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SEC GIVES FOREIGN FIRMS MORE TIME TO SUBMIT SECURITIES DEPOSIT

The Securities and Exchange Commission (SEC) has extended the deadline for foreign corporations to submit their security deposits, following the imposition of enhanced community quarantine over Luzon and other parts of the country.

The Commission on March 26 issued SEC Memorandum Circular No. 11, Series of 2020 to give branch offices of foreign corporations duly licensed to do business in the Philippines 30 days from the lifting of the enhanced community quarantine to submit their initial deposits, which were originally due within the quarantine period.

Those required to submit additional deposits during the effectivity of the enhanced community quarantine are likewise given 30 days from the lifting of the quarantine to comply with the requirement.

Also, licensees whose deposits matured during the quarantine may file an application for substitution of securities 30 days from the end of the quarantine period.

Under Section 143 of Republic Act No. 11232, or the Revised Corporation Code of the Philippines, all branch offices of foreign corporations duly licensed to do business in the country, except foreign banking or insurance corporations, shall deposit with the SEC securities for the benefit of their present and future creditors.

The deposit may consist of bonds or other evidence of indebtedness of the Government of the Philippines, its political subdivisions and instrumentalities, or of government-owned or -controlled corporations and entities.

The licensee may also deposit shares of stock or debt securities registered under Republic Act No. 8799, or The Securities Regulation Code; shares of stock in domestic corporations listed in the stock exchange, shares of stock in domestic insurance companies and banks, any financial instrument determined suitable by the Commission, or any combination thereof.

The deposited securities shall have an actual market value of at least P500,000 or such other amount that may be set by the Commission.

Section 2 of the Revised Guidelines on Securities Deposit of Branch Offices of Foreign Corporations requires all branch offices of foreign corporations duly licensed to do business in the Philippines to deposit the securities within 60 days after the issuance of their respective SEC licenses.



The revised guidelines, issued through SEC Memorandum Circular No. 17, Series of 2019, further provide that additional securities shall be deposited within six months after the end of the fiscal year of a licensee in certain conditions.

If its gross income within the Philippines for the fiscal year has exceeded P10 million, the licensee shall deposit additional securities with an actual market value equivalent to 2% of the increase in its gross income.

If the actual market value of the deposited securities or financial instruments has decreased by at least 10% from the time they were deposited, additional securities with an actual market value that would cover the decrease shall be required.

“We recognize the impact of the COVID-19 pandemic not just on registered corporations in the Philippines but also on foreign corporations all over the world,” SEC Chairperson Emilio B. Aquino said.

“Giving corporations more time and the flexibility to comply with the applicable rules and regulations could go a long way in easing the burden on the business sector during these extraordinary times.”

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