

QAU Memo No. 10, s2019



In this issue:

The Securities and Exchange Commission has issued various Notices and Memorandum Circulars (MC) including the Amended Guidelines and Procedures on the Use of Corporate and Partnership Names, 2019 Revision of the GIS, Guidelines on the Number and Qualifications of Incorporators under the Revised Corporation Code, and Revised Guidelines on Securities Deposit of Branch Offices of Foreign Corporations.

R.S. BERNALDO & ASSOCIATES

TAKING YOU FURTHER

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Notice on the Submission of the Mandatory Disclosure Form after 31 July 2019

To: All Non-stock Corporations who have not yet submitted the mandatory disclosure form

The Commission will no longer accept the Mandatory Disclosure Form (using the form required under SEC MC No. 15, s.2019) **starting August 1, 2019**. Those who failed to submit before August 1, 2019 will have to wait for the issuance of the Commission of the amendments on the Circular and on the Mandatory Disclosure Form.

Notice on the Deadline for Submission of Material Related Party Transaction Policy

To: Publicly-listed Companies

The deadline for submission of Material Related Party Transaction Policy is **on or before 28 October 2019**. Companies listed after the effectivity of SEC MC No. 10, s.2019 shall be required to submit their policy **within six (6) months from listing date**. Furthermore, if the Company's policy has accessible link, it must be posted on their website **within five (5) days** form submission to Commission.

Notice on the Use of the New General Information Sheet (GIS) Form

To: All SEC Registered Domestic Corporations Required to Submit the General Information Sheet

The Commission issued a new General Information Sheet (GIS) Form with the Beneficial Ownership Declaration page which will be implemented **beginning 31 July 2019**. The said form may be downloaded from the Commission's website. Kindly click links below for reference:

[GIS – Stock Corporation](#)

[GIS – Non-Stock Corporation](#)

Notice on the Computation of Interest Rates

To: All Concerned

The Commission issued this Notice in view of the numerous queries entertained by the operating department/s of the SEC with regard to the correct computation of the interest rates imposed by Lending Companies (LCs) and Financing Companies (FCs). Adopting BSP Memorandum No. M-2011-040 in the case of LCs and FCs, an effective interest rate calculation model for a loan, founded on established principles of discounted cash flow analysis, should be based on the actual features thereof.

Illustrative Example on the Computation of Interest Rates

ILLUSTRATION 1

EFFECTIVE INTEREST CALCULATION MODEL FIXED EQUAL AMORTIZATION SCHEDULE

	Period	%	Amount
Loan Amount			P100,000.00
Monthly Installment Payments			9,455.96
Contractual/Interest Rate (Monthly)		2.00%	(See Annex A)
Penalty Charges in case of default/late payment on outstanding balance		3.00%	(See Annex B)
Other Charges (i.e. service charge, processing fee that will be deducted to the loan proceeds)		3.00%	3,000.00
No. of Monthly Installment	12		
Loan Proceeds (Loan amount less Other Charges)			97,000.00

ANNEX A: Scenario where No Default/Late Payment

Computation based on the Contractual/Interest Rate

<u>Installment Period</u>	<u>Gross Loan</u>	<u>Principal (A) = C – B</u>	<u>Contractual Interest (i=2.00%) (B) = Prior period D * i</u>	<u>Monthly Installment (C)</u>	<u>Outstanding Balance (D) = Prior Period D - A</u>
	P100,000.00				100,000.00
1		7,455.96	2,000.00	9,455.96	92,544.04
2		8,067.80	1,388.16	9,455.96	84,476.24
3		8,188.82	1,267.14	9,455.96	76,287.43
4		8,311.65	1,144.31	9,455.96	67,975.78
5		8,436.32	1,019.64	9,455.96	59,539.45
6		8,562.87	893.09	9,455.96	50,976.59
7		8,691.31	764.65	9,455.96	42,285.28
8		8,821.68	634.28	9,455.96	33,463.59
9		8,954.01	501.95	9,455.96	24,509.59
10		9,088.32	367.64	9,455.96	15,421.27
11		9,224.64	231.32	9,455.96	6,196.63
12		9,363.01	92.95	9,455.96	-
TOTAL		103,166.38	10,305.14	113,471.52	

Computation based on the Effective Interest Rate

<u>Installment Period</u>	<u>Gross Loan</u>	<u>Cash Flows (A)</u>	<u>Principal (B) = A-C</u>	<u>Effective Interest 2.499% (C) = Prior Period D*2.499%</u>	<u>Outstanding Balance (D) = Prior Period D – B)</u>
	P100,000.00				100,000.00
0		97,000.00	3,000.00		97,000.00
1		-9,455.96	7,031.45	2,424.51	89,968.55
2		-9,455.96	7,207.20	2,248.76	82,761.34
3		-9,455.96	7,387.35	2,068.61	75,373.99
4		-9,455.96	7,571.99	1,883.97	67,802.00
5		-9,455.96	7,761.26	1,694.70	60,040.75
6		-9,455.96	7,955.25	1,500.71	52,085.50
7		-9,455.96	8,154.09	1,301.87	43,931.41
8		-9,455.96	8,357.90	1,098.06	35,573.51
9		-9,455.96	8,566.80	889.16	27,006.71
10		-9,455.96	8,780.93	675.03	18,225.78
11		-9,455.96	9,000.41	455.55	9,225.37
12		-9,455.96	9,225.37	230.59	-
TOTAL			100,000.00	16,471.52	

Total Payments to be made by the borrower: 3,000.00 (Other charges deducted to the loan proceeds)

113,471.52 (12 Monthly payments of P9,455.96)

116,471.52

Monthly Installment	=	Principal	÷	$\frac{(((1+i)^n)-1)}{(i(1+i)^n)}$
	=	100,000.00	÷	$\frac{(((1+.015)^{12})-1)}{(.015(1+.015)^{12})}$
	=	100,000.00	÷	10.58
	=	9,455.96		
Where:				
i	=	Contractual interest		
n	=	Period		
principal	=	Loan amount		

Effective Monthly Interest Rate (MIR)
(using Excel IRR Function) = IRR (F10:F22) = 2.499%

ANNEX B: Scenario where there is Default/Late Payment

Computation based on the Contractual/Interest Rate (Default on the 5th Installment)

<u>Installment Period</u>	<u>Gross Loan</u>	<u>Principal (A) = C – B</u>	<u>Contractial Interest (i=2.00%) (B) = Prior period D * i</u>	<u>Monthly Installment (C)</u>	<u>Penalty Charges in case of default on outstanding balance</u>	<u>Outstanding Balance (D) = Prior Period D - A</u>
	P100,000.00					100,000.00
1		7,455.96	2,000.00	9,455.96		92,544.04
2		8,067.80	1,388.16	9,455.96		84,476.24
3		8,188.82	1,267.14	9,455.96		76,287.43
4		8,311.65	1,144.31	9,455.96		67,975.78
5 (defaulted)		8,436.32	1,019.64	9,455.96	2,039.27	61,578.73
6		8,532.28	923.68	9,455.96		53,046.45
7		8,660.26	795.70	9,455.96		44,386.19
8		8,790.17	665.79	9,455.96		35,596.02
9		8,922.02	533.94	9,455.96		26,674.00
10		9,055.85	400.11	9,455.96		17,618.15
11		9,191.69	264.27	9,455.96		8,426.46
12		9,329.56	126.40	9,455.96		-
TOTAL		102,942.37	10,529.14	113,471.52	2,039.27	

Computation based on the Effective Interest Rate (Default on the 5th Installment)

<u>Installment Period</u>	<u>Gross Loan</u>	<u>Cash Flows (A)</u>	<u>Principal (B) = A-C</u>	<u>Effective Interest 2.81% (C) = Prior Period D*2.81%</u>	<u>Outstanding Balance (D) = Prior Period D – B)</u>
	P100,000.00				100,000.00
0		97,000.00	3,000.00		97,000.00
1		-9,455.96	6,734.17	2,721.79	90,265.83
2		-9,455.96	6,923.13	2,532.83	83,342.70
3		-9,455.96	7,117.39	2,338.57	76,225.31
4		-9,455.96	7,317.10	2,138.86	68,908.21
5		-11,495.23	9,561.69	1,933.54	59,346.52
6		-9,455.96	7,790.71	1,665.25	51,555.81
7		-9,455.96	8,009.32	1,446.64	43,546.49
8		-9,455.96	8,234.06	1,221.90	35,312.43
9		-9,455.96	8,465.10	990.86	26,847.33
10		-9,455.96	8,702.63	753.33	18,144.70
11		-9,455.96	8,946.83	509.13	9197.87
12		-9,455.96	9,197.87	258.09	-
TOTAL			100,000.00	18,510.79	

Total Payments to be made by the borrower:	3,000.00	(Other charges deducted to the loan proceeds)
	113,471.52	(12 Monthly payments of P9,455.96)
	2,039.27	(Penalty charge on the default/late payment)
	118,510.79	

Effective Monthly Interest Rate (MIR) (using Excel IRR Function)	=	IRR (F10:F22) = 2.81% (2.80596937%)
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SEC Memorandum Circular (MC) No. 12, Series of 2019 Adoption of Revised Conceptual Framework

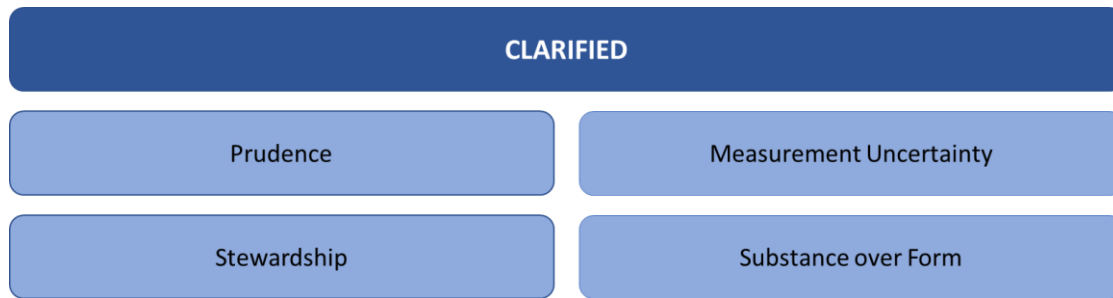
To: All entities reporting under PFRS

The Commission approved the adoption of Revised Conceptual Framework on May 7, 2019. It includes a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The Revised Conceptual Framework are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. It should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort. This has been adopted by the Philippine Financial Reporting Standards Council and approved by the Board of Accountancy and Professional Regulation Commission and published in the Official Gazette.

The Revised Conceptual Framework introduces the following main improvements:

NEW	
Measurement	Concepts on measurement, including factors to be considered when selecting a measurement basis
Presentation and Disclosure	Concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income
Derecognition	Guidance on when assets and liabilities are removed from financial statements
UPDATED	
Definition	Definitions of an asset and a liability
Recognition	Criteria for including assets and liabilities in financial statements



Kindly click the link below for reference:

[Revised Conceptual Framework](#)

SEC MC No. 13, Series of 2019 Amended Guidelines and Procedures on the Use of Corporate and Partnership Names

To: All Concerned

The Commission issued this Memorandum Circular to adopt the guidelines and procedures in the registration of corporate, one person corporate and partnership names.

- The corporate name shall contain the word **“Corporation”, “Incorporated”, “Corp.”** or **“Inc.”**. If One Person Corporation, it shall contain the word **“OPC”** either below or at the end of its corporate name.
- A partnership name shall have **“Company”** or **“Co.”**. If it is a limited partnership, it shall contain **“Limited”** or **“Ltd.”**. A professional partnership name shall have **“Company”, “Associates”, or “Partners”**, or other similar descriptions.
- The corporate name of a foundation shall use the word **“Foundation”**.
- The corporate name of non-stock, non-profit corporations engaging in microfinance activities shall use the word **“Microfinance”** or **“Microfinancing”** provided that it is stated in the purpose of their Articles of Incorporation.
- A term that describes the business of a corporation in its name should refer to its primary purpose. If there are two such terms, the **first should refer to the primary purpose** and the **second to the secondary purpose**.
- The name shall be **distinguishable** from other corporate or partnership name registered with the Commission, or with the Department of Trade and Industry. If the name is similar to that of a registered corporation or partnership, the applicant shall add one or more distinctive words to the proposed name. A name that consist **solely of special symbols, punctuation marks or specially designed characters shall not be registered**.
- Business/trade name which is different from the corporate/partnership name shall be indicated in the articles of incorporation or partnership.
- A trade name or trademark **registered with the Intellectual Property Office may be used** as a part of the corporate/partnership name.

- The **full name or surname of a person may be used** in a corporate/partnership name if he/she is a stockholder, member or partner of the entity and has consented to such use. If the person is already deceased, the consent shall be given by his/her estate. A single stockholder of a **One Person Corporation may use his/her name** as long as it is accompanied with descriptive words aside from the suffix OPC.
- The **meaning of initials** used in a name shall be **stated in the Articles of Incorporation or Partnership or separate document** signed by an incorporator, director or partner.
- The name of an internationally known foreign corporation may be used only if it is a subsidiary and the parent corporation has consented to such use. Any name written in a foreign language shall not be registered if the name violates good morals, public order or public policy.
- The name of a **local geographical unit, site or location may be used** if it is accompanied by a descriptive word or phrase.
- The following words and phrases can be used in the corporate/partnership name in the manner enumerated below:

Words/Phrases	Entities
Finance Company, Financing Company, Finance and Leasing Company, Leasing Company, Investment Company, Investment House, Capital	Financing or investment house, holding company
Lending Company, Lending Investor	Lending companies
Pawnshop	Authorized to operate pawnshops
Bank, Banking, Banker, Savings and Loan Association, Trust Corporation, Trust Company	Banking or trust business
United Nations, UN	Exclusive to United Nations and its attached agencies
Bonded	Licensed warehouses
SPV-AMC	Authorized to act as special purpose vehicle
International Criminal Police Organization (INTERPOL), International Monetary Fund (IMF), International Labour Organization (ILO)	International governmental organization or duly authorized by the Commission
National, Bureau, Commission, State	Entities that perform governmental functions
Association, Organization	Entities engaged in non-profit activities

Stock Exchange/ Futures Exchange/ Derivatives Exchange, Stock Broker/ Securities Broker/ Derivatives Broker, Commodity/ Financial Futures Merchant/ Broker, Securities Clearing Agency/ Stock Clearing Agency, Plans	Entities organized as an exchange, broker dealer, commodity futures broker, clearing agency, or pre-need company
Red Cross, red crescent, red crystal	Philippine Red Cross unless with consent

- The name of a corporation/partnership that has been dissolved or whose registration has been revoked shall not be used by another corporation/partnership **within five (5) years** from the approval of dissolution or **five (5) years from the date of revocation**, unless its use has been allowed at the time of the dissolution or revocation by the stockholders, members or partners who represent a majority of the outstanding capital stock or membership of the dissolved corporation or partnership.

Application for re-registration of the expired corporation shall be accompanied by the following documents:

- a. **Board Resolution**, executed under oath, attesting that the applicant is a new corporation intending to use the name of the expired corporation, the re-registration is approved by the majority vote of the directors or trustees and the vote of the stockholders representing the majority of the outstanding capital stock or membership, and shall include in the articles of incorporation that the new corporation is using the name of the expired corporation;
- b. **Latest General information Sheet** of the expired corporation, stamped “received” by the Commission; and
- c. **Affidavit**, executed under oath, attesting that there are no properties owned by the dissolved/revoked corporation due for liquidation, or in case there are properties owned by the expired corporation, no property is transferred to the new corporation or, in case of stock corporations, used for subscription payment without undergoing corporate liquidation process, there is no pending intra-corporate dispute or claim involving the expired corporation, and that the expired corporation has no derogatory information with the Commission at the time of its application for re-registration.

Upon approval of the re-registration, the **certificate of registration to be issued shall indicate its new SEC registration number and pre-generated Tax Identification Number (TIN)** as confirmation that it is a separate and distinct entity from the expired corporation.

A corporate/partnership name, which was previously used but become the subject of amendment, shall not be re-registered or used by another corporation or partnership for a period of three (3) years from the date of the approval of the adoption of the new corporate/partnership name. An earlier period may be allowed if the former corporation/partnership gives its consent, as evidenced by the following:

For Corporations:

- ✓ Directors/Trustees' Certificate of approval; and
- ✓ Secretary Certificate of non-existence of intracorporate dispute from the Corporation that use the former corporate name.

For Partnerships:

- ✓ Partnership's Resolution approved by the majority of the Partners.

For One Person Corporations:

- ✓ Consent of the sole stockholder or in cases of incapacity or death, his/her designated nominee, given in a notarized instrument and countersigned by the Corporate Secretary.

Names of absorbed/constituent corporation may be used if the surviving corporation gives consent provided the following documents:

- a. *Directors' Certificate* permitting the usage of the said absorbed/constituent corporation; and
- b. *Secretary's Certificate* of non-existence of intracorporate dispute of the Corporation.

SEC MC No. 14, Series of 2019 Rules and Regulations Governing Crowdfunding (CF)

To: All Concerned

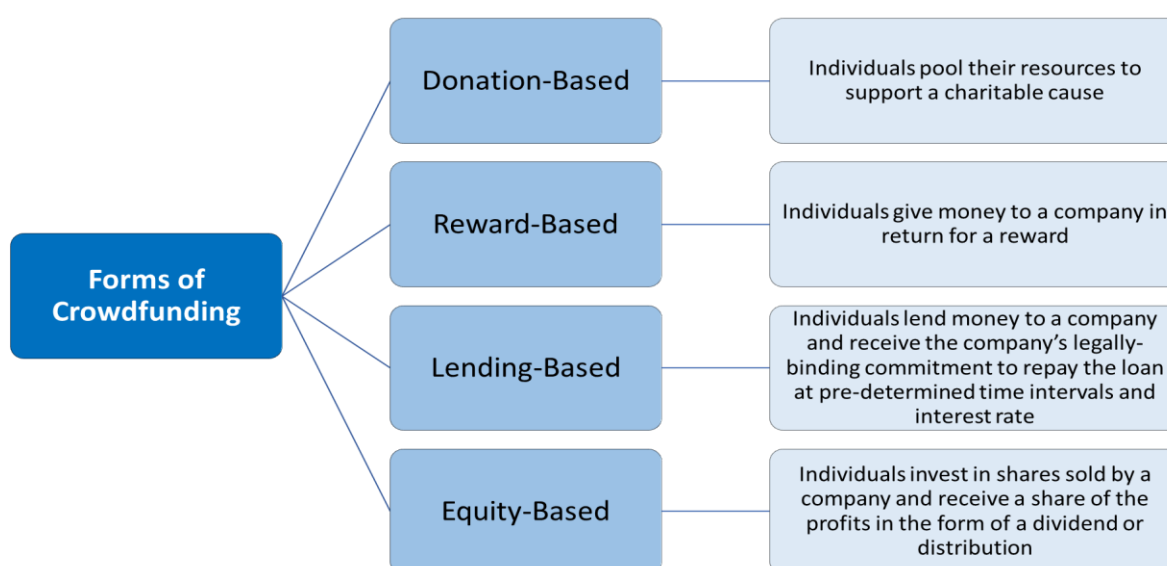
The Commission issued and promulgate the rules and regulations governing crowdfunding to protect the investors, public interest, market integrity and transparency. These rules shall primarily govern the operation and use of equity-based and lending-based crowdfunding by registered persons who participate in crowdfunding through an online platform.

Definition

Crowdfunding is a fundraising activity typically conducted through an online platform and usually for start-ups, micro, small and medium enterprises (MSMEs).

Qualified investor is a person who is a Qualified Buyer which are the following:

- a. Bank;
- b. Registered Investment House;
- c. Insurance company;
- d. Pension fund or retirement plan;
- e. Investment company; or
- f. Such other person as the Commission may by rule determine as qualified buyers.



Crowdfunding Transactions must be done through crowdfunding intermediary.

Crowdfunding Intermediaries

- Must be registered with the Securities and Exchange Commission.
- This may be a registered broker-dealer, an investment house or a funding portal.

Funding portal is an intermediary in transactions involving the offer or sale of only crowdfunding securities through electronic platform. A funding portal cannot:

- a. Offer investment advice or recommendations;
- b. Solicit purchases, sales or offers to buy the securities displayed on its platform;
- c. Compensate employees, agents, or other persons for such solicitation or based on the sale of securities displayed or referenced on its platform; or
- d. Hold, manage, possess, or otherwise handle investor funds or securities.

Limit on Amount of Securities that can be Sold within 12-month period

- a. **₱10,000,000** when offered and sold to *any investor*; and
- b. **More than ₱10,000,000 but not exceeding ₱50,000,000** when offered and sold to qualified investors

Limit on Total Investments during the 12-month period

- a. For retail investors with annual income of up to ₱2,000,000. A maximum value of **5%** of their total income per year; and
- b. For retail investors with annual income of more than ₱2,000,000. A maximum value of **10%** of their total income per year;

Kindly click the link below for reference:

[Rules and Regulations Governing Crowdfunding](#)

SEC MC No. 15, Series of 2019 Amendment of SEC MC No. 17, s.2018 on the Revision of the GIS to include Beneficial Ownership Information (“2019 Revision of the GIS”)

To: All SEC Registered Domestic Corporations Required to Submit the General Information Sheet

The Commission issued this Memorandum Circular to all SEC registered stock and non-stock domestic corporations required to submit the GIS under existing laws, rules and regulations. Pursuant to Notice on the Use of the New General Information Sheet (GIS) Form, the following information on the beneficial owner shall be disclosed:

SEC MC No. 15, s.2019	SEC MC No. 17, s.2018
a. Complete name which shall include the surname, given name, middle name and name extension;	a. Complete name which shall include the surname, given name, middle name and name extension;
b. Specific residential address;	b. Specific residential address;
c. Date of birth;	c. Nationality;
d. Nationality;	d. Tax identification number; and
e. Tax identification number; and	e. Percentage of ownership, if applicable.
f. Percentage of ownership, if applicable.	

Identification of Beneficial Owner

- The identity of the natural person(s) who ultimately has controlling ownership interest in the corporation
- The identity of the natural persons (if any) exercising control of the corporation through other means.

- The identity of the natural persons composing the Board of Directors/Trustees or any similar body and/or the senior managing official of the reporting corporation.

Updating of Beneficial Ownership Information

An updated GIS shall be submitted within seven (7) working days after such change occurred or became effective.

Penalties on Failure to Disclose

	1st Violation	2nd Violation	3rd Violation	4th Violation and subsequent violation
Retained Earnings (RE) / Fund Balance (FB)				
< 500,000.00	P10,000.00	P20,000.00	P50,000.00	P100,000.00
> 500,000.00 < 5,000,000.00	P20,000.00	P40,000.00	P100,000.00	P200,000.00
> 5,000,000.00 < 10,000,000.00	P30,000.00	P60,000.00	P150,000.00	P300,000.00
> 10,000,000.00	P40,000.00	P80,000.00	P200,000.00	P400,000.00
Liability of Directors/ Trustees and/or Officers of the Corporation	P5,000.00	P10,000.00	P20,000.00	P50,000.00

Submission of the GIS in electronic format is hereby suspended until further notice.

SEC MC No. 16, Series of 2019 Guidelines on the Number and Qualifications of Incorporators under the Revised Corporation Code

To: All Concerned

The Commission issued these guidelines for clear and proper implementation of the Revised Corporation Code of the Philippines (RCC).

R.A. No. 11232	B.P. Blg. 68
Number of Incorporators	
<ul style="list-style-type: none"> For new domestic corporation under RCC – two (2) or more persons, but not more than fifteen (15) Only One Person Corporation (OPC) may have a single stockholder as well as sole director. 	<ul style="list-style-type: none"> Any number of natural persons not less than five (5) but not more than fifteen (15)
Qualifications of Incorporators	
<ul style="list-style-type: none"> For stock corporation, he must own, or be a subscriber to, at least one (1) share of the capital stock; for nonstock corporation, he must be a member of the corporation May be composed of any combination of natural person/s. SEC-registered partnership/s, SEC-registered domestic corporation/s or association/s, as well as foreign corporation/s. <p><i>Incorporators who are natural persons must be of legal age, and must sign the Articles of Incorporation/ Bylaws.</i></p>	

Definition of Incorporators

Incorporators are those stockholders or members mentioned in the Articles of Incorporation as originally forming and composing the corporation, and who are signatories thereof.

Partnerships as Incorporators

The application must be accompanied by a Partners' Affidavit, duly executed by all partners, to the effect that they have authorized the partnership to invest in the corporation about to be formed and that they have designated one of the partners to become a signatory to the incorporation documents.

Partnerships under "dissolved" or "expired" status with the SEC shall not be authorized to become an incorporator.

Domestic Corporations or Associations as Incorporators

The application must be accompanied by a Directors'/Trustees' Certificate or Secretary's Certificate, indicating the approvals of at least two thirds (2/3) of the stockholders/members, as well as the authorized signatory to the incorporation documents.

Domestic corporations under "delinquent", "suspended", "revoked" or "expired" status with the SEC shall not be authorized to become an incorporator.

Foreign Corporations as Incorporators

The application must be accompanied by a copy of a document (i.e. Board Resolution, Directors' Certificate, Secretary's Certificate, or its equivalent), duly authenticated by a Philippine Consulate, authorizing the foreign corporation to invest in the corporation being formed and specifically naming the designated signatory on behalf of the foreign corporation.

Signatories of the Articles of Incorporation

- Must indicate if he is affixing his signature as incorporator or representative of XYZ Corp.
- Must indicate if he is affixing his signature on behalf of the entity being represented and for whom he is executing the Articles of Incorporation/Bylaws.
- Must indicate the Taxpayer Identification Number (TIN)

Designation of Incorporators as Directors or Trustees

An individual who signs the Articles of Incorporation on behalf of an incorporator, which is not a natural person, may not be named as a director or trustee in the same Articles of Incorporation, unless when the said individual is also the owner of at least one (1) share of stock, or is also a member, of the corporation being formed.

Foreign Nationals in the Articles of Incorporation

The inclusion of foreign nationals shall be subject to the applicable constitutional, statutory, and regulatory restrictions, as well as conditions, with respect to foreign participation in certain investment areas or activities.

Additional Requirements for Certain Corporations

Articles on Incorporations must be accompanied by a favorable recommendation of the appropriate government agency to the effect that it is in accordance with law.

Processing of Applications

The processing shall be done manually by the Company Registration and Monitoring Department and the Extension Offices of the SEC, until further notice.

SEC MC No. 17, Series of 2019 Revised Guidelines on Securities Deposit of Branch Offices of Foreign Corporations

To: All Branch Offices of Foreign Corporations

The Commission adopts these Guidelines to provide reasonable assurance that branch offices of foreign corporations duly licensed to do business in the Philippines shall be able to settle their obligations incurred within the Philippines, and to ensure their compliance with investment requirements.

Coverage and Schedule of Posting

All branch offices of foreign corporation that are mandated to deposit securities with the Commission in accordance with the following schedule:

SEC MC No. 17, s.2019	SEC MC No. 2, s.2012
a. Within 60 days after the issuance of its SEC license, securities with an actual market value of at least ₱500,000.00 ;	a. Within 60 days after the issuance of its SEC license, securities with an actual market value of at least ₱100,000.00 ;
b. Additional securities shall be deposited within six (6) months after the end of the fiscal year indicated in the financial statements in the following situations:	
i. If the gross income within the Philippines exceeds ₱10,000,000.00 – two percent (2%) of the increase in said gross income; and ii. If the actual market value of the securities deposit has decreased by at least ten percent (10%) from the time it was deposited – additional securities that would cover the decrease	i. If the gross income within the Philippines exceeds ₱5,000,000.00 – two percent (2%) of the increase in said gross income; and ii. If the actual market value of the securities deposit has decreased by at least ten percent (10%) from the time it was deposited – additional securities that would cover the decrease

The Commission shall issue a Certificate of deposit of additional securities.

The following corporations are not required to post securities deposit:

- Foreign banking corporation including offshore banking units;
- Foreign insurance corporation;
- Foreign non-stock corporations including foreign religious corporations;
- Foreign corporations which have established representative offices in the Philippines;
- Regional or Area Headquarters of multinational companies; and
- Operating Regional Headquarters of multinational companies.

Items deductible from the Gross Income Computation of Certain Types of Branch Offices

- a. Sales Returns, Allowances and Discounts
- b. Direct Costs and Expenses Incurred with Foreign Entities and Related Parties

The Branch shall submit the Audited Special or Annual Income Statement showing separately the amounts of direct cost and expenses actually incurred with foreign entities and foreign related parties. Its solvency ratio should indicate that it has sufficient assets to cover its obligations.

Types of Acceptable Securities

- a. Government Debt Instruments
- b. Equity Instruments
 - Shares of stock in “registered enterprises” under the Omnibus Investment Code of 1987
 - Shares of stock in domestic corporations registered in the stock exchange;
 - Shares of stock in domestic insurance corporations under the supervision and regulation of the Office of the Insurance Commissioner; and
 - Shares of stock in banks licensed by the Bangko Sentral ng Pilipinas.

Fines and Penalties for Non-Compliance

1. Failure to post the required amount of security deposit within the prescribed period shall subject to a daily penalty of equivalent to 1/100 of 1% of the amount of security deposit which should have been additionally posted until the requirement is fully complied.
2. Failure to post securities deposit despite notice and hearing shall suspend/revoke its license.
3. Fines (F) and surcharges (S) for late deposit of securities shall be as follows:

	Initial Securities Deposit	Additional Securities Deposit
1 st Violation	F – P10,000; S – P500 per month of delay	F – P7,000; S – P500 per month of delay
2 nd Violation	F – P10,000; S – P1,000 per month of delay	F – P7,000; S – P1,000 per month of delay
3 rd Violation	F – P10,000; S – P1,500 per month of delay	F – P7,000; S – P1,500 per month of delay

A fraction of a month shall be considered as one month for purposed of computation of the surcharge.

SEC MC No. 18, Series of 2019 Prohibition on Unfair Debt Collection Practices of Financing Companies and Lending Companies

To: All Financing and Lending Companies

The Commission issued this Memorandum Circular to protect the borrowers from unfair debt collection practices of Financing Companies and Lending Companies.

Unfair Collection Practices

The following conduct shall constitute unfair collection:

- a. Use of threat or violence or other criminal means to harm the any person;
- b. Use of threats to take any action that cannot legally be taken;
- c. Use of obscenities, insults, or profane language the natural consequence of which is to abuse the borrower and/or which amount to a criminal act or offense under applicable laws;
- d. Disclosure or publication of the names and other personal information of borrowers who allegedly refuse to pay debts, except as may be allowed;
- e. Communicating or threatening to communicate to any person loan information, which is known, or which should be known, to be false, including the failure to communicate that the debt is being disputed, except as may be allowed;
- f. The use of any false representation or deceptive means to collect or attempt to collect any debt or to obtain information concerning a borrower; and
- g. Making contact at unreasonable/inconvenient times or hours, which shall be defined as contact before 6:00 A.M. or after 10:00 P.M. unless the account is past due for more than fifteen (15) days, or the borrower has given express consent that the said times are the only reasonable or convenient opportunities for contact.

Confidentiality of Information

The Companies shall keep strictly confidential data on the borrower, except under the following:

- a. There is a written or recorded consent from the borrower;
- b. Release, submission or exchange of customer information with other financial institutions, credit information bureaus, lenders (potential or actual), their agents and/or representatives;
- c. Upon orders of a court or any government office/agency authorized by law;
- d. Disclosure to collection agencies, counsels and other agents to enforce the Companies' rights against the borrower;

- e. Disclosure to third party service providers solely for the purpose of assisting or rendering services; and
- f. Disclosure to third parties (insurance companies) solely for the purpose of insuring the Companies from borrower default or other credit loss, and the borrower from fraud or unauthorized charges.

Outsourcing of Collection

The Companies may outsource the conduct of collection to third parties which shall be regarded as agents.

Handling of Collection Accounts and Customer Service

The Companies shall adopt policies and procedures to require personnel handling the collection accounts to disclose his/her name or true identity to the borrower. They shall also establish Customer Service Department/unit or personnel who shall be responsible for promptly addressing complaints, questions and concerns of borrowers.

The President/Chief Executive and Compliance Officer shall submit, within thirty (30) days from effectivity of the Circular, a sworn certification stating the company's compliance with the provisions stated.

Penalty		
	Lending Companies	Financing Companies
First Offense	P25,000.0	P50,000.00
Second Offense	P50,000.00	P100,000.00
Third Offense	Subject to the facts, circumstances and gravity of the offense, the Commission, at its discretion, may impose a Fine of no less than twice the fine for the second offense but not more than 1 Million Pesos; or Suspension of lending and financing activities for a period of sixty (60) days; or Revocation of Certificate of Authority to operate as a Financing or Lending Company, as appropriate for each circumstance.	

The computation for the progression of offenses shall lapse every three (3) years from the last order of payment. The number of violations shall be determined on a per loan transaction per complainant basis.

SEC MC No. 19, Series of 2019 Disclosure Requirements on Advertisements of Financing Companies and Lending Companies and Reporting of Online Lending Platforms

To: All Financing and Lending Companies

The Commission issued this Memorandum Circular for the public to be aware of the registration and legitimacy of Financing Companies and Lending Companies. These companies make their services known of having advertisements. Also, these companies have Online Lending Platform that is readily available to customers. This Memorandum Circular provides the disclosure requirements and reporting for Financing Companies and Lending Companies.

Required Disclosures

- Corporate Name, SEC Registration Number and Certificate of Authority to operate a Financing/Lending Company Number (conspicuous portion of their Advertisements and Online Lending Platforms); and
- An advisory for their prospective borrowers to study the terms and conditions in the Disclosure Statement before proceeding with the loan transaction.

Registration of Business Name

- Companies shall register all their Online Lending Platforms as business names¹

Report to the Commission

- Companies shall submit an Affidavit of Compliance (SEC Form 1 – Existing Online Lending Platforms) containing a report of all their existing Online Lending Platforms, **within ten (10) days** from the effectivity of this Circular. This shall include the following, but not limited to:
 - Name of Online Lending Platform/s;
 - Proof of compliance with the Registration of Business Name;
 - Images of the Online Lending Platform/s as they appear to the public; and
 - Illustrations of the Online Lending Platforms showing how the required Disclosure and Advisory are displayed.

*Online Lending Platforms that are to be developed, operated, utilized or amended shall be reported to the Commission through an Affidavit of Compliance (SEC Form 2 – Prospective Online Lending Platforms), **not later than ten (10) days** before the commencement of the operations.*

¹ In accordance with SEC Memorandum Circular No. 13, s.2019 Amended Guidelines and Procedures on the Use of Corporate and Partnership Names

Penalties

- a. Noncompliance with the Required Disclosures and with the Registration of Business Name

Company	Basic Penalty	Daily Penalty
Financing Companies	P100,000.00	P500.00
Lending Companies	P50,000.00	P300.00

- b. Non-compliance with the Report to the Commission

Violations:

- Failure to submit the Affidavit of Compliance (SEC Form 1) containing a report of all existing Online Lending Platforms; or
- Submission of the Affidavit of Compliance (SEC Form 1) with incomplete information/list of all existing Online Lending Platforms; or
- Failure to submit the Affidavit of Compliance (SEC Form 2) containing a report of all prospective Online Lending Platforms that are to be developed/utilized; or
- Commencement of operations of the Online Lending Platform/s without submission of the required Affidavit of Compliance (SEC Form 2)

Company	Basic Penalty	Daily Penalty
Financing Companies	P50,000.00	P400.00
Lending Companies	P25,000.00	P200.00

- c. Continuous non-compliance/submission of false or fraudulent Affidavit of Compliance

Company	Penalty
Financing Companies	Subject to the facts, circumstances and gravity of the offense, the Commission, at its discretion, may impose a Fine of not less than twice the basic penalty but not more than One Million Pesos (P1,000,000); or Suspension of lending and financing activities for a period of sixty (60) days; or Revocation of Certificate of Authority to operate as a Financing or Lending Company, as appropriate for each circumstance.
Lending Companies	

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