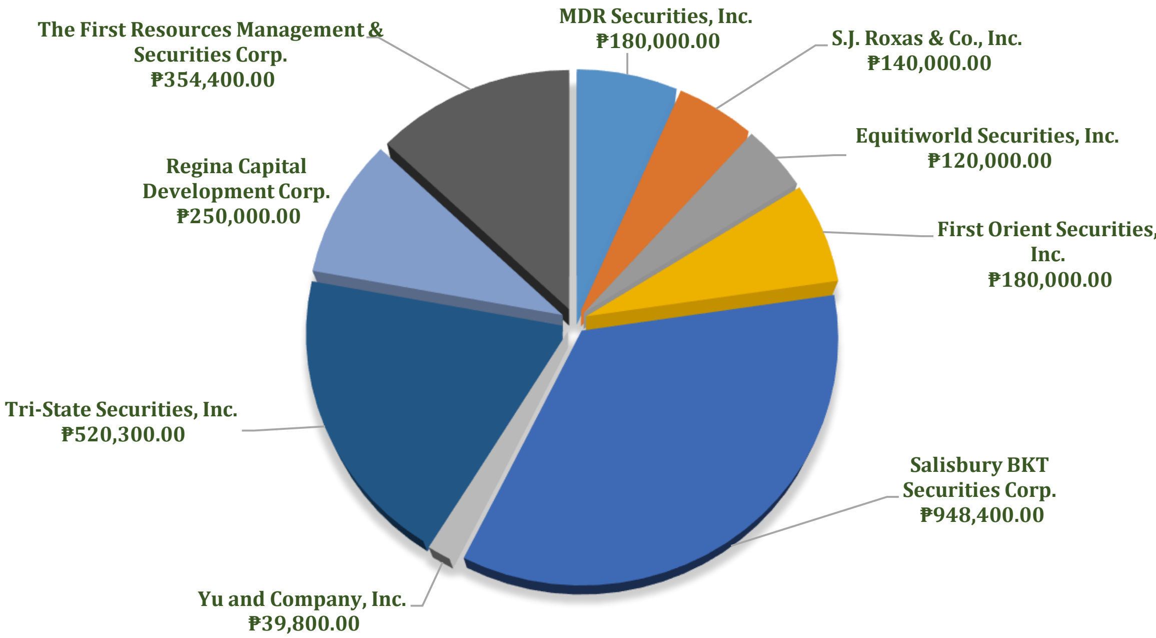


Figure 11. *Penalties Paid of Brokers Dealers in Securities.*
Source: CGFD, MSRD, EIPD.

CDOs Issued

The Commission issued seven CDOs in 2017 to prevent fraud or injury to the public:

Table 18. *CDOs Issued, CY 2017*

Name of Company	Date Issued
Elite 360 Int'l Holdings Inc. and/or Elite Global Invasion Trading Corporation	January 18, 2017
Palawan Entre-Business Company, Alexis M. Valle and Joseph G. Chavez	January 26, 2017
MySuper Saver Company Limited	February 02, 2017
Seven Star General Merchandise	February 02, 2017
Greenlife Leisure Farms, Inc. AND/OR Greenlife Leisure Farm and Development, Inc.	May 18, 2017
FastLegacy Marketing International Inc. and Hyun Lee Scofield a.k.a. Johnny Scofield	May 23, 2017
The Seashore Beach Club, Inc.,	August 31, 2017

Source: EIPD

Drive against informal lenders and investment scams

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

The Commission and the National Bureau of Investigation (NBI) arrested and prosecuted an illegal lender operating in Antipolo City, in violation of the LCRA. It further prepared cases and filed criminal complaints against spurious lending firms before the Pasay Prosecutor's Office and the Nueva Ecija Provincial Prosecutor's Office.

To immediately put a stop to the predatory operations of scam operators and those involved in publicly offering and selling dubious or unauthorized investment schemes in different parts of the country, the EIPD has successfully initiated actions for the issuance of CDOs before the Commission En Banc against the entities.

The Commission filed criminal complaints before the Department of Justice against a corporation making fraudulent public disclosures in Cebu City. It also prosecuted multimillion investment scammers in Puerto Princesa, Province of Palawan, for estafa and in violation of the SRC.

Additionally, the EIPD acted as resource speaker in several public awareness campaign on the proliferation of investment scams and basic safeguards, such as in the 2017 Financial Education Expo conducted by the BSP; Trabaho, Negosyo, Kabuhayan at Konsumer 2017 spearheaded by the DTI; and the SEC Caravan 2017. The EIPD likewise appeared on a series of television and radio programs, both within and outside Metro Manila, spreading public knowledge on how to detect and prevent investment scams and related issues.

Investigation and subsequent issuance of public advisories on virtual currency-related scams

With the emergence of virtual currencies in the Philippines' financial system, the Commission was keen in detecting scams exploiting bitcoins and other crypto currencies. Thus, the EIPD, issued public advisories warning the public to exercise caution before investing in these kinds of activities and to take the necessary precautions in dealing with said entities and their representatives.

The EIPD further held a commission-wide seminar on cryptocurrency and initial coin offering held last December 20, 2017, which was attended by the SEC officials and employees, officers from the BSP, and private entities who also shared lectures on virtual currency and its current trends.

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

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

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

Capital Market Certification

The ERTD coordinated the review of the SEC Certification Programs (SEC-CP) with the creation of the SEC Committee on Financial Examination (CFE) in line with the SRC provisions on the regulation and development of Capital Market Professionals. The primary purpose of the CFE is to review the SEC-CP, particularly the licensure examinations, and make appropriate updating or revisions. By the end of 2016, the Policies and Guidelines of the revised SEC-CP have been completed and approved by the Commission, together with the proposed corresponding new fees and charges. The Transition Phase, which began in September 2016 ended in March 2017. From May to June 9, 2017, the Commission has started administering the modularized examinations. Upon the suggestion of the market participants, the Commission has approved an interim measure to shift from the modularized format to a consolidated examination, starting September 2017. To date, the revisions are still under review for endorsement to the Commission En Banc for approval and implementation.

Aside from the revised/updated examinations, another development in the SEC-CP is the inclusion of the Certification Program for Timeshares Salesmen, which is more formally known as Certification Program for Proprietary and Non-Proprietary Securities Salesmen (CPPNPSS). Prior to the Review, there were only four Certification programs, which are the Certification Program for Equities Securities Salesmen (CPSESS), Certification Program for Compliance Officers/Associated Persons (CPCO/AP), Certification Program for Certified Investment Solicitors (CPCIS), and Certification Program for Fixed Income Market Salesmen (CPFIMS).

In November of 2017, the Commission approved the implementation of the modularized examination, which is divided into two phases: Phase 1 (Modules 1-6) and Phase 2 (Module 7). The examinees should first take and pass all the modules in Phase 1 prior to taking the specialized module in Phase 2 (Module 7). The following are the seven modules and the topics covered in each:

Phase 1

- Module 1: Fundamentals of Securities
- Module 2: Economic Principles and Market Theories
- Module 3: Fundamentals of Securities Regulation
- Module 4: Corporate Governance
- Module 5: Risk Management
- Module 6: Anti-Money Laundering

Phase 2

- Module 7 for CPSESS: Mutual Funds/CIS including ETFs
- Module 7 for CPCO/AP: Equities
- Module 7 for CPCIS: Fixed Income
- Module 7 for CPFIMS: AP/CO
- Module 7 for CPPNPSS: Proprietary/Non-Proprietary Securities/Timeshares

Figure 12. *SEC-CP Phases and Modules.*
Source: ERTD.

During the year, the ERTD also conducted orientations for Capital Market Participants/professionals on the revised SEC Certification Examinations.

Consumer Protection and Education

The ERTD, through the Training Division (TD), is actively involved in CPEC of the FSF. The CPEC is mandated to conceptualize and implement consumer protection activities through information and education material dissemination or public awareness campaigns; the objective is to curb the proliferation of unlawful and unethical business practices as well as various financial scams. In 2017, the TD worked with the BSP on the conduct of the Financial Literacy Survey, which aims to determine the level of financial literacy of employees and provide policy directions following the results. It also participated in the Financial Education Expo 2017, which featured shows and orientations on financial-related topics.

Economic Research and Statistics

Like the other support departments of the Commission, the ERTD continued to represent the Commission in various inter-agency meetings related to free trade agreements and financial stability related matters as resource person, and also as member of several Technical Committees created for certain studies and researches. Some noteworthy assistance/participation by the Commission through the ERTD during the year were the following:

1. Tax Reform for Acceleration and Inclusion (TRAIN) packages 1 and 2. Assisted in the DOF's industry analyses, cost-benefit studies and impact research of its TRAIN packages 1 and 2, the SEC also provided company registration, selected industry, and Top 1,000 corporations' financial data extracted from various reports.

2. TIMTA. Provided corporate financial data to the DOF. The law aims to promote fiscal accountability and transparency in the grant and management of tax incentives by developing a means to measure government's exposure to these grants and thus enable the government to monitor, revise and analyze their economic impact and optimize the social benefits.

3. Financial Stability Monitoring Activities. Provided assistance to the BSP, FSCC, and FSF through the sharing of data and assistance in developing administrative forms for the gathering and compilation of data for the Other Financial Corporations Survey, and Corporate Financial Trends Survey to help boost the country's capacity to generate market information to identify brewing financial pressures. Basic company information and corporate financial data from 2013 to 2015 were given for the operationalization of the Electronic Information System, a key project of the Information and Exchange Committee (IEC) under the auspices of the FSF. This web-based facility will allow IEC member agencies composed of the BSP, IC, PDIC, and the SEC to upload reports and other information for sharing among member-agencies. The SEC data will be used for the generation of Key Performance Indicators of the Top 1,000 corporations.

4. PSA. As member of the Inter-Agency Committee on Investment Statistics, the ERTD provided inputs and collaborated in the preparation of the draft Philippine Statistical Development Plan 2018-2023 specifically on the chapter for industry services and investment statistics.

Likewise, the ERTD assisted in the revision of the General Form of Financial Statements/Special Form of Financial Statements for the purpose of the data aggregation needed for the Company Investment and Financial Statistics System (CiFSS) and the Extensible Business Reporting Language (XBRL) Financial Reporting Standards.

Publication on Top 1,000 Corporations in the Philippines

On statistical concerns, the Commission, through the ERTD, initiated the data processing and publication of *"The Philippines' Top 1,000 Corporations: Gliding through the Glitches, Sustaining the Gains (2015 Edition)"*. The report provides an overview and insights on the financial performance of the Philippines' top 1,000 corporations during the Fiscal Year 2014 *vis-a-vis* the economic situation during the year. It also features a review of the sectoral corporate performance side by side with the sectoral economic growth direction. The publication aims to inform the public and encourage the use of the corporate data for investment decisions, knowledge management, and CG. The reports on the top 1,000 corporations for 2015 and 2016 are both in process.

Strategic Management and Planning

The ERTD led the preparations and conduct of the Commission's Pre-Planning Conference and Strategic Planning Conference for FY 2018 held on February 13-14, 2017 and February 16-18, 2017, respectively. During the Conference, the SEC Vision and Mission statements were updated to align with the "Ambisyon 2040" and the Philippine Development Plan 2017-2022. The SEC Officials also set the direction and performance targets for FY 2018.

The ERTD coordinated the preparation of the Commission's 2016 Annual Report, as well as other performance reports to various oversight agencies. As Secretariat to the SEC Performance Management Team, the ERTD coordinated with the SEC Departments and Offices concerned to monitor the Commission's compliance with the performance requirements of the AO 25 Inter-Agency Task Force (IATF), including the conduct of the SEC Internal Quality Audit and Maintenance Reviews. As of January 2018, the AO 25 IATF has validated that the Commission is compliant with all the Good Governance Conditions, and with all the common targets for Support to Operations as well as General Administration and Support for FY 2017.

The ERTD, as well, coordinated with the MSRD and CGFD for the conduct of the SEC Briefing for Officials of the National Tax Research Center orientation on capital market held on November 27, 2017.

Picture 8. NTRC Briefing. *Atty. Erwin Edward Mendinueto of MSRD and Atty. Rachel Esther Gumtang-Remalante of CGFD answer queries from NTRC Officials.*

Since its institutionalization in 2016, the ICTD is tasked to: (a) formulate the SEC Information Systems Strategic Plan (ISSP); (b) undertake procurement planning, acquisition and deployment of the Commission's ICT resources; (c) act as the lead coordinator on the development, administration and maintenance of computerized application systems; (d) maintain and manage the contents of the SEC website; and (e) maintain electronic copies of documents and reports. It also functions as the administrator of the SEC Information Systems: the CIS-URDB, PMTS, i-Message Mo, Website SMS, and CMPRS. It assures system uptime and maintenance of in-house developed information systems, and ensures regular backup of all ICTD database for all its information systems; and is responsible for continuous updating of the Commission's website contents based on the operating departments' requests.

SEC ISSP

The Commission formulated in 2017 its ISSP for the period 2018-2020 in compliance with the DICT-prescribed ISSP template. The ISSP has been approved by the DICT and endorsed to the DBM Medium-term Information and Communications Technology Harmonization Initiative or MITHI as part of the requirements for the SEC budget. The SEC ISSP envisions to effectively and efficiently oversee and regulate covered entities and products; provide the public easier access to information and faster registration process; and provide the SEC personnel with a comprehensive electronic monitoring facility. In line with this, the Commission ensures that the Annual Procurement Plan includes all the Commission's ICT requirements and that the Transparency Seal provides the required information to the public.

The Commission relies on the ICTD to ensure that the Commission's vision as stated in the SEC ISSP will be achieved. In addition, the Commission expects the ICTD to guide the Commission in the modernization and use of new technology in all aspects of its operations, with the end in view of easy access for service by all SEC stakeholders, as well as accurate and updated records at all times.

During the year, the ICTD pursued several projects and fast tracked their completion as part of the Commission's thrust towards computerization of all possible areas of the SEC operations.

SEC Express System (SES)

The Commission continued to provide service to the public with improved public waiting time as a result of the implementation of the SES at the Public Reference Unit since the last quarter of 2016; with the SES, 49% of the public has been served in less than one hour.

Additionally, the SES contributed to the Commission's income a total of ₱49.4 million both from appointment and courier delivery of plain and authenticated copies of corporate documents.

SEC Express Online Submission of the AFS and GIS

The SEC Express Online Submission is another option for the public to go online in the submission of its AFS and GIS without going personally to SEC. For implementation in 2018, the required documentation for this project has been completed and submitted to the OGC in 2017 for endorsement and subsequent approval of the Chairperson.

Document Conversion Project

While awaiting the start of this project, the ICTD completed manually the updating/encoding of reports received and has also uploaded the AFS received for 2017 in the SEC database.

Philippine Business Data Project

The SEC has provided the DOF in 2017 the information requested relative to company registration as part of the data sharing initiatives under the Philippine Business Data project of the DOF and the DICT.

Virtual Private Network (VPN)

The ICTD established the VPN connectivity of the Bureau of Treasury (BTr) and the SEC in line with the implementation of the New Registry of Scripless Securities or NRoss. The VPN Connectivity provides online access to the Commission to view and validate the earmarking of securities for monitoring of foreign branch stock corporations, and enables the BTr and the SEC to monitor market securities transacted through banks. The connection was tested and became operational on October 30, 2017.

Vulnerability Assessment (VA)

In coordination with the DICT, the ICTD conducted the VA on the SEC computerized applications: SEC i-Register, CRS, SEC Website, CMPRS and the SEC e-loading System. The DICT shall provide a comprehensive report on each VA test conducted. The VA project was started in July 2017 and completed in December 2017. The assessment shall help the Commission determine which ICT projects to prioritize.

Data Processing System and Matrix of Data Elements

In compliance with RA 10173, also known as the Data Privacy Act of 2012, the ICTD and the OCS conducted an initial awareness seminar led by the National Privacy Commission. The seminar was attended by 74 processors and custodians of personal data. Also, the ICTD conducted an in-house workshop on preparing the inventory of data processing system and matrix of data elements. This activity was conducted to jumpstart the preparation of Privacy Impact Assessment (PIA).

CMPRS

The ICTD, together with the CRMD, developed and implemented the CMPRS, which allows online submission of applications for registration and processing of Capital Market Participants (institutions and individuals). With the CMPRS, the CRMD and MSRD now share a common database for updating the status and monitoring of Capital Market Participants.

SEC i-View eLoading System

The ICTD has completed the development and implementation of the SEC i-View eLoading System. As differentiated from the PIN Mailer purchased only at the SEC cashier to load credits, the i-View Loading facility allows electronic crediting of the SEC i-View prepaid account through the LBP e-Payment Portal. It is offered to SEC i-View users for convenience in loading credits anytime (24/7), anywhere (online) and any way (any device). The SEC i-View user must, however, have an ATM account in LBP or any Bancnet member banks registered to use internet banking.

The SEC i-View is an online pay-per-use facility that gives the public the convenience of getting copies of documents (AFS, GIS, etc.) of SEC-registered companies. The online system allows the general public, and government and private entities to view and print company reports for a fee.

Electronic Submission of RBCA Reports

The ICTD, in collaboration with the DICT, has developed a system facility for Electronic Submission of digitally-signed RBCA Reports as an attachment to an email using the PKI technology. This shall be used for the processing of application and issuance of digital signatures to SEC-registered broker-dealers.

National Numbering System (NNS)

The Commission is presently in the process of developing the NNS, which will enable the SEC to assume the role as the National Numbering Agency for all financial instruments issued in the Philippines. The system shall allow capture of relevant data to automatically generate International Securities Identification Numbers (ISINs) for all types of financial securities in accordance with International Standard Organization (ISO) 6166 standards and allocation of Classification of Financial Instruments (CFIs) according to ISO 10962 standards. The system generates the ISINs and CFIs also in compliance with the ISIN and CFI guidelines as provided by the Association of National Numbering Agencies.

XBRL Awareness Program

The ICTD completed in 2017 the Training Workshop for the XBRL Awareness Program. This allowed the participants/stakeholders to have a full understanding of the XBRL and its implementation requirements as applied to SEC: the IFRS Taxonomy, future SEC taxonomy, global banking and insurance regulator taxonomies, and statistical and taxation taxonomies. The XBRL-Based Reporting System, which will utilize the features and functionalities of XBRL, is an open international standard for digital business reporting, to facilitate regulated entities' compliance to SEC reportorial requirements and to ease the analysis of regulated entities' performance based on submitted reports. The system will also provide the facility to receive and make publicly available a wide range of corporate data. Japan International Cooperation Agency provided assistance for a feasibility study on the adoption of the XBRL-Based Reporting System, and an orientation of representatives of the SEC, BIR, DOF and accounting firms on the XBRL technology.

The ICTD will be closely coordinating with all the SEC departments relative to the data required for the XBRL reports.

External Auditors and Auditing Firms Accreditation Registry System (EAAFARS)

The ICTD is presently developing, in coordination with the OGA, a system which will allow online submission of applications for accreditation of External Auditors (Firms and Individuals) and uploading of supporting documents via the front-end facility for initial screening. The system will also allow electronic interaction with the applicant on the results of the evaluation of his application.

Migration of Databases to the CRS

The ICTD is presently conducting the migration of databases from the SEC i-Register to the CRS.

Upgrading of Computer Security and Protection Mechanisms

The ICTD is presently reviewing all the existing firewalls, anti-virus and all security and protection mechanisms to properly secure the Commission's ICT infrastructure and resources against external and internal virtual threats.

General Administration and Support

Human Resource Management and General Services

The Commission, through the HRAD, ensures the implementation of the Civil Service law, rules and regulations, in matters of recruitment and selection, training and development, scholarship grants, performance management, merit promotion, employee welfare and administrative disciplinary actions. It also provides timely and effective administrative and general support to the departments and offices of the Commission; providing administrative support and assistance in the procurement process of the SEC in accordance with RA 8194 and its Revised IRR and other applicable laws and rules; implementing programs for GAD and Senior Citizen employees; and administering the internship program at the SEC, among others. The HRAD also coordinates with the ERTD and the FMD with regard to the compliances required by the AO 25 IATF.

Personnel Capacity Building

The HRAD, in partnership with the University of the Philippines, offered the "Inclusive Capacity Building and Legal and Financial Training Program Series for Personnel of the SEC", a series of trainings consisting of legal, financial, trial techniques and human resources capacity building. The training topics and modules were designed to further capacitate and benefit the 344 SEC employees who attended in terms of learning and development.

During the year, the HRAD was also able to conduct the Project Management Training, Special Learning Event, and Praxis Board Game. Likewise, it coordinated the attendance of the SEC employees to the DOF's Kartilya Sessions and Friday Learning Sessions on Surveys on Governance and the Quality of Life, The Determinants of Poverty in the Philippines, Philippines Push into Infrastructure Investments, Gross Domestic Product, and Consumers Rights in the Digital Age.

SEC Gender and Development

The SEC GAD Focal Persons were able to conduct five seminars in different provinces with a total of 1,200 attendees. The topics covered in the seminars include prevention of investment scam, introduction to different investment products, information on the launch of the CRS, an overview of microfinancing and lending, mainstreaming of the GAD program, and gender sensitivity.

In addition to the seminars conducted, the SEC, through its GAD, complied with the directive from the Office of the President in implementing disaster resiliency measures. The SEC, in cooperation with the Department of Environment and Natural Resources and the local government unit of Bataan, went to Camachile Orion, Bataan to help in the reforestation by attending its mangrove seedlings were planted and several sacks of garbage have been gathered in the coastal clean-up.

__Picture 9. GAD Investor Protection Seminar.__ Mayor Evelio R. Leonardia with Commissioner Emilio B. Aquino lead SEC GAD Focal Persons in educating stakeholders in the City of Bacolod.

SEC Drug-Free Work Place Committee

In compliance with Republic Act No. 9165 otherwise known as the Comprehensive Dangerous Drugs Act of 2002 and the Civil Service Commission (CSC) Memorandum No. 13 series of 2017 (Guidelines in the Mandatory Drug Testing for Public Officials and Employees and for Other Purposes), particularly in the promotion of a Drug-Free Workplace Program, the SEC Drug-Free Workplace Committee (SEC-DFWC) formulated and implemented the Drug-Free Workplace Policy of the Commission.

In accordance with the above pertinent rules and regulations, the SEC DFWC implemented the mandatory random drug testing for all SEC employees.

Furthermore, the SEC DFWC, in coordination with the Philippine Drug Enforcement Agency and CSC, was able to conduct seminars to all employees discussing the adverse effects of using drugs and advocating for a drug-free work environment to protect and safeguard the health and well-being of the employees, ensure safe and efficient business operations, and secure its assets and properties from the detrimental acts of persons under the influence of dangerous drugs.

As part of the wellness programs, the SEC DFWC conducted a laughter yoga activity and yoga wellness activities among SEC employees.

SEC Senior Programs

As compliance with the Republic Act No. 7432 and 9994, supporting the improvement of the well-being of the elderly and their full participation in the society, the HRAD conducted the following activities:

- The Power to Defy Aging, the objective of which was to increase the participants' awareness of the consequences of poor nutrition and aging to health and to the skin, and the solutions that are available to protect them from diseases and to keep their skin radiant and young;
- Retirement Benefits and Other Benefits Granted for Senior Citizens, a lecture, led by the GSIS, provided a discussion on the five types of retirement programs for all its members who wish to retire and start a new exciting phase of career;
- Heritage Tour, an overnight educational trip to Cavite, Batangas and Laguna; and
- Walk for Life, an annual gathering of all elderly Filipinos spearheaded by the Department of Health.

Procurement and General Services

In 2017, the Bids and Awards Committee, through the HRAD, was able to process 47 projects under public bidding, small value procurement and shopping, and through direct contracting and agency to agency mode of procurement.

Similarly, the HRAD was able to complete the physical transfer of all the SEC departments and offices from the SEC Building in Ortigas to the SEC Office in the Philippine International Convention Center, Pasay City. It further continued to provide transport services, deliver common office supplies, and other assistance for the day-to-day operations of the Commission.

Client Satisfaction Survey Result

For 2017, 82% of the SEC clients who responded to the Pass and Feedback Form were either Very Satisfied or Satisfied to the services rendered to them. Likewise, 84% of the respondents also reported satisfaction in the SEC personnel's courteousness, helpfulness and promptness in the delivery of the services.

The SEC, through the Financial Management Department (FMD), ensures that all key National Government (NG) Public Financial Management reforms are implemented. These include the full implementation of the new Government Accounting Manual (GAM), which took effect on June 15, 2016, resulting to faster processing of financial transactions in the Commission; and compliance on the submissions required by the AO 25 IATF on a timely basis.

The FMD also ensures timely submissions of Budget and Financial Accountability Reports and all other reports to comply with the DBM and COA requirements. As secretariat to the Commission's Full-Time Delivery Unit, the FMD monitors the implementation of the Commission's programs and projects against targets relative to the budget utilization.

Full implementation of GAM

In 2017, GAM was fully implemented both in the Head Office and the Extension Offices. The new forms and reports required by GAM were already being used across all offices. Likewise, the reclassification of Property Plant and Equipment to Semi-Expendable Items due to the ₱15,000.00 threshold of the GAM was duly accomplished.

Fund Sourcing

During the year, the FMD earmarked the appropriate funding to support the approval of the additional plantilla personnel submitted to the DBM. The FMD worked closely with the HRAD to come up with the additional positions, which are aligned with the Index of Occupational Services, and were requested to create an appropriate ladder in the career path of the SEC employees.

Similarly, the FMD closely coordinated with the DBM to avail of the Performance Enhancement Incentive (PEI), which was not originally included in the FY 2017 SEC Budget. According to the DBM guidelines, the PEI should be charged against the agency funds and a Special Allotment Release Order was eventually issued to SEC.

The FMD, in close coordination with the SEC Management and SECEA, was also able to release the Collective Negotiation Agreement Incentive for the employees by yearend through the realignment of funds to cover the funding requirement for its payment.

Contribution of the SEC to the NG

The SEC collections totaled to almost ₱3 billion in 2017; total collections remitted to the NG amounted to ₱2.9 billion, or an excess of ₱614 million when compared to its target collections of ₱2.2 billion. Its total budget provided by the General Appropriations Act for FY 2017 was ₱647 million; compared to its collections remitted to the NG of ₱2.8 billion, the SEC contributed a total of ₱2.2 billion in 2017 to the NG.

For the last ten years, the Commission collected a total of ₱22.77 billion against target of ₱14.35 billion, or an excess of ₱8.28 billion or 58%, as shown below:

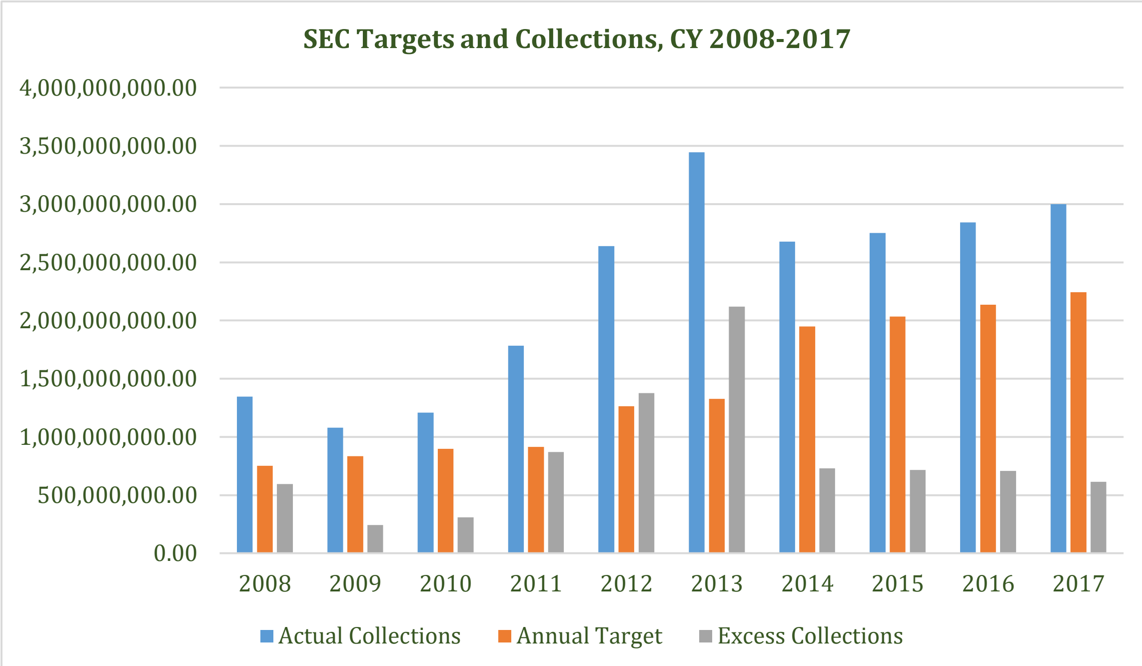


Figure 13. *SEC Targets and Collections, CY 2008-2017.*
Source: FMD

For the same period, the Commission contributed a total of ₽22.77 billion to the NG against total appropriations received of ₽4.62 billion, or a net contribution to the NG of ₽18.15 billion, as follows:

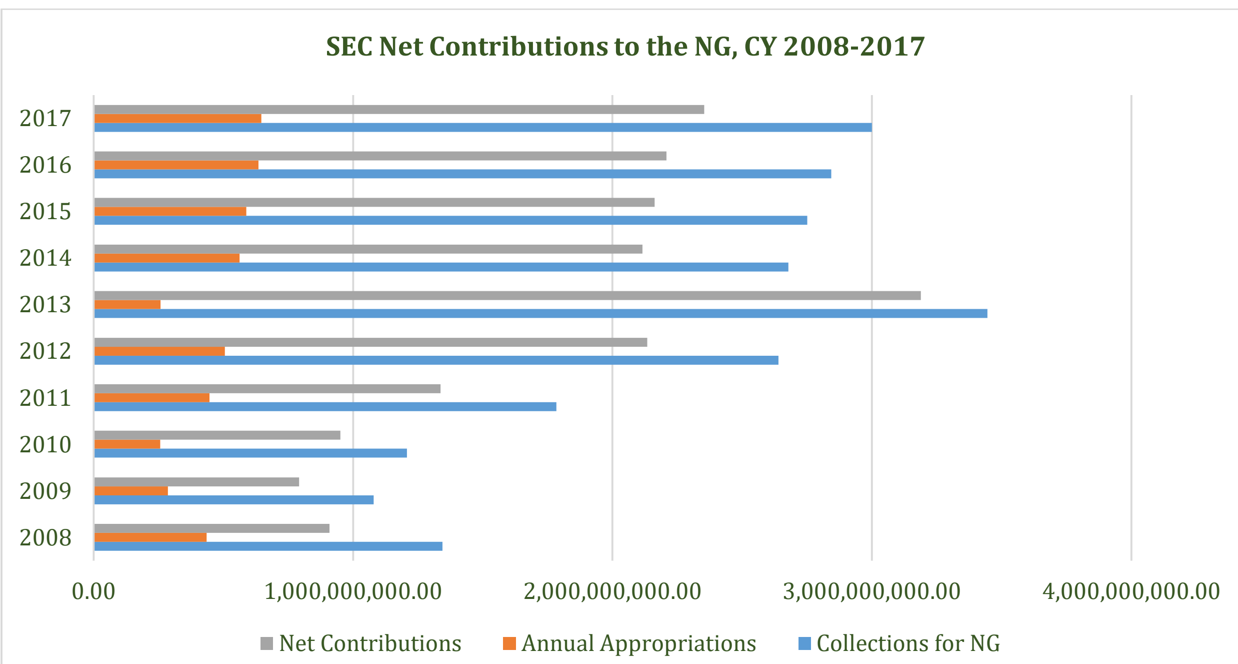


Figure 14. *SEC Net Contributions to the NG, CY 2008-2017*
Source: FMD

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