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## **SEC ISSUES RULES ON SALE OF CORPORATE ASSETS TO PROTECT MINORITY INVESTORS**

The Securities and Exchange Commission (SEC) has issued rules aimed at deterring the misuse of corporate assets and safeguarding minority investors' interests.

In an *en banc* meeting held on April 7 through video conferencing, the Commission approved rules requiring the approval of shareholders for the sale or disposal of properties and assets amounting to at least 51% of a corporation's total assets.

Under the rules issued through SEC Memorandum Circular No. 12, Series of 2020, shareholder approval shall be required whether the properties and assets sold accrued to 51% of the corporation's total assets in a single transaction or in several transactions taking place within one year from the date of the first transaction.

The vote of the stockholders representing at least two-thirds of the outstanding capital stock in a stockholders' meeting duly called for the purpose shall be required prior to the execution of the sale transaction.

In aggregate sale transactions, shareholder approval shall be required for the sale transaction that will breach the 51% corporate asset threshold.

The determination of whether or not the sale breaches the threshold must be based on the total assets of the corporation as shown in its latest audited financial statements. The computation may also be based on the latest quarterly financial statement or a special purpose financial statement prepared in connection with the execution of the transaction.

The SEC may impose any or all of the sanctions provided under Section 158 of Republic Act No. 11232, or the Revised Corporation Code of the Philippines, for the violation of any provision of the memorandum circular.

"The newly issued rules reinforce the protection afforded to minority investors by enabling them to better participate in the decision-making and promoting transparency to reduce the risk of abuse," SEC Chairperson Emilio B. Aquino said.

"We will continue spearheading corporate governance reforms, as part of our commitment to contribute to the inclusive development of the country's economy through the introduction of reforms that protect minority investors."

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