



**Republic of the Philippines**  
**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills, City of Mandaluyong

**GUIDELINES ON THE USE OF UNTITLED LANDS  
AS CONSIDERATION FOR SHARES OF STOCKS  
OF A CORPORATION.**

Pursuant to Section 62 of the Corporation Code of the Philippines and in line with the objective of the Commission to afford protection to investors and creditors of stock corporations, the following guidelines are hereby adopted on the use of untitled lands as payment for shares of stocks of a corporation:

**SECTION 1.** These guidelines shall cover the transfer, conveyance or any disposition in favor of or in exchange for shares of a corporation of untitled lands classified by the Bureau of Lands and the Department of Environment and Natural Resources (DENR) as alienable and disposable lands and those not covered by the Comprehensive Agrarian Reform Program Law (R.A. 6657):

**SECTION 2.** Shares of stock issued as consideration for untitled land shall be held in escrow by the Commission and shall not be transacted nor released unless a certified true copy of the original certificate of title in the name of the transferee corporation issued by the Register of Deeds or proof of transfer in favor of the corporation is submitted to the Commission within one (1) year from the date of receipt of the approval of the application.

Such escrow shall be clearly annotated on the face of the certificate of registration of the corporation and remain thereon until title to said untitled land is transferred to the corporation.

**SECTION 3.** In addition to the existing requirements, the applicant corporation is also required to submit to the Commission the corresponding application together with the following documents in duplicate original or certified true copies insofar as may be applicable:

- 3.1 Proof of possession or that the subject land had been in the possessor's open, peaceful, continuous and uninterrupted exclusive possession in the concept of an owner for *at least* thirty (30) years and that the possessor had introduced improvements thereon, if any.<sup>1</sup>

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<sup>1</sup> Submit a certification of the authorized officer of the Barangay where the property is located, and at least two (2) adjoining property owners or possessors, attesting to the transferor's possession of the property; that there are no other possessors or claimants of the property; and payment of corresponding local real estate taxes.

- 3.2 Duplicate original or certified true copies of the tax declaration, tax receipts and local real estate tax clearance.
- 3.3 Affidavit executed by the transferor attesting that:
  - a. His adverse, continuous and open possession of the untitled property may ripen into ownership by virtue of acquisitive prescription;
  - b. The subject property is not Tenanted (submit affidavit of Non-Tenancy);
- 3.4 Duplicate original or certified true copies of any deed, conveyance, mortgage, lease, or other voluntary instrument affecting the untitled property duly recorded in the office of the Register of Deeds for the province or city where the land is situated, pursuant to the provisions of Secs. 3 and 113 of PD No. 1529.
- 3.5 Affidavit executed by the transferor attesting to the:
  - c. Existence (or non-existence) of easements over the untitled property;
  - d. Kind/Description of the easement/s and its location;
  - e. Fact whether the transferor is the dominant estate or the servient estate, by virtue of such easement/s.
- 3.6 Undertaking (under oath) of the transferor/subscriber to answer for any liability that the corporation might incur by virtue of the acceptance of said property as paid-up capital.

**SECTION 4.** A clearance or certification from the Department of Agrarian Reform shall be submitted to the Commission attesting to the following:

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- a. there is no other application or claimant to the untitled land;
- b. it has not issued any Certificate of Land Ownership Award (CLOA) over the property to any other party; or
- c. the land is exempt from the coverage of the Comprehensive Agrarian Reform Program (CARP) of the government.

**SECTION 5.** The foregoing enumeration of lands shall be included in the Blue Print Survey of the Plan as approved by the Bureau of Lands *to be submitted to the Commission.*

**SECTION 6.** Valuation of the untitled property may be made by a duly accredited independent appraiser *or may be based on the BIR zonal valuation or assessed value as reflected in the tax declaration at the option of the Board of Directors.*

**SECTION 7.** The Commission may, after due notice and hearing, revoke an approved application involving the untitled land or *direct the formal decrease of capital stock* or institute appropriate action, as may be warranted under the circumstances, for failure of the corporation to submit the documents evidencing the transfer of ownership and possession to the corporation within the prescribed or extended period, as the case may be.

All existing guidelines of the Commission currently in force and effect that may be in conflict with these guidelines on the use of untitled lands in payment for shares in a corporation are hereby repealed, modified or amended accordingly.

These guidelines shall take effect thirty (30) days from date of its publication in a newspaper of general circulation and upon compliance with the requirements of the Administrative Code of 1987.

Mandaluyong City, Philippines

02 November 2006.

  
**FE B. BARIN**  
Chairperson