

Table of Contents

I.	MISSION STATEMENT	1
II.	CHAIRPERSON'S MESSAGE	3
III.	MAJOR ACCOMPLISHMENTS	4
IV.	ACCOMPLISHMENTS BY CORE FUNCTION	
	• Capital Market Development and Regulation	11
	• Company Registration and Monitoring	23
	• Enforcement	25
	• Support Services	36
V.	INTER – AGENCY COOPERATION	44
VI.	FINANCIAL PERFORMANCE	47
VII.	About SEC	
	• Organizational Chart	49
	• Officials	50
	• Departments and Offices	60
	• Directory of Officials	64
VIII.	PRIORITIES FOR 2006	68
IX.	SEC'S POLICIES, PLANS & PROGRAMS	71
X.	APPENDICES	
	• Memorandum Circulars Issued in CY 2005	74
	• Performance of the Corporate Sector	76
	• Performance of the Stock Market	80
	• Performance of the Pre-need Industry	81
	• Pre-need Rehabilitation Cases	85
	• Registration of Securities	86
	• Release of MICO Bond for ACEI Claims	87
	• Seminars and Certification Examinations for Associated Persons	87
	• Implementation of the RBCA	89
	• Consolidated data on financing companies	90
	• The reformulated SEC Mission, Values and Vision Statements: A values-based framework for cooperation and improved efficiency and effectiveness	96
	• Marching to Progress: A Hymn for SEC	99

XI. TABLES

1: Registration and Accreditation of Market Participants (2004-2005)	14
2: Number of Evaluated Reports of Market Participants and Other Regulated Entities, 2005	16
3: Number of On-site Audits Conducted	17
4: Revised Anti-Money Laundering Manual	18
5: Monitoring of Compliance with Code of Corporate Governance	18
6: Amount of Registered Securities	22
7: Number of accredited auditors	22
8: Applications Processed and/ or approved (Main Office)	23
9: Applications Processed and/ or approved (Extension Offices)	23
10: Revenue from Transactions/ Applications approved	24
11: Boiler Room Investigations in 2005	25
12: Criminal Cases Handled	26
13: Administrative Cases pending before the OGC	27
14: Cases pending before the DOJ/Prosecutor's Office	31
15: List of Cases affirmed by the SC	35
16: List of SEC Cases Affirmed by the CA	35
17: Trainings Conducted / Coordinated by HRAD in 2005	40
18: SEC Manpower Report, 2002-2005	41
19: SEC's Income by Source, 2005	47
20: SEC's Net Contribution to National Government	47

21: Overall Industry Performance Sales and Profits (Corporate Sector)	76
22: Overall Industry Performance Assets, Liabilities and Equity (Corporate Sector)	78
23: Top Ten in Revenue/Sales for 2004 (Corporate Sector)	79
24: Top Ten in Profits (Corporate Sector)	79
25: Number of Plans sold and Sales of Pre-Need Corporations	81
26: Securities Registered, CY 2003-2005	86
27: Certification Seminars for Associated Persons	88

XII. CHARTS

1: Retrieval of company files at the PRU	37
2: Income Generation from requests for Documents	38
3: SEC Electric Consumption 2001-2005	41
4: SEC Fuel Consumption 2001-2005	42
5: SEC's Income vs. Expenditure, CY 2001-2005	48
6: Share of Philippine Industries to Total Industry Profits 2004	78
7: Composition of Assets of Pre-Need Industry 2004	83
8: Composition of Liabilities and Stockholders' Equity of Pre-need Industry 2004	84

XIII. GRAPH

1: Gross Revenue of the Pre-Need Industry 1994-2004	82
--	----

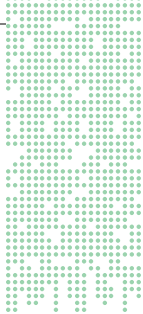




OUR MISSION

To strengthen the corporate capital market infrastructure of the Philippines, and to maintain a regulatory system, based on international standards and practices, that promotes the interests of investors in a free, fair and competitive business environment. We shall be guided in this mission by the values of Integrity, Professionalism, Accountability, Independence and Initiative.





Chairperson's Message

THE year 2005 marked the Securities and Exchange Commission's six decades and nine years of ensuring the orderly development and functioning of the nation's capital markets. I therefore share the honor with the other Commissioners, officials, and staff of the SEC in presenting our major accomplishments during the year.

On establishing a fair regulatory framework for the development of the capital markets, the Commission commented on draft legislations affecting the pre-need industry and financing and investment companies. It also drafted proposed amendments to the Securities Regulation Code (SRC) Rules 68 and 68.1, which were on the adoption of new and revised accounting standards and preparation of financial statements. The Fixed Income Exchange rules on inter-dealer-order-driven Market Board were also drafted in 2005.

To protect the investors, the Commission pursued measures to promote greater disclosures and investment information, on the one hand, and relentless investigative and enforcement actions, on the other. The General Information Sheet was revised to provide data on secondary affiliates. This was complemented by information dissemination through the SEC website and during face-to-face transactions with the public. The Commission intensified its surveillance and investigative efforts against the nefarious activities of suspected boiler room operators. It continued the monitoring of the trading of securities using real-time market surveillance software technology.

During the year, the Commission continued implementing certification procedures for accreditation of compliance officers and associated persons of SEC-registered companies with secondary licenses, in line with our efforts to sustain corporate governance reforms.

We also participated in international regulatory initiatives to keep the SEC abreast with global best practices.

In the area of organizational development, we reformulated the SEC Mission, Values and Vision Statements focusing on its role in capital market development as well as providing indicative timelines toward this end. We also crafted a SEC Hymn, "SEC Naming Mahal," which emerged from a song-writing competition among the SEC employees.

We continued to nurture and develop our human resources through our SEC capacity enhancement program (SCEP) to better harness their talents and competencies.

Our collective efforts in 2005 brought about immediate positive results. Capital raised through the issuance of securities recorded an increase of 53 per cent: securities registered with the SEC aggregated to a value of Php 104 billion in 2005 compared to Php 68 billion of the previous year. During the year, newly formed stock and non-stock corporations and partnerships that registered with the SEC surpassed the 2004 total by 75 per cent. This indicates the continuing reliance on these forms of organizations for the purpose of transacting business in the capital markets.

The SEC ranked 6th in the Makati Business Club's survey on top performing government agencies. We were also cited as the Best Accounting Office by the Association of Government Accountants of the Philippines.

For all these accomplishments and formal recognition, let me commend all the staff in the Commission who remained devoted to their work. This bodes well for the accomplishment of the government's medium-term goals up to the year 2010 for the non-bank financial sector, where the SEC mainly operates. The goals present challenges to us that are substantial, but not insurmountable, if we continue to progressively build on what we have accomplished in 2005.

Again, thank you and Mabuhay!

Fe B. Barin
FE B. BARIN
Chairperson

Major Accomplishments

The broad regulatory scope of the SEC that encompasses capital market participants, market instruments, and the investing public arises from the provisions of the various laws it is mandated to implement.

Six of these laws are the Securities Regulation Code (RA 8799), the Corporation Code of the Philippines (BP 68), the Securitization Act (RA 9267), the Financing Company Act (RA 8556), the Investment Houses Law (RA 8366), and the Investment Company Act (RA 2629).

The SEC is also being called upon to assist in the implementation of other laws, including among others, the Anti-Money Laundering Act (RA 9160, as amended), the Special Purpose Vehicle Act (RA 9182), and the Retail Trade Liberalization Act of 2000 (RA 8762).

With such broad regulatory functions, it is imperative upon the SEC that its services are delivered effectively and timely and its resources managed and utilized efficiently. Accordingly, an output-based performance measurement of its core functions has been established, consistent with the continuing reforms on public expenditure management (PEM) spearheaded by the Department of Budget and Management (DBM) and the National Economic and Development Authority (NEDA).

The following pages summarize the SEC's actual accomplishments, grouped according to SEC's Major Final Outputs or MFO, as provided by its various departments and offices doing the following core functions, viz.:

- Core function 1: Capital Market Development and Regulation;
- Core function 2: Company Registration and Monitoring;
- Core function 3: Enforcement; and,
- Core function 4: Support Services

¹ Refers to the major goods or services provided to external users or beneficiaries. SEC's three MFOs are as follows:

MFO1: CAPITAL MARKET DEVELOPMENT SERVICES

Formulation and implementation of policies, rules, regulations, guidelines and standards to promote the development of a globally competitive Philippine capital market.

MFO 2: SERVICES FOR THE GENERATION AND DISSEMINATION OF CAPITAL MARKET INFORMATION

Generation and dissemination of capital market information through formulation of appropriate disclosure statements, reporting formats, as well as construction, development, and maintenance of appropriate information management systems for storing, retrieving, processing, and distribution of data and information.

MFO 3: CAPITAL MARKET REGULATION, ENFORCEMENT, AND MONITORING SERVICES

Capital market regulation services through registration, monitoring, and audit of registered entities, surveillance, enforcement actions, and impositions of penalties, sanctions against violations to ensure adherence, observance, and/or compliance with policies and standards relative to the development and sustainability of the market.

MFO 1: CAPITAL MARKET DEVELOPMENT SERVICES

PLANNED

ACHIEVED

A. Provide support in the enactment and implementation of new and/or amended legislations to enhance the legal framework

- Formulated and submitted inputs on the proposed Implementing Rules and Regulations (IRR) of the Securitization Act of 2004 to the Congressional Oversight Committee (COC)
- Supported the enactment of Amendments to the Special Purpose Vehicle (SPV) Act of 2002 particularly the extension of the cut-off period for the incorporation of special purpose entities including their tax privileges
- Promulgated amendments to the Securities Regulation Code (SRC) Rules 68 and 68.1 concerning among others, the adoption of new and revised accounting standards, preparation of financial statements, and the accreditation and rotation of external auditors including the matter of preparing auditors’ reports
- Supported efforts to consolidate the respective bills of the House of Representatives and the Senate re: proposed Pre-Need Plan Code by providing inputs and participating in four House Committee meetings and 13 Senate Technical Working Group meetings
- Provided inputs on other proposed legislations, such as: the Lending Company Act, the Revised Investment Company Act, the PERA Law, the Corporate Recovery Act, and the Corporate Reform Act (Lapus Bill)

B. Implement measures to establish a fair regulatory framework conducive to the development of the capital market and to foster effective coordination with other financial sector regulators, other government agencies, and securities regulators abroad

- Issued circulars and guidelines on the following: accounting and auditing standards, certification requirements for compliance officers of financing companies, online submission facility for reports, guidelines on the evaluation of foreign investments by mutual fund companies, and consolidated scale of fines for violations of certain SEC-administered laws and rules and regulations
- Evaluated and accordingly approved the shift from depository model employing nominee account to a name-on-registry model using beneficial owner account in the settlement and recording of equity shares. Under the new system, stakeholders are able to have their securities in their own names in the book of listed corporations and the convenience of electronic trading of shares. Previously, stockbrokers register investors’ shares of stock in the name of Philippine Central Depository (PCD) Nominee, Inc.
- Provided technical assistance to the Bangko Sentral ng Pilipinas (BSP) and the Bankers Association of the Philippines (BAP) re: accreditation of external auditors and BSP Circular No. 439 on Banks’ Internal Credit Rating System
- Formulated proposed amendments to the Omnibus Rules and Regulations for Investment Houses and Universal Banks Registered as Underwriter of Securities to harmonize certain reporting requirements submitted by

Major Accomplishments

PLANNED

ACHIEVED

- covered institutions to the different SEC departments
- Reviewed the Risk-Based Capital Adequacy (RBCA) rules and templates, and transmitted to the Philippine Stock Exchange (PSE) said templates and declaration forms for dissemination to trading participants
- Assisted in disseminating resolutions issued by the Anti-Money Laundering Council (AMLC) to promote awareness and adherence by SEC-regulated entities
- Participated in initiatives of the Financial Sector Forum (FSF), particularly that of the Reporting Information, Exchange, and Dissemination Committee (RIEDC) for purposes of comparing local regulatory practices with international practices, harmonizing regulatory policies and reporting mechanisms, and establishing a scheme for exchanging information among FSF member-agencies
- Undertook preparatory activities to operationalize the SEC-BIR Electronic Linkage by incorporating in the SEC company registration process the issuance of BIR's pre-generated corporate tax identification numbers (TINs), as well as the capture and generation of data needed by BIR for its tax collection efforts
- Evaluated and approved the recommendations made by the Interpretations Committee of the Accounting Standard Council (ASC) re: Accounting Treatment of PSE shares
- Responded to the Self-Assessment Questionnaire on Harmonization of Disclosure Standards based on the IOSCO International Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers (IOSCO Standards)
- Implemented the revised license renewal procedures for SEC-regulated market participants
- Formulated guidelines to be followed by operating departments in evaluating applications for accreditation of external auditors
- Drafted Rules on the Accreditation of Corporate Secretaries
- Signed an agreement with the Board of Investments (BOI), the Department of Trade and Industry (DTI), Department of Environment and Natural Resources (DENR), and the Philippine Mining Chambers of the Philippines, wherein SEC made the commitment to fast-track the process of registering mining firms
- Gave the commitment to the Department of Agriculture (DA) and other stakeholders in the agricultural sector to expedite the registration of entities engaged in the livestock and agricultural business
- Cooperated with the DTI, BOI, Department of Interior and Local Government (DILG), Presidential Anti-Graft Commission (PAGC), the Philippine National Police (PNP), and the Philippine Economic Zone Authority (PEZA) in addressing concerns raised by foreign investors re: corrupt practices in business procedures, wherein a commitment was made regarding the issuance of the corresponding memorandum circular
- Supported efforts of the Department of Finance (DOF) and the Asian Development Bank (ADB) re: microfinance operations in the Philippines,

Major Accomplishments

PLANNED	ACHIEVED
	<p>wherein SEC gave the commitment to issue the related regulation requiring non-government organizations (NGO) to disclose information about their microfinance operations and related financial service activities</p> <ul style="list-style-type: none">• Committed to the Department of Foreign Affairs (DFA) and representatives of European countries to assist in the facilitation of processing applications for the license to do business in the Philippines• Participated in various inter-agency activities relative to drafting of Philippine commitments and/or inputs to existing and proposed framework agreements on trade, investment, and financial service, among others, the WTO-GATS, ASEAN Framework Agreement on Services (AFAS), Japan-Philippine Economic Partnership Agreement (JPEPA), ASEAN-China Free Trade Agreement (ACFTA), ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), and the Islamabad Initiative on Economic Cooperation in Asia (Islamabad Initiative)• Continued supporting various activities and advocacies of other agencies, among others, the (a) DTI-Bureau of Small and Medium Enterprises in simplifying or streamlining registration procedures, promoting the use of SEC-iRegister web-downloadable forms and enhancing investors' awareness about SEC registration requirements and procedures; (b) BOI in its seminars, discussions, and meetings re: investing in the Philippines, wherein SEC either provided resource persons/ lecturers or participated in the related discussions with foreign investors; (c) Bureau of Trade Regulation and Consumer Promotion (BTRCP) re: CONSUMERNET activities that seek to promote consumer awareness and welfare; and, (d) various local and foreign regulatory bodies and law enforcement agencies relative to combating money laundering activities, terrorist financing activities, fraudulent investment schemes, and other illegal activities perpetrated by local and foreign entities covered by SEC regulatory jurisdiction
C. Sustain corporate governance reforms	<ul style="list-style-type: none">• Issued SEC Memorandum Circular No. 4 s. 2005 re: certification requirement for compliance officers of financing companies• Continued implementing certification procedures for accreditation of compliance officers and associated persons of SEC-registered companies with secondary licenses

MFO 2: SERVICES FOR THE GENERATION AND DISSEMINATION OF CAPITAL MARKET INFORMATION

PLANNED	ACHIEVED
D. Promote accountability and transparency through formulation of appropriate	<ul style="list-style-type: none">• Contributed towards improving the substance and practice of accounting and auditing in the Philippines by carrying out the following:<ul style="list-style-type: none">- Continued the adoption of Philippine Accounting Standards (PAS). In relation to PAS 101 re: Financial Reporting Standards for Non-Publicly Accountable Entities (NPAEs), SEC provided temporary relief to qualified

Major Accomplishments

PLANNED

disclosure statements, reporting formats, and related activities

- small and medium enterprises through issuance of SEC Memorandum Circular (MC) No.8 s.2005;
- Issued MC No. 1 s. 2005 for the adoption of 14 Philippine Standards on Auditing (PSA) and Philippine Auditing Practice Statements (PAPS)
- Revised the General Information Sheet (GIS) to provide certain details useful to SEC and other data users

ACHIEVED

E. Pursue protection of investors and the general public through investor education and timely issuance of alerts and conduct of public seminars

- Published the Philippines top 5,000 Corporations following the evaluation made on the financial performance of the top 5,000 corporations based on their Audited Financial Statements for fiscal year 2004
- Posted on the SEC website 332 information materials which include among others, SEC Advisories and Cease and Desist Orders re: fraudulent firms
- Conducted one seminar on International Accounting Standards, and seven certification seminars for Associated Persons for licensure, knowledge updating or adherence with applicable laws and regulations for effective performance of their functions
- Responded to queries through e-mail, 1,625; by phone, 48,106; and, in person 72,078
- Disseminated 54,379 Citizen's Manuals and other relevant information materials for the guidance of investors and the general public

F. Improve further delivery of services to the public by streamlining internal processes

- Improved response time at the Public Reference Unit in delivering company records or documents requested by the public through the proper maintenance and upgrading of information technology resources which resulted in 88 per cent of the clients being served within an hour on the average, an improvement over the 43 per cent served within one hour in 2002 and less than 10 per cent in 2001 prior to the IT upgrading project implementation
- Continued implementation of SEC computerization program to achieve the objectives of the SRC and follow mandate of the E-Commerce Act (RA 8792); pursued SEC's computerization projects, particularly the SEC i-Register which started in 2002 and the SEC i-Report, which are envisioned to harness information and communication technology as a tool to streamline processes, promote transparency, lessen human discretion, and reduce opportunities for corruption
- SEC-iRegister made possible 11,994 online search queries from the public on registered and/or reserved company names, as well as processed, on a daily average, 1,539 name verification and reservation transactions ---
 - Verification: 1,255
 - a. On line (through the internet, 24x7): 1,088
 - b. Walk-ins at the Head Office (8 hours, Mondays to Fridays): 167
 - Reservation: 284
 - a. Online (24x7): 145
 - b. Walk-ins (8x5): 139

Major Accomplishments

PLANNED

ACHIEVED

- Launched the SEC-iView officially on 11 November 2005. This module of the SEC-iReport allows the on-line viewing of certain documents, among others, the Articles of Incorporation, the Articles of Partnership, the By-Laws, and the Audited Financial Statements

Efforts to improve on the delivery of services resulted in the following for the SEC:

- Sustained its exemplary ratings in public opinion surveys since 2001; In Q1 2005, SEC ranked first among 26 government agencies in the Social Weather Stations' (SWS) 2003/2004 Transparent and Accountable Governance (TAG) Enterprises Survey in both the gross and net sincerity ratings in fighting corruption.
- Ranked No.6 in the Makati Business Club's survey of top performing government agencies.

MFO 3: CAPITAL MARKET REGULATION, ENFORCEMENT, AND MONITORING SERVICES

PLANNED

ACHIEVED

G.Sustain process of registering corporations, partnerships, and capital market participants and instruments

- Registered 13,832 stock corporations, 2,534 partnerships, and 8,482 non-stock corporations
- Processed and approved 5,018 applications for amendments in the Articles of Incorporation and By-Laws, 1,046 increase of capital stock, 36 mergers, and 42 decrease of capital stock, 999 applications for amended Articles of Partnerships including Deeds of Assignment, Affidavit of Withdrawal, and Dissolution of Partnership, 170 various Foreign Investments Act (FIA)-related applications, and 662 other requests and applications filed by registered corporations
- Registered, licensed, and/or accredited 113,587 various market participants
- Registered Php 103.94 B worth of various securities composed of Php 67.26 B equity securities, Php 7.33 B debt securities, and Php 3.36 B proprietary and non - proprietary shares / certificates and Php 25.180 B pre-need plans.

H.Encourage and strengthen regulatory compliance

- Continued process of revoking certificates of registration of inactive corporations including branches of foreign corporations that failed to submit annual reports required under Sec. 141 of the Corporation Code; and imposed fines on firms that failed to submit required reports on time
 - Revoked the certificate of registration of 17,106 domestic corporations, wherein 1,065 submitted their respective motion for reconsideration of the SEC order of revocation; and,
 - Imposed fines on 4,738 domestic corporations
- Monitored/reviewed 22,692 financial reports and disclosures of regulated entities
- Evaluated submissions from 2,701 covered institutions on their compliance with requirements of the Code of Corporate Governance, specifically, the designation of compliance officers, nomination and election of independent

Major Accomplishments

PLANNED

ACHIEVED

- directors, creation of board committees, and rotation of external auditors
- Monitored submission of 309 revised Anti-Money Laundering Law (AMLA) manuals by covered institutions
- Conducted 47 onsite audits on Financing Companies, Issuers of Proprietary and Non-Proprietary shares, and Pre-Need Companies including their Trustee Banks
- Monitored compliance of 33 Pre-Need firms with IAS/PAS (Philippine Accounting Standards) No. 1 on Presentation of Financial Statements
- Issued 300 various orders, 21 decisions, 22 opinions, undertook actions relative to 38 cases of rehabilitation and suspension of payments, and acted on 1,679 decisions and resolutions of the Supreme Court (SC), Court of Appeals (CA), Regional and Municipal Trial Courts (RTC/MTC), National Telecommunications Commission (NTC), and the Department of Transportation and Communications (DOTC), among others

I. Strengthen surveillance and enforcement

- Undertook 11 investigations on both registered and unregistered entities allegedly involved in boiler room operation. Closed one boiler room operation.
- Continued monitoring of trading of securities, making use of real-time market surveillance software called Advance Warning and Control System (AWACS)
 - Monitored seven unusual transactions involving unusual price/volume movements on four issues and identified the beneficial owners of transactions done by brokers on behalf of three clients
- Penalized 22 Pre-Need Companies, two of their Trustee Banks, and six various market participants for infraction of laws, rules, and regulations administered by SEC

While item J is not among the SEC MFOs because revenue generation is not one of its mandates but is only incidental in the delivery of its services, the same is included, in the interest of transparency.

OTHER ACTIVITIES UNDERTAKEN TO DELIVER ON SEC’S MFOs

PLANNED

ACHIEVED

J. Observe prudence in administration of SEC’s mandate and resources

- Generated income for the government of Php 806 M and achieved a 31 per cent ratio of government subsidy to income, i.e., SEC spent only less than half of the amount it earned in CY 2005
- Implemented revised fees and charges for filing of application for registration, licensing application, and availment of SEC’s public reference services to help augment Government revenue generation
- Supported the government-wide austerity program

Accomplishments by Core Function

CORE FUNCTION 1: Capital Market Development and Regulation

Contributions to proposed enactment and legislative amendments of significant rules to further enhance capital market regulation

IN 2005, the SEC pushed for the amendment of a number of special laws affecting the Philippine capital market. These included:

Special Purpose Vehicle Act (SPAV) of 2002.

This law grants fiscal incentives to the sale or transfer of assets which had become non-performing from banks to special purpose vehicles (SPVs), or transfers by way of "dacion" in payment by borrowers or third parties to financial institutions. This law has since expired in April 2005 and major agencies such as DOF, BSP and SEC had provided support in pushing for an extension of the cut-off period for the incorporation of special purpose entities including their tax privileges. The proposed amendments will also allow banks to form joint venture agreements with real estate developers in the disposition of assets that will help sell off more non-performing portfolios.

The original law enacted in December 2002 granted tax exemptions and price discounts of 1 to 8 per cent and fee privileges to SPVs that acquire or invest in non-performing assets. According to BSP, banks were the biggest beneficiaries of SPAV having unloaded Php 97B worth of bad assets during the first two years of the law's implementation starting in 2003.

Implementing Rules and Regulations (IRR) of the Securitization Act of 2004 (R.A. 9267).

Approved on 25 May 2005 by the Congressional Oversight Committee on the Securitization Act, these rules were promulgated pursuant to Section 49 of the Act to promote the development of the capital market by supporting securitization, providing a legal and regulatory framework for securitization and creating a favorable market environment for a range of asset-backed securities. These rules also rationalize the securitization process particularly on matters of taxation and sale of real estate on installment.

Accomplishments by Core Function

It likewise paved the way for the creation of a secondary market for residential mortgage-backed securities and other housing-related financial instruments which is essential in generating investments and accelerating the growth of the housing finance sector especially for socialized and low-income housing and a secondary market for other types of asset-backed securities.

During the year, SEC supported efforts for the enactment of the following laws:

Revised Investment Company Act (RICA).

Senate Bill No. 1636 (to be harmonized with Senate Bill No. 211) seeks to replace Republic Act No. 2629 or the Investment Company Act (ICA) by creating a regulatory environment conducive to the development of the capital markets, more particularly the mutual fund industry, and at the same time ensuring adequate investor protection. The salient features of RICA are as follows:

- **Capitalization Requirements**

- The minimum paid-up capital requirement for investment companies is proposed to be increased from Php 500,000 under RA 2629 to Php 50M. However, there is a proposed provision allowing an investment company to be capitalized at a lower amount if it is one or a group of investment companies being managed by the same investment adviser. This is to encourage investment advisers to establish several funds with different investment objectives.

- **Board of Directors**

- The citizenship limitation is proposed to be liberalized through a provision requiring at least a majority of the board of directors to be “disinterested” persons, the definition of which was expanded to include persons that may have interests other than serving as directors of investment companies.

- **Change in Investment Policy**

- A proposed provision in RICA allows flexibility of investment companies to change investment policies as the needs of the market dictate, provided the same is approved by a majority of its stockholders.

The Commission is authorized to disallow the change where the new policy, if pursued, would result in investments that are prohibited by law.

- **Investment Advisers**

- A proposed provision in RICA requires investment advisers of investment companies to register as such with the Commission. Although the existing law makes it unlawful for a person with an enumerated disability to act as an investment adviser of an investment company, the person is not subject to a direct screening through a licensing process. It likewise proposes that the Commission be the sole regulator of investment advisers to prevent the dual regulation of investment advisers of investment companies by the SEC and by the BSP.

- **Powers of the Commission**

- To ensure the proper regulation of the industry and the protection of the investing public, several provisions are proposed to grant more powers to the Commission. These include the power to impose administrative sanction for violations of the Act, substantially increasing the penalties to deter such violations; and the power to promulgate rules and regulations on certain issues.

Pre Need Plan Code of the Philippines.

The SEC reviewed and supported the enactment of the Pre-Need Plan Code of the Philippines by the two chambers of Congress. The Code aims to regulate the establishment of pre-need companies and place their operation on sound, efficient and stable basis to derive the optimum advantages in the mobilization of savings, ensure that funds established for planholders are maintained at adequate levels for the delivery of guaranteed benefits and prevent practices prejudicial to public interest and the protection of planholders. The proposed Pre-Need Plan Code has the following salient provisions:

- **Paid-up Capital**

- The Code requires pre-need company registrants to have an initial paid-up capital of at least Php 100 million while existing companies need to maintain the following minimum unimpaired paid-up capital: a) Php 100 million for companies selling three (3) types of plan; b) Php 75 million for pre-need companies selling two (2) types of plan and; c) Php 50 million for companies selling a single type of plan.

Accomplishments by Core Function

- **Deposits to the Trust Fund**

– The Code directs pre-need plan companies to make monthly deposits to the Trust Fund in an amount determined by the accredited actuary sufficient to pay the benefits promised under the pre-need plan contract. For plans paid for in full, the pre-need company is proposed to deposit into the Fund of 45 per cent (for life plans) and 51 per cent (for education and pension plans) of said full payment. This provision, found in the existing Pre-Need Rules, is proposed to be retained in the House of Representative version of the bill. The Senate, on the other hand, proposes to set the limits at 48 per cent (for life plan) and 54 per cent (for other plans).

- **Directors and Officers**

– A proposed provision in the Code establishes the qualifications of individuals elected or appointed directors and officers of a pre-need plan company, including its actuary, based on integrity, education, experience, competence and training.

- **Criminal Penalties**

– A proposed provision in the Code enumerates unlawful acts of a pre-need company such as selling or offering unregistered pre-need plans. It also provides that any administrative sanction will not prejudice the filing of appropriate criminal or civil action.

Regulatory initiatives to further strengthen capital market governance

Adoption of the Philippine Standards Auditing (PSA) and Philippine Auditing Practice Standards (PAPS).

The Commission, in its Resolution No. 11, s. 2005, dated 06 January 2005, approved their implementation in the audit of financial statements ending on or after 31 December 2004. The major revisions in the standards of audit practice included among others, the following: a) the auditor's responsibility to consider fraud and error in an audit of financial statements, b) audit of fair value measurements and disclosures, c) risk assessments and internal control, d) quality and disclosure of audit evidence, and, e) the auditor's procedures in response to assessed risks.

Promulgation of the Guidelines on Evaluation of Foreign Investments by Mutual Fund Companies.

Approved on 17 November 2005, these Guidelines seek to encourage mutual fund companies investing in foreign instruments to diversify their investment portfolio and to further increase their investors' rate of return. It also provides guiding measures on the quality and limitations of foreign instruments for investor protection.

Applicable foreign instruments, as provided for in these guidelines, are limited to:

1. bonds and other evidence of indebtedness.

- 1.1 those issued and unconditionally guaranteed by the government of any foreign country with a credit rating that is at least at par with the rating of RP bonds;
- 1.2 those registered and traded in an organized market in another country whose issue and issuer/ borrower received a credit rating of Aaa or AAA from a reputable international credit rating agency;
- 1.3 those issued and unconditionally guaranteed by supranationals (or international organizations whose membership transcends national boundaries or interests), e.g. the World Bank (WB), the Asian Development Bank (ADB), that received a minimum long-term credit rating of Aaa or AAA from a reputable international credit rating agency.

2. equity securities – those traded in an organized exchange in another country and possess all the following qualities:

- 2.1 the issuer has a continuous operational track record of three (3) years or of consistent dividend declaration for the same period;
- 2.2 the equity securities have the recommended return-on-equity (ROE) grades presented in the Guidelines;
- 2.3 The issuer fully complies with its obligation of continuing disclosure and the other requirements of the securities laws and regulations in force in its jurisdiction and which are not substantially different from those enforced in the Philippines.

Accomplishments by Core Function

3. such other forms of tradable foreign instruments as the Commission may, in the future, allow subject to such restrictions or limitations that it may impose.

Promulgation of SRC Rules 68 and 68.1, or the Rules and Regulations Covering Form and Content of Financial Statements, as amended.

The SEC which was granted by the SRC the authority to prescribe special accounting rules and also to amend and make new rules, passed on 08 November 2005, important amendments to SRC Rules 68 and 68.1 in order to improve the quality and preparation of financial reports of all corporations. These provisional changes primarily include a) amendments to the current Philippine Financial Reporting Standards (PFRSs), b) preparation of supplemental reports to audited financial statements, c) rules on the accreditation and rotation of external auditors, and d) increased accountability of external auditors for any material misstatement, misrepresentation and incompleteness in the financial reports.

Adoption of Philippine Accounting Standard (PAS) 101 – Financial Reporting Standards for Non-Publicly Accountable Entities (NPAEs).

As approved by the Accounting Standards Council (ASC), this PAS rule provides temporary relief to qualified small-and-medium-sized entities (SMEs) in the application of the new accounting standards, referred to as Philippine Financial Reporting Standards (PFRSs) that became effective in 2005. The PFRSs were intended at that time to be applicable to all reporting entities that prepared financial statements in conformity with generally accepted accounting principles in the Philippines. However, due to the growing number of SMEs in the country, ASC deemed it necessary to formulate these Guidelines.

The Guidelines clarified that NPAEs qualified for temporary relief are those entities that a) have no public accountability and, b) do not publish general purpose financial statements for external users (e.g. owners who are not involved in managing the business, existing and potential creditors and credit rating agencies).

Registration, licensing and monitoring of market participants

Registration of market participants.

In 2005, SEC granted a total of 68,379 licenses and/or accreditation certificates to market participants, lower by 39.80 per cent than the 2004 level. The bulk of these issues numbering 65,232 or 95 per cent was made by pre-need salesmen (Table 1).

Table 1:
Registration and Accreditation of Market Participants, 2005 and 2004

Type of Market Participant	Jan. – Dec. 2005	Jan. – Dec. 2004	Per cent Increase/
Total	68,379	113,587	(39.80%)
Broker Dealer			
Associated Person	162	151	7.28
Exchange Members	132	133	(0.75)
Non-exchange members	18	16	12.5
Branch Opening	15	--	--
Salesmen/ Certified			
Investment Solicitors	831	780	6.54
Mutual Fund Distributors	10	--	--
Certified Investment			
Solicitors	635	--	--

Accomplishments by Core Function

Type of Market Participant	Jan. – Dec. 2005	Jan. – Dec. 2004	Per cent Increase/
Total	68,379	113,587	(39.80%)
Financing Company	198	319	(37.93)
Government Securities Eligible Dealer	62	64	(3.13)
Compliance Officers	54	--	--
Investment Company			
Adviser	14	12	16.67
Compliance Officers	14	--	--
Certified Investment Solicitor	635	732	(13.25)
Investment House	33	34	(2.94)
Associated Person	5	7	(28.57)
Compliance Officers	26	--	--
Branch Office	13	13	--
Issuer of Securities' Registration Statements	24	25	(4.00)
Pre-Need Company			
Branch Opening	20	35	(42.86)
Branch Transfer	18	38	(57.14)
Dealer	33	41	(19.51)
General Agent	8	9	(11.11)
Salesman	65,232	110,910	(41.18)
Transfer Agent	28	28	--
Underwriter of Securities	9	9	--
Associated Person	1	--	--
Compliance Officers	8	--	--
Accreditation of Other Market Participants			
Pre-Need Actuary	31	30	3.33
External Auditors and Firms	110	189	(41.8)
Credit Rating Agency	--	1	--
Training Providers on Corporate Governance	--	11	--

Accomplishments by Core Function

Compliance with SEC Reportorial Requirements.

Likewise, as part of the report compliance monitoring efforts on companies involved in the capital market, the SEC examined and monitored 22,692 substantial reports submitted (Table 2).

**Table 2:
Number of Evaluated Reports of Market Participants
and Other Regulated Entities, 2005**

Type of Report	Total for CY 2005
Total	22,692
Broker Dealers and Related Parties	
Daily Report of Broker Dealers on Transactions on PSE Shares	397
Broker Dealer Report on SRC Rule 30.1 (Broker Director Rule)	15
FINOP Report	1,750
SEC Form 28 BDA/AP Amd/30.1 (Amendment of the General Information)	61
SEC Form 28 T (Termination Notice of Salesmen and Associated Persons)	72
Risk Based Capital Adequacy Requirements/Ratio Reports	865
Associated Person's Quarterly Compliance Report	600
Financing Companies	
Financing Company Reports	4,089
Investment Houses and Investment Companies	
SEC Form ICA-IA (Amendment of General Information)	10
SEC Form IHU-IA (Amendment of General Information)	32
SEC Form 28-BDA (for GSEDs)	1
SEC Form CIS/CO-T	8
IH-QPR with QFS (Quarterly Progress Report)	164
IH-AR (Investment House – Annual Report)	37
Issuer of Registered Securities and Public Company	
Annual Reports (17-A)	532
Quarterly Reports (17-Q)	687
Current Reports (17-C)	2,841
Beneficial Ownership Reports (23/18)	1,625
Information Statements (SEC Form 20-IS)	659
Commercial Paper Issuers' Report	1,113
Issuer of Exempt Commercial Paper	
Commercial Paper Report	1,113

Accomplishments by Core Function

Type of Report	Total for CY 2005
Total	22,692
Pre-Need Company	
Actuarial Valuation Report	35
Audited Financial Statements	31
Monthly Collection Report	939
Monthly List of Salesmen on Apprenticeship	190
Monthly List of Salesmen Terminated	179
Monthly Sales Report	831
Monthly Trust Fund Statements	2,709
Quarterly Report on Lapsed, Cancelled, and Surrendered Plans	197
Quarterly Trust Fund Statements	308
Quarterly Interim Financial Statements	202
Other Entities	
SCCP's Delivery Versus Payment Settlement Report	244
Applications for Accreditation as External Auditors	17
Quality Assurance Manuals and Financial Statements	87
Applications for Certificate of Eligibility (SPV)	18
Applications on Functional Currency Financial Statements	34

Audit of market participants.

Corollarily, SEC conducted 47 on-site audits in 2005 in consonance with its compliance inspection policies. The details of these audits are shown in Table 3.

Table 3:
Number of On-site Audits Conducted

Type of Entity	Number of Audits
Total	47
Investment Houses	0
Financing Company and Issuer of Proprietary and Non-Proprietary Shares	19
Pre-Need Company	14
Trustee Bank of Pre-Need Company	14

Accomplishments by Core Function

Compliance with the Anti-Money Laundering Act Manual.

During the year, a total of 309 companies submitted their Revised AMLA Manual, as shown in Table 4.

Table 4:
Revised Anti-Money Laundering Manual

Type of Entity	Filed in 2005
Total	309
Financing Companies	296
Investment Companies	13

Compliance with the Code of Corporate Governance.

The mandatory submission of the Manual of Corporate Governance registered a 100 per cent compliance rate for all Broker Dealer exchange members and non-members as compared to underwriters of securities who score the lowest at 11 per cent. As prescribed in the Code, the Commission requires all covered market participants to file a Manual of Corporate Governance disclosing, among others, a) the designation of compliance officers, b) nomination and election of independent directors, c) creation of board committees, and d) rotation of external auditors through the self-assessment forms submitted by the covered institutions.

Compliance with the provisions of the Code needs to be supported by certifications issued by a) the corporate secretary as to the presence of a quorum in board meetings, and, b) by the compliance officers as to the level of compliance by the company with its Manual of Corporate Governance and the conduct of seminars by qualified and accredited training providers on corporate governance. The details on the submission are provided in Table 5.

Table 5:
Monitoring of Compliance with Code Corporate Governance

Type of Participant	Complied	Compliance Rate (Per cent)
BD Exchange Member		
Submission of Certification of Compliance of Compliance Officer on the Level of Compliance with Leading Practices on Corporate Governance	132	100
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	132	100

Accomplishments by Core Function

Type of Participant	Complied	Compliance Rate (Per cent)
BD Non-Exchange Member		
Submission of Certification of Compliance of Compliance Officer on the Level of Compliance with Leading Practices on Corporate Governance	18	100
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	18	100
GSEDs		
Submission of Certification of Compliance on the Level of Compliance with Leading Practices on Corporate Governance	13	20.96
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	16	25.8
ICA		
Submission of Certification of Compliance of Compliance Officer on the Level of Compliance with Leading Practices on Corporate Governance	9	64.29
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	5	35.71
Investment Houses		
Submission of Certification of Compliance on the Level of Compliance with Leading Practices on Corporate Governance	14	42.42
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	19	57.58
TOTAL	2,701	86.93%

Accomplishments by Core Function

Type of Participant	Complied	Compliance Rate (Per cent)
Listed Companies		
Independent Directors	230	98.29
Designation of Compliance Officer	232	99.15
Rotation of External Auditor	231	98.72
Creation of Audit, Compensation, and Nomination Committees	231	98.72
Nomination and Election Procedures for Independent Directors	229	97.86
Qualification / Disqualification of Independent Directors	227	97.01
Disclosure on the Level of Compliance, Deviation and any Improvements on Corporate Governance Practices	230	98.29
Mutual Funds		
Independent Directors	35	89.74
Designation of Compliance Officer	38	97.44
Rotation of External Auditor	34	87.50
Creation of Audit, Compensation, and Nomination Committees	31	77.50
Nomination and Election Procedures for Independent Directors	35	100
Qualification / Disqualification of Independent Directors	35	89.74
Disclosure on the Level of Compliance, Deviation and any Improvements on Corporate Governance Practices	26	100
Public Companies and Other Issuers of Securities to the Public		
Submission of Certification of Compliance of Compliance Officer on the Level of Compliance with Leading Practices on Corporate Governance	118	75.64
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	117	75.00
Creation of Audit, Compensation, and Nomination Committees; Designation of Members, and Disclosure	72	46.15
Designation / Election and Disclosure of Independent Directors	75	48.08

Accomplishments by Core Function

Type of Participant	Complied	Compliance Rate (Per cent)
Pre-Need Companies		
Submission of Certification of Compliance of Compliance Officer on the Level of Compliance with Leading Practices on Corporate Governance	28	84.84
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	27	81.81
Transfer Agents		
Submission of Certification of Compliance of Compliance Officer on the Level of Compliance with Leading Practices on Corporate Governance	11	39.29
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	6	25.00
Creation of Audit, Compensation, and Nomination Committees; Designation of Members, and Disclosure	20	74.07
Other Market Participants		
Submission of Certification of Compliance of Compliance Officer on the Level of Compliance with Leading Practices on Corporate Governance	2	50.00
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	2	50.00
Underwriters of Securities		
Submission of Certification of Compliance of Compliance Officer on the Level of Compliance with Leading Practices on Corporate Governance	1	11.11
Submission of Certification of Corporate Secretary on the Attendance of Directors During Board Meetings	2	22.22

Accomplishments by Core Function

Registration of Securities.

The Commission approved and made effective the registration of securities amounting to Php 103.935 billion representing a 53 per cent increase over its 2004 level of Php 67.751 billion (Table 6). Equity securities accounted for the highest value registered at Php 68.062 billion or 65 per cent of total.

Table 6:
Amount of Registered Securities

Type of Securities	For the Year 2005	For the Year 2004	For the Year 2003
Equity Securities	Php 68,062,071,000 (65.50%)	Php 14,283,879,145 (21.10%)	Php 11,924,612,550 (20.30%)
Debt Securities	7,332,000,000 (7.05%)	13,955,000,000 (20.60%)	10,800,000,000 (18.40%)
Proprietary & Non-Proprietary Shares/Certificates	3,361,193,780 (3.20%)	11,336,183,974 (16.70%)	4,183,059,197 (7.10%)
Pre-Need Plans	25,180,000,000 (24.25%)	28,176,000,000 (41.60%)	31,840,000,000 (54.20%)
TOTAL	103,935,265,000 (100.00%)	67,751,063,000 (100.00%)	58,747,671,000 (100.00%)

Accreditations.

During the year, the SEC accredited 123 individuals and 41 firms as External Auditors for public and listed companies, issuers of registered securities and all other secondary licensees (Table 7).

Table 7:
Number of External Auditors Accredited by SEC for 2005

	Group A ¹	Group B ²	Group C ³	TOTAL
Individuals	12	32	79	123
Firms	7	13	21	41

¹ **Group A:** 1) Public companies or those with total assets of at least Fifty Million Pesos (P 50,000,000.00) having two hundred (200) or more stockholders each owning one hundred (100) shares; 2) issuer of registered securities which have sold a class of its securities pursuant to a registration under Section 12 of the Securities Regulation Code; issuer with a class of securities listed for trading in an Exchange.

² **Group B:** 1) Pre Need Companies; 2) Investment Houses; 3) Brokers and Dealers in Securities; 4) Investment Companies; 5) Government Securities Eligible Dealers (GSEDs); 6) Universal Banks Registered as Underwriter of Securities; 7) Investment Company Advisers; 8) Clearing Agency and Clearing Agency as depository; 9) Stocks and Securities Exchange; 10) Issuers of Registered Time Shares, Proprietary and Non-Proprietary Membership Certificates; 11) Special Purpose Vehicles registered pursuant to RA 9182.

³ **Group C:** 1) Financing Companies; 2) Transfer Agents; 3) Companies with more than P15M total assets (Per BS Circular No. 439).

Accomplishments by Core Function

CORE FUNCTION 2: Company Registration and Monitoring

THIS core function is being performed by the SEC's Company Registration and Monitoring Department (CRMD) and the seven (7) extension offices in the cities of Baguio, Cebu, Cagayan de Oro, Davao, Iloilo, Legaspi and Zamboanga.

Table 8:
Applications processed and/or approved (Main Office)

1. Registration of Corporations (Articles of Incorporation and By-Laws)	
a. Stock	11,715
b. Non-stock	5,259
2. Recording of Articles of Partnership	
	1,991
3. Other Applications	
a. Corporations	
• Amended Articles of Incorporation/Amended By-Laws	5,018
• Increase of Capital Stock	1,046
• Decrease of Capital Stock	42
• Merger	36
b. Amended Articles of Partnerships, Deed of Assignment, Affidavit of Withdrawal, and Dissolution of Partnership	999
c. FIA applications (with more than 40 per cent foreign equity)	
• Articles of Incorporation and By-Laws, Branch Office, Representative Office of foreign corporation	364
• Regional Headquarters, Regional Operating Headquarters	15
• Increase in Foreign Equity, Amendments, Securities Deposit, Withdrawal of License	191
4. Request for Exemption, Voting Trust Agreement, Stock, Cash Dividend, Valuation of Properties, Articles of Consolidation, and other Applications.	
	662

Table 9:
Applications processed and/or approved (Extension Offices)

Transactions/Applications	BEO	LEO	CEO	IEO	CDE	DEO	ZEO
Corporations							
a. Stock	134	85	902	312	181	435	68
b. Non-Stock	673	311	400	507	425	693	214
Recording of Articles of Partnership	94	46	141	82	54	112	14
Others	210	442	1,483	1,051	694	1,343	337

Accomplishments by Core Function

Monitoring of compliance with reportorial requirements

The Corporation Code of the Philippines and the SEC Rules and Regulations require all corporations to submit annually to the Commission their audited Financial Statements (FS) and General Information Sheet (GIS) within the period prescribed by the Commission. Under Presidential Decree No. 902-A, non-compliance with the reportorial obligation is a ground for the revocation of the certificate of registration.

During the year, 50,095 domestic corporations were monitored; 27,106 certificates of registration of corporations were revoked, and 4,738 corporations were imposed the appropriate fines. A total of 1,065 corporations filed motion for reconsideration of the order of revocation of their certificates of registration.

Further, the SEC revoked 12 licenses of branch offices of foreign corporations for non/late compliance with reportorial/investment requirements.

Table 10:
Revenue from Transactions/Applications Approved

Office	Revenue (PhP)
Main	572,352,994.32
Extension	
Baguio	4,785,925.60
Legazpi	2,439,275.90
Cebu	20,965,200.67
Iloilo	10,878,995.00
Cagayan de Oro	4,530,401.50
Davao	15,369,663.00
Zamboanga	3,086,091.80
Total	634,448,547.79

Significant changes in corporate registration and reporting requirements

- Pursuant to Commission En Banc Resolution No. 300, s. 2005 (9 June 2005), applicant neighborhood associations must now secure indorsement from the Housing and Land Use Regulatory Board by way of a Certification that there is no other existing similar association in the same subdivision, urban estate, government or private housing project or any similar specific geographic area.

- Per request of the Land Transportation Franchising and Regulatory Board, applicant land transportation operator is no longer indorsed to the said Board prior to registration as a corporation.

Accomplishments by Core Function

CORE FUNCTION 3: Enforcement

IN the area of enforcement of laws and regulations, the SEC undertakes well planned compliance monitoring activities and investigative and enforcement actions.

The SEC through its Compliance and Enforcement Department (CED) monitors the activities of trading participants, inquires into potential violations of the applicable laws, rules and regulations and orders, and takes legal actions, administrative or judicial, against erring entities. Working alongside with the Office of the General Counsel (OGC) which acts as the Commission’s legal and adjudication arm, CED vigorously pursued and handled investigative processes and enforcement activities, and resolved cases in due time.

Investigation and Surveillance

In 2005, SEC intensified its efforts against the nefarious activities of “boiler room” operators. It conducted investigations on 24 registered and unregistered companies and 1 individual suspected to be engaged in boiler room activities referred by domestic and foreign regulator agencies (Table 11).

Table 11:
Boiler Room Investigations In 2005

Referred/ initiated by	Number of referrals	Number of companies involved
Foreign regulators/law enforcement agencies	5	13 (6 registered & 7 unregistered entities)
AMLC	2	5 companies and 1 individual
CED	4	6 unregistered entities
Total	11	24

During the year, the Commission closed down the operations of one boiler room. Suspected boiler room companies are found to use mail boxes or virtual offices, pre-paid cellular phones, 1-800 telephone lines, local fictitious addresses, websites whose domain registrants contain unknown or fictitious contact information, shell or fictitious companies. Extensive study of the operations of companies engaged in the business of providing mail boxes or virtual offices was conducted towards formulating guidelines to eradicate, if not minimize, such operations.

Accomplishments by Core Function

HONGKONG CASE AGAINST AMADOR APUNGAN PASTRANA

Investment fraud from what are commonly known as “boiler rooms”, is rife. These unregulated firms often exist only on paper as a front for flogging shares with the promise of extraordinarily high returns when in reality they may be nearly worthless. Thousands of investors have been caught by investment fraud scams where very slick, convincing and persistent salespeople ring up and verbally convince them into parting with their cash. One such case is an investment fraud scam case against Amador A. Pastrana.

In 2001, the SEC and the NBI raided the premises in Makati used by the group of companies principally operated by Amador Pastrana in his boiler room operations which targeted retirees and other investors from Australia, New Zealand and other neighboring countries. Criminal charges for violations of the Securities Regulation Code (SRC) were filed with the Department of Justice (DOJ) against Pastrana and other individuals, incorporators, officers and directors of entities used in said operations. The complaint was however dismissed on a technicality. The SEC subsequently filed another complaint affidavit with the DOJ against Pastrana and his companies, namely, Dukes & Company Securities, Inc., Muller and Sons Securities Management, Inc. and Worldwide Investors Management, Inc. These complaints have yet to be decided in court.

Recognizing that a successful fight against boiler room operations can only be attained through mutual cooperation and bilateral assistance between and among governments, the Commission assisted the Hong Kong authorities which were also running a money laundering investigation against the same plaintiffs within their jurisdiction. As a result of the investigation in Hong Kong, a Filipino who pleaded guilty before the Hong Kong court was sentenced to a total of 7 years and 4 months imprisonment for one count of using false instrument and four counts of money laundering offense. Absconder Proceedings before the Hong Kong Court of First Instance docketed as HCMP 4221/2202 were initiated and successfully concluded against Amador Apungan Pastrana and twenty (20) corporate respondents, all controlled by Pastrana. On 01 March 2005, a Confiscation Order against Mr. Pastrana and his cohorts was issued under Section 8 of the Organized and Serious Crime Ordinance, Cap 455 of the Laws of Hong Kong. On 24 March 2005, the assets of Amador Pastrana and the respondent entities in Hong Kong, subject of the proceedings in the approximate amount of HK\$14M (equivalent to Php 104M) were confiscated by the Hong Kong court, and a number of victims were refunded of their investments.

Aside from concentrating on the investigation of the operations of boiler rooms, the Commission pursues investment fraud and other cases. During 2005, there were 78 criminal cases handled and investigated (Table 12).

Table 12:
Criminal Cases Handled

Nature of Case	No. of Cases Pending
Stock Manipulation	11
Unregistered Securities (Investment Scams)	32
Fraud in Dealing with Securities (boiler room operations)	14
Fraud in dealing with securities (stock transactions)	7
Pre-Need Violation	12
Falsification of Public Documents	2
Total No. of Cases	78

Accomplishments by Core Function

The CED managed to achieve a 83.33 per cent response rate on public queries and/or complaints, where 145 out of 174 correspondences and queries were acted upon within a period of 15 days. It took cognizance of 23 formal complaints, which led to an equivalent number of investigations. Out of this number, a total of 8 cases were eventually referred for prosecution/evaluation. A substantial number of cases was closed and terminated.

Pursuant to the investigations conducted, 130 subpoena and 144 Notices of Conference were issued to complainants, respondents, witnesses and other resource persons.

CED acted on 36 referrals from other government agencies, foreign governmental agencies and persons, and other SEC departments.

Enforcement and Prosecution

Making sure that the Commission's efforts will result in eventual prosecution and other enforcement actions, the CED filed several petitions before the Office of the General Counsel (OGC) against the following corporations, its officers and directors: New International Environmental University, Inc., LeGrand Global Link, Inc., Goldberg and Partners, Inc., Glasgow Credit and Collection Services, Inc., 558 Diamond Financing Corporation, Charyn Marketing Corporation, Care Best International, Inc., and Silvermoon Security and Investigation Agency, Inc. Previous actions filed by CED resulted in the revocations of the registrations of the following corporations: Charyn Marketing Enterprise Corporation and Fil-American Humanitarian Foundation, Inc. Twenty-eight (28) administrative cases pending before the Office of the General Counsel (OGC) are listed in Table 13.

Table 13:
Administrative Cases pending before the Office of the General Counsel

Administrative Case No.	Case Title	Nature of Case
20-2405	Chitty & June International, Inc.	Revocation of Primary Registration (for violation of Sec. 5(m) of the SRC in relation to Sec. 6 (l) of PD 902-A.
95-1796	Fernando Consultants Associates Philippines, Inc.	Revocation of Primary Registration (for violation of Sec. 6 (l) pars. 2 and 6 of PD 902-A.
12-01-46	Union Films Exchange, Inc.,	Revocation of Primary Registration (for violation of Sec. 3 par A (3) of the Revised Rules for Submission 38 /Verification of the Bank Certificate of Deposits and Application of the Initial Paid-Up Capital
04-05-80	Northwestern University	Revocation of Approved increase in Capital Stock (for violation of Sec. 17(3), 38(4) of the Corporation Code in relation to Sec. 6 (l) (1) of PD 902-A on the grounds that the treasurer's affidavit concerning the amount of capital stock subscribed and/or paid is false)

Accomplishments by Core Function

Administrative Case No.	Case Title	Nature of Case
03-2754	Filinvest Land, Inc.	Revocation of Primary Registration (for violation of Sec. 54.1 (ii) and (v) of the SRC)
02-2674	Five Vision Consultancy, Inc.,	Revocation of Primary Registration (violation of Sec. 8.1 of the SRC for selling securities without the required license)
96-2026	Fufu International Corp.	Revocation of Primary Registration (for violation of Sec. 3 (A) (1) of the Revised Rules and Regulations for Submission/Verification of the Bank Certificate of Deposits and Application of Initial Paid-Up Capital in relation to Sec. 6, par. I (1) of PD 902-A)
03-2768	Health Access International Corp.	Revocation of Primary Registration (for violation of PD 902-A, Sec. 6 (I) (1), for fraud in procuring its cert. of registration)
02-2776	ICS Exports, Inc.	Revocation of Primary Registration (for violation of Sec. 8.1 for selling securities without the required license)
01-2629	Jasa Electronics Corp.	Revocation of Primary Registration (Violation of Sec. 4 and 56 of the Revised Securities Act and Sec. 6 (I) (2) of PD 902-A, for selling securities without the required license)
03-2743	Lead Lending Corp.	Revocation of Primary Registration (for violation of Sec. 8.1 for selling securities without the required license)
99-2345	New Millenium Era Travel & Tours, Inc.	Revocation of Primary Registration (for violation of Sec. 3 (A) (1) of the Revised Rules and Regulations for Submission/Verification of the Bank Certificate of Deposits and Application of Initial Paid-up Capital)
20-2404	Red Sea Bar & Restaurant	Revocation of Primary Registration (for violation of Sec. 5(m) of the SRC in relation to Sec. 6(I) of PD 902-A)
09-02-66	Sarsate Assorted Int'l. Foundation Pilipinas, Inc.,	Revocation of Primary Registration (for violation of Sec. 5.1 (m) in relation to Sec. 6 (I) (2) of PD 902-A)

Accomplishments by Core Function

Administrative Case No.	Case Title	Nature of Case
01-2593	Sherman Brothers Management, Inc.	Revocation of Primary Registration
03-2755	Speed Credit Collections Services Company	Revocation of Primary Registration (for violation of Sec. 8.1 of the SRC for selling securities without the required license)
04-2796	UK Immigrant Facilitator & Investor Consultancy, Inc.	Revocation of Primary Registration [for violation of PD 902-A, Sec. 6 (l) (2), for serious misrepresentation as what the corporation can do is doing to the great prejudice or damage to the general public]
01-2651	Urban Financial Services, Inc.	Revocation of Primary Registration
95-1997	Xing Li International Corp.	Revocation of Primary Registration (for violation of Sec. 3 (A) (1) of the Revised Rules and Regulations for Submission/Verification of the Bank Certificate of Deposits and Application of Initial Paid-Up Capital in relation to Sec. 6, par. I (1) of PD 902-A
03-2752	Innovative Phils. Inc.	Revocation of Primary Registration (for violation of Sec. 8.1 of the SRC for selling securities without the required license)
04-05-81	Le Grand Global Link, Inc.	Revocation of Primary Franchise (for failure to comply with the lawful order of the Commission and pay the penalty)
	New International Environmental University, Inc.,	Revocation of Approved Amended Articles of Incorporations (for violation of Sec. 18 of the Corporation as there was no valid amendment of corporate name)
05-05-82	Goldberg and Partners, Inc.	Revocation of Primary Franchise (for violation of Sec. 8.1 of the SRC for selling securities without the required license)
05-05-83	Glasgow Credit and Collection Services, Inc.,	Revocation of Primary Franchise (Sec. 8.1 and 26.1 of the SRC for selling securities without the required license and fraud in dealing with securities)

Accomplishments by Core Function

Administrative Case No.	Case Title	Nature of Case
04-2818	558 Diamond Financing Corp.	Revocation of Primary Franchise (violation of the revised rules and regulations for submission/verification of the Bank Certificate of Deposits and Application of Initial Paid-up Capital)
03-05-49	Charyn Marketing Corporation	Revocation of Primary Franchise for violation of Sec.6 (l) (1) of PD 902-A on the ground of fraud in the procurement of its registration
02-27-17	Care Best International, Inc.,	Revocation of Primary Franchise (violation of PD 902-A on the grounds of 40 fraud in the procurement of its certificate of registration Sec. 6 (1) and serious misrepresentation of what the corporation can do or is doing to the great prejudice of and damage to the investing public [Sec.6 (1) (2)]
12-0599	Silvermoon Security and Investigation Agency, Inc.	Revocation of Primary Franchise for violation of Sec.6 (l) (i) of PD 902-A on the ground of fraud in the procurement of registration

For purposes of securing remedial relief, the CED sent a show cause letter to LeGrand Link, Inc. for its continued failure to comply with the Commission's orders which resulted in a Petition for Revocation filed against the said company. Also, for purposes of stopping the questioned activities of certain companies for the protection of the investing public, Cease and Desist Orders were issued against Holy Soul's Mercy, Inc., and YNC Corporation.

In the criminal prosecution side, the affidavits-complaints filed by the CED before the Department of Justice resulted in the issuance of resolutions recommending the filing of criminal information in court on the following criminal cases: People of the Philippines vs. Francisco Borromeo, et al., Criminal Case No. 05-176-182, pending before Branch 62, Regional Trial Court, Makati City and People of the Philippines vs. Jesus Tibayan, et al., Criminal Case No. 93788-89, pending before Branch 59, Regional Trial Court, Mandaluyong City.

The CED filed several affidavits-complaints before the Department of Justice and/or Prosecutor's Office against certain officers and directors of the following corporations: Asian Diamond Plans, Inc., Floodways Planters Neighborhood Water Service, Inc., Glasgow Credit and Collection Services, Inc., College Assurance Plan Philippines, Inc., and Silvermoon Security and Investigation Agency, Inc. Likewise, it closely coordinated and provided assistance to the Office of the Solicitor General with respect to appealed cases pending before the Court of Appeals and the Supreme Court, involving the following corporations: Performance Foreign Exchange Corporation, Power Homes Unlimited Corp., Prosperity. com, Inc., G. Cosmos Philippines, Inc., Dukes and Company, Inc., BW Resources Corporation (now known as Fairmont Holdings, Inc. The following are the cases pending before the DOJ and the Prosecutor's Office (Table 14).

Accomplishments by Core Function

Table 14:
Cases Pending before the DOJ/Prosecutor's Office, 2005 Prosecution List

Criminal Case No.	Case Title	Nature of Case
119828 119829 RTC-Br. 268, Pasig	PP VS. Jimmy Juan PP vs. Eduardo Lim, Jr.	Non-disclosure Broker-Director
119830-32 RTC-Br. 153, Pasig	PP vs. Dante Tan	Private Placement Non-Disclosure
122796 Br. 160, RTC-Pasig	PP vs. Dante Tan, Raul De Castro, Federico Galang, Eduardo Co, John and Jane Does of Securities 2000, Inc., & PCCI Securities, Inc.	Wash Sales
122797 Branch 160, RTCPasig	PP vs. Dante Tan, Raul de Castro, Jimmy Juan, Mario Juan, Hermogenes Laddaran, Eduardo Lim, Jr., John and Jane Does of Securities 2000 and Belson Securities	Matched Orders
122798 Branch 160, RTCPasig	PP vs. Dante Tan, Raul de Castro	Marking the Close
122799 Branch 160, RTCPasig	PP vs. Dante Tan, Mario Juan, Hermogenes Laddaran and Eduardo Lim, Jr	Abuse of EQ Trade Wash Sales
125075 125076 Branch 68, RTC-Pasig	PP vs. Johnny Yap (Solar Securities) PP vs. Reynaldo Madrilejo (Abacus Securities)	
01-2140 01-2141 01-2142 01-2143 01-2144 01-2145 Branch 147, RTC Makati City	Lorna Verano Yap, Zorina A. Enandecido, Vivian B. Reyes, Remedios B. Zurbito, Fidel S. Ilagan Peter Chua Uy Marlene Ignacio Jennifer Caling Marcelino Morales & Augustus Mayor Rene Apostol, George Regala and Josephine Rivera- (EUROCOM)	Sec.11 in relation to Sec.73 of the SRC for dealing in commodity futures contracts without the required license from the SEC

Accomplishments by Core Function

Criminal Case No.	Case Title	Nature of Case
30-6683 RTC-Makati Branch 63	PP vs. Lorna Verano Yap, et al., (EUROCOM)	Sec. 11 in relation to Sec. 73 of the SRC for dealing in commodity futures contracts without the required license from the SEC.
MC03-6766-70, 03-6772 MC03-6775-6778 Br. 211, RTC Mandaluyong City	Phil-Asia Care Plans, Inc., Vicente Afulgencia, Leonisa Rana, Lorlyn Pascual, Amalia Tolentino, Rosario Jean Cinco, Charmaine Lozada, Richard Ribao, Jenjie Alonzo (PHIL-ASIA CARE PLANS, INC.,)	Violation of Sec. 16, in relation to Sec. 73 of the SRC and the Implementing Rules and regulations of Pre-Need
27326 27327 Br. 97, RTC- Quezon City	PP vs. Virgilio Acosta (Golden Heritage Life Plan, Inc.,)	Violation of Sec. of the RSA (now Sec. 8.1 of the SRC) - unregistered securities
03-3304-03-3305 03-3306-0311 RTC-Branch 134- Makati City	PP vs. Pastrana, et al., (DUKES)	Violation of Sec. 26.1 in relation to Sec. 73 of the SRC (fraud in dealing with securities) -Boiler Room Operation
01-2094 -2098 Br. 59, RTC-Makati City	PP vs Beech, et al., (Barklays)	Violation of Sec. 26.1 in relation to Sec. 73 of the SRC (fraud in dealing with securities) - Boiler Room Operation
01-1856 Br. 58, RTC- Makati City	PP vs. George Martin, et al., (Goldberg)	Violation of Sec. 26.1 in relation to Sec. 73 of the SRC (fraud in dealing with securities) - Boiler Room Operation
03-2092 - 03-2093 RTC- Br. 139, Makati City	PP vs. Baladjay (Multi-tel)	Violation of Sec. 8.1 in relation to Sec. 73 of the SRC (unregistered securities)
03-1354-1480 Br. 56, RTC- Makati City	PP vs. Rosario Baladjay, et al.,	Violation of Sec. 8.1 in relation to Sec. 73 of the SRC (unregistered securities)
03-1697 Br. 142-RTC- Makati City	PP vs. Iris Aquino (Everflow)	Violation of Sec. 8.1 in relation to Sec. 73 of the SRC (unregistered securities)

Accomplishments by Core Function

Criminal Case No.	Case Title	Nature of Case
12876-B Branch 25 RTC-Binan, Laguna	PP vs Haddi, et al., (H-Factor)	Violation of Sec. 8.1 in relation to Sec. 73 of the SRC (unregistered securities)
00-1525 Br. 147, RTC- Makati City	PP vs Primo Puyo, et al., (UNICAP)	Violation of Sec. 8.1 in relation to Sec. 73 of the SRC (Unregistered securities)
05-176-182 Br. 62, RTC- Makati City	PP vs. Francisco Borromeo and Rosalinda Jalothot (Co-accused only in Crim. Case Nos. 05-181-182)- Asian Capital Equities, Inc.,	Violation of Sec. 26.1 in relation to Sec. 73 of the SRC (fraud in dealing with securities)
93788-93789 RTC-Branch 59 Mandaluyong City	PP vs. Tibayan, et al.,	Falsification of Public Documents
MC06-9971-78 RTC, Branch 211, Mandaluyong City	PP vs. Norman Gonzales, Rommel Aniag, Bryan Wee, Ennily Pang	Violation of Sec. 16 of the SRC in relation to Sec. 73, and the Pre-need Implementing Rules and Regulations

Administrative Adjudication

During the year 2005, the Office of the General Counsel (OGC) issued 300 orders/notices and 21 decisions on cases where the Commission retained jurisdiction. These cases involve liquidations, corporate names, revocation of registration certificates and the calling of meetings, as well as those residual cases for final resolution prior to 2000 and suspension of payment/rehabilitation cases filed as of 30 June 2000 until finally disposed.

Litigation and Legal Support Services

Through its OGC, the Commission released 22 opinions on various legal issues. Some of these notable opinions are the following:

SEC Opinion No. 05-23 – Dividends due to a dissolved corporate stockholder.

Any assets inadvertently or otherwise omitted from the winding up that continue in the dissolved corporation for the benefit of the persons entitled thereto upon dissolution of the corporation and on realization, shall be distributed accordingly. *(Letter dated 23 December 2005 addressed to Ms. Stella Maris R. Pelino)*

SEC Opinion No. 05-20 – Officers of ROHQ

A Filipino President and General Manager of a ROHQ may be allowed to concurrently assume the position of General Manager of a proposed ROHQ subject to compliance with all the requirements of R.A. 8756, its implementing rules and regulations and subject to the visitorial powers of this Commission under Section 19, Rule XVII of the IRR for R.A. 8756. *(Letter dated 15 December 2005 addressed to Ms. Ma. Victoria A. Villaluz)*

Accomplishments by Core Function

SEC Opinion No. 05-19 – Hold-over and other matters.

The Board of Directors cannot change the date of the annual meeting prescribed in the By-Laws of the corporation so as to lengthen their term of office, unless the reason is justifiable and proper notice of the postponement is given to the members. An annual meeting, required and stated for each year, cannot be dispensed with by the corporate officers, and the directors cannot, by a by-law or otherwise, change the time of the annual election, so as to continue themselves in office for more than a year. *(Letter dated 6 December 2005 addressed to PICPA (Davao) Foundation, Inc.)*

SEC Opinion No. 05-11 – Receivables as consideration for shares of stock.

SEC-set standards have to be complied with in the intended exchange of property for the housing receivables of the affiliate company to be validly used as payment for the corporate shares. *(Letter dated 14 July 2005 addressed to Atty. Lucia I. L. Labad)*

SEC Opinion No. 05-10 – Reduction of paid-in equity of a foreign branch.

Foreign investments on the date of the publication of RA 8179 shall in no way be affected by new or amended Foreign Investment Negative Lists. Thus, the present lowered minimum requirement is not a valid justification to reduce the paid-in equity capital. *(Letter dated 12 July 2005 addressed to Valdes Valdes Rodulfa & Associates)*

SEC Opinion No. 05-09 – Corporate Nationality under the Special Purpose Vehicle Act; Acquisition of non-performing assets.

A corporation 60 per cent owned by Filipino individuals and/or a Philippine corporation which is 100 per cent owned by Filipinos is a Philippine national. In determining Philippine nationality, the computation of the 60 per cent Filipino ownership shall be based on the total number of the par value of shares. *(Letter dated 6 July 2005 addressed to Angara Abello Concepcion Regala & Cruz).*

SEC Opinion No. 05-08- Sale of incidental company service not considered retail sale.

The sale of the mobile phone parts and accessories, being only incidental and reasonably necessary to the repair, assembling, maintenance and support services of the subsidiary, cannot be considered as sale by retail. It should however be emphasized that any sale of the aforementioned parts and accessories which is not incidental to the repair and assembling services of the company will fall under the general classification of retail trade. *(Letter dated 23 June 2005 addressed to De Borja Medialdea Bello Guevarra & Gerodias)*

SEC Opinion No. 05-03- Share issuance from original authorized capital stock; voting requirement.

Issuance of share out of the unsubscribed share of authorized capital stock of the corporation may be exercised by the Board of Directors through a Board Resolution without need of stockholders’ approval. *(Letter dated 27 April 2005 addressed to Atty. Zenaida O. Balmas)*

SEC Opinion No. 05-01- Reclassification of paid-in surplus.

Additional paid-in surplus may be applied to reduce or wipe out deficits of the corporation provided that after such restructuring process has been effected, the same shall be disclosed in all subsequent financial statements of the corporation for a period of at least 3 years. *(Letter dated 4 January 2005 addressed to P. Four Inc.)*

Accomplishments by Core Function

It likewise acted on 1,679 decisions and resolutions from the Supreme Court (SC), Court of Appeals (CA), the Regional and Municipal Trial Courts (RTC/MTC), the National Telecommunication Commission (NTC) and the Department of Transportation and Communications (DOTC). It also sent 309 letters to the Supreme Court (SC), the Court of Appeals (CA) and various RTCs in connection with cases which had been transferred to the judiciary and those that were remanded to the SEC. The lists of SEC cases affirmed by the Supreme Court and the Court of Appeals are presented in Tables 15 and 16, respectively.

Finally, SEC lawyers attended 80 hearings, meetings and conferences on various current legal issues under the jurisdiction of the Commission.

Table 15:
List of Cases Affirmed by the Supreme Court, CY 2005

G.R. No.	TITLE	DATE OF PROMULGATION	MODIFICATION (if any)
148152/149450	International Broadcasting Corp. vs. Jose T. Jalandoon/SEC vs. Jose T. Jalandoon	11/18/05	Case transferred to RTC Makati pursuant to RA 8799
142611	Ligaya Novicio et.al. vs. Jose C. Lee, et. al.	7/28/05	
131394	Jesus V. Lanuza, et.al. vs. CA, SEC, et. al.	3/28/05	
139448	Jacinto Galang, et.al. vs. CA, et. al.	10/11/05	Clarification that the reference to "Camaganakan family" in the dispositive portion thereof pertains to Lamberto Camaganakan, Jr. only

Table 16:
List of SEC Cases Affirmed by the Court of Appeals, CY 2005

CA-G.R. SP No.	TITLE	DATE OF PROMULGATION	MODIFICATION (if any)
83159	United Church of Christ in the Philippines Inc. vs. Bradford United Church of Christ Inc.	6/17/05	
85447	Ban Hua U. Flores, et.al. vs. Hon. Lilia R. Bautista, et. al.	6/03/05	

Accomplishments by Core Function

CA-G.R. SP No.	TITLE	DATE OF PROMULGATION	MODIFICATION (if any)
85780	Union Bank of the Philippines vs. ASB Dev't. Corp.	6/22/05	
73169	MANCOM of Ruby Ind'l. Corp. Vs. SEC, et. al.	6/22/05	
81127	Alberto O. Villa-Abrille, Jr. vs. C & T Global Futures, Inc.	9/23/05	Petitioner is additionally awarded Php 100,000.00 as moral damages and Php 50,000.00 as exemplary damages
58741	Queensland Tokyo Commodities Inc. et. al. vs. Thomas George	9/30/05	

CORE FUNCTION 4: Support Services

Three (3) support service departments complement the key functions and responsibilities of the operating departments in their respective areas namely: capital market development and regulation, company registration and monitoring, and enforcement. These support service departments are the Human Resource and Administrative Department (HRAD), the Economic Research and Information Department (ERID), and the Financial Management Department (FMD). The support services being provided include obtaining the financial resources needed to sustain the operations of the Commission, the development and management of its human resources and the management of information systems and the provisions of related technical work as well.

These functions provided internal support to the Commission and assistance to investors and the general public through helpful information materials, investor workshops and public seminars that promote awareness and adherence to SEC rules and procedures, understanding of the SEC's processes and emphasize the importance of informed investing.

Delivery of public reference services

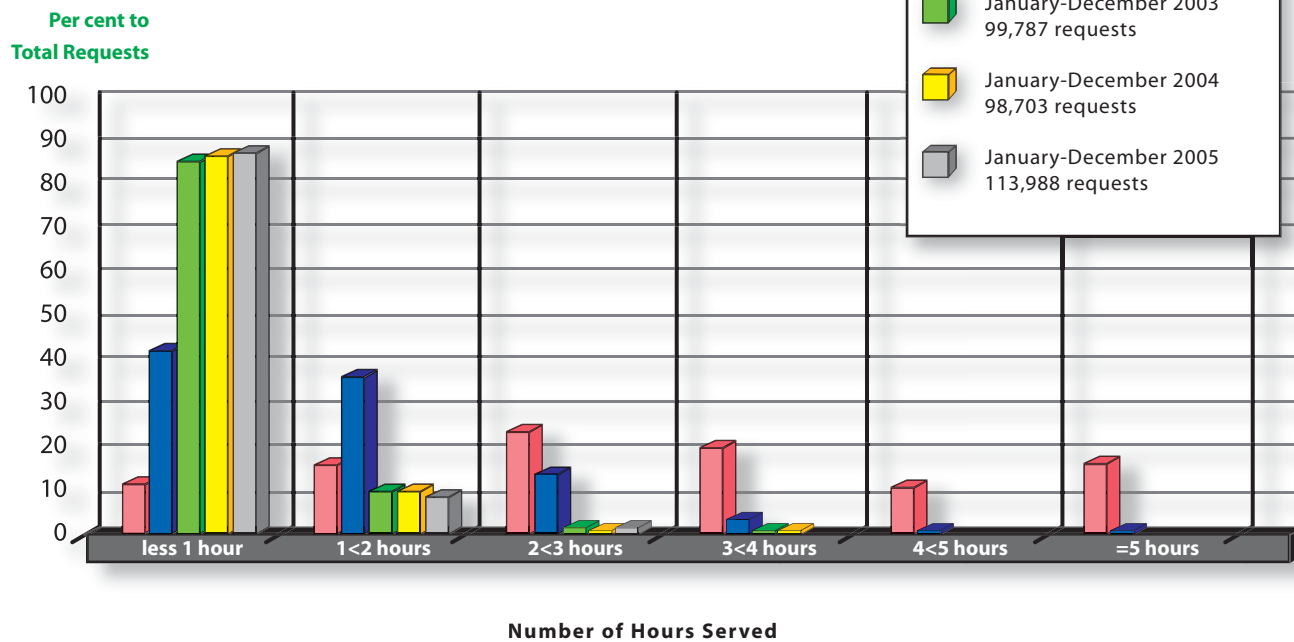
With the improvement of information technology resources and the installation of additional storage capacity at the Public Reference Unit, retrieval of digitized documents was made easier and faster through the use of an improved Document Imaging System (DIS).

The digitized documents and reports submitted to the SEC are copied and made available to public borrowers at a shorter period of time. In 2005, about 88 per cent of the public requests

Accomplishments by Core Function

were attended to in less than an hour compared to 13 per cent in 2001 prior to the upgrading and installation of the appropriate storage equipment for digitized documents (Chart 1).

Chart 1:
Retrieval of Company Files at the Public Reference Unit,
Public Waiting Time (in hours served) Years 2001-2005



The dramatic reduction in public waiting time and the consequent improvement in the delivery of documents to the public further encouraged the Commission to digitize more corporate records.

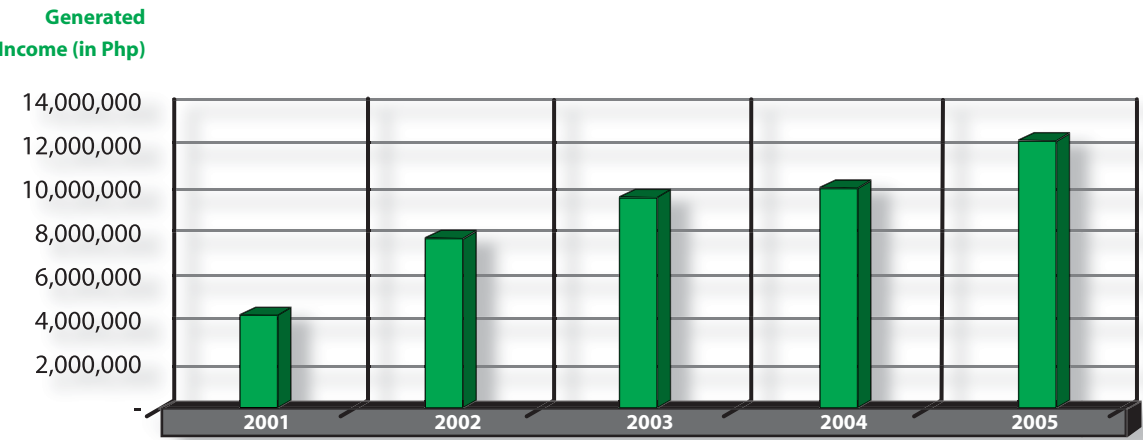
In 2005, about 2.351 million pages of documents were digitized and added to the database of 19.723 million digitized pages from prior years' filings.

The digitization and provision of storage facility are not without cost to the government. However, this is an investment that is justified not only by the income derived therefrom but more importantly, by the benefit of enhanced delivery of services to the public.

Chart 2 shows that the 2005 income of Php 12.9 million generated by the PRU is more than twice that of the 2001 revenue of Php 5.3 million as additional storage capacity was made available for storing digitized records.

Accomplishments by Core Function

Chart 2:
Income Generation From Requests For Documents



Fees: 1. Transaction Fee - Php 20/company
2. Printing - Php 5/page
3. Computer Time - Php 2/minute
4. Authentication Fee - Php 20/document

The SEC has continuously exerted efforts to further improve its record management capability so that company records, like registration documents, periodic or annual reports such as Audited Financial Statements and other corporate files, can be efficiently retrieved at the time these are needed by banks, the courts, other government agencies and the general public.

In addition to the foregoing improvements, on 11 November 2005, on its 69th anniversary, SEC introduced to the public the SEC-iView, a new retrieval facility using a web-based system. Through this facility, corporate records can be viewed and printed anywhere using the SEC Pin Mailers which are available to the public at Php 100.00 per card.

Provision of information and assistance to the public

The SEC has continuously exerted efforts to make the public well informed of its various processes, policies,

guidelines, rules and procedures on varied investment and industry concerns. In line with these efforts, SEC has:

- added and posted on the SEC website 332 information materials which include among others, the list of corporations with revoked certificate/s of registration, and SEC advisories and Cease-and-Desist Orders (CDOs) of fraudulent firms, AMLC resolutions to alert SEC regulatees and the general public on developments related to local and international efforts against money laundering activities.
- Published the CY 2005 edition of the Philippine 5,000 Corporations showing the financial performance of the top 5,000 corporations based on their Audited Financial Statements (AFS) for fiscal year 2004.
- Disseminated 54,379 Citizen's Manuals and other relevant information materials for investors and the general public Responded to queries through e-mails, 1,625; by phone, 48,106; and in person, 72,078

Accomplishments by Core Function

- Extended library reference services to 3,357 walk-in clients and 677 internal clients SEC-iRegister made possible 11,993 online search queries on registered and/or reserved company names from the public and processed on a daily average, 1,539 name verification and reservation transactions.
- Responded to various information requests from capital market participants, local and foreign investors, local government agencies, non-stock institutions and the academe, among others.
- Provided assistance in organizing public seminars including the seminar on International Accounting Standards.
- Supported on-the-job training programs of 17 partner-schools through the deployment of 123 student-trainees to the different SEC departments and offices.

Management of Information Systems

The SEC's on-going computerization project under the Integrated Information System Strategic Plan (ISSP) slated to be fully implemented by April 2007, is now on its second phase covering the installation of the Compliance Monitoring and Enforcement System (CMES) or SEC-iReport. The SEC-iReport is envisioned to provide the facility to effectively collect and analyze data that will help policymakers within and outside SEC make critical policy decisions concerning the development of the Philippine capital market.

The first web-based module of the SEC-iReport called the SEC-iView or SEC Documents Online, started delivering services to the public immediately after its Press Launch on 11 November 2005, the SEC's 69th anniversary. It is a pay-per-use system that makes available to the public and other interested entities an online service allowing them to search, view and print relevant company information and documents. These functions can be done in the convenience of a registered user's own office, home or any other location as long as internet access is available. It also allows other government agencies to access information resources into the system consistent with the e-government program.

Internal Planning and Performance Assessment

In 2005, the Commission introduced methodological improvements in its internal planning process. During the Strategic Planning Workshop for 2006, it adopted the Balanced Scorecard Framework (Kaplan and Norton) and the theme TRANSFORM SEC (acronym for Transforming SEC into a Strategy-Focused Organization). As part of this effort, the Commission conducted an organizational diagnostic survey through which every SEC personnel shared his/her views on how to improve SEC's internal systems and processes. The respondents' inputs were then processed and consolidated as reference during the discussion in the workshop.

Accomplishments by Core Function

SEC Personnel Development

Leading this initiative is the Human Resources and Administrative Department (HRAD) which undertook and coordinated a total of 110 trainings, categorized as inhouse, external or public trainings, and attended by 1,257 SEC participants (Table 17). These training programs were especially designed to further enhance the competence and technical capabilities of the SEC workforce, which is SEC's most important resource.

Table 17:
Trainings Conducted/Coordinated by HRAD in 2005

Type of Training	Number of Sessions/Programs	Number of Participants
1. SEC In House Trainings for Employees		
a. Technical Training	17	462
b. Organizational Development Training	13	352
c. Brown Bag Sessions	9	180
2. External Trainings for Employees		
a. Foreign	20	32
b. Local	50	125
3. Public Seminar		
a. Seminar on International Accounting Standards	1	106
TOTAL	110	1,257

Towards the end of the year, the Commission mounted two training workshops for top level management entitled, the "Seven Habits of Highly Effective People" Workshop and the "SEC Mission, Vision and Values" Workshop, both of which helped SEC managers increase their potentials as prime movers/implementers of SEC organizational programs. To cascade down to the employees the understanding of the SEC organizational values, seven (7) batches of Values Orientation and Internalization Workshop (VOW) for SEC employees were conducted.

On 16 February 2005, the Civil Service Commission finally stamped its approval to the SEC Grievance Machinery which provides corresponding guidelines and procedures to settle employee-management disputes and sort out certain internal administrative problems.

Accomplishments by Core Function

As of 31 December 2005, the Commission has a total of 383 employees up by 6.3 per cent over its 2004 manpower level. The details of SEC manpower levels from 2002 to 2005 are presented in Table 18.

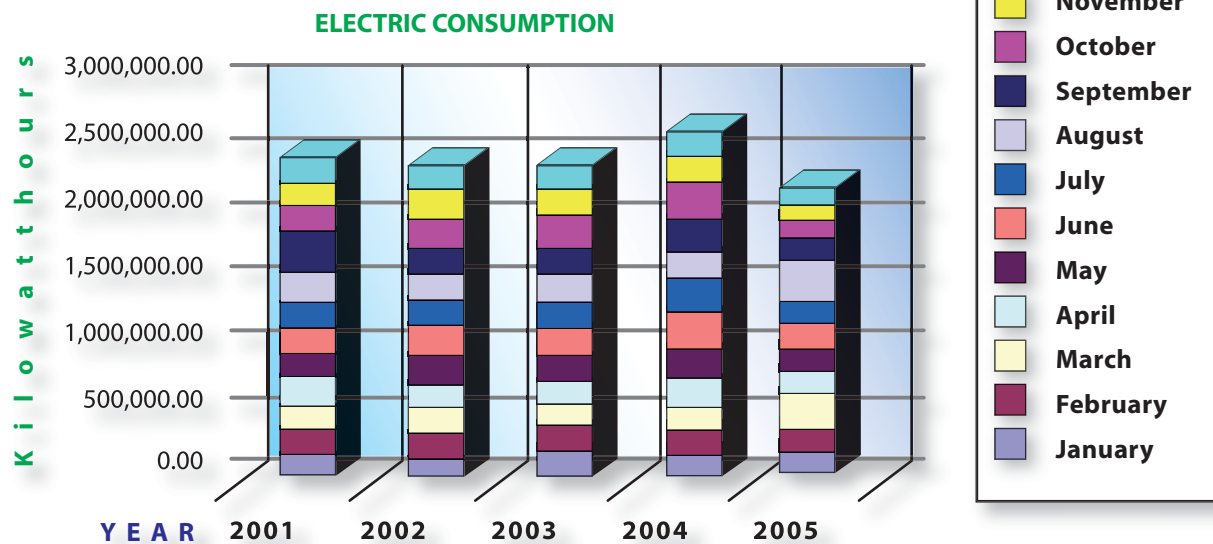
Table 18:
SEC Manpower Report, 2002-2005

SEC MANPOWER REPORT	2002 As of 31 Dec	2003 As of 31 Dec	2004 As of 31 Dec	2005 As of 31 Dec
Complement	360	366	360	383
Separated/Dismissed	23	19	16	26
Hired	29	21	14	46
Promoted/Transferred	23	22	19	34
Reinstated	0	0	0	1

Management of Government Resources

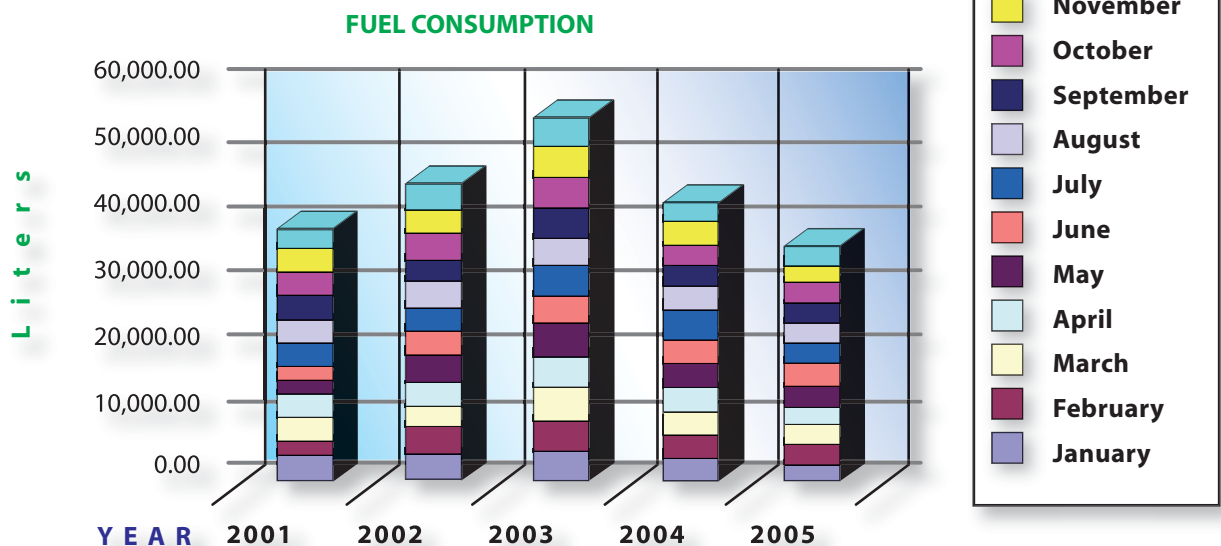
Consistent with the government austerity measures put in place in 2004 (Office Order No. 178 s. 2004 dated 7 October 2004), the SEC was able to further cut down expenses, particularly on electric and fuel consumptions. The average consumption for the year 2005 compared to the average consumption for the year 2004 showed a decrease by 17.05 per cent on electric consumption and 15.63 per cent on the fuel consumption of the Main and Extension Offices.

CHART 3:
SEC Electric Consumption, 2001-2005



Accomplishments by Core Function

CHART 4:
SEC Fuel Consumption, 2001- 2005



In addition, the SEC also implemented safety measures for its office facilities and staff. In 2005, the Commission installed the Finger Scan Security Access Control System equipment to monitor the attendance of employees together with automatic door closer to prevent the entry of unnecessary persons in the SEC offices. It also installed CCTV cameras in all floors and at the front and back entrances to the SEC building.

Orientation of Students

During the year, the SEC conducted an orientation on the SEC's core functions to a total of 1,370 students from 14 provincial colleges and universities.

Recognition of Exemplary Performance

The Commission has sustained its exemplary ratings in public opinion surveys since 2001. In the first quarter of 2005, SEC was ranked first among the 26 government agencies in the Social Weather Station's (SWS) 2003/2004 Transparent and Accountable Governance (TAG) Enterprises Survey in both the gross and net sincerity ratings in fighting corruption. At the same time, SEC garnered the 6th place in the Makati Business Club's survey of top performing government agencies.

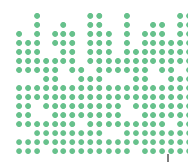
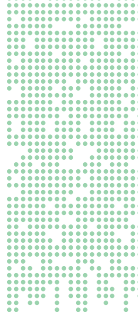
In addition, the Financial Management Department (FMD) was awarded on 26 October 2005 as the Most Outstanding

Accounting Office – National Government Sector – Big Agency for the year 2004 for having exemplary met the criteria of accuracy, timeliness, reliability and compliance to accounting rules and regulations. The award was given by the Association of Government Accountants of the Philippines in a ceremony held at Sarabia Manor Hotel, Iloilo City. This is the second time that SEC was awarded such honor. The first award was given in the year 2002.

Also in 2005, the Commission on Audit installed the Electronic New Government Accounting Systems (e-NGAS) application in the SEC. Within two months of that year, SEC was able to convert its manual accounting system data into the e-NGAS. Parallel runs of the manual system and the electronic system were done in May and June 2005.

When the e-NGAs was found running effectively and smoothly by the following month, quarterly and annual financial reports were prepared using the electronic system.

The Commission was also cited by the Department of Health and the Philippine Children's Medical Center as the agency with the most number of blood donors at 443 from 1995-2005 in its "Gawad Dekada" National Voluntary Blood Services Program awards night on 14 July 2005.



Inter-Agency Cooperation

IN 2005, SEC's achievements toward strengthening the corporate capital market infrastructure in the Philippines and maintaining a regulatory system were realized with the support, cooperation and coordination of various entities both within and outside of government including those abroad.

Coordination with the National Law Enforcement Coordinating Committee (NALECC)

As a member of the National Law Enforcement Coordinating Committee (NALECC) Subcommittees on Intelligence, on Interpol Matters and on Anti-Money Laundering / Combating Financing of Terrorism, the SEC has rendered assistance by way of providing valuable information to member-agencies and to Interpol member countries. The SEC has also responded to requests for assistance by the National Bureau of Investigation, the Department of Foreign Affairs on behalf of our Embassies and Consulates, the Philippine Anti-Graft Commission (PAGC), the Criminal Investigation and Detection Group (CIDG) and the Philippine Center on Transnational Crime (PCTC) of the Philippine National Police. It coordinates with the National Bureau of Investigation, PCTC, CIDG, Bureau of Immigration, local government units, Department of Trade and Industry and other government agencies in its investigation.

Cooperation on Anti-Money Laundering

The SEC conducted investigations based on referrals by the Anti-Money Laundering Council (AMLC) concerning a suspected boiler room operation involving five (5) companies and one (1) possible ponzi scam. In these investigations, SEC either provided or obtained information, or conducted its own investigation in order to establish the underlying criminal activity punishable under the Securities Regulation Code and in relation to AMLA. SEC caused the posting at the SEC website and the circularization among covered institutions of fourteen (14) AMLC Resolutions.

Cooperation with the Financial Sector Forum (FSF)

A Memorandum of Agreement on the Performance Standards for Microfinance Institutions (MFI) was forged last 10 October 2005 by the SEC and the Department of Finance (DOF), the Bangko Sentral ng Pilipinas (BSP), the Cooperative Development Authority (CDA), the People's Credit and Finance Corporation, the Landbank of the Philippines, Development Bank of the Philippines, the Microfinance Council of the Philippines, the Rural Bankers Association of the Philippines and the National Confederation of Cooperatives. Under the MOA, the signatories have agreed to "formally adopt and implement the Standards in whatever manner and purpose they may deem necessary and expedient, to ensure that MFI operations are efficient, sustainable and effective for the continued access to microfinancial services by the poor and the disadvantaged sectors of society."

The Financial Sector Forum (FSF) is a voluntary inter-agency body, composed of the Securities and Exchange Commission (SEC), The Bangko Sentral ng Pilipinas (BSP), the Insurance

Inter-Agency Cooperation

Commission (IC) and the Philippine Deposit and Insurance Commission (PDIC), which provides an institutionalized regulatory framework for coordinating the supervision and regulation of the financial system; facilitate consultation and exchange of information and ideas among regulators; and provide a platform to harmonize the regulation of financial products offered by the various types of financial institutions.

The FSF has three multilateral technical Committees: Reporting, Information Exchange and Dissemination Committee (RIEDC), Supervision Methodology and Regulatory Policy Coordination Committee (SMRPCC), and Consumer Protection and Education Committee (CPEC). The Commission is represented in these committees by different operating departments, i.e. Market Regulation Department (MRD) in RIEDC, Non-Traditional Securities and Instruments Department (NTD) in SMRPCC, and Corporation Finance Department (CFD) in CPEC.

The RIEDC, in fulfillment of its core functions, drafted a Multilateral Memorandum of Agreement (MMOA) by and among the FSF members. This MMOA will facilitate the transfer and exchange of relevant reports, information and data among the FSF members. With the proposed methodical and efficient mode of data exchange, the MMOA aims to develop a comprehensive statistics on the financial system; provide the proper forum to regularly discuss and resolve issues of common concern; facilitate exchange of reports made by the members themselves and their reputation agents, i.e. rating agencies, appraisal companies and external auditors; coordinate the transfer of market information on individual financial institutions which are highly essential in effectively discharging the complementary mandates of the FSF members; and sustain existing modes of data transmission via bilateral data sharing arrangements.

Other inter-agency-cooperation activities

- Signed an agreement by and among representatives from the Commission, the Board of Investments, the Department of Trade and Industry, the Department of Environment and Natural Resources and the Philippine Mining Chambers of the Philippines, wherein the Commission made a commitment to fast track the registration of mining corporations
- Participated with other government agencies in efforts to simplify procedures, streamline registration requirements and promote SEC i-register downloadable forms.
- Attended in aid of legislation, congressional hearings on the capital markets
- Collaborated, with other agencies of government in addressing foreign investors concerns particularly on corrupt practices in business procedures.
- Collaborated through a series of meetings, with the Department of Finance and the Asian Development Bank in addressing issues on micro-finance operations in the Philippines, resulting to the following commitments :
 - To issue an Administrative Order/Regulation (i) requiring Non-Government Organizations (NGOs) which provide microfinance and other related financial




Inter-Agency Cooperation


services to disclose this information to the Commission by filing, within 30 days of issuance of the Administrative Order/Regulation, a revised General Information Sheet (GIS) and if necessary, filing amended Articles of Incorporation; and (ii) authorizing a revised GIS form that includes a specific area for marking if the NGO conducts any microfinance operations

- To make available to National Anti-Poverty Commission (NAPC) a copy of all GIS forms that indicate microfinance operations are being conducted by an NGO.
 - To establish and maintain facilities to allow for electronic filing annual GIS forms and annual financial statements by NGO Microfinance Institutions
- Collaborate with the Department of Foreign Affairs and the representatives of the European countries to assist in the facilitation of licenses to do business in the Philippines

International Cooperation



The globalization of financial markets as well as the regulatory environment in which it works, have motivated the SEC to pursue international enforcement initiatives either on its own or in collaboration with other members of the International Organization of Securities Commissions (IOSCO). As the leading international group of securities market regulators, IOSCO comprises of over 100 member countries and encompasses regulators, which have day-to-day responsibility for the regulation and administration of securities laws and regulations.



The IOSCO's broad mission is to promote high standards of regulation so that securities markets are fair, efficient and sound. IOSCO facilitates information exchange between member countries in order to protect market integrity and make regulation and enforcement more effective.

IOSCO Principles provide for cooperation in regulation in at least three ways. First, the regulator should have authority to share both public and non-public information with domestic and foreign counterparts. Second, regulators should establish information sharing mechanisms that set out when and how they will share both public and nonpublic information with their domestic and foreign counterparts. Third, the regulatory system should allow for assistance to be provided to the foreign regulators who need to make inquiries in the discharge of their functions and exercise of their duties.

Consistent with these principles, the SEC has provided information and gathered evidence upon request to assist an overseas regulator in its enforcement efforts. To date, the SEC has so far extended numerous assistance to foreign regulators and law enforcement authorities from the United States, United Kingdom, Switzerland, Australia, Canada, Japan, China and HongKong. The ultimate objective of these initiatives is to make the Philippine environment hostile to perpetrators of cross-border crimes, like money launderers, terrorist financiers, boiler room operators, among others. All these efforts have been pursued by SEC as part of its mandate to protect the investing public, while contributing its fair share in international cooperation.



Financial Performance

Income

The Securities and Exchange Commission generated a total income of PhP 914 million in 2005 (Table 19). For years, the SEC is one of the few agencies that consistently give positive contributions to the National Government. For the past five years, the Commission has contributed an average of PhP 441 million a year to the national coffers (Table 20). In 2005, it remitted to the National treasury a total of PhP 808 million and retained in its books PhP 106.0 million.

Total budget appropriated by Congress to SEC for CY 2005 amounted to PhP 249 million and the same amount was received as allotment from the Department of Budget and Management (DBM).

Table 19:
SEC's Income by Source, 2005 and 2004

Source of Income	2005		2004	
	Amount (PhP)	Per cent to Total (In per cent)	Amount (PhP)	Per cent to Total (In per cent)
License Fee	50,669,122.89	5.54	60,459,068.52	6.45
Registration Fees	716,401,615.22	78.40	742,449,191.24	79.25
Fines and Penalties	82,464,345.82	9.03	96,040,469.76	10.25
Misc. Income	64,195,709.10	7.03	37,964,282.18	4.05
TOTAL INCOME	913,730,793.03	100.00	936,913,011.70	100.00

Table 20:
SEC's Net Contribution to National Government
(In million PhP)

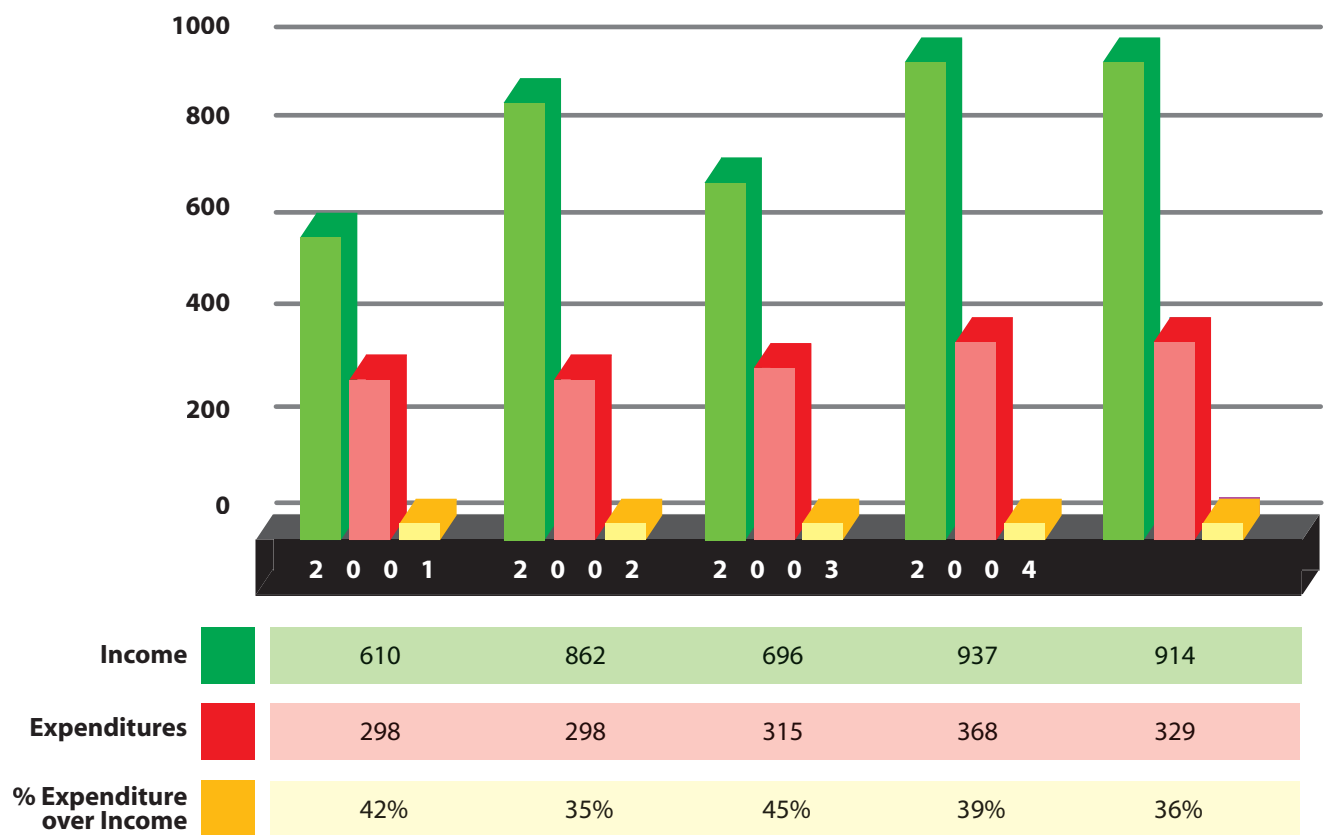
	2005	2004	2003	2002	2001	Average
Remittance to National Government	808	800	596	762	610	715
Allotments	249	222	266	335	298	274
Contributions	559	578	330	427	312	441

Financial Performance

Expenditures

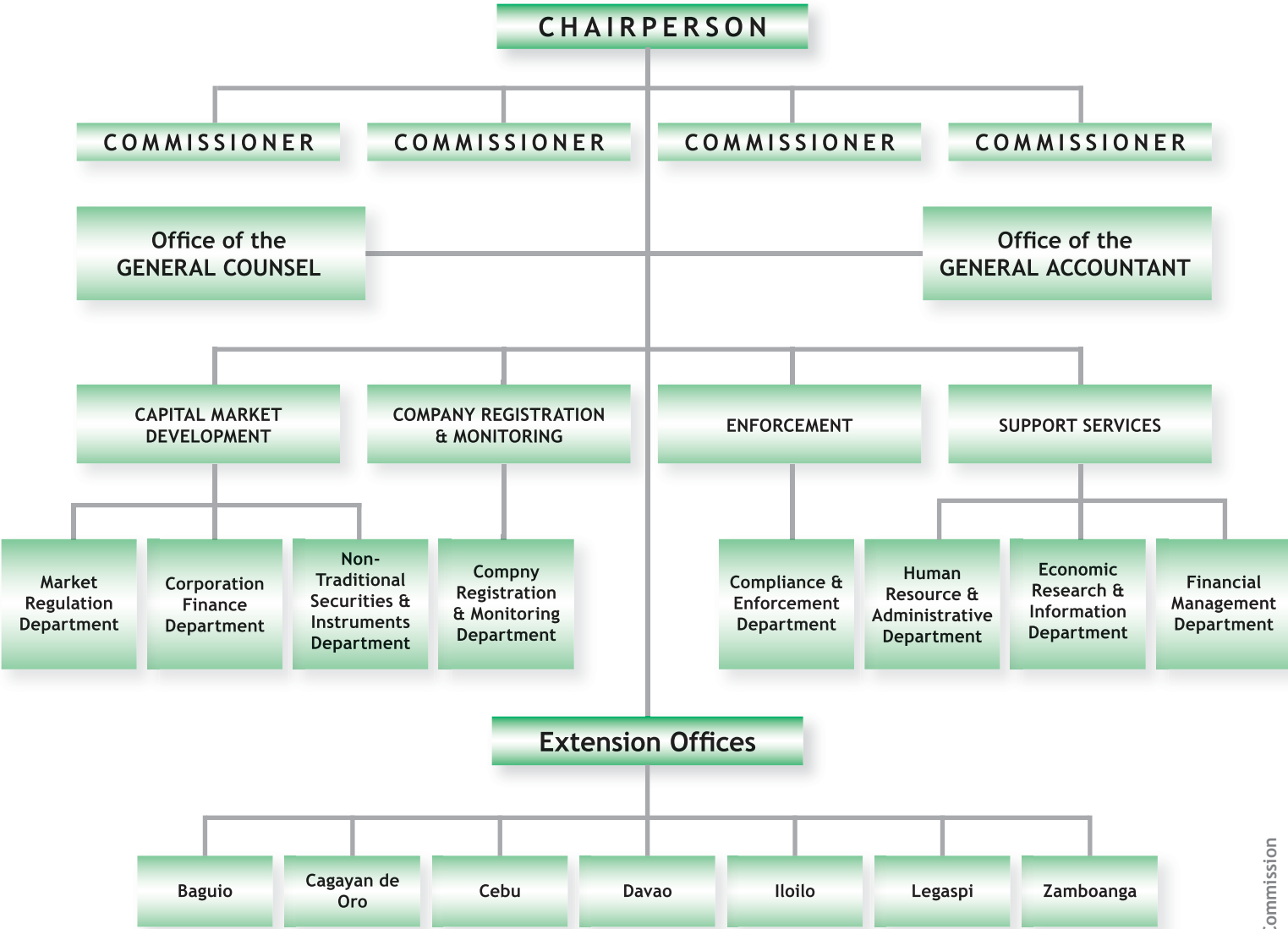
The prudential resource management the SEC undertook in 2005 resulted in a better expenditures-income ratio. The expenditures incurred by the Commission amounted to PhP 329 million, down by 10.6 per cent from the previous year's level of PhP 368 million. Total expenditure represented 36 per cent of total income, an improvement from the 39 per cent posted in 2004. For the last five years, SEC has kept its ratio of expenditures to income at less than 50 per cent (Chart 5).

Chart 5:
SEC's Income vs. Expenditures, CY 2001-2005



About SEC

Organizational Chart



The Commission



From left to right:

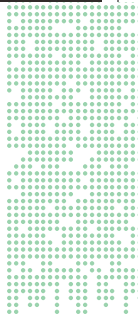
Com. Raul J. Palabrica

Com. Joselia J. Poblador

Chairperson Fe B. Barin

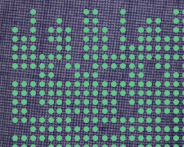
Com. Ma. Juanita E. Cueto

Com. Jesus Enrique G. Martinez



Securities and Exchange Commission

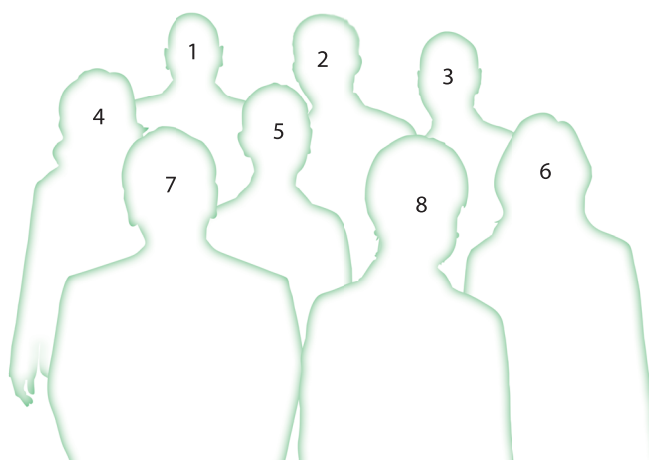
51



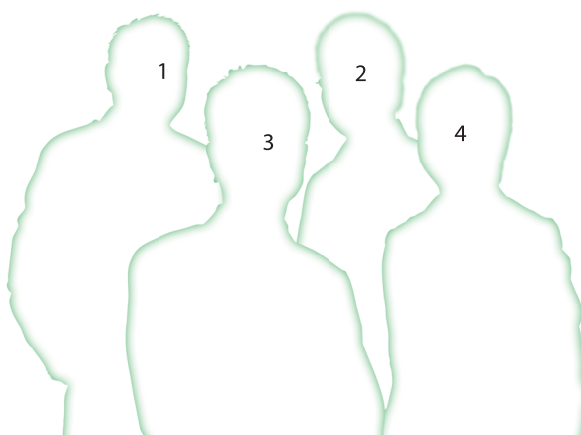
Capital Market Development



- ¹ Asst. Director Graciano P. Felizmenio, Jr.
- ² Asst. Director Emmanuel Y. Artiza
- ³ Asst. Director Victor C. Estrada
- ⁴ Asst. Director Carol C. Lerma
- ⁵ Asst. Director Ma. Gracia F. Casals-Diaz
- ⁶ Asst. Director Merle Joy B. Pascual
- ⁷ Director Jose P. Aquino
- ⁸ Director Justina F. Callangan



Company Registration & Monitoring



- ¹ Asst. Director Gerardo F. Del Rosario
- ² Asst. Director Ferdinand B. Sales
- ³ Director Benito A. Cataran
- ⁴ Asst. Director Yolanda L. Tapales

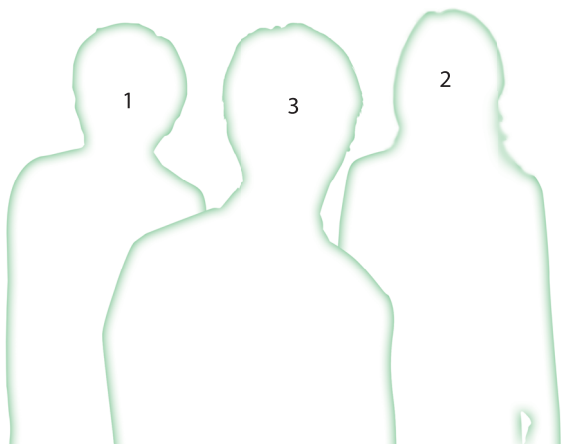
pics

Enforcement

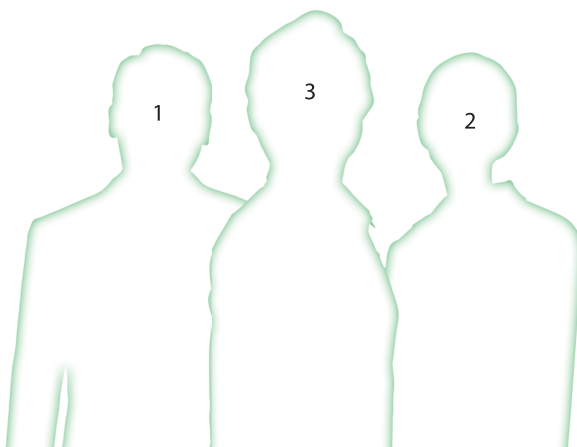


Securities and Exchange Commission

- ¹ Asst. Director Lisa Beth G. Rico
- ² Asst. Director Ma. Elmira A. Alconaba
- ³ Director Hubert Dominic B. Guevara



Special Offices



¹ Com Secretary C. A. Gerard M. Lukban

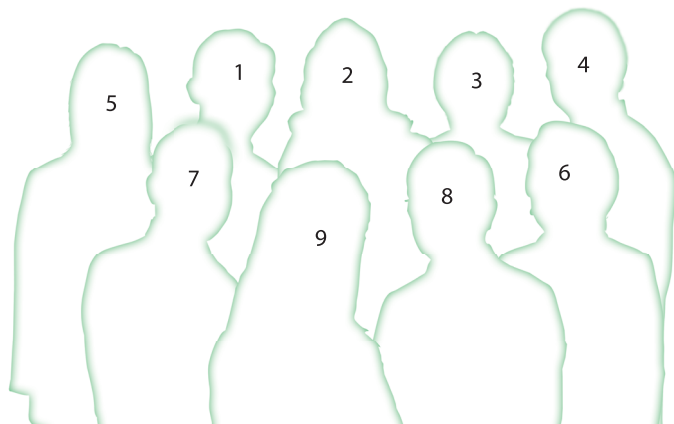
² Asst. Director Rosalina T. Tesoro

³ General Counsel Vernetta Umali-Paco

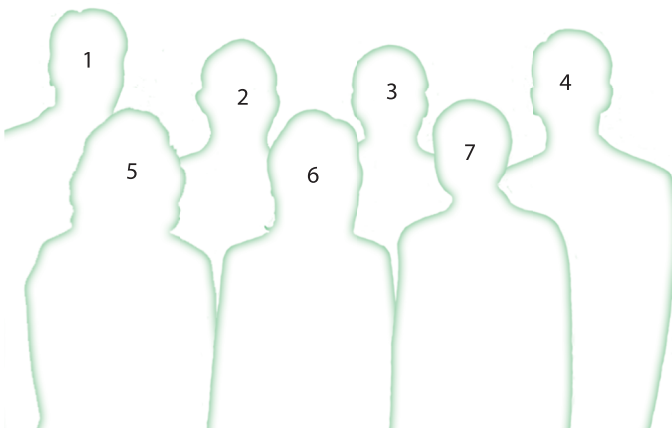
Support Services



- ¹ Asst. Director Thoureth I. Dela Cruz
- ² OIC Violeta V. Infante
- ³ Asst. Director Daisy B. Pabuaya
- ⁴ Asst. Director Renato A. Santos
- ⁵ Asst. Director Isma C. Gonzales
- ⁶ Asst. Director Marilyn Peneyra-Lim
- ⁷ Asst. Director Virgilio V. Salentes
- ⁸ Asst. Director Romeo O. Dauag
- ⁹ Director Adelaida C. Navarro-Banaria



Extension Offices



- ¹ OIC Jayvey Paul D. Francisco, Davao
- ² Director Renato V. Egypto, Cagayan de Oro
- ³ Director Marcos G. Florendo, Jr., Zamboanga
- ⁴ Director Russel I. Ildesa, Iloilo
- ⁵ Director Merle Cunanan, Cebu
- ⁶ Director Annie G. Tesoro, Baguio
- ⁷ Director Marylou Duka-Castillo, Legaspi





SEC Departments & Offices

The Special Offices

OFFICE OF THE GENERAL COUNSEL

Functions

- Provides legal counsel to the Commission and its various departments
- Assists in the preparation of the SEC legislative agenda
- Reviews and comments upon proposed legislation that would affect the securities industry and the Commission's powers and functions
- Acts as the Commission's liaison with Congress and other agencies
- Ensures that the rulings and opinions of the Commission are consistent with Philippine laws and jurisprudence

OFFICE OF THE GENERAL ACCOUNTANT

Functions

- Leads in the establishment of international accounting standards to improve the transparency of the Philippine capital market
- Works closely with the Accounting Standards Council, the Philippine Institute of CPAs, the Actuarial Society of the Philippines, self-regulatory organizations (SROs), and industry associations on the adoption of accounting and auditing standards, and the related rules and regulations
- Provides technical support to the SEC's operating departments on issues of accounting treatment for public offerings and disclosures
- Acts as resource person to the Commission and its departments and SEC-regulated entities in the area of accounting standards and treatment



CORE FUNCTION 1: Capital Market Development and Regulation

MARKET REGULATION DEPARTMENT

Functions

- Develops the registration criteria for all market participants
- Ensures compliance with registration requirements and transmits infractions of the SRC and its Rules and Regulations to the Compliance and Enforcement Department

CORPORATION FINANCE DEPARTMENT

Functions

- Registers securities before they are sold or offered for sale to the public and ensures availability of adequate information on said securities
- Ensures that investors have access to all material disclosures regarding the securities of public companies and their offering to the public
- Monitors compliance by issuers with the SRC and its implementing rules and regulations adopted thereunder and transmits infractions thereof to the Compliance and Enforcement Department

NON-TRADITIONAL SECURITIES AND INSTRUMENTS DEPARTMENT

Functions

- Registers and grants licenses for non-traditional securities and instruments, including but not limited to pre-need plans, commodity futures contracts, proprietary or non-proprietary shares or membership certificates and other similar instruments
- Monitors compliance with related rules and transmits infractions thereof to the Compliance and Enforcement Department

CORE FUNCTION 2:
Company Registration and Monitoring

COMPANY REGISTRATION AND MONITORING DEPARTMENT
Functions

- Registers domestic corporations and partnerships, approves amendments to articles of incorporation/partnership, by-laws, increase in capital stock, and merger and acquisitions, among others
- Grants licenses of foreign corporations doing business in the Philippines under the Foreign Investments Act of 1991
- Grants licenses of multinational companies establishing regional headquarters and regional operating headquarters in the Philippines under the Omnibus Investment Code of 1987
- Conducts monitoring/supervision activities on compliance of corporations with the Corporation Code and complementary laws
- Revokes registration of domestic corporations and partnerships, licenses of foreign corporations doing business in the Philippines, and licenses of multinational companies establishing regional headquarters or regional operating headquarters in the Philippines

CORE FUNCTION 3:
Enforcement

COMPLIANCE AND ENFORCEMENT DEPARTMENT
Functions

- Oversees and ensures the compliance of all market participants, issuers, and individuals with Philippine regulations and governing legislation
- Takes appropriate actions against all violators of the Code and other relevant laws, rules, and regulations implemented by the Commission



SEC Department & Offices

CORE FUNCTION 4: Support Services

HUMAN RESOURCES AND ADMINISTRATIVE DEPARTMENT

Function

- Oversees all human resource and administrative support functions for the SEC, including personnel management, procurement, and security services
- Provides information to the public on registered corporations and other entities
- Coordinates and/or conducts training to enhance the competencies of employees and assists in the dissemination of information to investors

FINANCIAL MANAGEMENT DEPARTMENT

Functions

- Provides services for budget, fiscal, accounting, and treasury functions

ECONOMIC RESEARCH AND INFORMATION DEPARTMENT

Functions

- Serves as the technical lead for the Commission on: application program development, operation, and maintenance; hardware and software specification and configuration; and, the establishment and maintenance of communications network
- Provides corporate planning and related economic research services
- Provides investment research, investor education, public assistance and library services

Extension Offices

The SEC has seven extension offices in various strategic cities in the country, particularly: Baguio, Legaspi, Cebu, Iloilo, Davao, Cagayan de Oro, and Zamboanga.

Functions

- Supports the Commission's enforcement and regulatory responsibilities and goals
- Supports the work of the Company Registration and Monitoring Department
- Performs enforcement, investigation and/or inspections in coordination with the Compliance and Enforcement Department



Directory of Officials

	DIRECT LINE	LOCAL/EXT.	FAX NO.
OFFICE OF THE CHAIRMAN			
CHAIRMAN Hon. Fe B. Barin	727-4543 724-4757	205 275	725-4399
COMMISSIONERS Hon. Joselia J. Poblador ^{1/}	727-2158 726-6857	203 246	721-5048
Hon. Ma. Juanita E. Cueto	727-6896 725-8320	204	723-6434
Hon. Jesus Enrique G. Martinez	724-6769 722-8142	202 218	725-6158
Hon. Raul J. Palabrica	727-4343 727-1344	206 239	721-2939
OFFICE OF THE GENERAL COUNSEL			
Atty. Vernetta Umali-Paco vupaco@sec.gov.ph ogc@sec.gov.ph	726-2348 725-3418 725-8260	207 216 267	726-8459
OFFICE OF THE GENERAL ACCOUNTANT			
Mr. Roberto G. Manabat ^{2/} rgmanabat@sec.gov.ph	724-9764	285	721-0120
OFFICE OF THE COMMISSION SECRETARY			
Director CA Gerard M. Lukban Commission Secretary gmlukban@sec.gov.ph	725-8141 723-5475	209	725-3688
MARKET REGULATION DEPARTMENT			
Director Jose P. Aquino jose.aquino@sec.gov.ph	725-3702 722-1893	223	726-1593
Exchanges Division Asst. Dir. Graciano P. Felizmenio, Jr. gpfelizmenio@sec.gov.ph	724-2018	226	
Exchanges Division Asst. Dir. Carol C. Lerma cclerma@sec.gov.ph	727-3164	225	
Investment Houses Division	725-8178		

1/ retired effective 12-31-05
2/ retired effective 12-31-05

(as of December 2005)

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City

Trunk line : 726-09-30 to 39

DIRECT LINE

LOCAL/EXT.

FAX NO.

CORPORATION FINANCE DEPARTMENT

Director Justina F. Callangan
justina.callangan@sec.gov.ph

727-5103

227;283

727-2990

Financing Companies Division

Asst. Dir. Victor C. Estrada
vcestrada@sec.gov.ph

727-2950

228

Mutual Funds Division

Asst. Dir. Emmanuel Y. Artiza

726-2264

230;231

726-4080

Securities Registration Division

Asst. Dir. Ma. Gracia F. Casals-Diaz
mgfcasals@sec.gov.ph

725-8508

NON-TRADITIONAL SECURITIES AND INSTRUMENTS DEPARTMENT

Office of the Director

721-5058

208;273

723-5477

**Registration
and Licensing Division**

Asst. Dir. Merle Joy B. Pascual
mjbpascual@sec.gov.ph

727-2324

248

726-9228

Actuarial Review Division

724-8717

249

Monitoring and Audit Division

Asst. Dir. Nonilonia P. Ambat
npambat@sec.gov.ph

723-5476

245

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Director Benito A. Cataran
benito.cataran@sec.gov.ph

727-2011

724-1319

**Corporate and Partnership
Registration Division**

Asst. Dir. Ferdinand B. Sales
fbsales@sec.gov.ph

726-9245, 725-0764

219;254

726-2204

Law and Regulation Division

Asst. Dir. Rosalina T. Tesorio
(Detailed at OGC)

Financial Analysis & Audit Division

Asst. Dir. Yolanda L. Tapales
yltapales@sec.gov.ph

727-2922

238;240

726-2108

724-8520

Corporate Filings & Records Div.

Asst. Dir. Gerardo F. Del Rosario
gfdelrosario@sec.gov.ph

724-8738

724-8803

284;214

256

727-6895

Directory of Officials

	DIRECT LINE	LOCAL/EXT.	FAX NO.
COMPLIANCE AND ENFORCEMENT DEPARTMENT			
Dir. Hubert Dominic B. Guevara hbguevara@sec.gov.ph	727-3367	280; 247	724-8709
Inspection & Surveillance Division Asst. Dir. Ma. Elmira A. Alconaba meaalconaba@sec.gov.ph ; ced@sec.gov.ph	727-3188	211	
Complaints and Investigation Division	724-7650	224	
Evaluation and Prosecution Division Asst. Dir. Lisa Beth G. Rico lbgrico@sec.gov.ph	726-5846 721-5047 721-5035	281 274	
HUMAN RESOURCE AND ADMINISTRATIVE DEPARTMENT			
Office of the Director	725-4165	236; 237	725-5293
Training & Development Div. Asst. Dir. Virgilio V. Salentes vvsalentes@sec.gov.ph		233; 250	
Central Receiving & Records Div. Asst. Dir. Isma C. Gonzales icgonzales@sec.gov.ph	725-5285 725-0543	264	
Personnel Division Asst. Dir. Marilyn Peynera-Lim mplim@sec.gov.ph	725-0714 725-3072	270 213	
Medical	727-3326	263	
General Services Division Asst. Dir. Romeo O. Dauag romeo.dauag@sec.gov.ph	727-3320 727-4556	210; 232	725-4608
ECONOMIC RESEARCH AND INFORMATION DEPARTMENT			
Director Arturo M. San Gil amsan_gil_mpa87@post.harvard.edu	726-2220	279	727-4526
Corporate Planning Division Violeta V. Infante, O.I.C. vvinfante@sec.gov.ph	721-7238 726-2117	244; 242	
Investor Information Assistance and Publications Division	721-7256, 724-1271	243	
Library	724-1994	253	
MIS Division Asst. Dir. Jonas Martin V. Cruz jmvcruz@sec.gov.ph	721-7204 725-4118	262	727-6894

(as of December 2005)

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City

Trunk line : 726-09-30 to 39

DIRECT LINE

LOCAL/EXT.

FAX NO.

FINANCIAL MANAGEMENT DEPARTMENT

Dir. Adelaida C. Navarro-Banaria aida.banaria@sec.gov.ph	725-4585	234	721-5005
Budget and Fiscal Division Asst. Dir. Thoureth I. Dela Cruz tidelacruz@sec.gov.ph	724-3517	277; 251	
Accounting Division Asst. Dir. Renato A. Santos rasantos@sec.gov.ph	725-4101	269	
Treasury Division Asst. Dir. Daisy B. Pabuaya dbpabuaya@sec.gov.ph	725-4548	221 259	

EXTENSION OFFICES

	TEL. NO.	FAX NO.	OFFICE ADDRESS
BAGUIO CITY Director Annie G. Tesoro e-mail: secbeo@mozcom.com	(074) 442-2507 442-8171	442-8756	SEC Bldg. 76 Gen. Luna Rd., Baguio City
LEGASPI CITY Director Marylou Duka-Castillo e-mail: secleo@cats.edu.ph	(052) 245-5627 820-3095	480-8272	SEC Bldg., 2nd Fl. Chiniel (Avon) Bldg. Rizal St. Albay District, Legaspi City
ILOILO CITY OIC Russell I. Ildesa e-mail: sec-ieo-r6@skyinet.net	(033) 337-9984 335-0025	337-2557	SEC Bldg. Gen. Hughes St., Iloilo City
CEBU CITY Director Merle P. Cunanan e-mail: seccebu@cebu.webling.com	(032) 253-5337 253-6987 253-7221	255-2874	SEC Bldg. V. Rama Ave. Guadalupe, Cebu City
DAVAO CITY OIC-Javey Paul D. Francisco e-mail: jingo868@yahoo.com	(082) 298-2170 298-1893 298-1894	298-0012	SEC Bldg. Luisa Drive cor. University Avenue, Juna Subd., Matina, Davao City
CAGAYAN DE ORO CITY Director Renato V. Egypto e-mail: seccdo@webgate.net.ph	(08822) 857-4325 857-7225	726-948	SEC Bldg. 14th St., cor. Tomasaco Del Lara St., Cagayan de Oro City
ZAMBOANGA CITY Director Marcos G. Florendo, Jr. e-mail: sec9@jetlink.com.ph	(062) 991-7163 993-1437	991-2689	SEC Bldg., San Jose Panigayan St., Zamboanga City

SECs Priorities for 2006

1. Provide support in the enactment and implementation of new laws to enhance the legal framework

- a. Legislation amending the Corporation Code of the Philippines (BP 68)
- b. Legislation amending the Securities Regulation Code (R.A. 8799)
- c. Legislation designating the regulator of Pension Funds
- d. Enactment of the Pre-Need Plan Code of the Philippines

2. Formulate measures for establishing a fair regulatory framework to foster capital market development

- a. Amendments to SRC Rules 68 and 68.1 to include the adoption of International Accounting Standards and International Financial Reporting Standards
- b. Rules on fixed income exchange
- c. Circulars on the Securitization Law
- d. Interpretations of accounting or audit issues
- e. Other rules and regulations, guidelines, circulars, and/or orders to institute the necessary reforms or measures

3. Promote liquidity and stability of the capital market

- a. Strengthen the consolidated supervision mechanism by enhancing cooperation and coordination among financial services regulatory agencies, i.e., members of the Financial Sector Forum, to harmonize and promote the consistency of rules and regulations, and address the gaps or overlaps in supervision
 - Harmonize the content, format, and frequency of filing of reports by entities dually regulated by the SEC and BSP
 - Rationalize accreditation requirements of external auditors, credit-rating agencies, and other capital market participants
 - Support the establishment of a financial governance council composed of senior officials with legal distinction and standards of accountability
 - Coordinate the preparation of a disaster recovery plan (DRP) for financial sector institutions
- b. Finalize the roadmap for the long-term development of the non-bank financial sector (NBFS) and implement the same
- c. Implement the shift to the risk-based capital adequacy (RBCA) regime for securities brokers and dealers by calibrating capital requirements vis-à-vis their risk exposures
- d. Develop the RBCA model for investment houses, investment companies, financing companies, and pre-need companies
- e. Continue supporting the establishment of a fixed income exchange to enhance market



liquidity, and the establishment of alternative trading systems to broaden investment options for both market players and investors

- f. Revisit the Uniform Chart of Accounts and trust fund investment regulations for the pre-need industry
- g. Assist in government efforts to remove tax distortions, i.e., non-uniform tax treatment, among competitive financial products and/or financial services, as well as their respective providers

4. Pursue the protection of investors and the general public through continuing investor education and timely issuance of alerts

- a. Organize at least eight public seminars on the “Basics of Investing” in major cities across the country to heighten investor awareness and encourage citizens’ participation in the capital formation process
- b. Undertake capability-building activities on the basics of innovative securities
- c. Prepare videos on the “Basics of Investing” for distribution to schools/universities
- d. Continue enhancing the appearance and content of SEC’s website (www.sec.gov.ph) and make available web-based investor education and information materials 24x7
- e. Sustain the conduct of public seminars across the country to promote awareness and adherence to SEC-administered laws and regulations

5. Sustain corporate governance reforms

- a. Formulate rules to promote adherence of covered institutions to leading corporate governance practices, including among others, the:
 - Rules on the use of stock and transfer books;
 - Rules on the regulation and accreditation of corporate secretaries; and,
 - Rules on the regulation and accreditation of transfer agents
- b. Introduce regulations that seek to strengthen corporate governance structure and compliance by covered institutions with regard to the requirement on independent directors, creation of board committees, and improvement of corporate transparency
- c. Improve the substance and process of accounting and auditing, specifically, the:
 - Issuance of circulars on the adoption of international standards in accounting, auditing, and financial reporting (i.e., IAS, ISA and IFRS, respectively);
 - Formulation of revisions to the IAS disclosure checklist for covered institutions;
 - Sustenance of the process of accrediting auditors of public companies and secondary licensees, and actuaries for pre-need companies;
 - Continuance of the requirement for compliance officers to undergo certification procedures; and,



SEC's Priorities for 2006

- Organization of public seminars across the country to promote awareness and adherence to SEC-administered laws and regulations

6. Encourage and strengthen regulatory compliance

- a. Sustain the process of monitoring delinquencies in the submission of corporate reports or disclosures, and revocation of the registration/licenses of inactive corporations and errant firms
- b. Continue performing compliance audits and/or on-site investigations on targeted firms, including trust entities handling pre-need trust funds
- c. Issue bulletins on the disclosure flaws or deficiencies committed by regulated entities
- d. Continue monitoring financing companies' compliance with regulations on capital build-up, engagement of external auditors, and non-solicitation of investments/placements from the public

7. Strengthen surveillance and enforcement

- a. Support efforts against money laundering and investment scams
- b. Maintain a real-time market surveillance system to detect fraudulent and abusive trading practices
- c. Investigate and penalize errant firms including promoters of pseudoinvestment scams and other fraudulent investment schemes
- d. Raise the quality of investigation and prosecution against infractions of securities laws by:
 - Sustaining conduct of joint surveillance and enforcement activities with local and foreign law enforcement agencies; and
 - Providing trainers' training for commercial court judges and prosecutors to enhance their capability to investigate and prosecute securities fraud cases
- e. Promote the transparency of SEC's enforcement actions by disseminating up-to-date advisories or alerts, including the penalties imposed by SEC against errant firms and/or capital market participants
- f. Continue maintaining a compliance webpage that allows the electronic submission of complaints

8. Maintain a culture of integrity and efficiency in SEC operations

- a. Maintain the public's perception of SEC as a credible and efficient regulator
 - Harness ICT as a tool to promote transparency, streamline processes, facilitate registration procedures, and improve delivery of services to the public
 - Formulate a policy to ensure that SEC's ICT resources are used for official purposes only
 - Continue adhering to the government's austerity measures and maintain expenditure efficiency by adhering to government-wide reforms in Public Expenditure Management

SEC's Policies, Plans & Programs

(MEDIUM- TO LONG- TERM)

The following policies, plans and programs are considered priority in accordance with the Strategy Planning Matrix under Chapter 8 - Financial Sector of the 2004-2010 Medium Term Philippine Development Plan (MTPDP)

1. Provide support in promoting a stronger, stable and deeper financial system

- a. Strengthen the framework for quick resolution of financially-distressed enterprises through the passage of the Corporate Recovery Act
[Agencies involved: SEC with BSP, PDIC, DTI, LEDAC, and Congress]
- b. Support the passage of the Revised Investment Company Act and the Lending Companies Regulation Act
[Agencies involved: SEC with DOF, BSP, DTI, LEDAC, PSE, and Congress]
- c. Reinforce powers of the SEC, AMLC, BSP, and other regulatory agencies through the drafting of the following: proposed amendments to the Bank Deposits Secrecy Law and the Civil Asset Forfeiture Sharing and Management Law of 2005; and consideration of amendments to AMLA by 2007, particularly in these areas:
 - i. Legal protection;
 - ii. Access to bank records in an investigation;
 - iii. Ability to obtain freeze orders; and
 - iv. Examination, field investigation, and visitorial powers over regulated companies and their auditors.
[Agencies involved: SEC, BSP, AMLC, and DOJ; with Congress]
- d. Intensify coordination and consultation among government agencies, market participants, and private sector groups through the:
 - i. Conduct of sustaining activities for the long-term development of the non-bank financial sector (NBFS), as set forth in its corresponding roadmap, so as to expand the NBFS' contribution to the economy;
 - ii. Creation of the Financial Governance Council composed of senior officials with legal distinction and standards of accountability;
 - iii. Establishment of an organized forum for facilitating the conduct of coordination activities and consultations; and the

SEC's Policies, Plans & Programs

- iv. Conduct of consultation meetings, trainings, symposia, and related activities on a periodic basis, or at least once every quarter to enhance coordination and the level of cooperation among regulators, market participants, and the private sector.

[Agencies involved: SEC with DOF, CMDC, BSP, BIR, IHAP, and ICAP]

- e. Coordinate the preparation of a disaster recovery plan to ensure uninterrupted operations or the timely reopening of financial sector institutions in the aftermath of a catastrophic event.

[Agencies involved: SEC and BSP; with PDIC and IC]

2. Improve market liquidity

- a. Support the following initiatives in relation to the establishment of the Fixed Income Exchange:

- i. Launching of public trading of government securities by end of 2005; and
- ii. Launching of Corporate Debt Trading by end of 2006.

- b. Support PSE's efforts to encourage new listings and enhance the competitiveness of the exchange

[Agencies involved: PSE with SEC]

- c. Support the development of mortgage-backed securities market through the implementation of Rules, Guidelines, Circulars, and/or measures for enhancing the development and stability of the domestic debt market

[Agencies involved: HUDCC and SEC; with DOF, BSP, FINEX, IHAP, CMDC, NHMFC, PAG-IBIG, HGC, GSIS, and SSS]

3. Protect investor and creditor rights

- a. Support the PSE's initiatives re: establishment of a new settlement and clearing system that would enable the centralized ownership of records and eliminate physical certificates, and introduce national identification numbers.

[Agencies involved: PSE and SEC; with BIR]

- b. Establish a national financial market infrastructure that will seamlessly link market activities from trading, clearing and settlement to post-settlement disposition of equity and debt securities, and has the following systems:

- i. Electronic payment (2005);
- ii. True delivery vs. payment (2006); and
- iii. Name-on-registry system (2007).

[Agencies involved: BSP and SEC; with DOF, SCCP, PCSS settlement banks, PSE, BAP, FIE]

- c. Support the passage of credit reporting bill which would permit sharing of information to protect investors and lenders, and reduce the cost of borrowings by investors and consumers.

[Agencies involved: BSP with SEC, IC, LEDAC, Congress]

4. Tap savings through new financial products; specifically, support the passage of the Personal Equity Retirement Account (PERA), a voluntary savings mechanism on top of the mandatory savings for SSS and GSIS – to improve the country's saving rate, through the following:

- a. Implementation of information campaign to attract OFWs' participation in / availment of private pension schemes; and
- b. Tapping of a minimum percentage of annual OFW remittances for investment in private pension investment schemes.

[Agencies involved: BSP with SEC, IC, LEDAC, Congress]

5. Enhance citizen's participation in capital formation

- a. Strengthen education and information campaign to educate, inform, enlighten, and instill among the citizens the benefits of investing and developing the Philippine capital market through savings and long-term investments in enterprises selling various market instruments such as commercial papers, bonds, shares of stocks, and government securities.

[Agencies involved: SEC with PIA]

6. Support the drafting of legislation that will designate an appropriate pension fund regulator

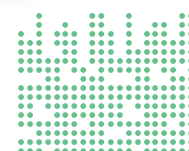
[Agencies involved: DOF and SEC]

Memorandum Circulars Issued in 2005

NUMBER	TITLE	DATE OF ISSUANCE	SALIENT PROVISIONS
1	Adoption of the Philippine Standards on Auditing and Philippine Auditing Practice Statements	21 January	Adopts Resolution 11 s. 2005 on the rules and regulations of the Philippine Standards on Auditing (PSA) and Philippine Auditing Practice Statements. This new set of auditing standards is effective for audits of financial statements ending or after 31 December 2004.
2	SEC Online Submission Facility for Reports	17 February	Prescribes the requirements for online submission of reports for corporations opting to go online, among which are: <ul style="list-style-type: none"> • Signing applicable MOA with the SEC • Submission of the F/S diskette using the SEC-devised F/S template
3	Guidelines on IT Equipment Usage	8 March	Guides the users of Information Technology Equipment on the following: <ul style="list-style-type: none"> • Use of the Thin Client • Internet use • User file system
4	Certification Requirement for Compliance Officers of Financing Companies	20 May	Limits the certification requirement for compliance officers of financing companies to those that have issued or are authorized to issue securities, such as, but not limited to, promissory notes, commercial papers, bonds and preferred shares whose redemption or payment of dividends is mandatory.
5	Corporate Secretaries of Philippine Corporations	19 September	Requires compliance with certain reportorial requirements of public companies defined as such, in Sec. 17.2 of the SRC as having the following attributes: <ul style="list-style-type: none"> • Assets worth at least 50M • Minimum of 200 stockholders • Stockholders own at least 100 shares each



NUMBER	TITLE	DATE OF ISSUANCE	SALIENT PROVISIONS
			Also directs all corporate secretaries of public companies to advise the Commission not later than November 30, 2005 of its status as a public company, date when said status was attained and to disclose these information in its audited financial statements due for submission in 2006 and the succeeding years.
6	Consolidated Scale of Fines	22 September	Prescribes the revised administrative penalties for each specific violation of the SRC and its amended IRR, the Investment Company Act and ICA-35-1, the Pre-Need Rules and the Financing Act and its IR.
7	Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies	5 December	<p>Promulgates the guidelines on the evaluation of foreign investments by mutual fund companies. Said guidelines include the following:</p> <ul style="list-style-type: none">• Guiding objectives in investment in foreign instruments• Limitations on investments to the following financial instruments: bonds and other evidence of indebtedness; equity securities• When is a financial instrument considered tradable• Purchase and sale of foreign securities• Criteria for allocating foreign investment portfolio, and• Credit risks and credit rating equivalent
8	Adoption of Philippine Accounting Standards (PAS)	27 December	Adopts PAS 101-Financial Reporting Standards for non-Publicly Accountable Entities (NPAEs) as approved by the Accounting Standards Council to provide temporary relief to qualified small and medium enterprises in the application of new accounting standards.



Performance of the Corporate Sector

The Philippines Top 5,000 Corporations

Sales Leader: Manufacturing Sector

The year 2004 was a good one for the country's top 5,000 corporations, which posted growth in revenues and profitability of 13.55 per cent and 55.09 per cent respectively over their 2003 performance. Of the Top 5,000 corporations, the manufacturing sector has the largest number of companies with 1,717 firms listed (Table 21), accounting for sales of Php 2.4 trillion or 47.11 per cent of the aggregate sales of Php 5.1 trillion. This aggregate sales level marked an increase of 13 per cent over its 2003 level of Php 4.5 trillion. The manufacturing sector posted a 5 per cent increase in sales in 2004 over its 2003 level of Php 2.29 trillion.

The wholesale and trade sector ranked second, with 1,563 firms listed with Php 1.025 trillion or 20 per cent of aggregate sales. Together, these two sectors comprised about 66 per cent of the total number of top players in all 16 industries.

The sector classified as other community, social and personal service activities registered the highest year-on-year growth despite ranking only 9th in terms of sales. Composed of only 75 firms, this sector expanded its sales by 81 per cent over its 2003 level bringing to Php 53 billion its sales in 2004.

Table 21:
Overall Industry Performance: Sales and Profits

MAJOR INDUSTRY GROUP	No. of Co.	SALES				PROFITS			
		2004	%TO	2003	%	2004	%TO	2003	%
		(Millions)	TOTAL	(Millions)	Change	(Millions)	TOTAL	(Millions)	Change
TOTAL	5,000	5,115,031.00	13.55	4,504,714	13.55	393,159	100.00	253,509	55.09
AGRICULTURE, HUNTING & FORESTRY	82	60,487	27.80	47,330	27.80	1,106	0.28	1,582	(30.09)
FISHING	28	9,098	44.28	6,306	44.28	65	0.02	(18)	461.11
MINING & QUARRYING	29	50,649	3.66	48,859	3.66	10,490	2.67	3,825	174.25
MANUFACTURING	1,717	2,409,501	5.06	2,293,444	5.06	81,479	20.72	68,029	19.77
ELECTRICITY, GAS & WATER SUPPLY	75	314,671	15.52	272,388	15.52	38,818	9.87	29,574	31.26
CONSTRUCTION	196	74,686	(5.08)	78,679	(5.07)	1,115	0.28	1,100	1.36
WHOLESALE & RETAIL TRADE	1,563	1,025,458	25.42	817,646	25.42	15,135	3.85	12,849	17.79
HOTELS & RESTAURANTS	114	68,931	25.33	55,000	25.33	3,147	0.80	1,550	103.03
TRANSPORT, STORAGE & COMMUNICATIONS	239	373,481	30.31	286,602	30.31	76,918	19.56	32,860	134.08
FINANCIAL INTERMEDIATION	318	426,917	7.08	398,672	7.08	118,285	30.09	78,765	50.17
REAL ESTATE, RENTING & BUSINESS ACTIVITIES	495	223,708	48.34	150,806	48.34	41,892	10.66	20,472	104.63
EDUCATION	35	9,451	26.71	7,459	26.70	1,501	0.38	1,022	46.87
HEALTH & SOCIAL WORK	33	14,719	20.86	12,179	20.85	435	0.11	78	457.69
OTHER COMMUNITY, SOCIAL & PERSONAL SVCS.	75	53,153	81.14	29,344	81.14	2,770	0.70	1,822	52.03
PUBLIC ADMINISTRATION AND DEFENSE	1	121	NA	0	NA	3	NA	0	NA
EXTRA-TERRITORIAL ORGANIZATIONS & BODIES	0	0	NA	0	NA	0	NA	0	NA



Profit Leader: Financial Intermediation Industry

The financial intermediation industry took the largest share of total profits reaching Php 118 billion in 2004. Its players accounted for almost a third or 30.09 per cent of the total profits of Php 393 billion. The strong performance of this sector was due to the growth in outputs of both banks and non-bank firms.

Although reflecting only a 0.02 per cent share in total profit, the fishing companies achieved the highest increase in terms of profitability. The increase in fish catch allowed sales to grow by 44.28 per cent to Php 9 billion, while profits piled up by 461.11 per cent to Php 65 million from its 2003 loss of Php 18 million.

The construction sector suffered a 5.07 per cent decline in overall sales in 2004 from its 2003 level of Php 79 billion. In spite of the increasing prices of construction materials, the 196 leading construction firms in 2004 were still able to improve the sector’s overall profitability by 1.36 per cent to Php 1.115 billion.

How the Agriculture, Hunting and Forestry Sub-Sector Performed

The Agriculture, Hunting and Forestry sub-sector registered a 30.09 per cent decline in profits to Php 1.1 billion in 2004 as production suffered from typhoons and the log ban during the last quarter of 2004. Nevertheless, the top 82 companies under the sector were able to increase their overall sales by 27.80 per cent to Php 60 billion.

(Chart 6) shows the share of Philippine industries to total industry profits, while (Table 22) shows the country’s top 5,000 corporations in fiscal year 2004, in terms of assets, liabilities and equity. The top ten corporations in terms of sales are listed in (Table 23) while (Table 24) shows their ranking in terms of profit.



Performance of the Corporate Sector

Chart 6:
Share of Philippine Industries to Total Industry Profits, 2004

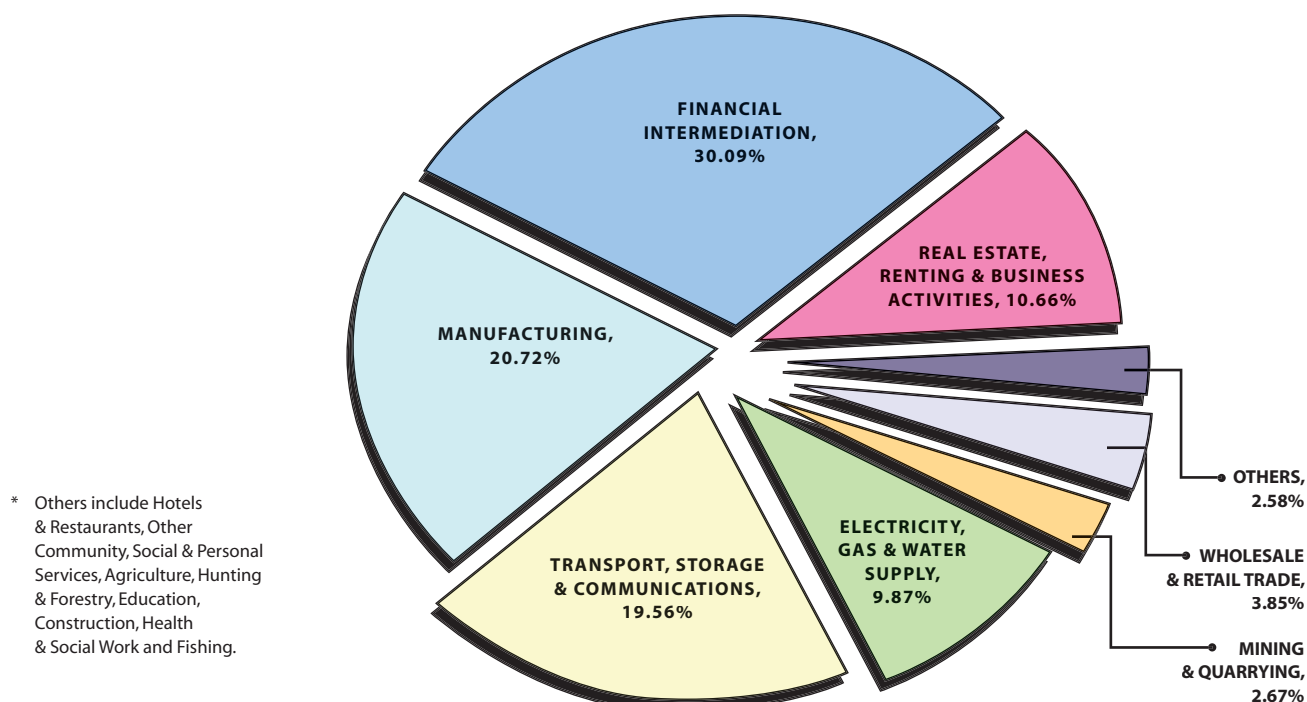


Table 22:
Overall Industry Performance Assets, Liabilities & Equity

MAJOR INDUSTRY GROUP	No. of Co.	ASSETS		LIABILITIES		EQUITY	
		2004 (Millions)	04 Profits as % of Assets	2004 (Millions)	04 Profit as % of Liabs	2004 (Millions)	04 Profit as % of Equity
TOTAL	5,000	8,776,070	4.48	5,933,887	6.63	2,841,151	13.84
AGRICULTURE, HUNTING & FORESTRY	82	62,060	1.78	36,179	3.06	25,881	4.27
FISHING	28	5,689	1.14	4,410	1.47	1,279	5.08
MINING & QUARRYING	29	126,286	8.31	122,690	8.55	3,596	291.71
MANUFACTURING	1,717	1,669,340	4.88	1,005,013	8.11	664,331	12.26
ELECTRICITY, GAS & WATER SUPPLY	75	607,292	6.39	418,184	9.28	189,108	20.53
CONSTRUCTION	196	79,255	1.41	52,191	2.14	27,064	4.12
WHOLESALE & RETAIL TRADE	1,563	653,864	2.31	395,089	3.83	258,775	5.85
HOTELS & RESTAURANTS	114	65,967	4.77	35,823	8.78	30,144	10.44
TRANSPORT, STORAGE & COMMUNICATIONS	239	731,348	10.52	498,632	15.43	232,716	33.05
FINANCIAL INTERMEDIATION	318	3,839,280	3.08	2,964,217	3.99	875,063	13.52
REAL ESTATE, RENTING & BUSINESS ACTIVITIES	495	832,128	5.03	354,455	11.82	477,672	8.77
EDUCATION	35	16,129	9.31	5,978	25.11	10,151	14.79
HEALTH & SOCIAL WORK	33	18,269	2.38	10,064	4.32	8,205	5.30
OTHER COMMUNITY, SOCIAL & PERSONAL SVCS.	75	69,128	4.01	30,962	8.95	37,166	7.45
PUBLIC ADMINISTRATION AND DEFENSE	1	35	8.57	26	11.54	10	30.00
EXTRA-TERRITORIAL ORGANIZATIONS & BODIES	0	0	0	0	0	0	0

Performance of the Corporate Sector

Table 23:
Top ten in Revenue/Sales

Top 10 in Revenue/Sales for 2004		
RANK	COMPANY	SALES (IN P'000)
1	TI (Philippines), Inc.	158,601,257
2	Manila Electric Company	148,320,000
3	Petron Corporation	147,551,887
4	Pilipinas Shell Petroleum Corp.	126,878,504
5	Toshiba Information Equipment Phils., Inc.	100,345,982
6	Smart Communications, Inc.	65,890,900
7	Caltex (Philippines), Inc.	64,726,212
8	Philippine Long Distance Telephone Company	64,707,000
9	Nestle Philippines, Inc.	62,949,865
10	Globe Telecom, Inc.	54,331,110

Table 24:
Top Ten in Profits

Top 10 in Profits for 2004		
RANK	COMPANY	SALES (IN P'000)
1	Smart Communications, Inc.	19,607,100
2	Philippine Long Distance Telephone Company	17,714,000
3	Bayan Telecommunications, Inc.	14,284,815
4	Bayan Telecommunications Holdings Corporation	14,038,909
5	Globe Telecom, Inc.	11,257,366
6	Mirant (Philippines) Corporation	10,772,227
7	Pilipino Telephone Corporation	9,751,300
8	Mirant Sual Corporation	7,730,345
9	Bank of the Philippine Islands	6,668,000
10	Nestle Philippines, Inc.	6,132,324

Performance of the Stock Market

The Philippine Stock Exchange Composite Index (PHISIX) which is the aggregate measure of relative changes in the market capitalization of common stock provides for the comprehensive picture of market trends. Composed of a fixed basket of 30 listed common stocks carefully selected to represent general movement of market prices, PHISIX has been used as the basis in measuring the performance of the stock market since 2004.

The first quarter of 2005 started with a high note as the government announced strong economic growth. The good performance of the stock market continued until it reached its highest point at 2,172.76 on 8 March.

Factors such as the uncertainty in the approval of the Expanded Value Added Tax (E-VAT), the steep drop of the peso and hike in interest rate affected the performance of the stock market as it dampened the investors' enthusiasm. Thus, as a result, the stock market plummeted from its highest point and continued until the start of the second quarter. The index moved back to the 2,000 level as investors turned to bargain stocks and focused on the upbeat prospects for the second quarter corporate earnings. The downward movement was cut short in May as the local market welcomed the positive news of Fitch Rating's decision to upgrade its credit outlook in the Philippines. The stock market opened higher in June but investors trooped to the sidelines due to the country's lingering political instability.

The turn of events in the national and political scene and the high crude oil prices influenced the stock movements at the start of the third quarter. A series of positive news such as the budget surplus in June, robust Overseas Filipino Workers (OFW) remittances, sound corporate earnings and President Arroyo's State of the Nation Address (SONA) contributed to an improvement of the market fundamentals.

In October, the stock market fluctuated as investors reacted to both favorable and the series of unfortunate events. The market accelerated in November as investors were enthusiastic on the implementation of the Reformed Value Added Tax Law, the strong performance of the local currency, the favorable interim financial results of listed companies, and better-than-targeted budget deficit. By the end of the year, the stock market weakened due to renewed political concerns and the decline in the October merchandise performance.

The year 2005 proved to be a year of survival for the stock market. Despite the unstable political and economic condition of our country, nevertheless, 2005 ended with a promise of a better 2006.

Performance of the Pre-Need Industry

Sales Performance

For the period from January to December 2005, sales of the pre-need industry reached Php 20.5 billion or a decrease of 44 per cent from the Php 36.9 billion sales level in 2004 (Table 25). Pension plans continued to be the best selling product of the industry with a 54 per cent share of the total sales. Education plans recorded the highest decrease in sales at 57 per cent from Php 13.26 billion in 2004 to Php 5.75 billion in 2005. This was due to the problems confronting the pre-need industry. These education benefits refer to the guarantees of the pre-need companies to provide tuition regardless of cost at the time of availment by the planholders' scholars or beneficiaries.

Table 25:
Number Of Plans Sold And Sales Of Pre-Need Corporations

January - December 2004 & January - December 2005					
Item	January - December 2005		January - December 2004		Percent Growth/ (Decline) Rate
	Total	Percent to Total	Total	Percent to Total	
Number of Plans Sold	302,596	100.00	507,846	100.00	(40.42)
Education	49,439	16.34	129,383	25.48	(61.79)
Life	114,706	37.91	124,621	24.54	(7.96)
Pension	138,451	45.75	253,842	49.98	(45.46)
Sales (Peso Amount)	20,546,926,631	100.00	36,916,022,195	100.00	(44.34)
Education	5,754,313,455	28.01	13,264,542,200	35.93	(56.62)
Life	3,788,136,529	18.44	4,220,925,161	11.43	(10.25)
Pension	11,004,476,647	53.56	19,430,554,833	52.63	(43.37)
Initial Collection (In pesos)	2,277,040,664	100.00	4,697,182,324	100.00	(51.52)
Education	556,258,755	24.43	1,430,272,814	30.45	(61.11)
Life	338,725,032	14.88	645,648,911	13.75	(47.54)
Pension	1,382,056,877	60.70	2,621,260,598	55.80	(47.28)

Note: Details may not add up to totals due to rounding-off of figures.

Performance of the Pre-Need Industry

Financial Profile

Based on the 2004 audited financial statements, gross revenue of the pre-need industry rose to Php 22.4 billion or an increase of 6 per cent from its 2003 level (Graph 1). Realized gross sales, which is one of the components of gross revenue accounted for 58 per cent of the total revenues, followed by trust fund income at 20 per cent.

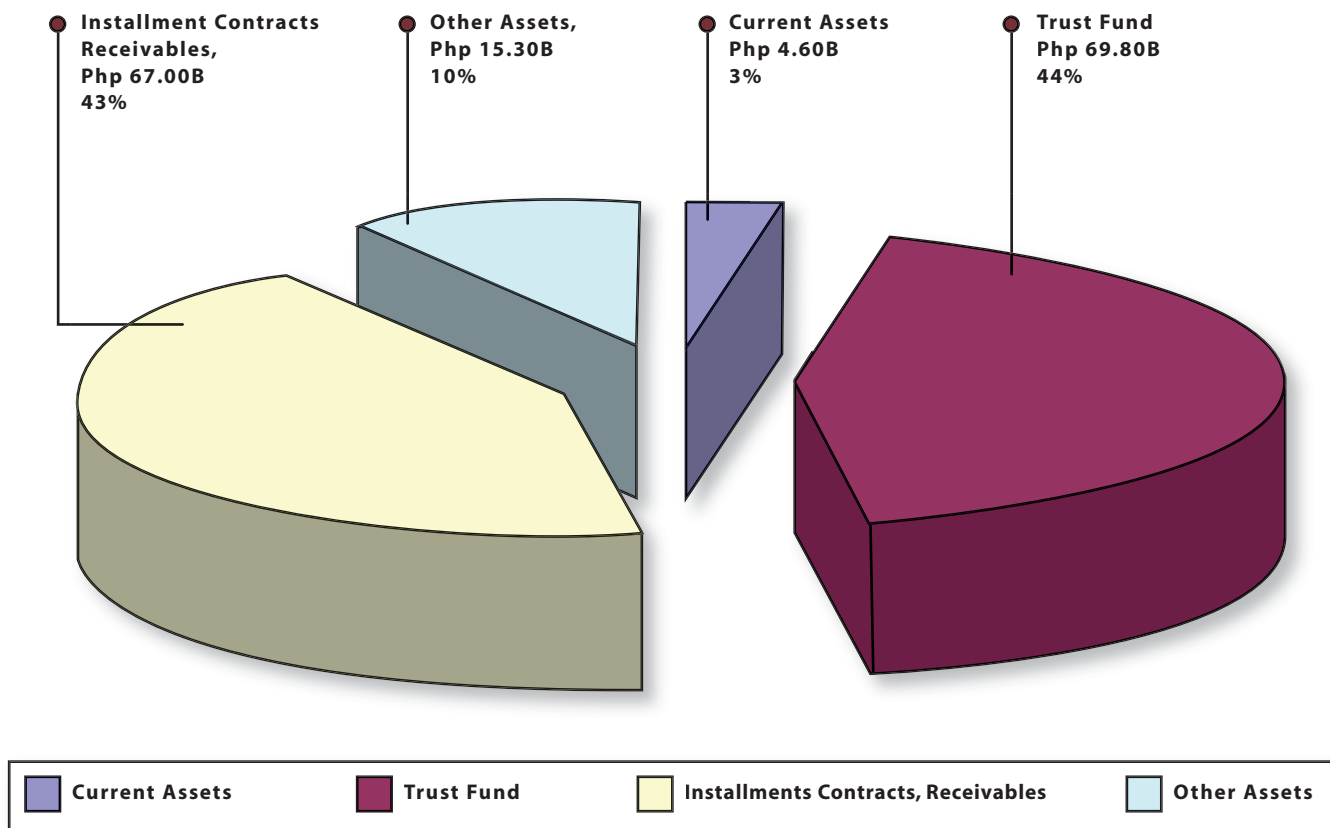
Graph 1:
Gross Revenue of the Pre-Need Industry: 1994 - 2004



In the same year, the industry's total assets reached Php 156.7 billion representing a growth of 3 per cent from its 2003 level of Php 152.1 billion. As shown in (Chart 7), the preneed trust fund accounted for 44 per cent of the total assets. Installments contract receivables (ICR), which was the bulk of the total assets in 2003 at 47 per cent, represented only 43 per cent of the total assets in 2004. The decrease in the percentage of ICR to total assets may be attributed to the decrease in sales of the industry.

Performance of the Pre-Need Industry

Chart 7:
Composition of Assets of Pre-Need Industry: 2004 (in Billions)



Total liabilities reached Php 155.9 billion in 2004 or an increase of 7 per cent from the previous year (Chart 8). Actuarial reserve liabilities (ARL) amounting to Php 75.1 billion accounted for 48 per cent of the total liabilities. ARL increased by 16 per cent over the Php 64.5 billion level in 2003. Stockholders' equity amounted to Php 0.86 billion

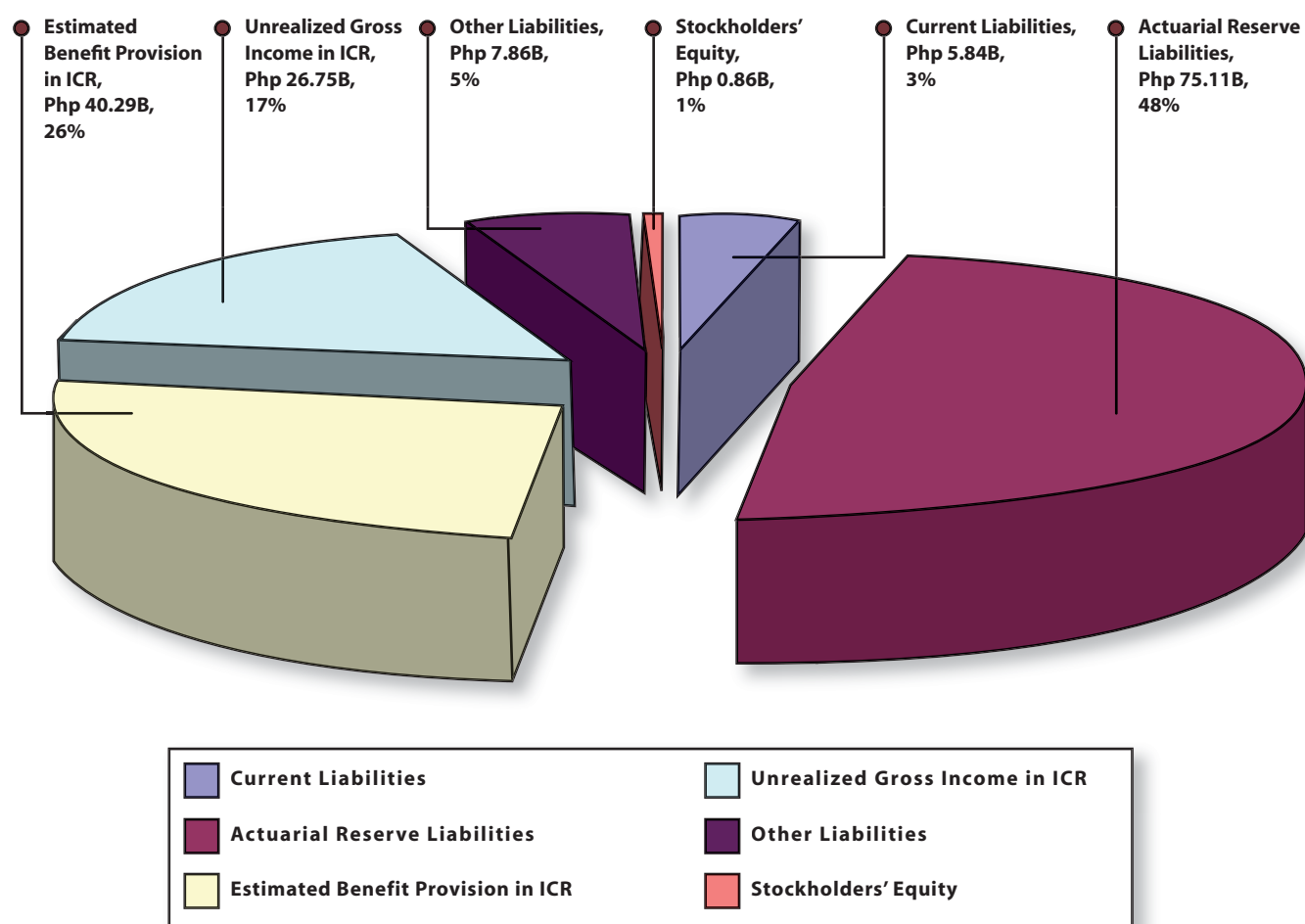
Trust Fund

Under the Pre-Need Rules, a trust fund is set up from planholders' payments, separate and distinct from the paid-up capital of a pre-need company and established with a trustee under a trust agreement approved by the Commission to pay the benefits as provided in the pre-need plan contract. The trustees are allowed to invest such fund in different financial instruments in accordance with the Pre-Need Rules to allow the fund to grow.

As of 30 September 2005, the pre-need industry's trust fund investments increased to Php 70.4 billion. The trustee, in exercising due diligence and prudence to its client, invested 74 per cent of the total trust fund in government securities. Real estate was the second favorite investment instrument with a 11 per cent share, followed by equities at 10 per cent.

Performance of the Pre-Need Industry

Chart 8.
Composition of Liabilities and Stockholders' Equity of Pre-Need Industry: 2004 (in Billions)



INVESTMENT INSTRUMENT	AMOUNT (IN PHP MILLION)	PER CENT TO TOTAL
Total	70,428.35	100.00
Government Securities	52,119.38	74.00
Real Estate	7,753.02	11.01
Equities	7,300.88	10.37
Others	3,255.07	4.62

Pre-Need Rehabilitation Cases

As regulator, the Commission closely monitors the financial status and dealings of all pre-need companies and when found deficient, it promptly imposes the consequent penalties/sanctions on erring companies pursuant to the New Pre-Need Rules of 2001. Regarding planholder’s concerns, the Commission conducts mediation proceedings as an extra judicial alternative to address the complaint of a planholder who prefers not to pursue court action against pre-need companies. This affords the company and the planholder the opportunity to amicably settle the complaint.

With respect to a pre-need company under rehabilitation, the planholder may file a notice of claim with the regional trial court that has acquired jurisdiction over the rehabilitation case

Three (3) pre-need corporations, namely: Platinum Plans Phils., Inc. (PPPI), Pacific Plans, Inc. (PPI) and College Assurance Plan Philippines, Inc. (CAP) filed in 2005 petitions for corporate rehabilitation and suspension of payments with the Regional Trial Court, Branch 61, Makati City. The Commission filed its Comment before the Court, stating therein its findings regarding the real financial condition of the companies to judiciously apprise the Court and the public of the status of the concerned companies.

The Court (RTC Branch 61 Makati City) issued the following Orders giving due course to the petitions and ordered the Rehabilitation Receiver to evaluate and submit recommendations on the rehabilitation plan to the Court:

NAME OF PRE-NEED COMPANY	DATE OF COURT ORDER	REHABILITATION RECEIVER	DUE DATE OF COMMENT TO THE REHABILITATION PLAN
Platinum Plans Phils., Inc.	14 October 2005	Atty. Antonio R.Tupaz	Not later than 120 days from 24 August 2005
Pacific Plans, Inc.	16 November 2005	Mr. Mamerto Marcelo	Not later than one hundred twenty days from 5 October 2005
College Assurance Plan Philippines, Inc.	16 December 2005	Mr. Mamerto Marcelo	Within thirty (30) days from receipt

Registration of Securities

The year 2005 was a banner year in the registration of securities. The amount of securities registered reached Php 104 billion, up by 53 per cent over its 2004 level of Php 68 billion. By type of securities, the amount of equity securities registered accounted for 65 per cent of total securities registered while pre-need plans and debt securities accounted for 24 per cent and 7 per cent respectively. The notable increase of 376 per cent in the amount of equity securities registered from Php 14 billion in 2004 to Php 68 billion in 2005 was due primarily to some initial public offerings (IPO) particularly that of SM Investment Corporation and also by the additional registration of shares of stock by mutual fund companies led by the Ayala Life Fixed Income Fund, Inc.

On the other hand, the decline by 47 per cent of the amount of debt securities registered from Php 14 billion in 2004 to Php 7 billion in 2005 was due to the reduction of the number of bonds and commercial papers issuers. The behavior of pre-need plans showed gradual decline by an annual rate of over 10 per cent from its 2003 level.

Table 26:
Securities Registered, CY 2003-CY 2005

TYPE OF SECURITIES	2005 (AMOUNT IN PHP 000)	2004 (AMOUNT IN PHP 000)	2003 (AMOUNT IN PHP 000)	PER CENT INCREASE/ (DECREASE)	
				2004 – 2005	2003 -2004
TOTAL	103,935,265	67,751,063	58,747,671	53.41%	15.33%
Equity Securities	68,062,071	14,283,879	11,924,612	376.50%	19.78%
Debt Securities	7,332,000	13,955,000	10,800,000	-47.46%	29.21%
Proprietary and Non-Proprietary Shares/Certificates	3,361,194	11,336,184	4,183,059	-70.35%	171.00%
Pre – Need Plans	25,180,000	28,176,000	31,840,000	-10.63%	-11.51%

Release of MICO Bonds for ACEI Claims

The Commission, on 27 November 2004, found Asian Capital Equities, Inc. (ACEI) in violation of the provisions of the Securities and Regulation Code (SRC) and its Implementing Rules and Regulations (SRC IRR) to the prejudice of its clients. As such, it directed the PSE to take over this company's operations. ACEI had liabilities amounting to TWENTY-TWO MILLION EIGHT HUNDRED THOUSAND THREE HUNDRED FORTY EIGHT AND 80/100 PESOS (Php 22,800,348.80).

For ACEI's failure to satisfy these claims, the Commission called on its surety bond with Malayan Insurance Company, Inc. (MICO). On 15 July 2005, MICO released to the Commission, through its Market Regulation Department, the proceeds of MICO Bond No. 2002-04577, issued on 27 November 2002 for the amount of Six Million Pesos. On 23 December 2005, the Commission ordered the disbursement of the bond proceeds to the PSE through the Market Regulatory Office for distribution to ACEI customers. The PSE was accordingly deputized to implement the distribution of the proceeds in accordance with an allocation plan approved by the Commission and was directed to open a special bank account in trust for ACEI's clients. However, claimants covered by the Securities Investors Protection Fund (SIPF) were not included among the beneficiaries of the MICO bond. The SIPF is required under the SRC to settle claims of up to Php 100,000.00 per claimant. Only claims exceeding that amount were covered by the Surety Bond.

Seminars and Certification Examinations for Associated Person

In 2005, seven (7) seminars for certification of Associated Persons were conducted. The Associated Persons of every broker dealer firms are required to attend these seminars for the issuance or renewal of their licenses to ensure that they are updated on the applicable laws so that they may efficiently perform their functions as compliance officers.

The first module held on 13 September 2005 gave an overview of the role of the Associated Person in the company. The seminar updated the participants on the important and recent amendments to the Securities Regulation Code Implementing Rules and Regulations (SRC IRR). With this annually held seminar, all Associated Persons of the registered Broker Dealer Firms are kept abreast with recent developments on pertinent laws affecting their operations. There were 88 participants and 107 examinees. Seventy-three or 78 per cent of those who took the examination passed Module I.

Seminars and Certification Examinations for Associated Person

A follow-up seminar held on 2 October 2005 discussed the pertinent SRC Rules on Business Conduct and the Philippine Stock Exchange (PSE) Code of Conduct for Trading Participants. Eighty-three (83) individuals participated, 78 took the corresponding exam of whom 66 or 85 per cent passed. On 17, 18 and 22 November 2005, we held batches 1, 2 and 3, respectively, of Module V on the Principles of Risk Management, Net Capital and Risk Based Capital Adequacy Requirement.¹ A total of 224 persons participated and 150 took the examinations, 92 or 61 per cent of whom made the grade.

On 5 December 2005, we conducted Module III on Sales Practice and Books and Records Rule, with 64 attendees and 56 examinees, of whom 77 per cent or 42 passed.

Finally, on 13 December 2005, we held the seminar for Module IV, delving on the issues concerning Anti-Money Laundering Act and the Code of Corporate Governance. Sixty-two (62) individuals attended this event, and 61 took the exam. The results of that exam will be released during the early part of 2006.

¹ Please see related article on RCBA.

Note: * to be released in early 2006

**Table 27:
Certification Seminars for Associated Person**

MODULE	TOPICS	DATES HELD	NO.OF PARTICIPANTS	NO.OF EXAMINEES	NO.OF PASSERS	PASSING %
1	Overview on the Role of Associated Person and Pertinent Amendments to the IRR	13 Sept. 2005	88	107	73	78%
2	SRC Rules on Business Conduct and PSE Code of Conduct for Trading Participants	7 Oct. 2005	83	78	66	85%
3	Sales Practice and Books and Records Rule	5 Dec. 2005	64	56	43	77%
4	Anti-Money Laundering Act/Code of Corporate Governance	13 Dec. 2005	69	61	*	*
5	Principles of Risk Management, Net Capital and Risk Based Capital Adequacy Requirement	Batch 1 – 17 Nov. 2005 Batch 2 – 18 Nov. 2005 Batch 3 – 22 Nov. 2005	224	150	92	61%

Implementation of the RBCA

The Risk Based Capital Adequacy Requirements/Ratio (RBCA) is the minimum amount of capital that broker dealers must maintain based on their firm size, complexity and business risks. The RBCA replaced the previously implemented net capital requirement. The RBCA Model aims to assist a Broker Dealer (BD) in managing its risk appetite, ensures that the BD's level of capital is commensurate to its level of risk, makes the regulatory capital requirements more sensitive to differences in risk profiles of the BD and allows greater flexibility in the evaluation of the capital adequacy of the BD.

The rules for the RBCA were formally adopted on 11 November 2004 through the issuance of Memorandum Circular (MC) No. 16, Series of 2004. MC No. 16 was implemented immediately thereafter. The transition from net capital to RBCA was accomplished well within the transitory period provided by the RBCA Rules, from November 2004 to November 2005, with 100 per cent compliance from all registered broker dealer firms. Their respective RBCA reports were included among the requirements before issuance of their secondary licenses.

In accordance with the continuing implementation of the RBCA, the Market Regulation Department (MRD), Broker Dealer Division, conducted a Certification Seminar for Associated Persons and applicants on 17, 18 and 22 November 2005. It was participated by 225 individuals. It dealt on the basic concepts and principles of Risk Management; the proper computation of the RBCA; RBCA's essential features; assistance in quantifying the involved risks, how to assess the adequacy of adopted risk measurement tools and evaluate the sufficiency of risk disclosures on submitted reports; and provided clarifications on the responsibilities of Associated Persons / Compliance Officers in managing risks and effectively supervising and monitoring financial requirements of BD for compliance with the Securities and Regulation Code (SRC). Out of these participants, 150 individuals took the corresponding examination for this module. The results are slated to come out within the early part of 2006.

Consolidated Data on Financing Companies

Introduction

This report consolidates the financial data of the financing company industry for the year ending 31 December 2005. It provides industry data on the following:

- I. Newly registered financing companies, active/inactive financing companies/revoked/surrendered Certificates of Authority (CAs);
- II. Compliance with quarterly reports for the period covered;
- III. Financial Highlights and Ratios based on the following:
 - a. Aggregate Financial Condition;
 - b. Paid-Up Capital Stock;
 - c. Asset Composition;
 - d. Results of Operations;
- IV. Financing Companies with Quasi-Banking Licenses;
- V. Ranking as to assets, paid-up capital, gross income and net income.

Analysis of the quarterly reports for the period covered is limited only to the above mentioned industry data which serve the needs of its end users - DBP, PFA, SEC-ERID and the general public.

I. Number of Registered Financing Companies

As of 31 December 2005, there were 863 registered financing companies and 550 branch offices.

II. Status of Compliance with reportorial requirements

(a) Quarterly Reports

The level of compliance of FCs with the required reports is shown below:

FCs whose reports are not yet due for submission	49
FCs which submitted complete quarterly reports	529
FCs which submitted late/deficient quarterly reports	30
FCs which did not submit quarterly reports ¹	194
Inactive FCs/without operations/for revocation	7
Revoked CA	(1)
Surrendered CAs*	(34)
Total	774

*Excluding surrendered CAs of 64 FCs with submission of quarterly reports included in this consolidation.

Financing companies whose quarterly reports are not yet due for submission are newly registered companies which are given 180 days (including a 60-day grace period) within which to commence operation from the date their Certificates of Authority to Operate as Financing Companies were granted as provided under Section 5(b) of the Rules and Regulations to Implement the Provisions of R.A. 8556 (The Financing Company Act of 1998).

¹ Show-cause letters were sent to FCs that failed to submit the quarterly reports.

Consolidated Data on Financing Companies

(b) Compliance with the Code of Corporate Governance

	Manual on Corporate Governance	Percentage of Compliance	Corporate Governance Self-Rating Form	Percentage of Compliance	Revised Anti-Money Laundering Manual	Percentage of Compliance
Due within the period:	774		697		774	
Submitted	583	75%	327	42%	568	73%
Not Submitted ²	191	25%	420	54%	206	27%
Not yet due	-	-	27	3%	-	-

² Likewise, show-cause letters were sent to FCs that failed to submit the manuals.

III. Financial Highlights

Presented below (in thousand pesos) are the financial data and ratios as of 31 December 2005 of the financing companies per quarterly reports submitted.

(a) Based on Aggregate Financial Condition

ASSETS	12/31/05	12/31/04	% of Increase/(Decrease)
CURRENT ASSETS			
Cash and Other Cash Items (COCI)	2,525,347	2,231,141	13.19%
Trading Account Securities	1,218,244	1,032,327	18.01%
Receivables/ Loans, Net	36,260,859	30,378,645	19.36%
General Loan Loss Provisions	(152,563)	(225,720)	(32.41)%
Investments in Bonds and Other			
Debt Instruments (BODI)	276,274	359,358	(23.12)%
Other Current Assets	1,119,676	764,688	46.42%
TOTAL CURRENT ASSETS	41,247,837	34,540,439	19.42%
NON-CURRENT ASSETS			
Long Term Receivables	11,034,897	11,279,244	(2.17)%
Net Equipment & Other Properties			
For Lease	375,779	398,166	(5.62)%
Investments in BODI	470,200	486,853	(3.42)%
Equity Investment	1,201,720	791,003	51.92%
Real Estate For Sale	86,705	91,916	(5.67)%
Due From Head Office/Affiliates	94,937	90,979	4.35%
Real Prop. Fur. Fixture	1,237,684	1,132,504	9.29%
Real Property Acquired	898,889	827,145	8.67%
Other Non-Current Assets	6,197,352	6,007,407	3.16%
TOTAL NON-CURRENT ASSETS	21,598,163	21,105,217	2.34%
TOTAL ASSETS	62,846,000	55,645,656	12.94%

Consolidated Data on Financing Companies

ASSETS	12/31/05	12/31/04	% of Increase/(Decrease)
CURRENT LIABILITIES			
Banks	16,459,503	15,329,310	7.37%
Non Banks	1,441,610	2,366,402	(39.08)%
Private Individual	1,004,618	862,522	16.84%
Non-Financial Institutions	611,303	322,513	89.54%
Advances – Dosri	1,656,784	1,848,900	(10.39)%
Accrued Expenses	1,087,624	1,559,771	(30.27)%
Deposit On Lease	1,416,292	1,274,014	11.17%
Other Current Liabilities	4,068,991	4,192,039	(2.94)%
TOTAL CURRENT LIABILITIES	27,746,725	27,755,471	(0.03)%
TOTAL NON-CURRENT LIABILITIES			
Banks	5,952,973	4,229,957	40.73%
Non-Banks	145,996	1,927,151	(92.42)%
Private Individual	89,694	321,026	(72.06)%
Non-Financial Institutions	226,230	202,574	11.68%
Advances – Dosri	1,632,770	534,403	205.53%
Due To Branch/Affiliates	354,748	214,612	65.30%
Deposit On Lease Contract	1,301,258	1,171,938	11.03%
Unearned Income	4,061,097	4,214,368	(3.64)%
Other Liabilities	1,290,381	1,231,596	4.77%
TOTAL NON-CURRENT LIABILITIES	15,055,147	14,047,625	7.17%
TOTAL LIABILITIES	42,801,872	41,803,096	2.39%
STOCKHOLDERS EQUITY			
Capital Stock	15,392,645	15,549,120	(1.01)%
Deposit for Future Subscription	187,248	27,908	570.95%
Additional Paid-In Capital	2,461,013	1,354,907	81.64%
Donated Capital	114		
Retained Earnings	2,328,698	(4,013,303)	(158.03)%
Profit & Loss	1,220,375	1,092,330	11.71%
App. Surplus/Adjustment	3,817		
Treasury Share	(164,809)	(157,911)	4.37%
Net Unrealized Gains/(Losses)	(13,157)	(12,623)	4.23%
Appraisal Increment Reserve	4,469	2,087	114.14%
Cash and Stock Dividends	(1,376,187)	45	(3,058,293.33)%
TOTAL STOCKHOLDERS EQUITY	20,044,128	13,842,560	44.80%
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	62,846,000	55,645,656	12.94%

Consolidated Data on Financing Companies

Analysis

The financing company industry grew due to the compliance by companies with Memorandum Circular No. 13, Series of 2001, which required the conversion of lending investors to financing companies.

The consolidated total assets increased by 12.94 per cent or from Php 55.645 billion to Php 62.846 billion due to the increase of receivables, trading account securities and equity investments.

There was also an increase in consolidated total liabilities from Php 41.803 billion to Php 42.801 billion or 2.39 per cent due to the growth of bank loans, advances (DOSRI Accounts), and deposit on lease contract.

The industry capitalization slightly decreased by 0.99 per cent or from Php 15.549 to Php 15.393 billion due to reduction of capitalization undertaken by some FCs.

Based on networth and paid-up capital (in thousand pesos)

	Php 2.5 MM to Php 4.99 MM	Php 5 MM up to Php 9.99 MM	Php 10 MM and Above	TOTAL
Current Assets	712,883	692,890	39,842,064	41,247,837
Non-Current Assets	90,055	124,695	21,383,413	21,598,163
Total Assets	802,938	817,585	61,225,477	62,846,000
Current Liabilities	225,354	158,628	27,362,743	27,746,725
Non-Current Liabilities	72,112	106,003	14,877,032	15,055,147
Total Liabilities	297,466	264,631	42,239,775	42,801,872
Networth	505,472	552,954	18,985,702	20,044,128
Paid-up Capital Stock	491,740	519,817	14,381,088	15,392,645
Retained Earnings	5,665	15,937	2,307,096	2,328,698
Net Income/(Loss)	7,623	8,979	1,203,675	1,220,375
Unearned Income	45,977	59,677	3,955,443	4,061,097

(Note: Figures above represent the aggregate data for each grouping or range of networth and paid-up capital of individual financing companies.)

(c) Based on Asset Composition (in thousand pesos)

Funds invested in financing activities, trading account securities, investments in bonds and other debt instruments and equipment and other properties for lease constitute 78.98 per cent of the industry's total assets of Php 62.846 billion, to wit:

	Amount	% to Total Assets
Receivables Financed	47,295,756	76.25%
Trading Account Securities	1,218,244	1.93%
Investments in Bonds & other Debt Instruments	746,474	1.19%
Equipment & Other Properties For Lease	375,779	0.60%
Total	49,636,253	78.98%

Consolidated Data on Financing Companies

(d) Based on Results of Operations

Below is the comparative results of operation for the period ending 31 December 2005 and 31 December 2004 (in thousand pesos):

	Dec. 31, 2005	Dec. 31, 2004	% of Increase/(Decrease)
INCOME:			
Financing Interest/Discount	4,916,755	3,932,970	25.01%
Leasing Income	1,572,878	1,425,562	10.33%
Interest Income	937,150	1,103,615	(15.08%)
Other Income	524,655	445,767	17.70%
Direct Lending	274,168	7,360	3,625.11%
Service Charge/Fees	59,791	61,819	(3.28%)
Extraordinary Income	33,558	4,766	604.11%
Trading Gain/Loss	26,981	2,944	816.47%
Dividends	46	51	(9.80%)
GROSS INCOME	8,345,982	6,984,854	19.49%
EXPENSES:			
Interest/Finance Charges	2,130,574	1,856,929	14.74%
Compensation and Fringe Benefits	1,486,936	1,230,304	20.86%
Taxes and Licenses	499,243	399,470	24.98%
Income Tax	420,664	433,382	(2.93%)
Depreciation and Amortization	229,312	174,590	31.07%
Probable Losses	214,903	119,051	80.51%
Mgt. & Other Professional Fees	187,155	169,127	10.66%
Litigation Expenses	78,426	58,250	34.64%
Bad Debts Written Off	47,964	5,821	723.98%
Insurance	34,747	28,583	21.57%
Fines/Penalties	1,194	2,376	(49.75%)
Market Decline of Securities	721	911	(20.86%)
Transfer Mortgage	438	1,172	(62.63%)
Year End Expenses	54	287	(81.18%)
Other Expenses	1,793,374	1,411,641	27.04%
TOTAL EXPENSES	7,125,705	5,892,254	20.93%
NET INCOME(LOSS)	1,220,277	1,092,600	11.69%
Paid-up Capital	17,856,658	16,904,027	5.64%
Return Per Peso Investment	0.068	0.065	4.62%

Consolidated Data on Financing Companies

The consolidated net income increased by 11.69 per cent from Php 1.092 billion to Php 1.220 billion due to increases in financing interest/discount, leasing income, direct lending, extraordinary income and trading gain/loss.

Financing Companies with Quasi-Banking Licenses (QBS)

Financing companies with quasi-banking licenses are as follows:

1. BPI Card Finance Corporation
2. BPI Leasing Corporation
3. Cebu International Finance Corporation
4. First Malayan Leasing and Finance Corporation
5. Penta Capital Finance Corporation

The financial data as well as the percentages to the industry totals of the above financing companies as of 31 December 2005 are presented hereunder (in thousand pesos):

	Amount	% to Industry Total
Current Assets	4,268,657	10.34
Non-current Assets	2,039,256	9.44
Total Assets	6,307,913	10.04
Current Liabilities	3,276,718	11.81
Non-Current Liabilities	422,385	2.81
Total Liabilities	3,699,103	8.64
Networth	2,608,810	13.01
Gross Income	751,093	8.99
Expenses	416,491	5.84
Net Income	334,602	27.41
Current Ratio	1.30:1	
Solvency Ratio	1.71:1	
Debt-Equity Ratio w/ UIDC	1.42:1	
Debt-Equity Ratio w/o UIDC	1.31:1	
Debt to Assets Ratio	58.64%	
Equity to Assets Ratio	41.36%	

The Reformulated SEC Mission, Values & Vision Statements: A Values-Based Framework for Cooperation & Improved Efficiency & Effectiveness

One of the SEC milestones for the year 2005 was the reformulation of the SEC Mission, Values and Vision (MVV) Statements. This was the result of a series of reformulation sessions that begun with the participation in a 2-day MVV workshop of the Commissioners, Department Directors, Heads of Special Offices and other officials. The October 2005 workshop was facilitated by the Center for Leadership and Change Inc. (CLCI).

The SEC MVV workshop enabled the participants not only to craft the new mission, vision and values statements for SEC but also to develop closer camaraderie among them. The lectures, group discussions and activities during the workshop prepared the participants to take a second look at SEC’s enabling laws, its strengths, weaknesses, opportunities, priorities and challenges in the medium term. One of the requisite elements identified to hurdle future challenges was the need to reformulate a more appropriate mission and vision statement and espouse certain corporate values and roles given the mandate of SEC.

The old SEC Mission statement was reformulated to better articulate and align the same with the four (4) core functions of SEC namely: market development and regulation, company registration and monitoring, enforcement and support services.

In reformulating the SEC value statement, the participants were guided by the list of core values identified by the employees during the series of SEC Values Orientation and Internalization workshops in 2005. Emphasis was placed on the following values that better articulate the principles SEC cherishes as an institution: *Integrity, Professionalism, Accountability, Independence, and Initiative.*

The SEC Vision statement is equally important because it charts the path that SEC will take at least in the next three years. Based on the reformulated mission statement and the SEC major final outputs (MFOs), the SEC vision statement was revised to highlight milestone targets over a 3-year period from 2006 to 2008. This is significant for planning purposes, because the 3-year rolling vision for SEC serves as basis for cascading the annual agency targets as well as the performance targets of the various departments and special offices.

The Commission adopted the reformulated MVV Statements in time for its 69th anniversary celebration in November 2005. As part of the process of understanding and internalization by the employees, the MVV statements are read during the flag-raising ceremony every Monday morning. It has become a practice in SEC that a host Department/Special Office takes on an assigned SEC value or component vision on which revolves its message during the ceremony.

Interestingly, during the early months of the MVV internalization process in 2005, each of the three annual component elements from 2006 to 2008 of the SEC vision statement was assigned to

either an operating Department or Special Office. The host Department/Special Office discussed and articulated its contributions toward realizing the annual vision component of SEC. The following week, as part of the process of building commitment, a support service Department talked about its programs, projects and activities to support the accomplishment of this vision component.

Based on our experience in 2005, the continuing process of values internalization that we went through included a combination of articulating, mirroring and manifesting the desired values. **Articulating** was done when the host Department/Special Office defined and explained a specific SEC value. **Mirroring** was accomplished through role plays and skits. **Manifesting** was achieved by practicing the value and showing the same in everyday practice.

The following are the reformulated SEC mission, values and vision statements:

Mission

To strengthen the corporate capital market infrastructure of the Philippines, and to maintain a regulatory system, based on international best standards and practices, that promotes the interests of investors in a free, fair and competitive business environment. We shall be guided in this mission by the values of Integrity, Professionalism, Accountability, Independence and Initiative.

Values

- Integrity - We are morally upright, honest and sincere in our private and public lives.*
- Professionalism - We consistently implement the law, provide timely, efficient and competent service to the public.*
- Accountability - We abide by prescribed ethical and work standards in government service.*
- Independence - We act without fear or favor, and render sound judgment in the performance of our duties and responsibilities.*
- Initiative - We are strategic and forward looking in the fulfillment of our developmental and regulatory functions.*





The Reformulated SEC Mission, Values & Vision Statements: A Values-Based Framework for Cooperation & Improved Efficiency & Effectiveness




Vision

We envision that, by December 31, 2006, the programs and procedures that will foster meaningful compliance by the business community with the rules on good corporate governance will be in place and operational.

We foresee that, by December 31, 2007, all the best international practices and standards in accounting auditing and other systems for monitoring compliance with fiduciary responsibilities will be observed by the business community.

We foresee that, by December 31, 2008, the Self-Regulatory Organizations will be able to function effectively and maintain discipline within their ranks with the minimum of intervention by the Securities and Exchange Commission.



Marching to Progress: A Hymn for SEC

The year 2005 also will go down in the history of SEC as the year of the launching of the SEC Hymn. In time for the celebration of the SEC's 69th anniversary on 11 November 2005, a hymn-writing contest was mounted upon the initiation of Commissioner Jesus Enrique G. Martinez.

The contest began in July and culminated in November. The contest was open mainly to SEC officials and employees. A total of thirteen (13) entries were received by the Contest Committee. All entries received a Certificate of Appreciation from Chairperson Fe B. Barin.

The entries were required to be within a maximum playing time of three (3) minutes in CD or cassette format. The medium of language was either in English or Pilipino and a maximum number of 100 words. The entries were judged on the following criteria: 40 per cent Relevance of the lyrics; 40 per cent Harmony and Melody; and 20 per cent Personal Impact.

The selection process consisted of three separate votes during which all the entries were played. These included an Employees' vote representing 1 point, a Commissioners' vote representing another 1 point, and a vote of three external judges representing 3 points. The external judges included Ambassador Jose Romero, Mr. Freddie Santos and Ms. Gigi Valmores-Panganiban.

The results were as follows: Grand Prize for "SEC Naming Mahal" by Mesdames Melita D. Pasagui and Maria Ida B. Falejo and Emelynda F. Sun and Messrs Jernel B. Macantay and Dexter Ian C. Valerio, 2nd Runner-up for "Go, Go, Go SEC" by Mr. Alvin F. Fundamera, 3rd Runner-up for "Himig SEC" by Director Jose P. Aquino, Asst. Director Carol C. Lerma and Mr. Basilio C. Beltran and 4th Runner-up for "SEC Anthem" by Ms. Josefina A. Torralba.

The grand winner and the five finalists were awarded during the program on the 69th anniversary of SEC on 11 November 2005 with Finance Secretary Margarito B. Teves and Ambassador Jose Romero as guests of honor.

The SEC Hymn gives assurance of effective regulation and development of the Philippine capital market as well as investor protection in the performance of SEC's functions. It acknowledges SEC as a pillar of strength for the country as it takes the lead in the fight against corruption.

The Hymn also articulates some of the important values SEC cherishes as an institution. Foremost of these are the values of Integrity, Professionalism and Accountability in the delivery of its services to the public.

Marching to Progress: A Hymn for SEC

The winning hymn is printed below:

"SEC Naming Mahal"

Tinatangi naming SEC

Karangalan mo'y minimithi

'Di hahayaang madungisan

Pangalan mo'y pakakaingatan.

Ika'y haligi ng bayan

Laban sa mga katiwalian.

Koro:

Mabuhay SEC!

Sa iyo'y di magsasawang magsilbi

Sama-sama naming tutupdin

Ang maglingkod ay una sa puso namin.

Ang kalakalan ay pasisiglahin.

Mamumuhuna'y iingatan namin.

Pangakong aming gagamitin

Talinong bigay ng Diyos sa amin

Sa gawang marapat at matuwid

Serbisyong walang bahid.

(Ulitin ang koro 2x)

Ang maglingkod ay una sa puso namin.

Working Group for the SEC Annual Report for 2005

Contributors and Coordinators

Core function 1: Capital Market Development

Corporate Finance Department : Asst. Director Ma. Gracia G. Casals-Diaz

: Asst. Director Victor C. Estrada

Market Regulation Department : Atty. Julieanne R. Jorge

Non-Traditional Securities : Asst. Dir. Merle Joy B. Pascual /

and Instrumets Department : Ms. Joyce V. Beringuela

Office of the General : Ms. Nancy B. Paz

Accountant

Core function 2: Company Registration and Monitoring

Company Registration

and Monitoring Department : Atty. Thelma V. Alcoriza

Core function 3: Enforcement

Compliance and Enforcement

Department : Atty. Jose Manuel L. Banayad

Office of the General Counsel : Asst. Director Rosalina T. Tesorio

Core function 4: Support Services

Financial Management

Department : Asst. Director Renato A. Santos

Human Resource and

Administrative Department : OIC Marilyn Peneyra-Lim, HRAD

Economic Research and

Information Department : OIC Erlinda B. Mimay, IIAPD /

: OIC Violeta V. Infante, CPD

Core Group

Adviser : Chairperson Fe B. Barin

Coordinating Commissioner : Commissioner Jesus E. G. Martinez

Lead Coordinator /

Head Secretariat : OIC Virgilio V. Salentes, ERID

Secretariat

Leodegaria E. Canlapan / Ida B. Falejo / Flordeliza C. Huelgas

Germilyne A. Liboon / Diana Z. Elviña-Cortes / Ariel H. Versola