Securities and Exchange Commission
PHILIPPINES

• 2018 •

ANNUAL REPORT

Securities and Exchange Commission

I. Operations

A. Company Registration and Monitoring

The Company Registration and Monitoring Department (CRMD) is tasked to register domestic corporations and partnerships. It also processes applications for amendment of articles of incorporation, articles of partnerships, by-laws, mergers and other corporate reorganizations that require the prior approval of the Commission. The CRMD likewise licenses foreign corporations doing business in the Philippines, multinational companies, lending companies (LCs), financing companies (FCs) and capital market participants (CMPs).

Subsequently, the CRMD monitors compliance of the entities it registered and licensed with the reportorial requirements prescribed under the Corporation Code of the Philippines and other existing rules and regulations to which they are covered.

In 2018, the CRMD and the Satellite Offices (SOs) registered 27,338 companies with total collected fees of Php952 million. Of these companies, 88% is domestic corporations, 9% is partnerships, and 3% comprised of foundations, foreign corporations, as well as LCs and FCs.

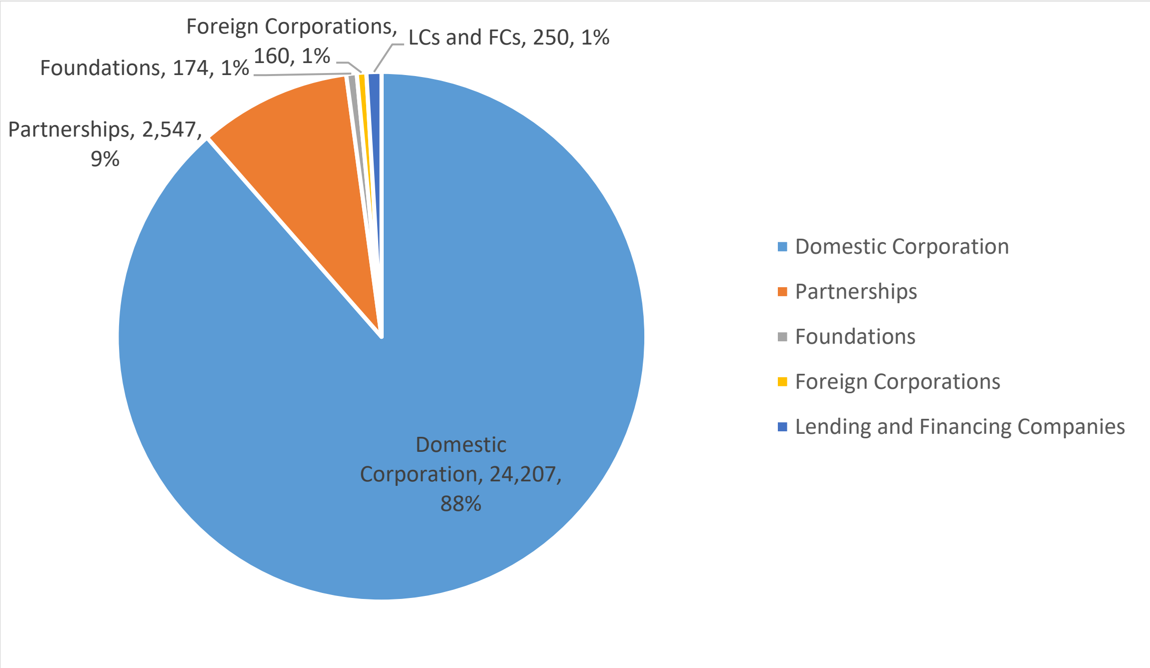


Figure 1. Number of approved registrations in the SEC Head Office and Satellite Offices for FY 2018. Source: CRMD

The slight decrease in the primary registration in 2018 compared to 2017 was largely due to technical issues encountered during the initial implementation of the online Company Registration System (CRS). Despite the decrease in registrations, the registration fees collected increased by 32% i.e., from Php720 million in 2017 to Php952 M in 2018.

Relatedly, the CRMD processed 16,251 applications for amendment of articles of incorporation, articles of partnerships and by-laws generating a total collected fees of Php2 billion. For the Capital Market Participants (CMPs), licenses for 583 new professionals were approved, while licenses of 6,728 professionals and 202 institutions were renewed.

The SOs proved instrumental to the CRMD as far as acceptance and processing of applications is concerned. Collectively, the SOs fully pre-processed and approved 4,871 transactions with payment translating to collected fees and fines of Php75.7 million.

Table 1. SEC Satellite Offices Performance, CY 2018

Satellite Offices	No. of Transactions Processed and Approved	Collected Fees and Fines
Robinsons Galleria	1,917	Php 43,735,376.78
Ali Mall Cubao	1,119	18,832,551.07
SM North	703	8,194,022.37
SM Manila	581	2,632,321.90
SM Mall of Asia	323	1,325,027.61
Muntinlupa City Hall	228	1,140,332.05
TOTAL	**4,871**	**Php 75,659,631.78**

Source: CRMD

The CRMD further sustained the vigilant monitoring of entities relative to the compliance with reportorial requirements as prescribed by law, rules and regulations to which they are covered. The CRMD monitored 42,730 entities for the year 2018. This translated to total collected penalties/fines of Php103 million**.** Of the 26,993 monitored entities candidate "for suspension", 12,504 were suspended. The list of these suspended companies was published in a newspaper for general circulation. Table 2. Illustrates the result of the vigilant monitoring by CRMD.

Table 2. Results of the Compliance Monitoring, CY 2018

	Number
Monitored Corporations candidate "FOR SUSPENSION"	26,993
Compliant Entities (NO PENALTY)	3,354
Non-Compliant Entities (Penalized/Penalty including OGA referral)	12,111
Foreign Corporations (Custodian Fee)	272
TOTAL	**42,730**

Compared with the previous years, 2018 was relatively more dynamic for CRMD. A number of registration initiatives were put in place to make doing business in the country easier. While the CRS is undergoing enhancements in order to meet the demands of registration, the Commission adopted measures to fast track the processing and approval of applications, dubbed as "The Three Lanes of CRS". The applicants may choose from the lanes, depending on the type of corporation to be registered and the required documents to be submitted. These interventions enabled the one-day approval of some applications.

1. **Regular Lane**. All types of corporations may apply using the Regular Lane, including applications that require secondary license, such as lending and financing, prior endorsement from other government agencies, whose payment are other than cash and foreign corporations. In this lane, corporations may complete the entire incorporation process via online from account creation, to uploading and reviewing of documents, up to payment of registration fees. The only time an applicant will have to come to the SEC is to claim the Certificate of Incorporation.

   The Regular Lane's processing time has two components: (1) from the time the applicant submits his application online up to the time he is advised to pay the required filing fee, which is variable depending on how fast the applicant could comply; and, (2) from the time of submission of the signed and notarized copies of the registration application up to the time of approval of the certificate of registration.

2. **Fast Track (Timely Registration Action Kiosk) Lane**. This is a hybrid manual transition measure that facilitates faster resolution or approval of pending CRS applications. Those who opt to apply through Fast Track Lane would still have to encode/upload their application online. However, they need to submit original copies of notarized documents for checking and processing prior to claiming their Certificate of Registration. Corporations which require secondary licenses and prior endorsements from other agencies may not be processed using the Fast Track. These corporations include Lending Companies, Financing Companies, Brokers/Dealers in Securities, Clearing Agency, etc.

   By utilizing Fast Track, processing time is reduced because documents will be reviewed on the spot. The uploading and online processing of documents, which heavily rely on stability of internet connection, are eliminated.

3. **Lane for Express Application Processing (LEAP).** Corporations which do not need to upload additional documentary requirements may utilize LEAP. Currently, only the general purpose/non-specialized corporations or those that do not require a secondary license or prior endorsement from another government agency are qualified to use this special lane.

   By using the LEAP, the application process is simplified and streamlined:

   - LEAP uses CRS pro-forma online application form. This form is more user-friendly since the applicant simply ticks off applicable items and input the required information.
   - LEAP removes the option to craft own provisions or upload own documents. Processing time is shortened since no human processor needs to review the application. The approval of the certificate of registration takes only 2 to 3 working days.

In addition to the three lanes of CRS, the Commission also implemented the CRS Application Status Online Inquiry allowing CRS users to verify the status of their application online at their convenience without going to the SEC Office. The facility is available 24/7, accessible from any device either desktop, phone or tablet.

To further facilitate the processing of pending CRS applications, the SEC directly communicated through phone calls and SMS to CRS users whose applications were subject to compliance or submission, or to inquire if they are still interested to pursue their registration application.

Despite issues and difficulties, and due to prompt interventions, the SEC was able to:

- Reduce the CRS backlog by 95%, i.e., from 5,059 as of 31 August 2018 to 249 as of 28 December 2018. The remaining 249 applications were either automatically removed by the system or cancelled/re-applied by the applicants;
- Process 3,642 applications through Fast Track Lane from October 2018 to December 2018;
- Process 108 applications through LEAP from November 2018 to December 2018; and
- Improve the client satisfaction rating of the Company Registration and Monitoring Department from 79% in 2017 to 85% in 2018.

B. Enforcement and Investor Protection

The Enforcement and Investor Protection Department (EIPD) is at the vanguard of the Commission's efforts to fight against investment scams and other violations of the Securities Regulation Code (SRC). The EIPD used to operate in three divisions, namely, the Investigation and Prosecution Division, Market Surveillance Division, and Special Operations Division. In 2018, the Anti-Money Laundering Division was added to the EIPD to give the Commission enhanced capability in fighting against money laundering and financing of terrorism.

The Commission, through the EIPD, continues its unrelenting drive against fraudulent schemes and practices that victimize investors and cause grave injury or prejudice to the investing public. It likewise continues to prosecute before the courts certain individuals responsible for submitting falsified documents in their applications for registration and authority to operate as lending companies.

In fulfilment of its mandate to suppress the violation of securities laws and other laws enforced by the Commission while at the same time protect investors from misleading, manipulative and fraudulent schemes and practices, the EIPD has thoroughly intensified its campaign against unauthorized solicitations of investments and other violations through issuance of advisories, initiating the issuance of a cease and desist order, imposing fines and the filing of criminal complaints before the Department of Justice which led to the eventual filing and prosecution of several criminal cases before the Courts. To enhance its capability in prosecuting violators, the EIPD Special Prosecutors were deputized to assist the DOJ in the prosecution of cases involving violations of the Securities Regulation Code and other laws being enforced or administered by the Commission.

The EIPD continues to monitor and conduct surveillance of the trading of securities in the stock market to ensure compliance with the Securities Regulation Code (SRC) and its implementing Rules and Regulations. This has triggered the conduct of several investigations on the activities of certain persons or companies suspected of being involved in market manipulation or other violations of the SRC. 23 cases were acted upon by its Market Surveillance Division and 13 cases are now pending investigation for various kinds of violations which range from possible wash sale, insider trading, painting the tape, hype and dump and violation of the rule requiring submission of statements on changes in beneficial ownership. The rest are now pending evaluation for further appropriate action.

The EIPD was at the helm of the team that represented the SEC in the APG Mutual Evaluation and Onsite Examination to determine the country's compliance with the Financial Action Task Force (FATF) requirements. Compliance with said requirements is a must for the country to continue to be in good standing with financial institutions around the world. Failure to comply with said requirements would result in being imposed stringent requirements in undertaking financial transactions with financial institutions overseas. This could result in higher costs in engaging in international financial transactions and could affect the ease of sending remittances by OFWs to their relatives in the Philippines.

Among the accomplishments of the EIPD for the year 2018 are as follows:

ADVISORIES ISSUED

The EIPD has posted several advisories on the SEC website warning the public against certain groups or practices being undertaken by certain groups or individuals offering all kinds of investment schemes to the public. Advisories promptly warn the public against dealing with certain individuals or entities to avoid being victims of fraudulent investment schemes.

Advisories	Date Posted
ORRO PLATTA MANNA CORPORATION	13 November 2018
FOREIGN EXCHANGE TRADING IS ILLEGAL IN THE PHILIPPINES	31 October 2018
BIOGLOW LAUNDRY SHOP	05 October 2018

Advisories	Date Posted
KAPA COMMUNITY MINISTRY INTERNATIONAL, INC.	04 October 2018
BIBLI ONLINE STORE	04 October 2018
NUTRIWEALTH MULTI-PURPOSE COOPERATIVE	04 October 2018
DREAMCONNECT INTERNATIONAL CORPORATION	21 September 2018
PHILCROWD.COM	12 September 2018
AIRBIT CLUB and GO88 VENTURES, INC.,	04 September 2018
SEC DISCLAIMER – YEHEEY ITRAFFIC SYSTEM INC. (“YEHEEY”)	31 August 2018
EMMRJ LENDING INVESTORS CORP./EMMRJ LOAN CONSULTANCY CORP.	16 August 2018
ALMASAI FINANCE AND INVESTMENT/ALMASAI EQUITY HOLDINGS CORP.	16 August 2018
MONEY TREE 250	2 August 2018
PAYSBOOK E-COMMERCE SYSTEM CO. LTD (Hereafter “PAYSBOOK”)	1 August 2018
PUREWEALTH EBC CORPORATION (Hereafter “PUREWEALTH”) is offering a cryptocurrency called PUREPOUND to the public	1 August 2018
CRYPTO EXPERT, INC., doing business as CRYPTOEXPERT TRADING or CRYPTOEXPERT: MUTUAL FUNDS AND TRADING EXPERT (Hereafter “CRYPTOEXPERT”)	1 August 2018
YEHEEY ITRAFFIC SYSTEM INC. (“YEHEEY”)	1 August 2018
Advisory on Freedom Traders Club and Ploutos Coin	13 July 2018
BUILDING OUR SUCCESS STORIES NETWORK INC. (“BOSS NETWORK”)	12 July 2018
Paysmart Limited Philippines	22 June 2018
Extreme Hataw Enterprises	13 June 2018
COIN-OPTION.COM	22 May 2018
Paid to Click	22 May 2018
Blazing Traders and Trader Online	22 May 2018
Organico Agribusiness Ventures Corporation	21 May 2018
Online Paluwagan	27 April 2018
Warning on Online Investments Unregistered Entities Soliciting Online Investments	18 April 2018
Advisory on Financial.Org	12 April 2018
Advisory on Cloud Mining Contracts	10 April 2018
ONECASH TRADING	14 March 2018
PBB150 TRADING	14 March 2018
1LEGACY (FORMERLY SECRET2SUCCESS)	01 March 2018
WAHANA CREDIT AND LOAN CORPORATION / WAHANA MULTI PURPOSE BANK	01 March 2018
ALIFELONG MARKETING AND SERVICES INC.	05 January 2018
SEC Advisory on Initial Coin Offerings	08 January 2018
KEEN AND ACCURATE HOLISTIC TRADING CORPORATION	23 January 2018
SECRET2SUCCESS	23 January 2018
PRE-SELLING OF SECURITIES TO THE PUBLIC IN THE FORM OF SHARES STOCK IN HOSPITALS	26 January 2018
SEC Advisory on Unitynet Corporation	14 February 2018
SEC Advisory on Retail Trade	12 February 2018
DIGITAL CURRENCY CO. LTD.	9 February 2018
PLANPROMATRIX ONLINE CO.	9 February 2018
PLANETBIZ INTERNATIONAL INC.	9 February 2018

ISSUANCE OF A CEASE AND DESIST ORDER AGAINST BLACK CELL TECHNOLOGY, INC., BLACK CELL TECHNOLOGY LIMITED AND BLACK SANDS CAPITAL, INC.

The EIPD initiated the issuance of a cease and desist order against BLACK CELL TECHNOLOGY, INC. and its Hongkong counterpart, BLACK CELL TECHNOLOGY LIMITED as well as their holding company, BLACK SANDS CAPITAL, INC. all of which were identified as being subject to the control of and owned by Joseph H. Calata of CALATA CORPORATION. Mr. Joseph H. Calata, Calata Corporation and its responsible officers, directors or agents have earlier been charged by the Commission before the Department of Justice with market manipulation for publicly making false or misleading statements on a material fact to influence the demand or the purchase and sale of its securities. The Cease and Desist Order eventually issued by the Commission directed said companies to cease its internet presence and to desist from further publicly offering securities in the form of krops coins and all other kinds of securities without the necessary license or permit from the SEC. The Cease and Desist Order was made permanent by the Commission after the respondents failed to controvert the evidence presented by the EIPD.

In issuing the Cease and Desist Order, the Commission has affirmed the stand of the EIPD against the public offering of digital currencies for being a public offering of securities requiring a license or permit from the Securities and Exchange Commission.

THE EIPD ACTIVELY PROSECUTES 153 INDIVIDUALS INCLUDING 67 FOREIGN NATIONALS IN MORE THAN 36 CASES FILED BEFORE THE COURTS FOR FALSIFICATION OF BANK CERTIFICATES, PERJURY AND MAKING FALSE STATEMENTS IN APPLICATION DOCUMENTS

The EIPD is currently prosecuting before the Regional Trial Courts 18 cases involving violation of the Lending Company Regulation Act for false statements made in application documents and 19 cases before the Municipal Trial Courts for falsification and perjury in violation of the Revised Penal Code. The EIPD through its lawyers who were designated special prosecutors has already completed the presentation of prosecution evidence in a number of cases.

THE EIPD SPECIAL PROSECUTORS' COURT APPEARANCES

The EIPD Special Prosecutors had a total of 176 court appearances in the prosecution of various criminal cases filed by the Commission.

PLEADINGS FILED

The EIPD filed 48 pleadings in court and with the DOJ consisting of Judicial Affidavits, Oppositions/Comments to Motions to Dismiss on Demurrer to Evidence, Motions for Reconsideration, Complaint Affidavit, Motion to Amend and Admit Amended Information, and Written Formal Offers of Evidence among others.

IMPOSITION OF FINES AGAINST ERRING COMPANIES

The EIPD received and processed a total of more than 276 complaints, tips and referrals, a number of which were investigated. Several however were dismissed for being beyond the authority or jurisdiction of the SEC to act upon or resolve either for being intra-corporate disputes or for being civil cases involving breach of contractual obligations. A number of companies were found liable for certain violations and were imposed the corresponding fines. The total fines imposed amounted to Php16,278,041.49. The rest are still pending investigation or were issued show cause orders. The companies found liable for various kinds of violations and the corresponding fines imposed are as follows:

Company	Date	Violation	Amount Imposed
David Lim Int'l. Trading/Imelda Notorio	1/8/2018	Foreign Investment Act	10,000.00
The Seashore Beach Club, Inc. (Settlement Offer)	1/24/2018	Secs. 8 & 12 of the SRC	1,050,000.00
Maria Francesca Tan (MFT) Group of Companies	2/6/2018	Corp. Code Sec. 45	510,000.00

Company	Date	Violation	Amount Imposed
Fernando Martinez (Regina Capital Devt. Corp.	2/6/2018	SRC Rule 28.2	61,000.00
Allied Care Experts (ACE) Medical Center- Cebu	3/15/2018	Sec. 8.1 of the SRC	11,481,000.00
Primus Medicus Distributors, Inc.	5/4/2018	SRC sec. 8	1,065,000.00
National Auxiliary Chaplaincy Philippines, Inc.	5/23/2018	SRC sec. 8	11,041.49
National Auxiliary Chaplaincy Philippines, Inc.	6/29/2018	SRC sec. 8	10,000.00
National Auxiliary Chaplaincy Philippines, Inc.	9/27/2018	SRC sec. 8	30,000.00
First Metro Investment Corporation (FMIC) - (SEC EB #09-16-411)	10/26/2018	SRC Sec. 24.1(a)(iii) and its IRR	900,000.00
DBP - Mariquita L. Agena -(SEC EB #09-16-412)	11/5/2018	SRC Sec. 24.1(a)(iii) and its IRR	250,000.00
DBP - Vaughn F. Montes -(SEC EB # 09-16-415))	11/9/2018	SRC Sec. 24.1(a)(iii) and its IRR	250,000.00
DBP - Lydia B. Echauz (SEC EB # 09-16-415)	11/9/2018	SRC Sec. 24.1(a)(iii) and its IRR	250000.00
DBP - Gil A. Buenaventura - (SEC EB # 09-16-415)	11/12/2018	SRC Sec. 24.1(a)(iii) and its IRR	250000.00
DBP - Rafael Ranil M. Reynante (SEC EB #09-16-414)	11/9/2018	SRC Sec. 24.1(a)(iii) and its IRR	150000.00
			16,278,041.49

THE EIPD WITH THE ASSISTANCE OF THE PHILIPPINE NATIONAL POLICE-ANTI CYBERCRIME GROUP (PNP-ACG) EFFECTED THE WARRANTLESS ARREST OF CERTAIN INDIVIDUALS WHO WERE CAUGHT IN FLAGRANTE DELICTO PUBLICLY OFFERING SECURITIES WITHOUT A LICENSE FROM THE COMMISSION FOR VIOLATION OF SECTIONS 8, 26 AND 28 OF THE SECURITIES REGULATION CODE

On November 24, 2018, at Peridot Restaurant, Holiday Inn Hotel, Galleria, in Pasig City, a joint team of SEC operatives led by the EIPD and elements of the PNP-ACG effected a warrantless arrest of certain individuals caught in flagrante delicto publicly offering securities while enticing an audience of around 64 people to invest in GDM FINANCE SARL. A complaint was filed against the said individuals who were brought before the Department of Justice for inquest proceedings. The Inquest Prosecutor found probable cause to file Criminal Informations for violation of Sections 8, 26 and 28 of the Securities Regulation Code. Said cases are now pending before the Regional Trial Court Branch 158 of Pasig City.

THE EIPD PARTICIPATED IN THE PREPARATIONS FOR AND ACTIVELY PARTICIPATED IN THE MUTUAL EVALUATION ONSITE EXAMINATION OF THE ASIA PACIFIC GROUP (APG) OF THE FINANCIAL ACTION TASK FORCE (FATF)

The EIPD as the Anti-Money Laundering Desk of the Commission actively participated in the preparations for and in the actual conduct of the APG Mutual Evaluation Onsite Examination held from November 15 to 28, 2018. The preparations consisted of studying, discussing and providing answers to possible questions that may be posed by the APG Assessment Team and the production of documents and records to show compliance with FATF Standards. During the actual onsite inspection, Chairperson Emilio B. Aquino, EIPD Director Jose P. Aquino and Assistant Director Oliver Leonardo led the SEC contingent consisting of representatives from different departments and offices of the SEC in answering questions posed by APG Assessors on SEC's compliance with FATF requirements and in presenting documents in support of its position.

EIPD LED THE DRAFTING AND FINALIZATION OF THE AML/CFT GUIDELINES FOR SEC COVERED INSTITUTIONS TOGETHER WITH THE TECHNICAL WORKING GROUP (TWG) COMPOSED OF REPRESENTATIVES FROM OTHER DEPARTMENTS.

In order to ensure compliance with FATF requirements, international standards and best practices in combatting money laundering and terrorist financing, and the effective implementation of the Anti-Money Laundering Act and its RIRR, the Commission has created a Technical Working Group (TWG) to draft the AML/CFT Guidelines for SEC Covered Institutions. The TWG was composed of representatives from the Company Registration and Monitoring Department (CRMD), Corporate Governance and Finance Department (CGFD), Markets and Securities Regulation Department (MSRD), Information and Communications Technology Department (ICTD), Office of the General Counsel (OGC), Office of the General Accountant (OGA) and the Office of the Chairperson (OC). It was headed by Director Jose P. Aquino of EIPD as the Anti-Money Laundering Desk of the Commission. The drafting of the said guidelines was with the assistance of the Asian Development Bank (ADB) who provided technical assistance through the services of an AML/CFT Consultant/Expert. The said guidelines were approved by the Commission *En Banc* and SEC Memorandum Circular No. 15 adopting said Guidelines was subsequently signed by SEC Chairperson Emilio B. Aquino. The SEC Memorandum Circular and the 2018 Guidelines became effective on November 23, 2018 fifteen (15) days after its publication in two newspapers of general circulation in time for the APG Mutual Evaluation and Onsite Examination.

THE EIPD INITIATED AND COMPLETED THE DRAFTING OF THE GUIDELINES FOR THE PROTECTION OF SEC REGISTERED NON-PROFIT ORGANIZATIONS FROM MONEY LAUNDERING AND TERRORIST FINANCING ABUSE IN COORDINATION WITH THE OTHER DEPARTMENTS OF THE COMMISSION.

The EIPD with the assistance of the Asian Development Bank organized and initiated the move to draft the guidelines for the protection of SEC registered Non-Profit Organizations from money laundering and terrorist financing abuse in coordination with the Company Registration and Monitoring Department (CRMD), Corporate Governance and Finance Department (CGFD) and the Information and Communications Technology Department (ICTD) as part of the Commission's efforts to comply with international standards and best practices in combatting money laundering and terrorist financing, in particular, the FATF requirements, which was the subject of the Mutual Evaluations and Onsite Examination conducted by the Asia Pacific Group. The Guidelines was adopted by the Commission through the issuance of SEC Memorandum Circular No. 16 Series of 2018 which became effective fifteen (15) days after publication in two newspapers of general circulation. The immediate effectivity of said guidelines was necessary in order for it to be considered as part of the country's compliance with FATF requirements.

REVISION OF THE GENERAL INFORMATION SHEET TO INCLUDE BENEFICIAL OWNERSHIP INFORMATION FOR ALL SEC REGISTERED CORPORATIONS

The EIPD initiated and completed the revision of the GIS with the inclusion of beneficial ownership information of all SEC registered corporations as part of the requirement of transparency for all legal persons and the accessibility of beneficial ownership information which is considered integral to being compliant with FATF standards. The revision of the GIS to include beneficial ownership information was approved by the Commission *En Banc* and was adopted through SEC Memorandum Circular No. 17, Series of 2018. The Revised GIS became effective immediately upon publication in a newspaper of general circulation and was considered as part of the country's compliance with pertinent FATF requirements by the APG.

DRAFTING AND COMPLETION OF THE OPERATIONS MANUAL OF THE ANTI-MONEY LAUNDERING DIVISION (AMLD) AND ITS OPERATIONALIZATION

With the creation and establishment of its AMLD, the EIPD initiated and completed the drafting and finalization of the AMLD Operations Manual with technical assistance provided by the ADB in coordination with the CGFD, MSRD, CRMD, ICTD, Office of the General Counsel (OGC), Office of the General Accountant (OGA) and the Office of the Chairperson (OC). The operationalization of the AMLD was approved by the Commission upon the instance of the EIPD. With its operationalization, the AMLD took charge of answering queries from the public and stakeholders concerning the newly issued AML/CFT Guidelines, new requirements in the revised GIS and questions on the NPO Guidelines and its requirements. It has similarly acted on requests for comment on applications for reduced KYC and the approval of the use of information communications technology in processing client applications by certain covered institutions. It has conducted conferences with representatives of certain covered institutions for the purpose of explaining the requirements under the new guidelines. The AMLD has initiated and scheduled the conduct of free seminars for corporate secretaries and SEC personnel from the different SEC departments and offices, in coordination with the CRMD and the Office of the Commission Secretary, to guide them on how to fill up the revised GIS on beneficial ownership information and to explain the Data Privacy Waiver in the GIS. AMLD also participated in the year end NALECC Meeting of the Subcommittee on Anti-Money Laundering and Combatting the Financing of Terrorism and called for closer coordination between the AMLC and the SEC in the drafting of regulations so as to avoid conflicts and costly amendments.

SUSTAINED OUTREACH FOR NON-PROFIT ORGANIZATIONS

The EIPD in coordination with the CGFD and CRMD initiated and organized the sustained outreach program for non-profit organizations (NPOs) to raise and deepen their awareness and that of their donor community about their vulnerabilities to terrorist financing abuse, terrorist financing risks and money laundering, consistent with FATF Recommendation 8. Towards this end, the Securities and Exchange Commission (SEC) through the initiative of the EIPD, in partnership with the Anti-Money Laundering Council (AMLC), conducted a three-day Public Outreach for Non-Profit Organizations (NPOs) on 16 to 18 October 2018 at the Summit Halls E/F of the Philippine International Convention Center (PICC), Pasay City. The said outreach program was attended by 570 participants representing different cross-sections of the NPO sector.

MEETINGS AND CONFERENCES ATTENDED

The EIPD attended a total of 157 meetings and conferences with other agencies for better coordination and cooperation with such other government agencies or in fulfilment of commitments by the SEC to cooperate and coordinate with international regulatory bodies. Among the meetings and conferences attended by EIPD are the Mock On Site Interview for Non Profit Organizations conducted by AUSTRAC in preparation for the APG Mutual Evaluations, regular monthly meetings of the National Law Enforcement Coordinating Committee (NALECC) –PCTC, SCOC, SCFFTECV, and plenary debates on the proposed 2019 Budget.

PARTICIPATION AS RESOURCE PERSON IN VARIOUS FORA AND IN INVESTOR EDUCATION PROGRAMS AND INFORMATION DISSEMINATION CAMPAIGNS

The EIPD participated in 23 fora as resource person on SEC regulatory matters and took part in 9 information campaign programs to promote awareness on what the SEC is doing and how to avoid being victims of investment scams, among others.

MISCELLANEOUS OUTPUTS

The EIPD issued a total of 321 clearances for independent directors of several corporations, conducted a total of 28 field investigations, sent 857 letter-replies to queries and requests from the public for information, answered a total of 1,410 phoned in queries, attended 457 walk-in clients, issued 11 subpoenas, sent 101 referral letters, issued 80 Certifications of No Derogatory Record and closed and terminated 784 cases.

C. Markets and Securities Supervision and Regulation

The Markets and Securities Regulation Department (MSRD) supervises and regulates key participants of the Philippine capital market. It is comprised of three divisions collectively in charge of the cautious supervision and regulation of the capital market. The Securities Registration Division (SRD) registers and grants exemption from registration of securities such as but not limited to equities and bonds. The Investment Products & Services Division (IPSD) registers securities markets and market institutions like Exchanges, alternative trading systems (ATS), and self-regulatory organizations (SROs) among others. The Markets and Intermediaries Division (MID) monitors the compliance of the markets and institutions registered by IPSD with legal and regulatory requirements.

In 2018, the MSRD led the Commission in proposing for rules and regulations deemed vital to a better Philippine capital market. Mindful of the benefits of a broader capital market, MSRD drafted and proposed the "Rules and Regulations Governing Crowdfunding (CF Rules)" and "Rules on Initial Coin Offerings (ICOs). These rules were proposed in support and recognition of recent financial innovations on providing easier access to finance especially for small and local start-ups or ventures such as raising of funds through internet platforms.

MSRD was significantly involved in the eventual issuance by the Commission of SEC Memorandum Circular No. 12 s. 2018 or the "Guidelines on the Issuance of Green Bonds Under the ASEAN Green Bonds Standards in the Philippines. This paved the way for Philippine Green Bond issuances in 2018. Notable of which includes:

- BDO
  - USD150 Million
  - First green bond investment in a financial institution in East Asia and the Pacific
- International Finance Corporation
  - PHP4.8 Billion
  - First green bond denominated in pesos and issued by a multilateral development institution
- Sindicatum
  - PHP1.06 Billion
  - A synthetic local currency issue covering PHP but issued and settled in USD
  - First 10-year local currency Green Bond transaction from South East Asia
- China Bank
  - USD150 Million
  - China Bank's first green bond
  - This green bond will bring up China Bank's climate portfolio to over US$200 million

Likewise, the MSRD was instrumental in the approval by the Commission on the revised rules of the Philippine Dealing and Exchange Corp. (PDEx):

- PDEX proposed amendment to the Enrollment, Trading & Settlement Guidelines of Securities Enrolled in PDEx under Rule 7 (Responsibilities of Market Maker) – Part Three of Enrollment Rules of the PDEx Rules
- PDEx's proposed guidelines for listing or enrollment of bank-issued bonds and commercial paper
- Guidelines for Restricted Issuers and Non-Reporting Companies (PDEx Proposed Addendum to the Enrollment, Trading & Settlement Guidelines of Securities Enrolled in PDEx under Rule 7 (Responsibilities of Market Maker) – Part Three of Enrollment Rules

These approved revised rules of the PDEx resulted to listing of considerable debt securities. Remarkable of which includes:

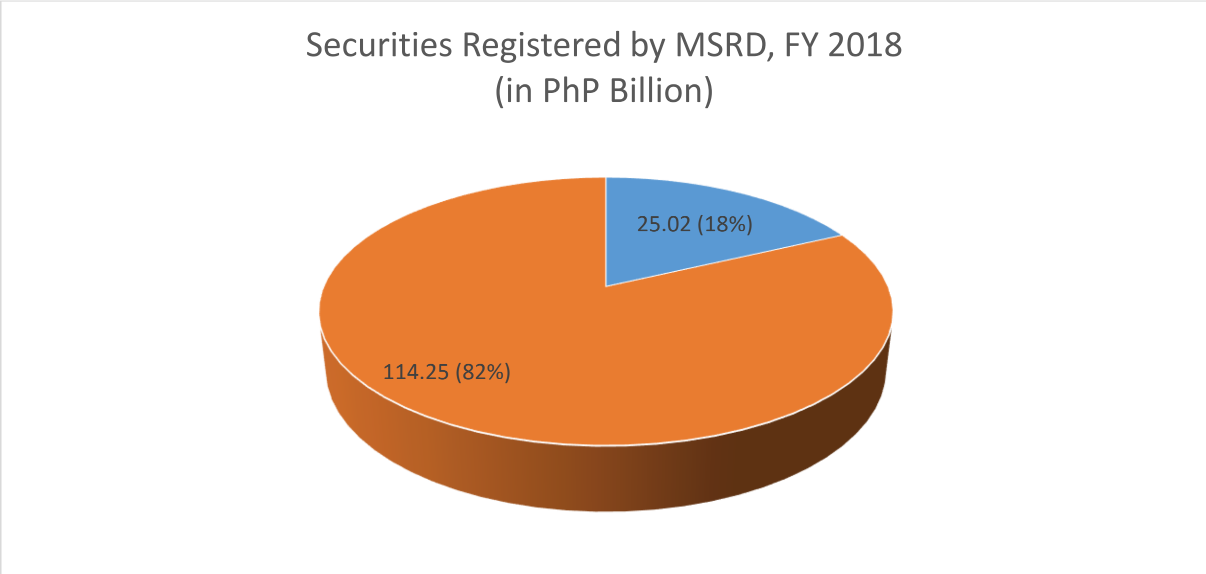
- Metrobank
  - PhP 10 Billion Fixed Rate Bonds
  - 1st issuance and listing under the newly implemented Guidelines for Bank-Issued Bonds
  - 1st corporate bond listing in the new PDEx fixed income trading system, Bloomberg FIQ trading
  - 1st public instrument to be priced using the new benchmark curve, BVAL
- AEON CREDIT PHIL.
  - PhP 1 Billion
  - 1st Philippine AMBIF issuance
  - Only the 2nd overall AMBIF issuance
  - 1st fully guaranteed debt facility of CGIF in the Philippines
  - 1st security by a restricted issuer and non-reporting company in the PDEx system
  - The notes were more than three times oversubscribed with total orders reaching P3.25 B
- BPI
  - PhP 25 Billion Fixed Rate Bonds
  - 1st tranche of the bank's PhP50-billion bond and commercial paper program
  - Largest issue amount in a single ISIN/security in PDEx
  - 25th listing in PDEx brings the total outstanding listed securities to PhP 1 Trillion

Through the MSRD, the Commission approved the following enabling rules concerning the Philippine capital markets and its participants:

- Rules and Regulation on Determination of the Trust Funds as Qualified Buyer
  - Applicable to UITFs and other funds managed by persons authorized by BSP to engage in trust functions or IMA activities and not enumerated in SRC Sec. 10.1 (1)
- Rules on the Administration of Government Securities Benchmarks
  - Applicable to legal person intending to generate an index in relation to government securities and which under said Rules shall obtain the license to perform the GS Benchmark Administration
- Rules and Regulations on Minimum Public Ownership (MPO) on Initial Public Offerings (2017)
  - Provided for the lowest allowable percentage of Public Float of publicly listed companies (PLCs)
  - Requires all companies that will file registration statements with the Commission upon effectivity of such rules and with the intention to list their shares for trading in an exchange shall already apply for registration with a public float of 20% at the minimum
- PSE Guidelines on Short Selling
- SCCP proposed amendment to SCCP Rule 5.2 and Operating Procedure 4.3.1.3 pertaining to the return of Contributions of Clearing Members to the Clearing Fund upon cessation of business and/or upon termination of membership with the SCCP
- PSE's proposed NOCD Monitoring and Enforcement Guidelines which ensure compliance by Trading Participants with the requests of clients for the creation of NOCD account with the PDTC
- PSE's proposed revisions to Article III, Part F, Section 3 of PSE Consolidated Listing and Disclosure Rules, particularly, on the allocation to local small investors or LSI in the distribution of Initial Public Offering shares through the Exchange

- PDTC's Operating Guidelines for the Use of NOCD Facility for Local Currency Denominated Securities
- MART Repo Rules

The MSRD registered a total of Php 139.3 billion worth of Equity and Debt Securities in 2018. Of this amount, Php 25.02 billion or 18% comprised equity security while Php 114.25 billion or 82% consisted of debt security.



Moreover, the MSRD provided significant inputs/comments to Tax Reform Package 2 and 4 (Comments on Section 8 of the HB No. 8083 and Section 9 of SB No. 1906, specifically increasing the tax rate on capital gains from sale of shares of stock not traded in the stock exchange by corporations). Also, the MSRD provided inputs and technical assistance on the following cross-border collaborations: ASEAN and ASEAN + 3 initiatives; ASEAN Capital Markets Forum (ACMF): Corporate Governance Initiative; ACMF MOU on Professional Mobility; ACMF Handbook Guidelines; ACMF WG A on private placement; and on ASEAN CIS.

D. Corporate Governance and Microfinance

The Corporate Governance and Finance Department (CGFD) is in charge of registering or granting exemption from registration of securities of Mutual Fund Companies (MFC), Exchange Traded Funds (ETF), and Issuers of Proprietary and Non-Proprietary Membership Certificates and Timeshares. It likewise licenses Investment Companies. CGFD promotes good corporate governance practices and principles required of registered companies. It operates under three units namely, Licensing Division, Corporate Governance Division, and Monitoring Division.

Corporate Governance Division:

- **SEC Memorandum Circular No. 8, Series of 2018**

As one of the agencies primarily tasked to protect minority investors, the Department has released on 20 April 2018, SEC Memorandum Circular No. 8, Series of 2018 which requires Publicly-Listed Companies to seek shareholders' approval on any change/s in the company's external auditor and to have an Audit Committee that are composed only of board members. The said issuance raised the Philippines' ranking in the area of Protecting Minority Investors from 146 to 132 in the 2019 Ease of Doing Business Survey (DBS) of the World Bank.

- **5th SEC-PSE Corporate Governance (CG) Forum**

The Securities and Exchange Commission (SEC), through the Department and in partnership with the Philippine Stock Exchange (PSE), has recently conducted the 5th SEC-PSE CG Forum on 23 October 2018 with the theme ***"Ushering in the Era of Sustainability and Sustainable Business".*** The Forum aimed to create awareness among Philippine corporations on the value added by embracing Sustainability in their businesses and its corresponding impact to business and economic growth. The said Forum was attended by more than four hundred participants from Publicly-Listed Companies (PLCs) and SEC Accredited Institutional Training Providers.

- **1st Submission of the Integrated Annual Corporate Governance Report (I-ACGR)**

Pursuant to SEC Memorandum Circular No. 15, Series of 2017, Publicly-Listed Companies have submitted their first Integrated Annual Corporate Governance Report (I-ACGR) on 30 May 2018. I-ACGR facilitates the disclosure of PLCs' compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for PLCs. It also harmonized the corporate governance requirements of the Commission and the PSE.

- **ASEAN Capital Markets Forum (ACMF) Working Group D – Corporate Governance Initiative**

The SEC assumed the Chairmanship of the ASEAN Capital Markets Forum (ACMF) Working Group D on 14 November 2015. The ACMF Working Group D is responsible for the ASEAN corporate governance initiative, comprising the ASEAN Corporate Governance Scorecard (ACGS) and the ranking of ASEAN Publicly-listed companies (PLCs), which is one of the several regional initiatives of the ACMF. As Chair, the SEC through the Department facilitates the coordination of the CG experts in the review of the 2015 ACGS leading to the preparation and approval of the ACGS version 2.0. The Department likewise facilitates the coordination of the whole process of assessment from domestic assessment, peer review and external validation. Based on the recently concluded assessment, the ACMF will award the top 50 PLCs from six ASEAN countries wherein nine (9) of which are Philippine PLCs, on 21 November 2018 in Kuala Lumpur Convention Center, Malaysia.

Meeting in the Philippines

Meeting in Malaysia

Meeting in Jakarta, Indonesia

Meeting in Singapore

ASEAN Corporate Governance Scorecard Awarding Ceremony

- **Sustainability Reporting Guidance for Publicly Listed Companies**

The Department intends to release before the end of year 2018 a **Sustainability Reporting Guidance for Publicly Listed Companies.** The proposed standards shall cover disclosures on social, environmental, and climate change aspects. The aim is: (a) to encourage companies to become more sustainable, low-carbon and climate-resilient; and (b) to strengthen the monitoring of the Philippines' progress with regard to concerned Philippine Development Plan targets, Sustainable Development Goals and Paris Agreement commitments.

- **Code of Corporate Governance (CG Code) for Public Companies and Registered Issuers**

The Department intends to release for public exposure the second series of CG Code before the end of the year 2018. The proposed Code will cover (1) Public Companies or companies that have assets in excess of Fifty Million Pesos and at least two hundred (200) stockholders who own at least one hundred (100) shares each of equity securities; and (2) Registered Issuers or companies that sell equity and/or debt securities to the public that are required to be registered with the Commission.

- **Securities and Exchange Commission (SEC) Philippines' meeting with Securities Commission (SC) Malaysia and IOSCO Asia-Pacific Hub**

In 21 November 2018, the team from SEC Philippines, headed by Chairperson Emilio Aquino, had a meeting the Chairman Datuk Syed Zaid Albar and some officers of the SC to discuss the Capital Market Blueprint of SC Malaysia to provide guidance as SEC Philippines drafts its own Capital Market Development Plan. The team also visited the IOSCO Asia-Pacific Hub located also inside the SC.

SC Malaysia, Kuala Lumpur Malaysia

IOSCO Asia-Pacific Hub

- **Issuance of the Implementing Rules and Regulations of the Investment Company Act (ICA - IRR)**

In line with the SEC's mission to develop the Capital Market, the Department recently issued the Implementing Rules and Regulations of the Investment Company Act to align the rules on Collective Investment Schemes (CIS) with the global standards and practices and to compete in international cross-border transactions.

Among the salient changes in the ICA-IRR are the registration of a Unitized Mutual Fund, Feeder Funds, Fund-of-Funds, and other types of funds; detailed presentation of the duties and responsibilities of parties involved in the offering of mutual fund shares/units, and the investment of funds; Net Asset Value Calculation; and Record Keeping. The ICA-IRR took effect on 26 January 2018.

- **ICA-IRR Briefing**

Following the effectivity of the ICA-IRR, the Department conducted two briefings on 23 February and 07 March 2018 to update the mutual fund industry, the participants in the offering and other interested stakeholders on the salient provisions of the new rules.

- **ASEAN Collective Investment Schemes Initiatives**

The Department actively answers ACMF Working Group's queries regarding IOSCO Principles on CIS to assess the Philippines' qualifications to be a signatory to the ASEAN Collective Investment Schemes (ASEAN CIS) which will allow our mutual fund companies to conduct cross-border transaction with Singapore, Malaysia and Thailand. To date, one (1) meeting and four (4) conferences call were attended by Department.


March 2018 ACMF Working Group Meeting, PICC, Manila

- **APEC Regional Fund Passport (ARFP) Industry Briefing**

The Department participated in the ARFP Industry briefing and workshop which were conducted on May 30 to June 1, 2018 which was sponsored by the Department of Foreign Affairs and Trade of the Australian Government. The Department shared with the other regulators and participants from Australia, Malaysia, Hong Kong, Singapore, and Thailand the overview of the mutual fund industry of the Philippines, its regulations and processes for registration.


ARFP Industry Briefing and Workshop

- **APEC Regional Fund Passport (ARFP) Joint Committee Meeting and Industry Day**

The Department participated in the Joint Committee Meeting and Industry Day of the ARFP which was held on 25-27 April 2018 in Sydney, Australia. The said meeting was participated by securities regulators from Australia, Japan, the Republic of Korea, New

Zealand, and Thailand (signatories of the Memorandum of Co-operation). Representatives from the Monetary Authority of Singapore, the Securities and Exchange Commission of the Philippines and the Securities and Futures Commission of Hong Kong, also attended the meeting in an observer capacity. The Passport aims to provide significant benefits to investors through enabling greater fund choice, while maintaining effective legal and regulatory arrangements for investor protection. It is also intended to strengthen the capacity, expertise and international competitiveness of the funds industry and financial markets in the region.

- **Collective Investments Schemes Law (CISL)**

The Department actively participates and contributes on the deliberation of the CISL both in the House of Representatives and the Senate. The draft bill intends to provide a regulatory and taxation framework that will level the playing field among the different collective investment schemes and make the products more globally competitive and aligned with globally accepted standards. The Department likewise provides technical and regulatory inputs on the bill as requested by the House Committee on Economic Affairs.

- **Regulations on Independent Oversight Entity, Professional Qualification of Fund Managers, Liquidation/winding-up**

On-going evaluation of proposed Circulars on ICA-IRR has been conducted to clarify the rules on Independent Oversight Entity, Professional Qualification of Fund Managers, Liquidation/winding-up, and the roles and responsibilities of Independent Accountant. The regulations were aligned with the standards provided by the International Organization of Securities Commissions (IOSCO) Principles and ASEAN CIS Regulatory Framework. The Commission intends to release the regulation on January 2019.

- **Product Highlight Sheet**

The Commission recently approved the Product Highlight Sheet (PHS) proposed by the Department which will be used by investment companies when offering for sale their securities. The PHS is a simple and summarized form of the Prospectus that highlights the relevant information that an investor should know about before investing in the product. The investment companies have already started using this form in September 2018.

- **Proposed amendment to the Rules and Regulations Implementing the Provisions of Republic Act (R.A) No. 8556 (The Financing Company Act of 1998)**

The Department posted exposure drafts of the Proposed Amendment to the Implementing Rules and Regulations of R.A. No. 8556 or the Financing Company Act of 1998 on 29 January 2018 and 10 September 2018. One of the salient features of the proposed amendment is the Lifting of the Nationality Requirement, which is in line with the provisions of R.A. No. 10881 (*An Act Amending Investment Restrictions in Specific Laws Governing Adjustment Companies, Lending Companies, Financing Companies and Investment Houses cited in the Foreign Investment Negative List and for other Purposes*).

- **Sustained Outreach on Non-Profit Organizations (NPOs)**

In preparation for the Mutual Evaluation of the Philippines, the Department participated in the conduct of Public Seminars for Foundations and Non-Stock Non-Profit Corporations on 16 to 18 October 2018 held at Summit Hall E/F, PICC. Topics discussed include Registration Requirements, Monitoring Compliance and Anti-Money Laundering/Combating the Financing of Terrorism.

- **Proposed Amendments to the Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9474 (Lending Company Regulation Act of 2007)**

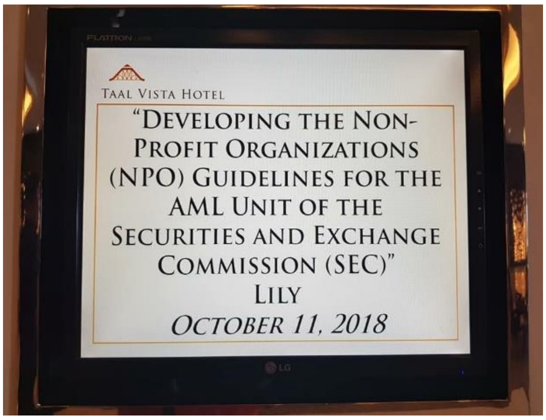
Pending final approval by the Commission of the Proposed Amendment to the IRR of R.A. No. 8556 (*The Financing Company Act of 1998*), the Department likewise intends to amend the IRR of R.A. No. 9474 to re-visit the relevant rules and to conform with the provisions of R.A. No. 10881 (*An Act Amending Investment Restrictions in Specific Laws Governing Adjustment Companies, Lending Companies, Financing Companies and Investment Houses cited in the Foreign Investment Negative List and for other Purposes*).

- **Participation in the Mutual Evaluation On-Site Visit 15, 20 and 28 November 2018**

On November 15, 2018, the opening ceremony of the Mutual Evaluation On-Site Visit was held in Bangko Sentral ng Pilipinas Complex, Manila. It was a two-week event which aims to assess the ability of the Philippines to mitigate money laundering and combat terrorist financing. The event was spearheaded by the Anti-Money Laundering Council with the help of various agencies including the Securities and Exchange Commission through the consolidated effort of various operating department which include the CRMD, CGFD, MSRD and EIPD. The on-site visit lasted until 28 November 2018.

- **Participation in the Drafting of NPO Guidelines for the AML Unit of SEC**

With the assistance of the Asian Development Bank (ADB), the Securities and Exchange Commission conducted a writeshop to develop Guidelines for the protection of SEC registered Non-Profit Organizations from Money Laundering and Terrorist Financing Abuse. The said activity required the participation of various SEC operating departments including the CGFD being the department in-charge of monitoring Foundations and Microfinance which are classified as Non-Profit Organizations.



Writeshop for the Guidelines for SEC registered Non-Profit Organizations

- **Participation in the Drafting of Proposed Bills**

a) An Act Providing for a Socialized Microfinancing Program for Microenterprises thereby Promoting Entrepreneurship (SBN 2017 and HBN 7446), which seeks to create a Pondo sa

Pagbabago at Pag-asenso (P3) fund, which shall be made available to qualified microenterprises;

b) Capital Income and Financial Intermediary Taxation Act of 2019 (HBN 8252), which constitutes the fourth tranche of the administration's comprehensive tax reform program. The CGFD provided its comments on the bill insofar as the same its covered entities are concerned; and

c) An Act Providing for the Protection of Financial Consumers (HBN 8301), which seeks to strengthen regulatory measures for the protection of financial consumers. Under the proposed bill, the SEC is one of the implementing agencies of the Act.

- **Issuance of MNRC Memorandum Circular No. 1, Series of 2018 (Guidelines of Accreditation of Microfinance NGOs)**

On 20 February 2018, the Microfinance NGO Regulatory Council (MNRC)[1], through the Department as its Secretariat, with the assistance of the Asian Development Bank (ADB) released the Social Performance, Financial Performance and Governance Standards which will serve as criteria for accreditation of Microfinance NGO. Accredited Microfinance NGO will be granted the two percent (2%) preferential tax rate pursuant to Section Nos. 14, 15 and 16 of Republic Act No. 10693 (RA No. 10693) otherwise known as the "Microfinance NGOs Act". The said memorandum circular also includes the guidelines of accreditation for year 2018.

- **Accredited 32 Microfinance NGOs**

As of July 2018, the MNRC accredited thirty-two (32) MF-NGOs based on the results of the review and evaluation of the MNRC Secretariat. In addition, two (2) application were denied for their failure to meet the 3-year microfinance operations requirement as required under the Implementing Rules and Regulations of RA No. 10693.

- **Approval of the MNRC Logo**

On 11 July 2018 MNRC Meeting, the Council approved the proposed logo of the MNRC. The said logo shall be used as the official seal of the Council for the issuance of the Certificates of Accreditation.

- **Template on Articles of Incorporation and By-Laws and Template on Manual on Good Governance for Microfinance NGOs**

The template on Articles of Incorporation & By-Laws and Manual on Good Governance for Microfinance NGOs were approved by the Council on 03 October 2018 and 07 November 2018, respectively. These templates were uploaded in the SEC website on 15 October 2018.

- **Coordination with the Bureau of Internal Revenue (BIR) in relation to the implementation of RA No. 10693**

As a result of the continued coordination of the MNRC with the BIR in relation to the implementation of RA No. 10693, the following Circulars were issued:

[1] The Microfinance NGO Regulatory Council (MNRC) is composed of Securities and Exchange Commission (SEC) as the Chairperson of the Council, Department of Finance (DOF), Department of Social Welfare and Development (DSWD), Department of Trade and Industry (DTI) and three (3) private sector representatives namely, Fr. Jose Victor Lobrigo, representative from Luzon; Mr. Angel De Leon, Jr., representative from Visayas; and Atty. Ibarra Malonzo, representative from Mindanao.

The Corporate Governance and Finance Department – Monitoring Division acts as the Secretariat of the Council.

a. **MNRC Memorandum Circular No. 2, series of 2018** – Clarificatory amendment to Memorandum Circular No. 1, series of 2018 and Continuous effectivity of CNDI for Accreditation issued on 23 May 2018.

b. **BIR Revenue Memorandum Circular No. 91-2018** – Guidelines on the TIN Issuance to Clients of Microfinance Non-Government Organizations (MF-NGOs) pursuant to Revenue Memorandum Order No. 2-2018 issued on 25 October 2018.

c. **BIR Revenue Memorandum Circular No. 92-2018** – Clarification on the Filing of Tax Returns of Accredited Microfinance Non-Government Organizations issued on 31 October 2018.

- **2017 Annual Report**

The MNRC, through the Department as Secretariat, with the assistance of ADB, intends to release before the end of the year its 2017 Annual Report. The said report is currently being coordinated with the publisher chosen by ADB for printing.

- **Events/Orientations attended**

a. **Governance Compliance Orientation for MF-NGOs held on 16 March 2018** – Atty. Rosario Carmela B. Gonzalez-Austria and Atty. Alma Jean Ganayo Roux attended the said event in Clark, Pampanga to orient the MF-NGOs in the Northern and Central Luzon area about the draft template of MGG and AI and BL for MF-NGOs.

b. **2018 Microfinance Council of the Philippines Inc. (MCPI) Annual Conference held on 25-27 July 2018, Century Park Hotel, Manila** – Chairperson Emil B. Aquino inspired the attendees of the MCPI Annual Conference with his Keynote Speech while Atty. Rachel Esther J. Gumtang-Remalante and Atty. Miracle Anne D. Rodriguez discussed the plans of the MNRC for the 2019 Accreditation.

Keynote Speech of Chairperson Emil B. Aquino and discussion by CGFD of its plans for 2019 Accreditation

c. **Orientation on the Template Good Governance Manual and Articles of Incorporation and By-Laws of MF-NGOs held on 12 October 2018, Legazpi City**– Atty. Rachel Esther J. Gumtang-Remalante attended the said event to orient the members of the Bikol Microfinance Council, Inc. (BMCI) about the template AI and BL and draft MGG.

d. **Orientation on the Template Good Governance Manual and Articles of Incorporation and By-Laws of MF-NGOs held on 06 December 2018, ASA Philippines Office, Ortigas Center, Pasig City**– Atty. Rachel Esther J. Gumtang-Remalante attended the said event to orient the 24 Microfinance NGOs about the template AI and BL and MGG.

E. Financial Reporting Standards and Best Practices

The Office of the General Accountant (OGA) guides the Commission and the private sector on matters pertaining to accounting and auditing standards and likewise on issues of accounting treatment for public offerings and disclosures. OGA is at the forefront of advising the Commission on opinions, clarifications and replies made involving financial reporting and audit issues.

- The Commission *en banc* in January 2018 through SEC Memorandum Circular (MC) No. 1, Series of 2018, approved the adoption of the following pronouncements as part of SEC's rules and regulations on financial reporting:

A. Revised Auditing Standards

Title	Brief Description
Philippine Standards on Auditing 800 (Revised), ***Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Framework and Conforming Amendments to PSA 700 (Revised) Forming an Opinion and Reporting on Financial Statements***	This PSA is effective for audits of financial statements for periods ending **on or after December 15, 2016**. PSA 800 (Revised) (2016) supersedes PSA 800 (2009). However, this PSA does not override the requirements of the other PSAs. This PSA does not also purport to deal with all special considerations that may be relevant in the circumstances of the engagement.
Philippine Standards on Auditing 805 (Revised), ***Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements (2016)***	This PSA is effective for audits of financial statements for periods ending **on or after December 15, 2016**. PSA 805 (Revised) (2016) supersedes PSA 805 (2009).
Philippine Standards on Auditing 810 (Revised), ***Engagements to Report on Summary Financial Statements (2016)***	This PSA is effective for audits of financial statements for periods ending **on or after December 15, 2016**. PSA 810 (Revised) (2016) supersedes PSA 810 (2009).

B. Amendments to Existing Accounting Standards, and Interpretations

Title	Brief Description
Transfers of Investment Property (Amendments to PAS 40)	An entity shall apply these amendments for annual periods **beginning on or after January 1, 2018**. Early adoption of the amendment is permitted.
Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration	An entity shall apply this interpretation for annual periods **beginning on or after January 1, 2018**. Earlier application is permitted.
Annual Improvements to Philippine PFRSs 2014-2016 Cycle	The amendments to PFRS 12 are effective for annual periods **beginning on or after January 1, 2017** whereas the amendments to PFRS 1 and PAS 28 are effective for annual periods **beginning on or after January 1, 2018.**

- The Commission *en banc* in March 2018 through SEC MC No. 5, Series of 2018, approved the adoption of Philippine Financial Reporting Standards for Small Entities (PFRS for SEs) as part of its rules and regulations on financial reporting.

  In view of the said adoption, Part I, Section 2 of Securities Regulation Code Rule 68, as amended (SRC Rule 68, as amended) have been revised.

- The Commission *en banc* in April 2018 through SEC Memorandum Circular (MC) No. 6, Series of 2018, approved the adoption of the following pronouncements as part of SEC's rules and regulations on financial reporting:

Title	Brief Description
Philippine Financial Reporting Standard (PFRS) 16, *Leases*	An entity shall apply this standard for annual periods **beginning on or after January 1, 2019**. Earlier application is **not** permitted until the Financial Reporting Standards Council (FRSC) has adopted International Financial Reporting Standard (IFRS) 15, the new revenue recognition standard. Once adopted, earlier application of PFRS 16 is permitted if the entity has adopted the new revenue recognition standard.
Disclosure Initiative [Amendments to Philippine Accounting Standard (PAS) 7]	An entity shall apply the amendments for annual periods **beginning on or after January 1, 2017.** Earlier application is permitted.
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12)	An entity shall apply the amendments retrospectively for annual periods **beginning on or after January 1, 2017**. Earlier application is permitted.

- The Commission *en banc* in September 2018 through SEC Memorandum Circular (MC) No. 13, Series of 2018, approved the adoption of the following pronouncements as part of SEC's rules and regulations on financial reporting:

A. Accounting Standards

Title	Brief Description
Prepayment Features with Negative Compensation [Amendments to Philippine Financial Reporting Standards (PFRS) 9]	An entity shall apply these amendments for annual periods **beginning on or after January 1, 2019**. Earlier application is permitted.
Long-term Interest in Associates and Joint Ventures (Amendments to PAS 28)	An entity shall apply these amendments for annual periods **beginning on or after January 1, 2019**. Earlier application is permitted.
PFRS Practice Statement 2: Making Materiality Judgments	An entity that chooses to apply the guidance in the Practice Statement is permitted to apply it to financial statements prepared from November 8, 2017.
Guidance on Financial Reporting (June 2017 edition)	Effective immediately.
PFRS 15, Implementation Issues Affecting the Real Estate Industries	The consensus in these Q&A are effective on the same date as the effective date of PFRS 15.

B. PIC Q&As

Title	Brief Description
Q&A No. 2017-02 Philippine Accounting Standard *(PAS) 2 and PAS 16- Capitalization of operating lease cost as part of construction costs of a building*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2017-03 PAS 28- *Elimination of profits and losses resulting from transactions between associates and/or joint ventures*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2017-06 PAS 2, 16 and 40 – *Accounting for Collector's Items*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2016-03 *Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations*	The consensus in this Q&A is effective for annual periods beginning on or after January 1, 2018 and should be applied retrospectively. Earlier application is permitted.
Q&A No. 2017-04 *PAS 24- Related Party Relationship Between Parents, Subsidiary, Associate and Non-Controlling Shareholder*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2017-05 *Philippine Financial Reporting Standard (PFRS) 7 - Frequently Asked Questions on the Disclosure Requirements of Financial Instruments under PFRS 7, Financial Instruments; Disclosures*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2017-07 *PFRS 10 - Accounting for Reciprocal Holdings in Associates and Joint Ventures*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2017-08 *PFRS 10 – Requirement to Prepare Consolidated Financial Statements Where an Entity Disposes of its Single Investment in a Subsidiary, Associate or Joint Venture*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2017-09 *PAS 17 and Philippine Interpretation SIC 15-Accounting for Payments Between and Among Lessors and Lessees.*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2017-10 *PAS 40 – Separation of Property and Classification as Investment Property*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2017-11 *PFRS 10 and PAS 32 – Transaction Costs Incurred to Acquire Outstanding Non-Controlling Interest or to Sell Non-Controlling Interest Without a Loss of Control*	The consensus in the Q&A is effective from the date of approval by the FRSC.
Q&A No. 2017-12 *Subsequent Treatment of Equity Component Arising from Intercompany Loans*	The consensus in the Q&A is effective from the date of approval by the FRSC. It shall be applied retrospectively.

- The Commission *en banc* in October 2018 through SEC Memorandum Circular (MC) No. 14, Series of 2018, approved the adoption of Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12, Implementation Issues Affecting Real Estate Industry.

  The Commission decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage of completion (POC), for a period of three (3) years.

  During this period of deferral, land will be allowed to be included in the POC calculation only at historical acquisition cost. Uninstalled materials shall be included in the calculation of the POC based on the proportionate work accomplishment of significant building components procured which are specifically and directly identifiable to the project, as long as covered by contracts, purchase orders and partially paid for. These include structural, architectural, mechanical, electrical, plumbing/sanitary and fire protection materials. Moreover, the impact of significant financing component on the transaction price shall not be considered during the period of deferral.

  This deferral will only be applicable for real estate transactions. Effective January 01, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

  A real estate company may opt not to avail of any of the relief provided above and therefore will comply in full with the requirements of PIC Q&A 2018-12 in respect of the relief not availed of.

  Moreover, real estate companies which opted for the deferral shall be required to disclose in the Notes to the Financial Statements the accounting policies applied, a discussion of the deferral of the subject implementation issues in the PIC Q & A and a qualitative discussion of the impact in the financial statements had the concerned application guideline in the PIC Q & A been adopted. However, should any of the deferral options result into an accounting policy change (e.g., when an entity currently excludes the land component in the POC calculation and will opt to include the same under the relief provided by this Circular), such accounting change will have to be accounted for under Philippine Accounting Standard (PAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* i.e., retrospectively, together with the corresponding required quantitative disclosures.

  The above relief shall form part of Philippine Financial Reporting Standards (PFRS) for the purpose of preparing and filing general-purpose financial statements with the Commission.

  The FRSC, PIC and real estate industry, through its various associations are encouraged to have continuous dialogue to address any challenges in the implementation of PIC Q&A No. 2018-12 and for any new developments in the implementation of PFRS 15 and its related PIC Q&As.

SEC Oversight Assurance Review (SOAR)

- In 2018, the SOAR Inspection Program was fully implemented. Below are the significant activities that the SOAR Inspection Team undertook:

  - ✓ In January 2018, the selection criteria for publicly-listed companies (PLCs) and audit firms to be inspected was finalized. The selection criteria follow the risk-based approach.

  - ✓ In February and June 2018, OGA conducted a meeting, headed by Commissioner Antonieta F. Ibe, General Accountant Emmanuel Y. Artiza and SOAR Inspection Team Leader and Assistant Director Guada May S. Preciados, with various PLCs. The purpose of the meeting was to introduce the SOAR Inspection Program to the covered entities.

- ✓ Throughout the year, the SOAR Inspection Team attended the aforementioned trainings on industry briefings, IT General Controls, Tax Computation and Accounting and Asset Valuation.

- ✓ In August 2018, the fieldwork for the first round of inspection was completed while the fieldwork for the second round of inspection was completed in November 2018.

- ✓ Through the inspection conducted in 2018, the SOAR Inspection Team was able to cover two (2) auditing firms and audits of five (5) PLCs.

- ✓ In December 2018, Commissioner Antonietta F. Ibe and select members of the Office attended the 12th annual International Institute on Audit Regulation hosted by the Public Company Accounting Oversight Board and held in Washington D.C, USA.

- In November 2018, the Philippine SEC was admitted to the International Forum of Independent Audit Regulators (IFIAR).

  The following were the activities that the OGA undertook throughout the year, in order to ensure the success of the Commission's application to the IFIAR.

  - ✓ From March to June 2018, the Office completed the IFIAR Application Form. Together with this IFIAR Application, the Office prepared 26 supporting annexes. These documents strengthened the Commission's position as an organization with an oversight function over the auditors of the companies regulated by the Philippine SEC.

  - ✓ In July 2018, the final version of the IFIAR application form and supporting annexes was submitted to the IFIAR Secretariat.

- In August 2018, IFIAR visited the Philippines in line with the SEC's application. As part of their visit, they interviewed the management of the following six (6) auditing firms: Sycip Gorres Velayo & Co., Punongbayan and Araullo, Isla Lipana & Co., Navarro, Amper & Co. and Roxas Cruz Tagle.

F. Legal Support and Legislative Liaison

The Office of the General Counsel (OGC), in collaboration with the Office of the Solicitor General (OSG), represents the Commission before the RTC, Court of Appeals, and Supreme Court (SC) in instances when the Commission decisions are questioned or raised on appeal. It also acts on appeals and petitions filed before the Commission En Banc, and issues opinions in reply to requests made on the interpretation of laws administered by the Commission. The OGC also continues to represent the Commission before legislative committees/hearings as resource persons, and also as member of Technical Working Groups (TWGs) created for proposed legislations, studies and researches. It also liaises with the Congress in the formulation of the Commission's legislative priorities.

OGC Opinions

SEC OGC OPINION 18-01 OPINION TO ST. PETER'S COLLEGE INC. RE: CORPORATE TERM OF EDUCATIONAL INSTITUTIONS REGISTERED UNDER THE CORPORATION LAW

The query is on the status of St. Peter's College, Inc. as a corporate entity.

In previous opinions, the Commission had already opined that in case an affected educational corporation fails to amend its AOI to comply with the applicable provisions of the Corporation Code on or before 01 May 1982, the expiry date of the two (2) year period mentioned in Section 148, the respective provisions will be considered written into the articles of incorporations as of the date of the effectivity of the Corporation Code or on 01 May 1980.

Thus, while originally registered with the Commission in 1962 with a perpetual term, SPCI is now deemed to exist for a period of fifty (50) years reckoned from 01 May 1980, the date of effectivity of the Corporation Code, unless sooner dissolved or extended within the prescribed period.

SEC OGC OPINION 18-02 OPINION TO PHILIPPINE SOCIETY OF MECHANICAL ENGINEERING RE: MANNER OF VOTING; NATURE AND AMENDMENT OF BY-LAWS

The query involves the compliance of officers and members of a SEC-registered professional organization with its Constitution and By-Laws.

Even if voting by mail or other similar means is allowed in non-stock corporations under Section 89 of the Corporation Code, the same must be specifically provided for in the association's by-laws before the same can be availed of. Therefore, an on-line election for the member of Board of Directors, which is covered by the phrase "other similar means" in Section 89, can only be resorted to if it is expressly set-forth in the by-laws of the corporation. Any change in such manner of voting must be done through an amendment of the by-laws in accordance with Section 48 of the Code.

SEC OGC OPINION 18-03 OPINION TO PHILIPPINE BIO-SCIENCES RE: CONVERSION OF STOCKHOLDER'S LOAN TO APIC TO WIPE OUT DEFICIT

The query is whether or not it is mandatory to seek the Commission's approval for the conversion of stockholder's advances to a corporation into additional paid-in capital (APIC) of the corporation without issuance of new shares and for the use of such APIC to wipe out the capital deficit of the corporation.

The application for the approval of the creation of the APIC is at the option of the corporation. Otherwise stated, it is not mandatory for the corporation to seek prior approval of the Commission for the creation of the APIC. However, the application of the APIC that is already reflected as such in the audited financial statements to wipe out the capital deficit of the corporation requires the approval of the Commission upon the filing of a request for equity restructuring and upon payment of the corresponding filing fee

SEC OGC OPINION 18-04 OPINION TO AT & PHIL. INC. RE: FOREIGN EQUITY OWNERSHIP, TRAVEL AND TOURS

The query is whether or not AT Phil, Inc. (API), doing business under the name and style of ASIATRAVEL.COM, as amended on November 16, 2009, is qualified to have foreign equity of 100%.

Assuming API is an export enterprise, it should not fall within Lists A and B of the Foreign Investment Negative List (FINL) in order for it to be 100% foreign-owned. The business of travel and tours agency and services is not included in List A, nor is it covered by List B, of the FINL. Assuming, on the other hand, that API is a domestic market enterprise, the same rule applies; that is, it should not fall within Lists A and B of investment areas reserved to Philippine nationals. To reiterate, the business of travel and tours agency and services is not included in List A. Neither is it covered by List B because it has a paid-up capital of more than two hundred thousand US dollars (USS200,000).

SEC OGC OPINION 18-05 OPINION TO GRAND TOWERS MANILA CONDO RE: MEMBERSHIP IN A CONDO CORP

There are two issues at hand. First issue is whether purchasers of private units who have not fully paid the purchase price may be considered members of the Condo Corp.

In order to determine who shall be a member of the condominium corporation, it is critical to determine who the owner of the unit is.

The Supreme Court held in Sunset View Condominium Corporation v. The Hon. Jose C. Campos, Jr. and Aguilar Bernares Realty, that only the owner of a unit is a stockholder of the Condominium Corporation, as inferred from Section 10 of the Condominium Act. In order to determine when and under what conditions ownership of a unit is acquired by a purchaser, the provisions of the Master Deed and the words of the instrument conveying the unit must be analyzed.

In the request, it was disclosed that "the title to the private units remains with the developer until the full purchase price of the private units have been paid," it appears that the instruments related to the inquiry are contracts to sell; hence, applying the above-said Supreme Court decision, the purchasers who have not yet fully paid is not yet deemed as the owners, and thus, not members of the Condo Corp.

As to the second query on who will be principally liable for the payment of association dues in the Condo Corp., the Master Deed left it to the Board to determine the levying of assessment including association dues. In this respect, we refrain from issuing an opinion on this matter as the determination of who shall be assessed association dues is already within the business judgment of officers of the Condo Corp.

SEC OGC OPINION 18-06 OPINION TO JCH-PH RE: APPLICABILITY OF RETAIL TRADE LIBERALIZATION ACT

The request is for confirmation of the requestor's position that the activities of Johnson-Controls-Hitachi Air-conditioning Phils. Inc. fall outside the coverage of Republic Act No. 8762 or the Retail Trade Liberalization Act of 2000 (RTLA).

Assuming that the air-conditioning products as being sold in the manner described therein includes "raw materials and spare parts for air conditioner and air-conditioning finished products" as well as "wasted materials from production", the SEC confirms the requestor's position. The sale of said air-conditioning products directly to department stores and appliance centers cannot be considered as retail trade because these buyers will in turn sell the products to their commercial or industrial clients and end-users.

SEC OGC OPINION 18-07 OPINION TO PHILIPPINE ASSOCIATION OF COLLEGES AND UNIVERSITIES COMMISSION ON ACCREDITATION RE: Qualifications of Members of the Board of Directors/Trustees

The SEC opined that in the absence of a provision in the by-laws, a corporation cannot require additional qualification for directors other than the mandatory requirement under Section 23 and 92 of the Code.

Mere board resolution or approval is not sufficient to introduce/ amend a qualification / disqualification because it has to be clearly provided in the corporate by-laws.

Guidelines issued by the management requiring additional qualifications for directors, president and vice-president, may only be effective if such are stated in the by-laws.

Thus, if a corporation wants to require additional qualification for a director, it must amend its by-laws in accordance with Section 48 of the Code.

SEC OGC OPINION 18-08 OPINION TO: UNION BANK OF THE PHILIPPINES RE: DELEGATION OF THE POWER TO AMEND OR REPEAL BY-LAWS

The query involves the legality of the proposed amendment to the by-laws of Union Bank of the Philippines, delegating to the Board of Directors (the "Board") the power to amend or repeal said by-laws.

Taking into account the previous Opinions, it appears that the actual delegation by the stockholders to the Board of the power to amend or repeal the by-laws is required to be embodied in a Resolution, and not in the by-laws.

The enabling provision that allows the delegation by the stockholders of such power, as lifted from Section 48 of the Code, may be contained in the by-laws, but to operationalize the delegation, a stockholders' resolution is required.

SEC OGC OPINION NO. 18-09 OPINION TO H&E REALTY CORP., RE: LEGAL CAPACOTY OF A DISSOLVED CORPORATION IN CORPORATE LIQUIDATION

Based on the provision, a corporation, whose registration has been revoked, has three years from dissolution to continue to be a body corporate but only for purposes of winding up its affairs. Specifically, these actions should be for the purpose of (1) prosecuting and defending suits by or against it and enabling the dissolved Corporation to settle and close its affairs, (2) to dispose and convey its property, (3) and to distribute the corporate assets.

In the 2014 case of Alabang Development Corporation vs. Alabang Hills Village Association and Rafael Tinio , the Supreme Court ruled that the Alabang Development Corporation (ADC) lacked the legal capacity to sue as a corporation when it filed a case more than three years after its certificate of registration has been revoked

SEC CASE NO. 08-17-001 IN RE: RAPPLER, INC, AND RAPPLER HOLDINGS CORP.

On July 8, 2017 the En Banc issued SEC Resolution 437 series of 2017 under which a Special Panel (ZW Taskforce) was created to conduct a formal and an in-depth investigation of Rappler, Inc. and its parent, Rappler Holdings, Corp., as to possible violations of nationality restrictions on ownership and/or control of Mass Media entities. On January 11, 2018 a decision was issued by the En Banc based on the Special Panel's findings and Rappler was found liable for violating the constitutional and statutory Foreign Equity Restrictions in Mass Media and revoked the Certificate of Incorporation on both Rappler, Inc. and Rappler Holdings Corp.

SEC CDO CASE NO. 01-18-046 IN THE MATTER OF: BLACK CELL TECHNOLOGY, INC, BLACK SANDS CAPITAL INC, BLACK CELL TECHNOLOGY LIMITED AND KROPS, EIPD

This is a Resolution on respondents' Motion to Lift, debying the same and declaring permanent the CDO issued against Black Cell PH, Black Sands, Black Cell HK, and Krops — all business ventures of Joseph H. Calata. As stated in the CDO, the Krop Tokens and/or KropCoins issued through the joint efforts of respondents satisfy the definition of securities in Section 3.1 of the SRC, as well as the 4 elements of the Howey Test, traditionally used to evaluate Investment Contracts (a form of securities) but more recently used by the US SEC to evaluate Initial Coin Offerings (ICO). Through the course of the proceedings, it was established that the securities are being offered for sale within the Philippines (through website access) without a secondary license to sell securities.

SEC EN BANC CASE NO 04-15-371 CLA-RO MERCHANDISING VS COMPANY REGISTRATION AND MONITORING DEPARTMENT

This is an Appeal from an Order of the CRMD to file Annual Financial Statements (AFS), despite CLA-RO's yearly submission to the SEC of Affidavits of No Business Operations.

The En Banc decided that CLA-RO is still required to file the AFS (except for the Income Statement) for the years of non-operation, pursuant to Financial Reporting Bulletin (FRB) No. 5 issued in 2012. However, for the years prior to 2012, the affidavits submitted to the SEC were considered sufficient. The matter was referred to CRMD for the proper computation of fines.

SEC EN BANC CASE NO 05-13-291 NESCO INTERNATIONAL DEVELOPMENT CORPORATION VS MEGAWORLD CORPORATION AND ENFORCEMENT AND PROSECUTION DEPARTMENT

This is an Appeal from an Order of the EPD dismissing NESCO's complaint for lack of jurisdiction.

NESCO sought the revocation of Megaworld's charter because the latter allegedly colluded with the City of Manila to acquire fake land titles over the land that is now the site of Megaworld's Lucky Chinatown Mall. The En Banc agreed with the EPD that this case cannot be resolved without ruling on the validity of Land Titles, which is outside the jurisdiction of the SEC.

SEC CASE NO. 12-17-462 CORNELIO P. PANOSO VS TRUSTEES AND OFFICERS OF ALMANZA METROPOLIS CONDO CORP.

This is a Petition for Calling of Annual Members' Meeting in a condominium corporation. Summons was duly received by Respondent as evidenced by the Affidavit of Service of the SEC process server and subsequently pointed out by the Petitioner in a Motion for Judgment by Default. The OGC thus granted the Judgment by Default, based on the allegations in the Petition.

SEC EN BANC CASE NO. 05-09-166 IN THE MATTER OF: ILOILO CITY DEVELOPMENT BANK VS CORPORATION FINANCE DEPARTMENT

This is an Appeal from a Letter-Order of the CFD holding lloilo Development Bank liable for non-filing of reportorial requirements as a Public Company. lloilo Development Bank did not dispute the non-submission but instead argued that the CFD incorrectly determined that it is a public company. The CFD argued that the determination was based on a list of shareholders submitted by lloilo Development Bank. Moreover, the Respondent was previously declared liable as a public company in a prior En Banc case and had paid fines without disputing the CFD's determination that it is a public company. The En Banc denied Iloilo Development Bank's Appeal.

SEC CASE NO. 03-18-465 IN RE: INFINITY TOWER CONDOMINIUM CORPORATION JOAQUIN RODRIGUEZ JR, AND BECCOMAX PROPERTY AND DEVELOPMENT CORPORATION

This is a Petition for Calling of Annual Members' Meeting of Infinity Tower Condominium Corporation (ITCC); Petitioner Joaquin Rodriguez and Beccomax Corp are members of ITCC.

Out of the 5 director seats in ITCC, 4 were vacated including the director who was last-elected President. Under the ByLaws, only the President of ITCC can call the AMM. Rodriguez thus sought to obtain from the OGC an Order declaring that he has authority to call the AMM.

Since the Respondent Board of Directors of ITCC failed to file an Answer after being duly-summoned, a judgment by default was rendered, authorizing Petitioner Joaquin Rodriguez to call the AMM.

G. Corporate Communications

The Office of the Commission Secretary (OCS) is in charge of handling media relations and corporate communications for the Commission. OCS is key on the development of Rules of Practice which guide the Commission on its processes and procedures. It is also tasked in the preparation of the following: agenda and notices for En Banc meetings, minutes of Commission meetings and Executive sessions, decisions and resolutions for En Banc approval. Further, OCS is responsible for the maintenance of the En Banc's official records.

The Commission further enhanced its corporate communications through timely conduct of press conferences and issuance of press releases to facilitate communications to the public. In 2018, the Commission made 19 press releases:

List of Press Releases, FY 2018

No.	Title
1.	SEC Warns Public on Initial Coin Offerings
2.	SEC statement on Omidyar's donation of the void PDRs to Rappler Managers
3.	SEC imposed PhP106,000.00 penalty on PSE
4.	ASEAN Capital Market Regulators Welcome the Progress of the ASEAN Green Bond Standards and Agree to Implement Professional Mobility Framework to Drive Regional Connectivity
5.	PSE still fails to comply with the ownership limit
6.	SEC Simplifies Financial Reporting for Small Companies
7.	SEC Lawyer Tops CESB Exam
8.	SEC Davao Director Javey Paul Francisco is new SEC Commissioner
9.	SECURITIES AND EXCHANGE COMMISSION HAS NEW CHAIRPERSON
10.	SEC CREATES FAST LANE TO RESPOND TO CRS TRANSITION WOES
11.	SEC RELEASES PROPOSED RULES ON INITIAL COIN OFFERINGS
12.	SEC LAUDS COURT OF APPEALS AFFIRMATION OF SEC DECISION ON RAPPLER INC. AND RAPPLER HOLDINGS CORPORATION
13.	SEC ADOPTS THE ASEAN GREEN BONDS STANDARDS
14.	FSCC PURSUES INITIATIVES TO SUSTAIN MACRO-FINANCIAL STRENGTH
15.	THE FINANCIAL STABILITY COORDINATION COUNCIL ISSUES 2017 FINANCIAL STABILITY REPORT
16.	SEC Implements Company Registration System Intervention Measures
17.	ASEAN Regulators Launch Professional Mobility Framework, Social & Sustainability Bonds Standards
18.	SEC Signs MOU Under ACMF Professional Mobility Framework
19.	SEC, PNP Agents Arrest Investment Scammers

The OCS led the Commission in its sustained compliance with the Freedom of Information (FOI) Program, Data Privacy Act and Ease of Doing Business (EODB) Act. OCS was also at the forefront in the development and implementation of the Commission's Freedom of Information (FOI) Manual and Privacy Framework. Other things which the OCS accomplished include the FOI Information Inventory with 712 data elements and the FOI Registry with 2,914 requests processed. Through the OCS, the Commission participated in Project Repeal in pursuit of the objectives of the EODB Act.

In compliance with the Data Privacy Act, the Commission developed and implemented a Data Privacy Undertaking for its personnel and service contractors, and conducted Data Privacy Act seminars/workshops for employees on two occasions.

- Lecture on Transmittal of Documents Bearing Vital Information, January 23, 2018, Commission Room, 3rd Floor Secretariat Building, PICC.
- Data Privacy Act (DPA)-Privacy Impact Assessment (PIA), Function Room A, 2nd Floor, PICC Secretariat Building, Roxas Blvd., Pasay City.

H. Extension Offices

The Extension Offices (EOs) were generally created and established to bring closer the services of the Commission to its clients. Specifically, their creation and establishment is founded on certain provision of the Securities Regulation Code (SRC), Revised Corporation Code, Administrative Code, Ease of Doing Business Act, and the Philippine Development Plan (PDP). These regulations and undertaking commonly promote ease of doing business and an inclusive financial system.

There are currently nine (9) EOs located in strategic places around the country, Bacolod Extension Office (BACEO), Baguio Extension Office (BEO), Cagayan De Oro Extension Office (CDOEO), Cebu Extension Office (CEO), Davao Extension Office (DEO), Iloilo Extension Office (IEO), Legazpi Extension Office (LEO), Tarlac City Extension Office (TCEO), and Zamboanga Extension Office (ZEO).

The SEC Extension Offices have the following powers and functions:

- Register corporations and partnerships
- Process applications for amendments of articles of incorporation, articles of partnerships and their respective by-laws
- Handle petitions for correction of articles of incorporation and by-laws and their amendments, and revocation of certificates of filing of amended articles of incorporation and amended by-laws
- Monitor compliance by corporations in their areas of responsibility with the rules and regulations of the Commission
- Maintain custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc
- Implement Administrative rules and regulations
- Perform such other functions as may be assigned by the En Banc or the Chairperson

Baguio Extension Office

The Baguio Extension Office (BEO) sustained the delivery of a courteous, timely and efficient public service in 2018. In full support to the ease of doing business initiative, the BEO processed various transactions promptly and efficiently thereby delighting clients with quality public service they deserved. The BEO oriented its clients on the automated process of registering companies using the Company Registration System (CRS) through kiosks set up for said purpose.

To supplement the CRS for a faster company registration process, the BEO simultaneous with the other Extension Offices implemented the CRS Fast Track Manual Assist. This facilitated the complete processing of applications left pending with the CRS. Through Manual Assist, the BEO registered and recorded 23 stock corporations, 73 non-stock corporations, and 9 partnerships respectively.

In 2018, the BEO processed and approved an aggregate of 1,872 applications for registration and other applications:

Registration of Domestic Corporations:	
Stock Corporations	23
Non-Stock Corporations	73
Recording of Articles of Partnership	9
Amendment of Articles of Incorporation	356
Increase of Capital Stock	106
Amendment of By-Laws	36
Adoption of New By-Laws	9
Amendment of Articles of Partnership	24
Certificates of Authority to Operate Lending Companies (Main/ Branch Offices)	3
Certifications	1,233
Total	1,872

In addition, the BEO disseminated vital information on matters significantly affecting the capital market. It actively participated in inter-agency activities and rendered speakership services which provided relevant information on: CRS registration; updates on SEC reportorial requirements; and advisories against investment scams. The BEO conducted lectures to jeepney drivers and operators on matters pertaining to the requirements of Land Transportation and Franchising Regulatory Board (LTFRB) on franchising of Public Utility Vehicles (PUVs) as stock corporations or cooperatives.

In keeping with the SEC mission to protect the investing public against unauthorized solicitation of investments, BEO represented by its Director sat as one of the panelists in the program "*Kapihan sa Baguio"* that coincided with the launching of Consumer Welfare Month with the theme, "Making Digital Markets Fairer". Among other things, the following were discussed during the program: laws applicable to solicitation of investments; legal requirements for entities intending to engage in an investment business; as well as penalties and consequences of unauthorized solicitation of investments from the public. This panel discussion was done simulcast via SkyNews TV Baguio, DZWT Radyo ng Bayan Baguio, KLite FM and social media through Facebook Live at Philippine Information Agency (PIA) Baguio Facebook page. Through these lectures and public advisories, SEC-BEO empowered the investing public by making them understand the basics of investment and investment scams, thus enabling them to make sound decisions on investment matters.

Cagayan de Oro Extension Office

I. Intensified Investigation Against Investment Scams and Forging Partnerships with LGUs and Law Enforcement Agencies

1. Halted triumphantly the proliferation of unauthorized investment solicitation activities in Region X which employ cryptocurrency and forex trading undertaken by Freedom Traders Club, Ploutos Coin, and Mark B. Freeman with the support of the Local Government of Cagayan de Oro City.

   The SEC, Cagayan de Oro extension office has enlisted the assistance of the Local Government of Cagayan de Oro particularly the Committee on Trade and Commerce to hold series of committee hearings in order to compel the appearance of Mr. Mark B. Freeman. The Con man, Mr. Freeman, appeared on 3 August 2018 hearing and his answers during the hearing provide a solid evidence, reinforcing the facts gathered in our investigations, of his illegal activities of selling securities using forex trading and his cryptocurrency, Ploutos coin. He further declared that his present members are 40,000. Thereafter, numerous cases have been filed, in violation of the provisions of ACT 3815, the Revised Penal Code, and PD 1689, at the office of the National Bureau of Investigation in Region X. This office, upon sufficient evidence, requested the Commission for the issuance of Cease and Desist Order. This collaboration with the LGU including some other Law enforcement agencies like PNP, NBI, and DTI has been in place and in effect even for any future investment scams that may be affecting this City. Previously, our investigations and gathering of evidences in Cagayan de Oro City are solely confined from the investigations conducted by this office.

2. Carried out an intensive gathering of evidences on the new type of investment scam in the form of donation sufficient to warrant the issuance of SEC Advisory and Cease and Desist Order against Kapa-Community Ministry International, Inc. (Kapa).

   Kapa has been selling and offering securities to the public in the form of donation for over one (1) year without securing any authority from the Commission. The upsurge in the number of investors and members is very alarming. Since no one from among the two million (2,000,000) investors has filed any complaint or is willing to cooperate and help the Commission, the staff of this office were authorized to hold an investigation at the premises of Kapa, two (2) branch offices in Surigao City and Bayugan City, where the transactions are blatantly done. This means risking their lives and placing themselves in jeopardy. However, they have successfully gathered sufficient evidence that warrant this office to urgently request the Commission for the issuance of Cease and Desist Order against the illegal activities of Kapa.

3. CRS made EASIER by the conduct of the following:

   Upon the implementation of the complete automation of registration of new corporations and partnerships, registrants were unfamiliar and hesitant with the use of internet, on top of it, internet connections in this part of the country are not stable and a few don't even have internet access. To address this handicaps SEC-CDOEO conducted weekly public information seminars and conducted hands on training on crs client module at the SEC-CDO second floor conference area, participated and introduced crs in an out-of-town seminar in Butuan hosted by DTI-CARAGA entitled "Small Business Counselors Course (SBCC 102) Business Environment. It also established kiosk at the SEC CDO ground floor area where daily walk-in clients, could use computers with internet access and would be assisted in the account creation, name reservation, encoding, scanning and on-line submission free of charge.

4. Holding of four (4) Investor Information Seminars in Regions X and XII which affords broader scope of public education.

   The SEC-CDOEO, in line with the Commission's GAD programs, organized and facilitated the conduct of Investor Information Seminars in Cagayan de Oro City and Butuan City on 26 & 27 September 2018 and 4 & 5 December 2018, respectively. The main features of these seminars are Investment Scams, Cryptocurrencies and Forex Trading, and Legitimate Investment Products. The events in Cagayan de Oro were realized in partnership with Capitol University wherein the school offered their air-conditioned multi-purpose hall, for seminar proper, and their theater, for the press conference, the place where 2016 presidential debate in Mindanao happened. Similarly, in Butuan City, it was in collaboration with the Local Government of Butuan and the venue was held at Watergate Hotel, Jose Rosales Ave. of that city. Each of those seminars in average has 232 participants who were representing numerous organizations, offices in private and government sectors like the following: consumer organizations, irrigators associations, private corporations, lending companies, accountants, IBP, professionals, Philippine National Police, DTI, LGU employees, NBI, students, & other organizations. At the end, all participants were urged to share those learnings and information to their friends, colleagues, and relatives. Hence, these investor information seminars significantly provide larger scope of public education in Regions X and XIII.

Speakers from Head Office for the Investor Information Seminar held at Capitol University, CDO last Sept. 26-27, 2018

PNP, LGUs, professionals attended the Investor Information Seminar held last September 26, 2018

Press Conference held at Capitol University Theater last September 26, 2018

College students from various universities in CDO attended the Investor Information Seminar held last September 27, 2018

Councilor Andaya, in behalf of LGU Butuan, gave his welcome remarks to the participants of the Investor Information Seminar held at Watergate Hotel, Butuan City last December 4, 2018

Commissioner Javey Paul Francisco in delivering his opening remarks to the students who attended the 2nd day of the Investor Information Seminar held last December 5, 2018 at Watergate Hotel, Butuan City

Press conference held at Watergate Hotel, Butuan City last Dec. 4, 2018

Cebu Extension Office

In October 2018, the SEC has implemented the FAST TRACK processing. This is to cater the demand of the public to expedite their applications for new registration of companies and to lessen the volume of identified backlog applications which were not yet processed or finalized. FAST TRACK is a hybrid-manual transition measure that facilitates faster resolution or approval of pending CRS applications. Those who wish to utilize the FAST TRACK lane will have to encode/upload their application online first. However, they will have to manually submit original copies of signed and notarized documents for checking and post-processing before they can claim their Certificates of Registration.

By utilizing FAST TRACK, processing time is reduced since documents will be reviewed on-the-spot. Uploading and online processing of documents, which heavily rely on stability of internet connection, are eliminated on this lane.

Due to manpower constraints, carrying out the FAST TRACK was a bit challenging. In response to the request to prioritize CRS applications, CEO was able to process a total of 160 applications in October, 105 applications in November, and 150 applications in December. However, during November, CRS was experiencing a downtime, which delayed the processing and approval. For this reason, all the applications have undergone manual processing. Due to such shift, there was a considerable increase in the number of our clients.

By the end of 2018, CEO was able to meticulously process 400 out of 500 pending applications. Thanks to the hardworking men and women of the Cebu Extension Office, we catered much to our clients who are in dire need of assistance in processing their applications.

Davao Extension Office

The year in review was a remarkable one for the SEC Davao Extension Office (DEO). It was during this period when DEO transferred to its newly leased office at the 2nd floor of the SDC Building in Purok 13, Maa, Davao City. The bigger and better space of the new DEO Office complemented by a dynamic team of 13 personnel played an instrumental role to DEO's sustained delivery of public service in 2018.

DEO personnel rallied together to ensure that transfer to the new Office does not hamper the services it provides to its clientele. The relocation of DEO to a new environment was completed in just three days commencing and ending on the 7th day of April and 10th day of the same month respectively. The new DEO office was blessed on April 18, 2018 with the presence of then-Commissioner now SEC Chairperson, Emilio B. Aquino. The realization of DEO having a bigger and better office was made possible through collaborative effort between the Procurement Division of the HRAD and DEO personnel themselves.

Indeed, 2018 was a notable period for DEO. During this year, its own Director, Javey Paul D. Francisco, was appointed as Commissioner of the Securities and Exchange Commission on April 24, 2018. Director Francisco was DEO's Director for more than a decade. DEO family was so pleased with the appointment of its own Director to the SEC top management. Having played various roles at SEC-Davao Extension Office, the whole of DEO staff is optimistic that Commissioner Francisco shall play a more active role in the formulation of policies for the betterment of the institution of which he once served and will continually serve.

As complement to the Company Registration System (CRS), the FAST TRACK (Facilitated Automated System Transaction–Timely Registration Action Kiosk) was adopted for the SEC Extension Offices to assist in the disposition of applications for registration. In DEO alone, 284 applications for registration of stock corporations, 180 applications for registration of non-stock corporations and 32 applications for registration of partnerships, or a total of 496 applications for new registrations were processed and issued Certificates of Registration for the year ending 31 December, 2018.

Table 1. Number & Type of Companies Registered by DEO FY 2018

Stock Corporation	284
Non-Stock Corporation	180
Partnership	32
Total	**496**

The elements of reliability, resiliency, competency, and efficiency provided the framework for DEO to continuously and consistently meet its intention of ensuring that the Commission's services are brought closer to the public. SEC-DEO will be at all times committed to ascertaining that the SEC values of: integrity, professionalism, accountability, independence, initiative and teamwork be the guiding principles as it renders excellent service to the public.

Iloilo Extension Office

The Securities and Exchange Commission-Iloilo Extension Office (SEC-IEO) serves Western Visayas that includes the provinces of Iloilo, Antique, Capiz, Aklan, Negros Occidental and Guimaras Island. Iloilo has rich agricultural resources, as well as commercial and industrial environment. The province is further bolstered by the rise of premier BPOs, medical, retail, and educational institutions around it. Its resurgence as investors' haven is undeniable such that putting up investments in and around the place is encouraging. SEC-IEO reached out to its neighboring provinces to conduct investors' forum to educate as well as to protect investors. In line with the Commission's intensive effort on public information campaign, SEC-IEO conducted ten (10) investor's forum. The SEC with all the partner-organizations laid the groundwork for the fora which successfully brought SEC close to the Public and fulfilled its duty of educating and protecting the investors.

Rapid advances in technology and rising client expectations are reshaping SEC. To adapt to these developments, and in support to the Company Registration System (CRS), SEC-IEO adopted the FAST-TRACK (FAST – Facilitating Automated System Transaction, TRACK- Timely Registration Action Kiosk) – a hybrid manual processing intervention. In just a little amount of time which commenced on October 22, 2018, IEO processed and approved 236 entities from neighboring provinces.

BY PROVINCE	Total
ILOILO	100
NEG.OCC.	93
NEG.OR.	1
CAPIZ	12
AKLAN	16
ANTIQUE	7
GUIMARAS	2
LAGUNA	2
MALABON	1
SURIGAO DEL NORTE	1
CEBU	1
TOTAL	236

SEC-IEO was invited by the National Economic and Development Authority (NEDA) as one of the resource persons on the occasion "Orientation and Consultative Meeting on the Socio-Economic Indicators and Prescribed Forms" held at Jalaur Conference Room, NEDA-VI Building, Fort San Pedro, Iloilo City. SEC-IEO in coordination with the Information and Communications Technology Department (ICTD) of SEC Head Office provided for the consolidated data instrumental to have a common understanding among regional agencies present during the forum.

SEC-IEO collaborated with and participated in eight (8) inter-government agency's consultative meetings/fora/seminars.

SEC-IEO actively participated four (4) SEC initiated learning and development programs (LDPs) and three (3) Annual Conventions/Seminars of Professional Organizations for year 2018.

As support to the official opening of the SEC-Bacolod Extension Office, the SEC-IEO personnel attended as part of the administrative SEC contingent to welcome all Bacolod registrants, local officials, press and the public to the momentous inauguration of Bacolod Extension Office on November 23, 2018 together with the Top Management from the SEC head office especially the Commissioners. The inauguration was attuned with the 73rd Philippine Institute of Certified Public Accountant (PICPA) Annual Convention on November 22-24, 2018 at the SMX Convention Center, Bacolod City, thus all SEC CPAs attendees also witness the opening ceremony of the newly opened Bacolod Extension Office.

For the year 2018, SEC- Iloilo Extension Office (SEC-IEO) personnel worked hand in hand in achieving the total collection of Php22,957,908.74. In collecting Php22,957,908.74 the SEC-IEO only incurred Php12,703,112.50 expenses resulting to Php10,254,796.24 net income for the year 2018.

As to SEC-IEO monitoring activities for the year 2018, the total number of firms/reports monitored in compliance with SEC reportorial requirements is 10,084 and 2,057 were compliant entities pursuant to standard rules, procedures, and prescribed time. Information materials distributed to enhance public awareness of capital market is 1,928.

For the Lending Corporations, one (1) complaint was resolved for the year 2018. The complaint on Vision Iloilo Lending Located at Tagbak, Jaro, Iloilo City was resolved on May 16, 2018.

Two (2) Lending Corporations namely FGV Lending Solutions Inc. with office address at 2888 H. Santos, Tejeros, Makati, Metro Manila and WCI Philippines Inc. with office address Unit 1943 19th Floor Marco Polo, Ortigas Manila Sapphire Road San Antonio, Pasig City with complaints was emailed to the CGFD through Ms. Tesorio for appropriate action. One (1) validated status of Lending Corporation (JL Priority Lending Corporation) reported to CGFD. A certification issued by SEC-IEO to CGFD regarding the status of four (4) entities/corporations engaging in Lending Activities.

Legaspi Extension Office

The SEC Legazpi Extension Office (LEO) continues to service the six (6) provinces of the Bicol region, namely; Albay, Camarines Sur, Camarines Norte , Sorsogon, Catanduanes and Masbate; and the seven cities of the region namely; Legazpi, Ligao, Naga, Iriga, Tabaco, Sorsogon and Masbate.

The SEC-LEO manually processed and approved 178 applications for amendments in Articles of Incorporation & By-Laws, Amendments of Articles of Partnership and Increase of Authorized Capital Stock; as well as assist more than 219 corporations who registered online. It continued the monitoring/review of reportorial requirements of registered corporations in the region. For this year, 975 stock and non-stock corporations were monitored, out of this 575 corporations were compliant.

Further, the office continued to exercise its other functions, 2,086 Financial Statements were received and analyzed, 2,321 General Information Sheets were evaluated. 142 Special Forms for Lending were also received and evaluated, while 947 Information materials were disseminated to the public.

Numerous other services were also rendered to the public: 1,128 certified true copies were issued, 174 photocopies were issued, 86 Certification of No Derogatory Information were prepared and issued, 12 other Certification of Corporate Filing/Information and Certificate of financial status/structure/information were issued, regular/daily public assistance of walk-in clients and /or written queries about registration requirements.

During this year, the SEC-LEO Director, Director Marylou Duka-Castillo was a regular guest in various TV and radio programs, she granted weekly interviews to inform the public on SEC registration procedures and answer queries on other matters like the updates/developments of online registration and some investment scams.

The Legazpi Extension Office also responded to various queries which were made in person and by telephone; assisted/responded to queries and interview from students of various colleges and universities in the region. The office, moreover, provided company and industry listings and the related company registration and investment statistics to government agencies like NEDA and PSA.

Inter-agency cooperation*:*

The SEC-LEO Director is an active officer of the REDIRAS, an inter-agency organization in the Bicol Region promoting active cooperation by and among member-directors and the office they represent to better serve the public. She is also a regular member of the Regional Law Enforcement Committee on Financial Fraud, Tax Evasion and Currency Violation and a non-voting member of the Regional Development Council of Region V and a member of the Legazpi City Investment and Tourism Promotion Board. Likewise, she is also an active member of the Regional Statistical and Coordinating Board. She is still an active officer of the Integrated Bar of the Philippines (IBP)-Albay Chapter.

SEC-LEO also participated and gave support to the initiatives of the city government of Legazpi, particulary during the Ibalong Festival.

Tarlac Extension Office

The Tarlac City Extension Office (TEO) of SEC was established as a geo-strategic response to the growing corporate demands for registration services outside Metro Manila and for monitoring of corporations within Central Luzon and other neighboring provinces. Its core functions are the following:

- Registers corporations and partnerships
- Processes and grants licenses to lending companies and branch office of financing companies
- Processes applications for amendments of articles of incorporation/partnership, and their respective by-laws
- Processes petitions for correction of the articles of incorporation and by-laws and their amendments and petitions for revocation of certificates of filing of amended articles of incorporation and amended by-laws
- Monitors compliance by corporations within its area of responsibility

The SEC Tarlac Extension Office (TEO) brought the Commission's services to the province of Tarlac and its neighboring localities since its inauguration and onset of operations in March and April of 2012 respectively. During the year in review, TEO conducted the following public consultations:

- Dialogue with the Aetas at Capas, Tarlac on May 30, 2018
- SEC with IPs (Indigenous Peoples) Organization Consultation at Capas, Tarlac on June 13, 2018

To safeguard the public from investing their hard earned money with investment scams and other unlawful investment taking schemes, TEO organized an Investor Information Drive held at PNP Tarlac Provincial Office, Camp Macabulos, Tarlac City on Dec. 17, 2018.

TEO's investor awareness campaign and SEC information drive has also reached the academe. TEO conducted 3 lecture briefings for students of the Tarlac State University (TSU) in Tarlac City on several occasions:

- Seminars on Company Registration & Fighting Scams on November 5, 2018
- Seminars on Company Registration & Fighting Scams on November 12, 2018
- Seminars on Company Registration & Fighting Scams on November 17, 2018

TEO was really committed to making the public informed and aware about SEC and its services. In October 24, 2018, TEO participated as resource person in a media interview via radio at DZNE Teleradyo in Palayan City, Nueva Ecija.

In 2018, TEO processed and approved 368 Stock Corporations and 176 Non-Stock Corporations. It also recorded 41 Articles of Partnership.

Table 1. Number & Type of Companies Registered by TEO
FY 2018

Stock Corporation	368
Non-Stock Corporation	176
Partnership	41
Total	**585**

TEO vigilantly monitored the compliance of registered entities with the various laws and regulations to which they are covered and are enforced by the Commission. During the year, TEO monitored 1,066 entities broken down into: 739 Stock Corporations; 241 Non-Stock Corporations; 19 Financing Companies; 48 Lending Companies; 14 Foundations; and 5 Microfinance NGOs.

Table 1. Number & Type of Companies Monitored by TEO
FY 2018

Stock Corporation	739
Non-Stock Corporation	241
Financing Companies	19
Lending Companies	48
Foundations	14
Microfinance NGOs	5
Total	**1,066**

II. Organizational Development

A. Information Systems Development

The Information and Communications Technology Department (ICTD) handles the development of information technology architecture for the Commission. It is responsible for the formulation and implementation of the SEC Information Systems Strategic Plan (SEC-ISSP). Likewise, it leads in the procurement planning, acquisition and deployment of all Information and Technology Resources vis-à-vis the SEC-ISSP. Also, ICTD leads and facilitates application systems development undertakings, inclusive of administration, maintenance, promotion and deployment of such systems, capacity planning activities and administration of network and communications infrastructure of the whole Commission.

Electronic Records Management

The SEC through its Electronic Records Management Division (ERMD) under the ICTD has once again exhibited excellent service to the public with improved Public Waiting Time, where 95% of clients is being served in less than one hour at the Public Reference Unit as of the 4th quarter of 2018. Survey conducted from walk-in clients at the PRU for the last 6 months of 2018 shows that 97% are in favor of the SEC Express System being implemented at the PRU. Their remarks include efficient service, faster turn-around time and friendly staff.

The ERMD generated a total income of P43,875,257 from January to December 2018. This is 22.47% higher than the previous year. A total of P34,521,053 or 78.68% has been generated both from appointment and courier delivery of plain and authenticated copies of SEC documents in 2018 using the SEC Express System. A total of P9,049,944 or 20.63% was derived from iView-related services while the remaining P304,260 was generated from microfilm documents-related activities.

Document Conversion

The following figures show the number of converted documents by the Micrographics Unit:

Description	Total Number in Pages
Back files records (prior to 1996)	13,800
Current Files	7,036,000
TOTAL	7,049,800

The ERMD continued to provide other options in filing of reports. For 2018, we have included the SEC Express Nationwide Submission (SENS) of reports available through the SEC website. The Online Documents Retrieval System was awarded to SVI-Software Services Corporation. This will serve as additional retrieval facility for SEC employees to facilitate monitoring of companies and also to render quality service to the public.

Systems Operations

ICTD established the VPN connectivity of Bangko Sentral ng Pilipinas (BSP) and SEC in line with the implementation of FINANCIAL STABILITY FORUM-EIS (FSF-EIS).

Under Multi-Protocol Labeling Switching (MPLS) Project, the initial phase of installation of infrastructure component at the SEC Main Office, Iloilo Extension Office and Zamboanga Extension Office was completed which is about 36% of the overall project requirements and other components remain “in progress”. The MPLS is a connectivity infrastructure system that will establish the network link of the SEC Main Office and eight (8) Extension Offices located in Baguio City, Tarlac City, Iloilo City, Legaspi City, Davao City, Cebu City, Cagayan De Oro City and Zamboanga City. This system will provide standard dedicated leased line and internet connection to the said offices.

ICTD provided the necessary technical support requested by ERTD and Joint Venture (JV) on the on-going development of the Company Investments and Financial Statistical System (CIFFS) Project. Said support is the review of technical documents, coordinating effort to establish network connectivity between SEC, cloud hosting provider (Amazon) and in-country Disaster Recovery (DR) site of the JV.

Likewise, ICTD provided the necessary support on the Company Registration System (CRS) as continuing effort to ensure and maintain its operational status and availability. This support is collaboratively performed by ICTD and the third party solution provider. The same initiated coordinating efforts and technical support in the development and implementation of Lane for Easy Application Processing (LEAP). This is an extended facility currently available in the Company Registration System (CRS) that will cater and facilitate the processing of application registration of companies with simple and single purpose.

Information Systems Development and Management

ICTD updated and submitted the SEC Information Systems Strategic Plan (ISSP) 2018 – 2020 in compliance with the Department of Information and Communications Technology (DICT) prescribed-ISSP Template. The update specifically covers the Year 2020 ICT Projects’ Budget requirements of the Commission, for final evaluation and endorsement of DICT to DBM.

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. These consist of enhancement and development of the following:

a. National Numbering System – ISDMD completed the development of the 1st Phase of the National Numbering System (NNS). The development of the NNS will enable the SEC to assume the role of SEC National Numbering Agency (NNA) for all financial instruments issued in the Philippines.

   The NNS allows 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 guidelines and CFI guidelines as provided by the Association of National Numbering Agencies (ANNA).

b. CRS Support System - Completed the development and implementation of the CRS Support System

   A web-enabled system that serves as an additional facility for the CRS application. The system has the following sub-modules:

   i. Online verification of CRS application status
   ii. SMS Notification of application status
   iii. Certificate of Registration Release Tracking

c. External Auditors and Auditing Firms Accreditation Registry System (EAAFARS) – ISDMD completed the development of the initial phase which is the Front-end modules of the External Auditors and Auditing Firms Accreditation Registry System (EAAFARS).

   The system allows online submission of initial application and renewal of accreditation of External Auditors (Firms and Individuals) and uploading of supporting documents via the front-end facility for initial screening. The system also allows electronic interaction with the applicant on the results of the evaluation of the application. Once all documents are found to be in order, an email notification is sent with assessment of fees via the back office facility. Upon payment of fees, the original documents are submitted for final processing, generation and release of Certificate of Accreditation.

d. SEC i-View eLoading System - ISDMD completed the enhancement of the SEC i-View eLoading System, as differentiated from the PIN Mailer only purchased at the SEC Cashier to load credits, which allows crediting of the SEC i-View pre-paid account electronically through the Land Bank of the Philippines e-Payment Portal (LBP ePP). It is offered to SEC i-View user for more convenience in loading credits anytime (24 X 7), anywhere (online) and anyway (any device).

e. Capital Market Participants Registry System (CMPRS)- ISDMD completed the enhancement of the Capital Market Participants Registry System (CMPRS).

   The system allows online submission of applications for registration and processing of annual fees of capital market participants (institutions and individuals) together with the uploading of supporting documents via the front-end facility for initial screening. Once all documents are found to be in order, an email notification is sent with assessment of fees via the back office facility. Upon payment of fees, the original documents are submitted for final processing, generation and release of Certificate of Registration and Certificate of Payment of Annual Fees. Likewise, with CMPRS, CRMD and MSRD share a common database for updating the status and monitoring of capital market participants.

f. Adoption of Document Tracking System (DTS) of the Department of Information and Communications Technology (DICT)

ISDMD adopted the in-house developed application software package of DICT to address the requirement of Corporate Governance and Finance Department (CGFD) to have a system that will track the movement of document from one processing point to another. The system was presented to CGFD and comments were provided. ISDMD revised the system based on the comments and to be initially implemented to CGFD.

The ICTD supervised the in-house developed Information Systems: (1) Certification Issuance System – Unified Reference Database (CIS-URDB), (2) Procurement Monitoring and Tracking System (PMTS), (3) i-Message Mo Facility, (4) Capital Market Participants Registry System (CMPRS), (5) Website Content Management System (WCMS), (6) SEC i-View eLoading System, and (7) CRS Support System (CRSSS). The division assured system uptime and maintenance of ICTD in-house developed information systems, and conducted regular backup all ICTD database for all its information systems.

The SEC Website plays an important role in sharing vital information of the Commission to its stakeholders and general public. The website serves as the online office of the Commission which holds vast information such as Laws, Rules, Decisions, Circulars, Memoranda, Advisories, CDOs, Forms and Fees, and among others, available for utilization of its stakeholders and general public. It enhances the Commission's efficiency and effectiveness in the delivery of public service by providing alternative communication channel between the Commission and its stakeholders and general public.

All contents/information in the SEC Website are managed properly through regular updating and monitoring to ensure relevant, timely and updated contents/information.

With the help and approval of SEC Data Protection Officer (DPO), ICTD completed and implemented the Data Privacy Notice and Consent Form for the operational systems namely: i-Message Mo, SEC i-View eLoading System, and Capital Market Participants Registry System. A Privacy Policy page in the SEC website is also created where said documents are posted.

B. Human Resource Development and General Administration

The Human Resource and Administrative Department (HRAD) is the human capital and general administration arm of the Commission, HRAD handles matters on recruitment and selection, training and development, scholarship grants, performance management, merit promotion, employee welfare and administrative disciplinary actions. It also provides the following administrative and general support to the departments and offices of the Commission:

- Provision of 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
- Management of the Citizen's Charter and monitoring compliance with the Anti-Red Tape Act of 2001 (RA 8794)
- Implementation of SEC Gender and Development (GAD) programs
- Administration of the internship program of the SEC
- Coordination with the ERTD and FMD with regard to compliances required by the AO 25 IATF

Manpower Complement

As a result of the Commission's proposal to DBM for additional positions to strengthen and enable its existing offices/units to perform its additional functions and responsibilities, and to enhance its institutional capacity for an effect and efficient delivery of services, on 9 March 2018, the Department of Budget and Management (DBM) approved the creation of one hundred sixty-six (166) positions. DBM recognized the importance of the Commission's role in the development of the economy as the country's corporate registrar and regulator, and the progressive overseer of a robust and inclusive capital market.

That prior to the DBM's grant for additional number (166) of personnel, there were 491 plantilla positions, hence, there were a total of 657 plantilla positions.

Further, on 28 November 2018, the DBM has approved the creation of ten (10) positions for the operations of the Bacolod Extension Office pursuant to Republic Act No. 10785 dated 3 May 2016. Hence, the SEC has a total of 667 Plantilla positions.

That the Commission created on 15 February 2018 a Committee to study and revise its existing Qualification Standards (QS), Job Description and Duties and Responsibilities to ensure adherence to existing human resource policies/standards set the Civil Service Commission (CSC). That based on a comprehensive job analysis and audit of actual duties and responsibilities, the Commission had passed the enhanced competency-based QS. That upon passing by the Commission of said QS, SEC forthwith published all vacant positions.

To ensure that Commission is able to effectively and efficiently perform its mandate of promoting the integrity of the capital market, protecting investors and in being the judicious administrator of a reliable and secured company registration and information system, it continuously filled up vacant positions.

There were a total personnel complement of 427 as of 31 December 2018.

For the succeeding period, the Commission aimed at filling up the remaining 240 vacant positions to complete its workforce that support towards attaining the goals of SEC and ensure the performance by SEC of its core mandates and functions, as well as to enable the SEC to conform to various laws, Presidential directives and other executive issuances.

In-House Trainings

The Commission has conducted forty-two (42) in-house trainings for its personnel, benefiting at least sixty percent (60%) of SEC employees (wherein 95% of Extension Offices personnel were covered) at an aggregate cost of at least Php2.4 Million (which was 30% greater than that was spent for trainings in 2017). Based on the previous number of trainings facilitated, the Commission seen that training as an investment for the employees to acquire learning opportunities for improved performance.

New Extension Office

The SEC inaugurated its Bacolod Extension Office on 23 November 2018 to bring its services closer to its stakeholders in Bacolod City and Negros Occidental, and to foster inclusive growth in the area.

SEC Chairperson Emilio B. Aquino, Comm. Javey Paul D. Fransciso, Bacolod Mayor Evelio Leonardia, and Rep. Greg Gasataya cut the ribbon to officially open the SEC Bacolod Extension Office.

C. Economic Research and Training

Economic Research and Statistics

The Economic Research and Training Department (ERTD) provides the following valuable support to the different functional areas of the Commission and other support units.

- Formulation and monitoring of the Commission's strategic and operational plans
- Preparation of the Commission's inputs to governmental plans and related reports/updates
- Preparation of materials on the policies, plans, and programs and accomplishments of the SEC for reporting to government oversight agencies
- Act as the focal SEC department in the conduct of matters pertaining to performance governance and quality management systems
- Coordination of statistical compilation activities and representative of the Commission in inter-agency collaboration on statistical concerns
- Conduct of capital market orientations/seminars as well as certification programs for capital market professionals
- Provision of technical and administrative support to the conduct of various seminars, both in connection with the Commission's projects and other projects of the Commission with other agencies

- Annual Evaluation and Ranking of the Top Corporations

  The Commission, through the ERTD, undertook the drafting of the *"The Philippines' Top 1,000 Corporations: Thriving in Exigent Economy (2016 Edition)"*, which provides insights on the financial performance of the Philippines' top 1,000 corporations during the Fiscal Year (FY) 2015. It also features a review of the sectoral corporate performance side by side with the direction of the national economy, among others. It likewise aims to inform the public and encourage the use of the corporate data for investment decisions, knowledge management, and corporate governance.

The ERTD has also completed the data processing of the top 1,000 corporations for FY 2016 and currently completing that of the FY 2017. Selected Top 1,000 corporations data are being utilized for various statistical and policy-making initiatives, among others:

1. In the implementation of the Financial Sector Forum's (FSF) Electronic Information System (EIS), a web-based facility that allows authorized users to upload reports and information for sharing by other member-agencies, the SEC shared financial information covering the FYs 2012 to 2016 ranking of the Top 1000 Corporations that served as the facility's initial key performance indicators (KPIs) and as basis for generating market information to identify brewing financial pressures, and for preparing financial ratio analysis and financial surveillance dashboards.

2. In the DOF's analysis of the grant of incentives in relation to the Tax Reform for Acceleration and Inclusion (TRAIN) Package 2, the SEC provided selected financial performance indicators of the top corporations from FYs 1996 to 2016 and copies of the FY 2015 AFS of firms engaged in key business activities.

3. In the Senate Tax Study and Research Office's (STSRO) preparation of impact analysis on the effect of increasing the tax rate on capital gains from sale of shares of stock not traded in the stock exchange by corporations, the ERTD prepared and provided the cumulative number of registered corporations and partnerships, and cumulative number of foreign corporations with license to do business in the Philippines as of end of year 2017.

<u>Company, Investments, and Financial Statistics System (CiFSS)</u>

The Commission, in its goal to provide convenience to the reporting public and deliver accurate and timely reports to its internal and external stakeholders, embarked on the CiFSS project. The CiFSS, which is the first cloud-based system to be implemented by the SEC, will provide a platform for external users to access data on registered firms, including the 2016 and 2017 filings of the audited financial statements and general information sheets on a pay per view or print basis. This system is primarily a statistical reporting system, which can also support certain compliance-monitoring functions of the SEC operating departments. This system is also expected to facilitate inter-agency collaborations on statistical concerns and in the financial regulators' efforts in the area of financial stability monitoring.

The CiFSS is the first cloud-based system to be implemented by the SEC, where the procurement for a fully managed Infrastructure as a Service (IaaS) was undertaken through a public bidding conducted by the Procurement Service - Department of Budget Management (PS DBM). The procurement activities for the CiFSS project including the issuance of the Notice to Proceed were completed in April 2018. Thereafter, the following project activities were conducted in 2018:

1. Approval of Inception Report;
2. User Requirements Gathering Sessions for the development of Business Requirements Documents, Functional Specification Documents and Technical Specification Documents;
3. Registration of the CiFSS as one of the SEC data processing systems, and completion of SEC Privacy Impact Assessment for the project in accordance with the National Privacy Commission's requirements;
4. Setting up of the development environment and cloud infrastructure; and
5. Initial consultation with the LandBank of the Philippines (LBP) for the setting up of an online payment gateway, taking into consideration the payment monitoring and reporting requirements of the oversight agencies concerned.

The ERTD oversees the CiFSS Project alongside the ICTD to help ensure that the functional and technical specifications are accordingly translated in the system's development and implementation.

- Economic Research and Statistical Services

  The ERTD continued to participate and coordinate activities of the Commission in various inter-agency meetings related to multilateral[2], bilateral[3] and regional[4] free trade and economic partnership agreements and financial stability related matters as resource person, and also as member of several Technical Committees and/or Technical Working Groups created for certain studies and researches in support of the operating departments concerned.

  As TWG member, ERTD provided administrative and technical support in the drafting of agency inputs; undertook internal coordination with agency focals on the gathering and consolidation of inputs; and facilitated submission of official agency inputs and commitments, to lead coordinating bodies, i.e., the Philippine Working Group on Services (PH-WGS) led by the DTI, Inter-Agency Committee on Trade in Services (IAC-TIS) led by NEDA, the Inter-Agency Committee on Financial Services Liberalization (IAC-FSL) led by the DOF.

  Relatedly, the ERTD coordinated the submission of the Commission's inputs (1) for the Regional Comprehensive and Economic Partnership (RCEP) Agreement; (2) for the ASEAN Framework Agreement on Services (AFAS); and, (3) for the General Review of the Philippines Japan Economic Partnership Agreement (PJEPA).

  The ERTD also participated in the BSP's efforts on the compilation of data for the Other Financial Corporations Survey (OFCS). In 2018, it has provided the BSP Department of Economic Statistics (DES) with data on the FY 2015 Top 1000 corporations, and the shortlist of SEC-regulated OFCs to be covered in the OFCS information session held in August 2018, primarily to foster better understanding and appreciation of the importance and purpose of the new data standard initiative, and in support of the BSP's objective to expand the coverage of the Survey.

  In support of the Philippine Statistics Authority's (PSA) goal of delivering better quality statistics for evidenced-based policy making, program implementation and monitoring, the ERTD actively participated as a member of the Inter-Agency Committee on Investment Statistics (IACIS), provided agency inputs on the official definition of registered foreign direct investments for the Glossary of Official Investment-Related Definitions for Statistical Purposes, for integration in the realized investments framework of the Philippine Statistical Development Plan (PSDP 2018-2023), specifically on the chapter for industry trade services and investment statistics.

  The ERTD participated in the continuing activities of the IACIS and the newly-established Inter-Agency Committee on Monetary, Financial and Government Statistics (IACMFGS) in pursuing activities, projects, and programs laid down in the PSDP, along with other efforts on statistical concerns, such as developing the framework for the measurement of realized investments, and the provision of the country's inputs to the compilation of data on other financial corporations required under the International Monetary Fund's Special Data Dissemination Standards (SDDS) Plus.

  Finally, the ERTD also provided the corporate sector data (i.e. number and amount of initial paid-up capital investments/contribution of newly registered domestic stock corporations,

[2] WTO General Agreement on Trade in Services or WTO-GATS

[3] Composed of the following: ASEAN Framework Agreement in Services (AFAS), ASEAN Trade in Services Agreement (ATISA), ASEAN Economic Community (AEC), and Regional Cooperation and Economic Partnership Agreement (RCEP)

[4] Composed of the Philippine Japan Economic Partnership Agreement (PJEPA), Philippine-European Free Trade Association Free Trade Agreement (PH-EFTA), Philippine-European Union Free Trade Agreement (PH-EU FTA)

and partnerships, number and amount of initial paid-up of initial capital investments/contribution of foreign investments in newly-registered domestic stock corporations, and partnerships) and FY 2017 and 1st quarter FY 2018 registration data to the PSA head office for the publication of the FY 2017 Philippine Statistical Yearbook (PSY), and preparation of estimates on the Leading Economic Indicators (LEI). Relatedly, the department provided the PSA-Cebu Regional Office with statistics on the FY 2017 number of newly registered domestic stock corporations and partnerships for the province of Cebu to be used in coming up with the 2017 Cebu FactBook, and the PSA-Caraga and Calabarzon Regional Offices with the number of newly registered domestic stock corporations and partnerships for FYs 2004-2016 and FYs 2012-2016, respectively.

Capital Market Certification Program

- Capital Market Professionals' Certification Program

  The Commission, through the ERTD, commenced the development of certification modules on Anti-Money Laundering (AML), Risk Management (RM), and Corporate Governance (CG) in line with the competency requirements of capital market professionals. For this purpose, the SEC forged partnership with the Chartered Institute for Securities and Investments for the development of the AML Module, and with the Chartered Financial Analyst Society of the Philippines for the development of the RM Module. The CG Module, on the other hand, is being developed in partnership with the Corporate Governance and Finance Department.

  Under the SEC CP, the Commission generated a total income of **Php4.76 million** from both the conduct of seminars and examinations in 2018. The ERTD administered the following examinations and seminars within the year:

Venue	No. of Examination Sessions	No. of Examinees
Head Office	213	2,401
Provincial	4	234

Phase	No. of Seminars	No. of Participants
Phase 1	3	141
Phase 2 of the CP for prospective Equities Securities Salesmen	1	47
Phase 2 of the CP for prospective Compliance Officers/Associated Persons	1	30

- Financial Consumer Protection and Education

  In support of the Commission's commitment in financial education and investor protection, the ERTD held the following activities:

  1. Conducted student orientations benefitting 11 schools, with a total of 700 students and 27 faculty members;
  2. In partnership with EIPD, facilitated and coordinated the hosting of the seminars for non-profit organizations in November 2018, with topics on AML, company registration, as well as registration and monitoring of foundations;
  3. Provided administrative assistance to OGA in organizing the Industry Briefings conducted on 20 and 22 June 2018;

4. Participated in the first Financial Education Stakeholder's Expo, a gathering of financial experts and industry professionals, wherein SEC representatives were given the chance to interact with finance leaders and corporate stakeholders, thus expanding our networks on financial education; and
5. Conducted a Financial Literacy Survey (FLS) within the Commission and produced a report that was submitted to BSP to form part of the FLS Report of the Financial Sector Forum-Consumer Protection and Education Committee (FSF-CPEC).

As support to operations, the ERTD provided administrative and technical assistance to CGFD in hosting and organizing the yearly CG Forum in partnership with the Philippine Stock Exchange (PSE).

The ERTD also hosted the visits of foreign delegations to SEC. In partnership with the Departments concerned, the delegations were briefed regarding the Philippines' corporate sector and capital market. The delegations were from the (1) Filipino-Chinese (Fil-Chi) Belt and Road Project Management Corporation, which visited on 05 June 2018; and (2) FinTech World Blockchain Organization, which visited on 26 June 2018.

Strategic Management and Planning

In 2018, the ERTD spearheaded the development of the SEC Quality Management System (QMS) covering the registration of partnerships and corporations doing business in the Philippines and licensing of the capital market institutions and professionals. This was awarded with an ISO 9001:2015 Certificate by the TÜV Rheinland on 28 December 2018 upon confirmation that the SEC QMS complies with, adequately maintains and implements the requirements of the ISO 9001:2015 standards.

The ERTD coordinated the preparations and conduct of FY 2019 Focus Group Discussion held on 30-31 January 2018, and FY 2019 Strategic Planning Conference held on 20-22 February 2018. Through these activities, the SEC officials set the proposed FY 2019 direction and targets of the Commission. The targets set were consistent with the Program Expenditure Classification (PREXC) to ensure alignment of the activities and projects with the SEC mandate to develop and regulate the corporate and capital market.

Likewise, the ERTD managed the preparation of the Commission's performance reports submitted to various oversight agencies. As Secretariat to the Performance Management Team, the ERTD coordinated with SEC Departments and Offices concerned to monitor the Commission's compliance with the performance requirements and good governance conditions set by Administrative Order No. 25 Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems.

D. Financial Management

The Financial Management Department (FMD) leads the Commission on matters relating to the implementation of key Public Financial Management reforms of the National Government (NG). Specifically, it is at the forefront of the following support activities:

- Ascertain the proper recording of all SEC transactions in their respective accounting books
- Preparation of periodic financial statements and other financial reports, and the timely completion and submission of the Commission's AFS and other requirements for submission to COA
- Ensure the proper recording of all income and disbursements of the Commission, and that these are all covered by proper documentation – in terms of supporting papers, authorization, and within the SEC Budget
- Preparation and submission of the Commission's budget documents and financial reports required by Department of Budget and Management (DBM) and other agencies

For 2018, FMD accomplished the following:

1. **TOTAL COLLECTIONS/BUDGET UTILIZATION RATE**

   a. Total Collections as at 31 December 2018 amounted to **P4,119,827,440.74.** Out of the total collections, **P3,968,622,497.49** were deposited to the General Fund which exceeded the **P2,355,026,000.00** projected collection by **P1,613,596.497.49** or **69%** over target;

   b. Attained obligation utilization rate of 96.21% of total allotment of P698,788,000.

2. **FUND SOURCING**

   a. Coordinated with DBM for the release of Special Allotment Release Order (SARO) to cover the Mid-year pay for FY 2018 and PBB for FY 2017;

   b. Coordinated closely with the SEC Management and SECEA for the realignment of funds to cover funding requirement for the payment of Collective Negotiation Agreement (CNA) Incentive in 2019;

3. **COA MATTERS**

   a. Submitted to Resident Auditors for its approval the SEC's request for write-off of receivables on 28 November 2018. Said receivables aged twenty-six (26) years in the book of accounts;

   b. Submitted all documents to satisfy COA requirement which resulted in three (3) Notices of Suspension (NS) being LIFTED thru the Notice of Settlement of Suspensions/Disallowances and Charges issued by the Resident Auditors for the following:

      a.1) NS for payment of FY 2017 CNA incentive;
      a.2) NS for collection of mobilization fees from U-Bix Corporation; and
      a.3) NS for incomplete documentation under COA Circular No. 2012-001

   c. Reviewed thoroughly the documentary requirements prescribed by COA rules and regulations to avoid notices of suspension and disallowance.

   d. Coordinated and met with the COA main office with regards to status of COA Notices of disallowance and appeal before the Commission proper.

4. **CAPABILITY BUILDING OF FMD STAFF**

   a. The Accounting Division incorporated the pre-processing of Obligation Request and Status and Disbursement Vouchers to screen, review and comply with the strict documentary requirements prescribed by the COA Circular No. 2012-001 and other COA rules and regulations;

   b. Attended training about updates on COA rules and regulations, accounting, procurement, budgeting, taxation, internal control and CSC rules and regulations; and

   c. Complied with ISO 9001:2015.

Contribution to the National Government and Budget Utilization

SEC has a total collection as at 31 December 2018 amounted to P4,119,827,440.74. Out of the total collections, P3,968,622,497.49 were deposited to the General Fund which exceeded the P2,355,026,000.00 projected collections by P1,613,596.497.49 or 69% over target;

The Commission attained obligation utilization rate of 96.21% of total allotment of P698,788,000.

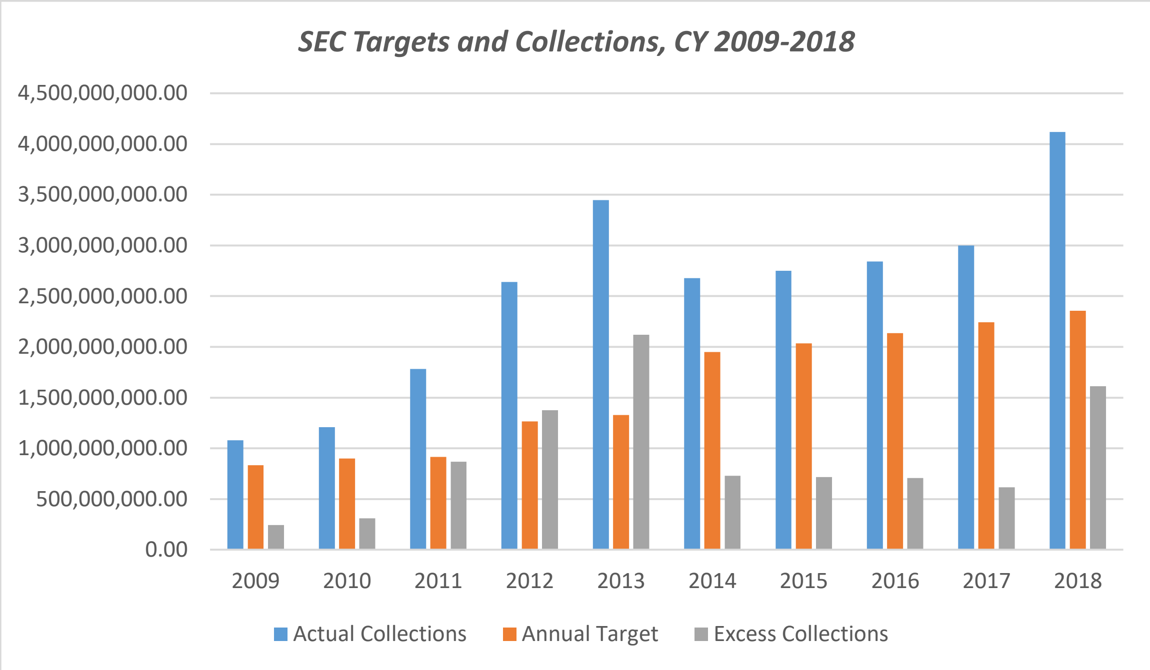


Chart. *SEC Targets and Collections, CY 2009-2018*
Source: FMD

Fund Sourcing

During the year, FMD coordinated with DBM for the release of Special Allotment Release Order (SARO) to cover the Mid-year pay for FY 2018 and PBB for FY 2017 and also coordinated closely with the SEC Management and SECEA for the realignment of funds to cover funding requirement for the payment of Collective Negotiation Agreement (CNA) Incentive in 2019;

COA Matters

FMD submitted to Resident Auditors for its approval the SEC's request for write-off of receivables on 28 November 2018. Said receivables aged twenty-six (26) years in the book of accounts;

Likewise, FMD submitted all documents to satisfy COA requirement which resulted in three (3) Notices of Suspension (NS) being LIFTED thru the Notice of Settlement of Suspensions/Disallowances and Charges issued by the Resident Auditors for the following:

a. NS for payment of FY 2017 CNA incentive;
b. NS for collection of mobilization fees from U-Bix Corporation; and
c. NS for incomplete documentation under COA Circular No. 2012-001

Also reviewed thoroughly the documentary requirements prescribed by COA rules and regulations to avoid notices of suspension and disallowance and coordinated and met with the COA main office with regards to status of COA Notices of disallowance and appeal before the Commission proper.

Securities and Exchange Commission
PHILIPPINES