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SEC ISSUES DRAFT GUIDELINES ON CORPORATE TERMS

The Securities and Exchange Commission (SEC) will soon issue guidelines on how corporations may pass up the perpetual term of existence provided under Republic Act No. 11232, or the Revised Corporation Code of the Philippines.

In a notice on March 22, the Commission released for public comment the draft Guidelines on Corporate Term, which sets forth the requirements for retaining a corporation's present corporate term, as specified in its articles of incorporation.

The draft guidelines will implement Paragraph 2, Section 11 of the Revised Corporation, which partly reads:

“Corporations with certificates of incorporation issued prior to the effectivity of this Code, and which continue to exist shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital, notifies the Commission that it elects to retain its specific corporate term pursuant to its articles of incorporation.”

Under the draft guidelines, a decision to retain the specific corporate term of a corporation must be approved during the stockholders' annual or special meeting duly held for the purpose at the corporation's principal office.

Such decision must receive affirmative votes from stockholders representing a majority of the corporation's outstanding capital stock or a majority of the members, in case of a non-stock corporation.

The corporation must then submit a notice to the SEC Company Registration and Monitoring Department or any SEC Satellite Office or SEC Extension Office, within a period of two years from February 23, 2019. The notice must be signed by at least a majority of the members of the board of directors or trustees, and attested by the corporate secretary.

The draft guidelines also reiterates the provision of the Revised Corporation Code that corporations that intend to enjoy perpetual term of existence need not send a notice to the Commission.

Prior to the enactment of the Revised Corporation Code, corporate terms were capped at 50 years. A corporation, however, could extend its existence for periods not exceeding 50 years by amending its articles of incorporation.

“The grant of perpetual corporate terms to corporations should make the Philippines more conducive for business,” SEC Chairperson Emilio B. Aquino said.

“Perpetual existence does not only mean less paperwork. It also preserves legitimate and productive corporations that support our economy’s growth and fosters a sense of longevity that encourages corporations to implement long-term and sustainable projects and investments.”

The draft [Guidelines on Corporate Term](#) is available on the SEC website. The Commission invites all interested parties, market participants and the investing public to submit their views, comments and inputs not later than April 5 to Assistant Director Sampaguita R. Ladrido through email at srladrido@sec.gov.ph.

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