

Securities and Exchange Commission
2010 ANNUAL REPORT



"Formulation and implementation of uniform rules on sharing of information, good corporate governance and cross-border enforcement of capital market regulations with its counterparts in the ASEAN countries"

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OUR MISSION

To strengthen the corporate and 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 environment

We shall be guided in this mission by the values of Integrity, Professionalism, Accountability, Independence and Initiative.

OUR VALUES

- | | | |
|------------------------|---|--|
| Integrity | - | We are morally upright, honest, 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. |



SEC 2010 VISION

We foresee, that by December 31, 2010, the Securities and Exchange Commission shall have made the appropriate arrangements with its counterparts in the ASEAN countries, individually or collectively, for the formulation and implementation of uniform rules on sharing of information, good corporate governance, and cross border enforcement of capital market regulations.



MESSAGE

It is our great honor to present to you the 2010 Annual Report of the Securities and Exchange Commission (SEC) and its accomplishments for the year in review.

The year 2010 has brought a wind of significant changes that redirect our country to a straighter path toward political, social, moral and economic transformation. The new leadership regime has rejuvenated our desire of a better Philippines.

This Annual Report that encapsulates the work accomplishments of the SEC for the year 2010 is our humble contribution to the present transformational governance efforts of the new administration.

The gains in 2010 serve as a continuing manifestation of a job well done and mark our common commitment to quality service and competent performance.

To add to these achievements, the Commission vows to institute developmental changes on how to better serve the public and further innovate its programs, plans and policies for stricter implementation and enforcement of the securities laws, rules and regulations.

May we continue to work together to do our best in carrying out our duties and responsibilities to our people and the government we serve.

MABUHAY!

Chair Fe B. Barin
Commissioners Ma. Juanita E. Cueto,
Raul J. Palabrica, Manuel Huberto B. Gaite
and Eladio M. Jala





OPERATIONAL HIGHLIGHTS

With a relative flexibility in domestic consumption, steady remittances from overseas Filipino workers, and a growing business process outsourcing industry, the Philippines emerged as one of the few countries that avoided a recession in 2009. It staged a strong recovery in 2010 as the economy grew by 7.3%, its highest in more than 20 years.

Government sources reported that the country's economic growth was influenced mainly by the world economy recovering from the global financial crisis. The strong growth came during a period of peaceful transition to the Aquino administration. The higher remittances of overseas Filipino workers also contributed partially to the economic growth.

The assumption to office of the Aquino administration and its drive for corruption-free and inclusive growth inspired business confidence, resulting in increased private investment. Thus, the investment and expansion plans that were put on hold when the country's business, commercial, and industrial sectors adopted a wait-and-see attitude were realigned into operational readiness.

While similarly optimistic, the Securities and Exchange Commission revised its policies, programs and activities to further bolster investor confidence in the Philippine economy.

Public Information and Education

The SEC's different departments were actively involved in providing investor education and assistance. Investment promotion and information dissemination activities were also conducted in different fora, with various audiences.

The Market Regulation Department (MRD) held three Certified Securities Representative Seminars attended by 165 participants, and three Associated Person Certification Seminars attended by 590 participants. The Company Registration and Monitoring Department (CRMD) hosted a seminar on

"Financial Evaluation Procedures and Objectives" aimed at educating the participants on the manner of evaluating documents relative to the different types of applications.

To facilitate the dissemination of information on the implementation and enforcement of the adopted accounting/auditing standards and other rules and regulations of the Commission, representatives from the Office of the General Accountant participated and gave inputs in seminars and activities conducted by the following organizations: a) Philippine Institute of Certified Public Accountants; b) Association of Certified Public Accountants in Public Practice; c) Association of Certified Public Accountants in Commerce and Industry; d) Association of Certified Public Accountants in Education; and, e) Financial Executives of the Philippines.

The Economic Research and Information Department (ERID) accommodated 1,975 requests for data and information on corporate information, company and industry listings, and related company registration and investment statistics.

ERID intensified its investor education efforts by disseminating more information materials, by redrafting the existing Citizens Manuals and related publications and translating some of these into Filipino, Bicolano, Cebuano, Ilocano and Hiligaynon and by distributing 26,455 Citizen's Manuals and other investor information materials during the year. A total of 144 copies of the Primer on the Corporation Code of the Philippines was distributed to schools and universities whose students have been participants of the Speakers Bureau and in the SEC's on the job training program.

Inherent in investor information activities is providing information to assist the investor make an informed decision. This includes the need in some cases to warn the general public of illegal activities being committed by an entity complained of. These warnings are done by posting advisories in the official website of the Commission (www.sec.gov.ph). These advisories were meant to warn the public to take the necessary precautions before entering into transactions with certain entities. For 2010, the following advisories were posted in the SEC website.

Name of Registered Entity	Alleged Illegal Corporate Activities
FIRST GALLEON FAMILY FUND, INC.	A licensed mutual fund company reportedly soliciting investments on an installment basis through its "Smart/ Super Smart Savings Program" in violation of paragraph (c)(1) of Rule 35-1 of the Investment Company Rule which expressly prohibits the sale of securities on installment basis.
VACATION INTERNATIONAL PHILIPPINES, INC.	Executing timeshare contracts in the guise of lease agreements. A timeshare contract is a form of security issued by a SEC registered issuer. Vacation International Philippines, Inc. is not a registered issuer of securities and therefore violated Secs. 8 and 12 of the Securities Regulation Code.
PHILBIO RENEWABLE ENRGY RESOURCES CORP.	Offering and selling investment products to the public without the required secondary license in violation of Secs. 8 and 12 of the Securities Regulation Code.

In addition to advisories on errant corporations, a SEC advisory was also made on a security being offered known as the "International Securities Trading Corporation Bond" [ISTC Bond] to forewarn the public from dealing on these kinds of bonds which were not registered with the Commission.

Cease and Desist Orders issued by the Commission were also posted in its official website to forewarn the public of the risks of dealing with the listed entities. The specific registered entities issued CDOs for the year 2010 were the following:

Name of Corporation/s	Date of CDO	Violations
ALL ASIA PLANS CORPORATION	21 January 2010	Violation of Secs. 8 and 12 of the Securities Regulation Code
PRIMANILA PLANS, INC.	5 August 2010	Violation of Sec. 16 of the Securities Regulation Code
FIRST GALLEON FUND MANAGEMENT, INC.	10 December 2010	Violation of Sec. 8 and 12 of the Securities Regulation Code

The SEC Speakers Bureau conducted student orientations on popularly requested topics such as the Structure and Operations of the SEC, Company Registration and Reportorial Requirements, Investment Scams, and Investing in the Stock Market, among others, to thirteen educational institutions from the neighboring provinces with 1,068 students and faculty members as participants:

Date	University	No. of Participants
January 28	La Fortuna College-Cabanatuan City	28
February 4	Micro-Asia College of Science and Technology-Iba, Zambales	21
March 4	PLT College, Inc.- Nueva Vizcaya	33
March 26	Ateneo de Naga	25
July 30	JPIA-Lipa City College Chapter(Batch I)	100
July 30	JPIA-Lipa City College Chapter (Batch II)	110
August 4	Saint Mary's Univ.-Bayombong Nueva Vizcaya	39
August 5	First Asia Institute of Technology and Humanities	53
September 7	Saint Mary's Univ.-Bayombong Nueva Vizcaya(Batch I)	62
September 7	Saint Mary's Univ.-Bayombong Nueva Vizcaya(Batch II)	59
September 8	Saint Mary's Univ.-Bayombong Nueva Vizcaya	63
September 9	Lipa City College-Junior Financial Executives (JFINEX)	104
September 16	University of Perpetual Help System Isabela	72
September 20	Ateneo de Naga	83
October 5	Golden Gate Colleges School-MBA/MPA Batangas	32
October 6	Westmead International School	91
October 19	University of San Carlos JPIA Cebu City	93
Total		1,068

Through the various seminars conducted by the SEC Speaker's Bureau, the SEC raised the level of public awareness on the Corporation Code of the Philippines, Foreign Investment Act, and other pertinent laws SEC is mandated to implement. Inter-agency coordination on information dissemination activities was likewise enhanced through participation in regular meetings with the Board of Investments, among others and in briefing sessions with foreign investors on the laws, rules and regulations being implemented by SEC.

Registration, Licensing and Accreditation

Company Registration

Consistent with increasing investor confidence, the number of stock and non-stock corporations recorded maintained its upward trend. During 2010,

the SEC registered 15,659 stock corporations, 9,588 non-stock corporations, and recorded 2,628 partnerships, as shown below:

TYPE OF REGISTRATION	CY 2010	CY 2009	Percentage increase/(decrease)
Stock	15,659	14,045	11.49%
Non-stock	9,588	9,408	1.91%
Partnership	2,628	2,682	(2.01%)

In addition to applications for primary registration, the following applications were processed at the SEC's Head and Extension Offices.

OTHER APPLICATIONS FOR 2010

APPLICATIONS	NUMBER
Amended Articles of Incorporation/ By-laws/New By-laws	10,801
Extension of Corporate Term	74
Merger/Consolidation	53
Dissolution	131
Amended Articles of Partnership / Affidavit of Withdrawal/ Deed of Assignment/ Dissolution of Partnership	1,051
Increase of Capital Stock	1,486
Decrease of Capital Stock	36
Additional Paid-up Capital	4
Increase in Foreign Equity	1,308
Equity Restructuring	1,055
Confirmation of Exemption/Valuation of Properties	50
Voting Trust Agreement	276
Dividend Declaration	167
Various Foreign Investment Act (FIA)-related applications	290
Certifications Issued	1,742
Registration of Stock and Transfer/Books	24,460

TOP CORPORATIONS REGISTERED in 2010 (based on Initial Paid-Up Capital)

RANK	NAME	PAID-UP (PhP)	NATURE OF BUSINESS
1	NI CAPITAL CORP.	763,000,000	HOLDING
2	MBAPR HOLDINGS CORP.	750,000,000	HOLDING
3	SOUTH EAST RIM HOLDINGS INC.	500,000,000	HOLDING
	BIGAN INVESTMENT HOLDINGS INC.	500,000,000	HOLDING
4	PHIL. INTEGRATED ENERGY SOLUTIONS, INC.	320,000,000	DISTRIBUTION OF ELECTRICITY
5	BA INVESTMENTS AND HOLDING INC.	300,000,000	HOLDING
	AYALAND COMMERCIAL DEV'T., INC.	300,000,000	REALTY

6	ALLIEDBANKERS INSURANCE CORPORATION	282,500,000	INSURANCE
7	ASIANLIFE AND GENERAL ASSURANCE CORP.	250,000,000	INSURANCE
8	LIMAY ENERGEN CORPORATION	212,500,000	HOLDING

Company Licensing

The SEC registered/issued licenses to 864 institutions, such as, securities brokers and dealers, investment houses, financing and investment companies, government securities eligible dealers, transfer agents, investment company advisers and mutual fund distributors. It also granted 132 licenses to foreign corporations and multinational companies and to 4,670 market professionals. It also revoked the license of a non-PSE member broker, suspended the operations of 3 brokers and revoked the registration of 14 Associated Persons.

LICENSES ISSUED FOR THE YEAR 2010

Licensed Foreign Corporations	Number
A. Branch Office	64
B. Representative Office	48
Licensed Multinational Companies	
A. Regional or Area Headquarters	10
B. Regional Operating Headquarters	10
subtotal	132
Licensed Financing Companies	
A. Head Office	11
B. Branch Office	98
Licensed Lending Companies	
A. Head Office	292
B. Branch Office	176
Capital Market Institutions	
A. Broker Dealer in Securities	129
B. Broker Dealer – Branch Offices	31
C. Broker in Proprietary Shares	3
D. Broker in Securities	9
E. Dealer in Securities	1
F. Voice Broker in Securities	4
G. Investment Houses	15
H. IH/US engaged in dealing in government securities	15
I. Government Securities Eligible Dealers	34
J. Investment Company Advisers	11
K. Mutual Fund Distributors	10
L. Transfer Agents	25

	subtotal	864
Market Professionals		
A. Associated Persons/Compliance Officers		266
B. Salesmen		2,760
C. Certified Investment Solicitors		1,644
	subtotal	4,670
	TOTAL	5,666

OTHER LICENSING APPLICATIONS

Substitution of Resident Agent	62
Amendment of License	31
Withdrawal of License	26
Filing of Amended Articles of Association	9
Conversion from Branch to Representative Office	2
Conversion from RHQ to ROHQ	1

The SEC continued its regulatory oversight over the Philippine Stock Exchange, the Philippine Dealing System Holdings Corporation and its subsidiaries, the Philippine Dealing and Exchange Corporation, the National Association of Securities Broker Salesmen Inc., and coordinated with the Bureau of Treasury for updates pertaining to "active" or licensed capital market institutions and market professionals. This information guides the above entities in determining the propriety of activities of the capital market participants.

It also continued its cooperation on matters of mutual concern with various government agencies and entities such as the Department of National Defense, Department of Health, Department of Education, Department of Social Welfare and Development, Department of Energy, Bangko Sentral ng Pilipinas, Insurance Commission, Commission on Higher Education, Technical Education Skills and Development Authority, Civil Aeronautics Board, Maritime Industry Authority, National Telecommunication Commission, Philippine Overseas Employment Administration, Bureau of Fire Protection and Philippine National Police, among others.

Company Monitoring

As of December 2010, a total of 10,805 CY 2002-registered corporations was monitored by the CRMD; 6,083 of which for revocation of their certificates

of incorporation, while 4,392 were sent Notices of Conference and/or Show Cause Letters. The list of the companies with revoked certificates of incorporation will be published in 2011.

2002 REGISTERED CORPORATIONS	Number
Set aside for Publication of Notice/Order of Revocation	6,083
Mailed Notices of Conference	4,392
Revoked per SEC i-Report	4
Compliant to Date	41
Walk-in Corporations	239
Registered corporations under Corporation Finance Department (CFD)	49
Total Monitored	10,805

In addition, the CRMD monitored 24,946 walk-in clients from various corporations, imposed fines on 6,585 erring entities, granted the lifting of 335 orders of revocation and upon system verification, changed the status of 1,540 corporations.

	Number
Corporations monitored (walk-in)	24,946
Corporations fined	6,585
Corporations whose Orders of Revocation were lifted	335
Corporations whose Status were Changed upon System Verification	1,540

By virtue of SEC Resolution No. 435 series of 2010, a 50% reduction on the amount of fines imposed on certain non-stock corporations for violation of the Corporation Code and the SEC rules on reportorial requirements was granted. SEC Resolution No. 598 issued on 16 December 2010, allowed revoked corporations covered by the Mass Revocation Orders of 2003, 2004, 2005 and 2006 an extension of one year to file their respective petitions to lift the order of revocation. SEC Resolution No. 359 issued on 12 August 2010, provided for the following additional grounds for revocation of the Certificates of Incorporation of registered corporations or partnerships: (1) if any of the incorporators was already deceased at the time of incorporation; (2) if any of the incorporators was a minor at the time of incorporation; (3) if any of the incorporators submitted spurious or falsified documents to prove compliance with the requirements for registration; or (4) if any of the incorporators submitted false addresses and Tax Identification Numbers.

For the year 2010, the Office of the General Accountant (OGA) imposed monetary fines on 51 accredited external auditors for violation of the Guidelines on Accreditation and Reportorial Requirements of External Auditors specifically due to the material deficiencies and deviations noted on the financial statements.

The accreditation of five (5) external auditors was downgraded during the year for failure to comply with the required level of audit quality as accredited auditors of the Commission. The following tables show the comparative number of accredited auditors and firms as of end of 2010 and 2009 by category:

3 – year Accreditation

Category	Auditing Firm		External Auditor	
	2010	2009	2010	2009
A	51	43	258	234
B	21	19	56	52
C	119	101	565	483
D	25	20	184	144
TOTAL	216	183	1063	913

Probationary Accreditation

Category	Auditing Firm		External Auditor	
	2010	2009	2010	2009
A	9	5	33	9
B	1	-	3	1
C	44	32	231	161
D	7	6	151	130
TOTAL	61	43	418	301

The OGA reviewed the 2009 audited financial statements of the following types of corporations to determine their compliance with the requirements of applicable accounting standards and rules of the Commission:

Companies listed with the Philippine Stock Exchange (the Office conducted an oversight review of the evaluation made by the consultant-professors of University of San Carlos Cebu and Far Eastern University)	100
Registered and Unlisted Companies	50
Broker-Dealer of Securities	25
Investment House Companies	25
Financing Companies	50
Lending Companies	50
Ordinary Corporations (with total assets of at least P5 Million)	100
Various Corporations (the AFS were reviewed relative to applications for accreditation as external auditors)	504
TOTAL	904

The OGA issued comment letters to the above corporations with a directive to submit written explanation with the corresponding Board or Audit Committee resolution on the matter.

Prosecution of Cases

The Enforcement and Prosecution Department (EPD) enforces compliance among corporations, partnerships and holders of secondary license with the laws, rules and regulations implemented by the Commission. It reviewed a total of 94 complaints in the year in review, both from the general public and from government agencies.

SOURCES OF COMPLAINTS	NUMBER OF COMPLAINTS FILED BY CLIENTS/MOTU PROPIO
Public (thru mail or personal filing)	73
Public (thru e-mails)	6
Motu propio	4
TOTAL	83

Other sources of complaints were government agencies, both local and foreign. These complaints have been filed before other government agencies but were forwarded to the SEC because the latter has jurisdiction over the issues and the expertise to decide on the matters alleged in the complaints.

GOVERNMENT AGENCIES	NUMBER OF COMPLAINTS
Bangko Sentral ng Pilipinas (BSP)	3
Department of Trade and Industry (DTI)	2
Office of the President	2
Interpol	1
Napolcom	1
CIDG	1
Securities Futures Commission - Hongkong	1
TOTAL	11

Upon receipt of the complaint, EPD assesses and determines if indeed a violation exists, based on the allegations contained in the complaint. It then conducts investigation which may include surveillance, coordination with other government agencies, conference with parties-in-interest, conferences with witnesses, and all other means to gather pieces of evidence.

Hereunder is the summary of the violations with the corresponding number of complaints filed. Of the 183 complaints filed, 31 complaints were dismissed for lack of jurisdiction.

NUMBER OF COMPLAINTS	VIOLATIONS
29	Securities Regulation Code
21	Corporation Code of the Philippines
3	Presidential Decree 902-A
1	Foreign Investment Act
98	Lending Company Registration Act of 2007
31	*No Jurisdiction
183	TOTAL

After a determination that a violation was committed by the registered entity, the case will then be prosecuted. The tables below indicate the particulars of the 14 criminal and 52 administrative cases filed by EPD in 2010 against erring entities.

I. Criminal Actions

	VIOLATIONS	NUMBER OF CASES
A. Complaint – Affidavits filed with the DOJ	Sec. 8 and 12 of SRC (Requirement of Registration of Securities)	3
	Sec. 16 – SRC in relation to Pre-Need Rules 6,16,23 and 30	1
	Secs. 28.4 (b), 49.1, 49, 26, 26.1, 26.3, 24.2 and 30.2 of SRC in relation to SRC Rule 52.1 (2)(1) and SEC Memorandum Circular No. 16, Series of 2004	1
	Sec. 68 – SRC (Special Accounting Rules) in relation to Rule 68 of the Implementing Rules and Regulations	1
	Sec. 12.7 of SRC	1
	Article 172 of the Revised Penal Code (Falsification of Public Document)	1
B. Criminal Information filed in Court	Sec. 8 – SRC (Requirement of Registration of Securities)	1
	Sec. 16 – SRC in relation to Pre-Need Rules	1
	Sec. 26 – SRC (Fraudulent Transactions)	1
	Article 172 – Revised Penal Code (Falsification of Public Documents)	2
	Article 183 – Revised Penal Code (Perjury)	1
	TOTAL	14

II. Administrative Actions

	VIOLATIONS	NUMBER OF CASES
A. Petitions for Revocation	Sec. 6(l)(1) – PD 902-A (Fraud in the Procurement of Certificate of Registration)	11
	Sec. 6 (l)(2) – PD 902-A (Serious Misrepresentation)	8
	Sec. 6 (l)(3) – PD 902-A (Defiance of a lawful order)	1
B. Certificates of Registration Revoked	Sec. 6(l)(1) – PD 902-A (Fraud in the Procurement of Certificate of Registration)	11
	Sec. 6 (l)(2) – PD 902-A (Serious Misrepresentation)	14
	Sec. 6 (l)(6) – PD 902-A (Non-submission of Reportorial Requirements)	3
C. Motion for Cease and Desist Orders Filed	Sec. 8 – SRC (Requirement of Registration of Securities)	1
D. Cease and Desist Orders Issued	Sec 8. – SRC (Registration of Securities)	2
	Sec. 16 – SRC (Pre-Need Plans)	1
	TOTAL	52





REGULATORY ISSUANCES

As the legal adviser of the Commission, the Office of the General Counsel (OGC) renders decisions, issues legal opinions to queries on the interpretation of specific provisions of the Corporation Code of the Philippines, the Securities Regulation Code and other laws implemented by the Commission. It also provides expert legal counsel to the Commission En Banc, reviews contracts entered into by the Commission, and handles liaison work with legislative bodies to provide comments on pieces of proposed legislation as well as initiate relevant amendments to the Corporation Code and Securities Regulation Code.

Among the opinions rendered by the OGC in 2010, noteworthy are the following that relate to the nationality requirements and foreign investments, namely:

- A corporation that engages in the buying and selling of securities contemporaneously need not secure a license from the Commission as a securities dealer considering the peculiar characteristics of its customer base, which is limited to one affiliated party which shares a common owner with the corporation. The limited clientele coupled with the fact that the two corporations are affiliated through a common owner, and the absence of any intention from the corporation to regularly engage in such activity with other clients lends credence to the view that the proposed arrangement is but an isolated transaction and not done in the ordinary course of business. Thus, the license requirement may be dispensed with for as long as the proposed transactions will not prejudice the investing public. [SEC OGC Opinion No. 10-01 addressed to Atty. Enrique J. Esquivel, December 9, 2010].
- A private recruitment firm's ownership structure (i.e., twenty five percent (25%) directly owned by a foreign corporation, and seventy five per cent (75%) owned by a domestic corporation, forty per cent (40%) of which is owned by the same foreign corporation) will not contravene the twenty-five per cent (25%) maximum foreign ownership limit imposed by the Philippine Overseas Employment Authority (POEA) upon a private recruitment firm. Applying the control test, a corporation with at least 60% of its capital owned by Filipino citizens shall be considered of Philippine nationality.



[SEC OGC Opinion No. 10-08, addressed to Mr. Teodoro B. Quijano, February 8, 2010].

- Customs brokerage as practice of profession is solely reserved to Filipinos. While the Customs Brokers Act of 2004 has been amended to allow corporations to engage in the business of customs brokerage as long as the corporation shall engage or hire at least one (1) customs broker, the provision is only applicable to domestic corporations in view of the Eighth Foreign Investment Negative List which provides that no foreign equity shall be present in the practice of customs brokerage as a profession. [SEC Opinion No. 10-35, December 29, 2010, addressed to Atty. Pearl T. Qiu].
- While the setting up of online game servers in the Philippines does not involve the physical acts or transactions beyond the mere leasing of a portion of specific space in the Philippines, these servers act as memory storage for e-game software and related data—a vital component of the business, and constitutes “maintaining the body or substance of the business or enterprise.” Further, the continued operation and presence of the servers are indicative of “a continuity of commercial dealings.” These two elements make the corporation fulfill the requisites of “doing business” in the Philippines and hence, a foreign corporation engaging in these activities shall be required to obtain a license from the Commission. [SEC Opinion NO. 10-22, June 27, 2010, addressed to Ms. Rachel F. Follosco].
- Air freight forwarding is tantamount to engaging in domestic air commerce and/or transportation, which is a public utility and hence subject to the foreign ownership limitation on the operation and management of public utilities, as provided in the Foreign Investment Negative List. An air carrier will be classified as a domestic air carrier if it is a citizen of the Philippines or if it is not a Philippine citizen, but has been allowed to engage in domestic and/or foreign air transportation or domestic and/or foreign air commerce. Thus, an air freight forwarder engaged in foreign

and domestic activities is subject to the nationality requirement imposed by the Constitution upon a public utility. [SEC OGC Opinion No. 10-30, November 15, 2010 addressed to Mr. Arvin D. Delima].

The Office of the General Accountant issued the following opinion premised on Section 62 of the Corporation Code of the Philippines which provides that:

“Consideration for stocks – Stocks shall not be issued for a consideration less than the par or issued price thereof. Consideration for the issuance of stock may be any or a combination of any two or more of the following:

1. Actual cash paid to the corporation;
2. Property, tangible or intangible, actually received by the corporation and necessary or convenient for its use and lawful purposes at a fair valuation equal to the par or issued value of the stock issued;
3. Labor performed for or services actually rendered to the corporation;
4. Previously incurred indebtedness of the corporation;
5. Amounts transferred from unrestricted retained earnings to stated capital; and
6. Outstanding shares exchanged for stocks in the event of reclassification or conversion.”

- The Office issued in 2010 an opinion addressing the issue on whether or not pre-operating expenses incurred by the investing corporation may be considered as an acceptable form of payment for subscription to the investee company. It was opined that pre-operating expenses incurred by an investing company may be considered as an acceptable form of payment or consideration of stocks provided that said advances were recorded as a liability of the investee company in its book and properly supported by

documents, such as, an Agreed-Upon Procedures Report from an independent auditor pursuant to SEC Memorandum Circular No. 6, Series of 2008, among others.

The SEC issued in 2010 the following Memorandum Circulars in response to and in anticipation of exigencies in the corporate and securities sectors:

MEMORANDUM CIRCULAR NO. 1

Adoption of the Broker-Dealer Chart of Accounts

The SEC approved the adoption as part of its rules, the Broker-Dealer Chart of Accounts (BDCA) for implementation by all registered broker-dealers in securities which include both trading and non-trading participants of the Philippine Stock Exchange.

Pursuant to Section 68 of the Securities Regulation Code, failure to comply with the BDCA shall subject the erring party to sanctions provided under Memorandum Circular No. 8, Series of 2009 or the Scale of Fines for Non-compliance with the Financial Reporting Requirements.

MEMORANDUM CIRCULAR NO. 2

Revised Guidelines in the Preparation of the Anti-Money Laundering Operating Manual for SEC Covered Institutions

This Memorandum Circular prescribed the "Revised Guidelines in the Preparation of the Anti-Money Laundering Operating Manual for SEC Covered Institutions".

All covered institutions were required to submit their revised Anti-Money Laundering Operating Manual on or before September 8, 2010.

MEMORANDUM CIRCULAR NO. 3

Guidelines on the Issuance of Certificates of Eligibility under the Special Purpose Vehicle Act and Status Reports of Registered Special Purpose Vehicle Corporations

This Memorandum Circular entitled tax exemptions and fee privileges to second leg transfers pursuant to the Special Purpose Vehicle Act of 2002 (R.A. 9182) and its Implementing Rules and Regulations if such transactions occur not later than 10 April 2010, and allowed the

acceptance of applications for Certificates of Eligibility (COE) until 30 June 2010.

MEMORANDUM CIRCULAR NO. 4

Guidelines on Property Valuations

This Memorandum Circular adopted the Guidelines on Property Valuation, superseding Memorandum Circular No.3 series of 2004 (Guidelines for the Accreditation of Appraisal Companies).

MEMORANDUM CIRCULAR NO. 5

Coverage of Financing Companies by the Revised Code of Corporate Governance

This Memorandum Circular amended the Revised Code of Corporate Governance by including in its coverage only those financing companies that have any of the following qualifications:

1. Total assets of Php50 million or more;
2. More than 40% foreign participation in their voting stock;
3. Issued exempt or registered commercial papers.

All such covered financing companies are thus required to submit their Corporate Governance Scorecard to the Commission every three (3) years.

MEMORANDUM CIRCULAR NO. 6

2011 Schedule of Filing Annual Financial Statements

This Memorandum Circular adopted on its third year, the procedure of filing of the audited financial statements (AFS) under of the number coding system, depending on the last numerical digit of the Company's SEC registration number.

MEMORANDUM CIRCULAR NO. 7

Briefing Re: On-Line Submission of the Corporate Governance Scorecard

This Memorandum Circular enjoined all publicly-listed companies to attend a briefing on the "Guidelines for On-Line Submission of the Corporate Governance Scorecards" on September 8 and 15, 2010.

MEMORANDUM CIRCULAR NO. 8

Extension of the Deadline to submit Revised anti-Money Laundering Manual for SEC Covered Institutions pursuant to SEC Memorandum Circular No. 2, series of 2010

This Memorandum Circular extended the deadline for covered institutions to submit their revised Anti-Money Laundering Manual from 8 September 2010 to 8 December 2010.

MEMORANDUM CIRCULAR NO. 9

Scale of Penalties for Lending Companies

This Memorandum Circular promulgated the schedule of penalties for violations of the provisions of the Lending Company Regulation Act of 2007 (R.A. No. 9474) and its Implementing Rules and Regulations.

MEMORANDUM CIRCULAR NO. 10

Rules of Procedure on appeals from decisions of Self Regulatory Organizations (SROs)

This Memorandum Circular provided for a uniform, speedy and inexpensive resolution of appeals from decisions of Self Regulatory Organizations (SROs) under Section 40.7 of the Securities Regulation Code (R.A. 8799).

Towards further improving the quality of financial reports of corporations registered with the Commission, the OGA prepared and recommended for approval the following guidelines:

- (a) Grounds for exemption from the mandatory adoption of the Philippine Financial Reporting Standards for Small and Medium Entities ("PFRS for SMEs") (SEC Notice issued on October 11, 2010);
- (b) Guidelines on Property Valuations (SEC Memorandum Circular No. 4, Series of 2010);
- (c) Guidelines on the Issuance of Certificates of Eligibility under the Special Purpose Vehicle Act and Status Report of Registered Special Purpose Vehicle Corporation (SEC Memorandum Circular No. 3, 2010); and
- (d) Guidelines on the adoption of the PFRS for SMEs (SEC Notice issued on February 9, 2010).



FISCAL PERFORMANCE

Financial Results

The SEC has net assets of PhP592.3 million as of end 2010, down by PhP35.5 million or 5.66% from its year-ago level. The decrease was due mainly to the decrease in current assets of PhP22.77 million and in Plant, Property and Equipment of PhP12.9 million. (Annex "A")

Total income of PhP385.3 million was 8.2% lower than the previous year's level of PhP419.6 million. The decline was a result of lower subsidy received from the national government for the year 2010 (Annex "B").

Government Equity of PhP547.2 million was lower by PhP65.50 million compared to the prior year's level of PhP612.7 million attributed largely to the net loss incurred for the year.
(Annex "C").

Contribution to the National Government

For the last 5 years SEC contributed a total of PhP6.3 billion to the National Government. This is PhP2.4 billion in excess of collection target for that period (Annex "D").

Gross collections for the year 2010 net of retention income amounted to PhP1,208.1 billion, PhP309.5 million in excess of targeted collections of PhP898.6 million (Annex D).

Likewise, collections from Permit Fees, Registration Fees, Fines and Penalties-Permits and Licenses and Miscellaneous income showed an increase of 7.08%, 7.10%, 8.54 and 49.62%, respectively (Annex "E").

SECURITIES AND EXCHANGE COMMISSION
REGULAR AGENCY BOOKS
CONDENSED BALANCE SHEET
AS OF DECEMBER 31, 2010

		2010	2009
ASSETS			
Current Assets			
Cash	P	266,883,712.59	276,843,250.45
Receivables		90,105,110.66	105,602,119.61
Inventories		3,843,590.31	1,979,158.63
Prepayments		1,823,347.95	1,003,341.31
Other Current Assets		1,732,848.94	1,732,848.94
Total Current Assets	-	364,388,610.45	387,160,718.94
Investments, Property, Plant and Equipment and Other Assets			
Investments		6,700.00	6,700.00
Property, Plant and Equipment - Net		226,035,426.25	238,944,222.97
Other Assets		1,854,398.21	1,694,043.86
Total Investments, Property, Plant and Equipment and Other Assets		227,896,524.46	240,644,966.83
TOTAL ASSETS	P	592,285,134.91	627,805,685.77
LIABILITIES AND EQUITY			
Current Liabilities			
Payable Accounts	P	37,116,769.30	11,016,673.31
Inter-Agency Payables		4,472,488.59	3,717,960.32
Other Current Liability Accounts		3,468,837.16	392,733.24
Total Current Liabilities		45,058,095.05	15,127,366.87
Equity			
Government Equity		547,227,039.86	612,678,318.90
TOTAL LIABILITIES AND EQUITY	P	592,285,134.91	627,805,685.77
See accompanying Notes to Financial Statements			



SECURITIES AND EXCHANGE COMMISSION
REGULAR AGENCY BOOKS
CONDENSED STATEMENT OF INCOME AND EXPENSES
For the Year Ended December 31, 2010 and December 31, 2009

	2010	2009
Income		
Subsidy Income from National Government	278,940,962.24	314,001,429.12
Permit Fees	330,218.84	1,900,000.00
Registration Fees	91,505,802.24	90,650,000.00
Fines and Penalties-Permits and Licenses	4,904,702.93	6,715,500.00
Interest Income	5,423,372.59	5,050,187.59
Miscellaneous Income	4,226,378.54	1,140,999.81
Gain on sale of disposed assets	0.00	154,280.00
Total Income	P 385,331,437.38	419,612,396.52
Less: Expenses		
Personal Services	258,070,979.75	253,757,057.61
Maintenance and Other Operating Expenses	128,484,275.20	106,625,539.48
Financial Expenses	110.00	2,200.00
Total Expenses	386,555,364.95	360,384,797.09
NET Income (Loss) before Depreciation	P (1,223,927.57)	59,227,599.43
Less: Depreciation Expense	43,747,691.76	51,436,361.46
NET Income (Loss) After Depreciation	(44,971,619.33)	7,791,237.97
See accompanying Notes to Financial Statements		

SECURITIES AND EXCHANGE COMMISSION

REGULAR AGENCY BOOKS

COMPARATIVE STATEMENT OF GOVERNMENT EQUITY
As of December 31, 2010 and 2009

	2010	2009
Government Equity, Beginning	P 612,678,318.90	P 605,285,926.23
Retained Operating Surplus		
Current Operations	(44,971,619.33)	7,791,237.97
Adjustment of Prior Years	(20,479,659.71)	(398,845.30)
	P (65,451,279.04)	P 7,392,392.67
Government Equity, End	P 547,227,039.86	P 612,678,318.90

SECURITIES AND EXCHANGE COMMISSION

CONTRIBUTIONS TO THE NATIONAL GOVERNMENT

For the Years Ended December 31, 2006 to 2010

	2010	2009	2008	2007	2006	TOTAL
CONTRIBUTIONS TO NG						
Permit Fees	P 31,048,896.52	P 28,996,223.31	46,521,886.75	25,039,109.48	36,093,580.19	167,699,696.25
Registration Fees	853,705,636.69	797,118,340.87	1,017,393,715.83	1,503,820,594.13	672,473,796.90	4,844,512,084.42
Fines and Penalties-						
Permits and Licenses	144,352,868.02	132,995,527.49	107,322,699.74	100,544,848.13	86,696,099.97	571,912,043.35
Miscellaneous Income	179,010,372.46	119,643,823.03	169,649,197.71	135,637,898.60	66,686,791.35	670,628,083.15
TOTAL CONTRIBUTIONS TO NG						
	P 1,208,117,773.69	P 1,078,753,914.70	1,340,887,500.03	1,765,042,450.34	861,950,268.41	6,254,751,907.17
TARGETED CONTRIBUTIONS TO NG						
	P 898,650,000.00	P 834,671,000.00	750,641,000.00	714,902,000.00	680,859,000.00	3,879,723,000.00
EXCESS CONTRIBUTIONS TO NG OVER TARGET						
	P 309,467,773.69	P 244,082,914.70	590,246,500.03	1,050,140,450.34	181,091,268.41	2,375,028,907.17

SECURITIES AND EXCHANGE COMMISSION
CONTRIBUTIONS TO THE NATIONAL GOVERNMENT
For the Years Ended December 31, 2009 and 2008

		2010		2009		Increase (De- crease)	
						Amount	%
CONTRIBUTIONS TO NG							
Permit Fees	P	31,048,896.52	P	28,996,223.31	P	2,052,673.21	7.08
Registration Fees		853,705,663.69		797,118,340.87		58,587,295.82	7.10
Fines and Penalties-							
Permits and Licenses		144,352,868.02		132,995,527.49		11,357,340.53	8.54
Miscellaneous In-							
come		179,010,372.46		119,643,823.03		59,366,549.43	49.62
TOTAL CONTRIBUTIONS TO NG		P 1,208,117,773.69	P	1,078,753,914.70		129,363,858.99	11.99



SEC 2011 VISION

We foresee, that by December 31, 2011, the Commission shall have enhanced the moral fiber of its human resources and the capabilities of its operational infrastructure to enable it to effectively and efficiently accomplish its mandate.



2010 COMMISSIONERS



Ma. Juanita E. Cueto
Commissioner



Raul J. Palabrica
Commissioner



Chair Fe B. Barin



Manuel Huberto B. Gaite
Commissioner



Eladio M. Jala
Commissioner

Heads of Special Offices



Ma. Gracia F. Casals-Diaz
General Accountant



CA Gerard M. Lukban
Commission Secretary



Vernet G. Umali-Paco
General Counsel

Directors



Benito A. Cataran
Company Registration & Monitoring Department



Jose P. Aquino
Market Regulation Department



Justina F. Callangan
Corporation Finance Department



Vicente Graciano P. Felizmenio, Jr.
Non-Traditional Securities & Instruments Department



Virgilio V. Salentes
Economic Research & Information Department



Javey Paul D. Francisco
Davao Extension Office



Russel L. Ildesa
Iloilo Extension Office



Lindeza R. Gavino
Cebu Extension Office



Marcos G. Florendo, Jr.
Zamboanga Extension Office



Adelaida C. Navarro-Banaria
Financial Management Department



Renato V. Egypto
Cagayan de Oro Extension Office



Marilyn M. Peneyra-Lim
Human Resource & Administrative Department



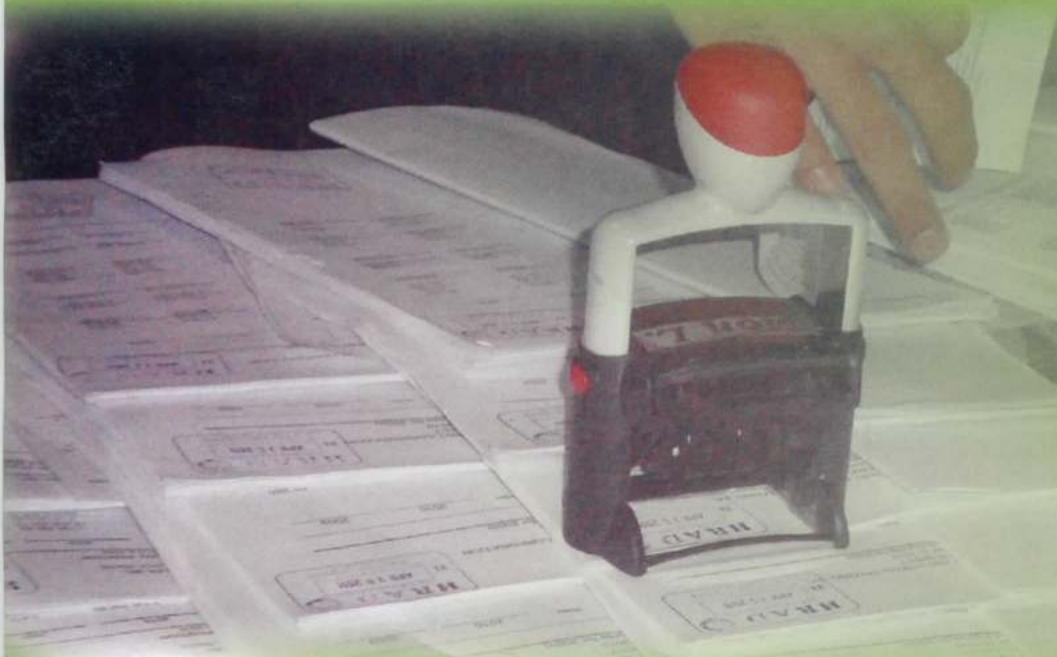
Marylou I. Duka-Castillo
Legaspi Extension Office



Annie G. Tesoro
Baguio Extension Office



Hubert Dominic B. Guevara
Enforcement & Prosecution Department



CALENDAR YEAR 2010 AT A GLANCE

Accomplishments by Major Final Output (MFO)

PLANNED	ACHIEVED
MFO 1: Capital market development services <i>Policy-formulation, rulemaking, and inter-agency cooperation services to facilitate the development of a globally competitive Philippine capital market</i>	
1. Formulate and implement policies, plans, and programs to strengthen the regulatory framework and enhance the liquidity and stability of the capital market	<ul style="list-style-type: none"> • Issued three (10) Memorandum Circulars setting forth the adoption of the broker-dealer chart of accounts; revised guidelines in the preparation of the anti-money laundering operations manual of SEC covered institutions; guidelines on the issuance of certificates of eligibility under the Special Purpose Vehicle Act and status reports of Registered Special Purpose Vehicle corporations; guidelines on property valuation; coverage of financing companies by the Revised Code of Corporate Governance; schedule of filing of the 2011 annual financial statements; briefing on On-line submission of the Corporate Governance Scorecard; extension of the deadline to submit revised anti-money laundering manual for SEC covered institutions pursuant to SEC Memorandum Circular No. 2, series of 2010; adoption of the scale of penalties for lending companies; and the rules of procedures on appeals from decisions of Self Regulatory Organizations (SROs). • Promulgated the implementing guidelines on Philippine Financial Reporting Standards for Small and Medium Entities; and certain standards and interpretations covering classification and measurement of financial instruments, related party disclosures, extinguishing financial liabilities with equity instruments. • Supported the implementation of the Anti-Red Tape Act of 2007 by reducing the number of copies of certain reports and filings by reporting corporations. • Prepared 13 position papers, inputs and/or comments on proposed legislations.
2. Undertake joint activities with local and foreign institutions, industry groups, and professional organization for mutual assistance in implementing capital market development initiatives and related regulatory efforts	<ul style="list-style-type: none"> • Undertook collaborative activities and submitted agency inputs to international trade agreements and other international cooperation initiatives such as the WTO-General Agreement on Trade in Services, ASEAN-India Free Trade Agreement, JPEPA, APEC, including potential training cooperation which may be undertaken by the SEC with the newly-established Lao Securities Exchange In Vientiane, Laos. • Participated in activities of inter-agency committees/working groups, viz., adoption of accounting and auditing standards (Philippine Financial Reporting Standards Council, Auditing and Assurance Standards Council, Philippine Interpretations Committee), conduct of a study on financial conglomerates (through a sub-committee of the Financial Sector Forum). • Participated in inter-agency meetings and activities on the following: National Strategy Framework on Microinsurance and the Roadmap for Financial Literacy on Microinsurance; various investment promotion and business registration facilitation activities spearheaded by the Board of Investments; and inter agency efforts on the compilation of foreign investment statistics, including the formulation of a framework for compiling and reporting realized investment statistics. • Participated in the Round Table Discussion and Capacity Building Project of APEC on the Asia Region Funds Passport (Asia Passport), one of the investment instruments to be traded among ASEAN member-countries.
MFO 2: Services for the generation and dissemination of information <i>Services related to the generation and dissemination of information about SEC, its registered entities, and the capital market, to promote understanding and adherence to SEC-administered laws and regulations, enhance public awareness and participation in capital formation, and protect the interest of the investing public</i>	

PLANNED	ACHIEVED
<p>3. Provide investor education and assistance, investment promotion, and information dissemination activities</p>	<ul style="list-style-type: none"> • Distributed 26,455 citizen's manuals and other investor information materials. • Responded to 53,686 queries (in person, by phone, and through e-mail). • Issued 94 legal opinions on the proper interpretation of certain provisions of the Corporation Code, the Securities Regulation Code, and other SEC-administered laws. • Processed 198,546 requests for corporate records, certifications, company listings and statistics from public researchers and government agencies. • Conducted five (5) public seminars covering topics such as Updates on the Philippine Financial Reporting Standards, company registration matters, Corporate Governance, and registration rules governing religious organizations, among others. Officials and/or senior technical personnel from the Head Office also served as resource persons in six (6) various seminars and conventions. Likewise, officials and personnel from the Extension Offices gave lectures and/or acted as resource persons in 16 various occasions, including radio and TV appearances, to encourage public participation in the capital market by explaining the basics of investing, SEC registration procedures and requirements, and investor-protection efforts. • Conducted 17 student orientation/briefings for 12 academic institutions attended by 1,068 participants to inform them about the Structure and Operation of the SEC, Company Registration and Reportorial Requirements, Investment Scams, and Investing in the Stock Market, among others.
<p>4. Conduct studies and researches on corporate performance and industry trends</p>	<ul style="list-style-type: none"> • Undertook the gathering and processing of data from annual audited financial statements of corporations, for the 2010 edition of the Philippines Top 25,000 Corporations. • Processed 1,975 requests for corporate information, company and industry listings, and related company registration and investment statistics upon request of institutional and individual researchers.
<p>5. Manage the development, implementation, and maintenance of information systems, databases, and the SEC website</p>	<ul style="list-style-type: none"> • Through the web-enabled SEC-iView module of the SEC-iReport system, made possible the online viewing and printing of digitized documents. The system has approximately 46.54 million document pages, including the 5.08 million pages uploaded in 2010. Apart from reducing person-to-person transactions at the head office, the SEC-iView has given the public the flexibility and convenience of viewing and printing documents, such as, company registration documents, periodic reports and disclosures, and financial statements in the confines of their homes, offices, and internet shops. Additionally, around 91% of walk-in clients at the Public Reference Unit were served within one hour, which is a substantial improvement compared to the less than 10% served in 2001 (using the old document imaging system), wherein other clients had to return on another day either to claim their requested documents and/or re-file their request. • SEC-iRegister made possible the processing on a daily average of 2,339 requests for verification of company_names and reservation of proposed company names, as follows: <ul style="list-style-type: none"> o Verification: 1,854 <ul style="list-style-type: none"> a. Online (through the internet, 24x7): 1,392 b. Walk-ins at the Head Office (8 hours, Mondays to Fridays): 462 o Reservation: 485 <ul style="list-style-type: none"> a. Online (24x7): 266 b. Walk-ins (8x5): 219 • Posted at the SEC website 1,580 various materials on registration procedures, reportorial requirements, and schedule of fees. The Cease and Desist Orders issued to errant entities and advisories were also posted at the website to alert the public on irregularities committed by those firms. Apart from educating the public on detecting and avoiding illegal investment schemes and scams, they were encouraged to report the same to SEC and/or the authority concerned so that action can be undertaken against unscrupulous firms and individuals.

PLANNED
ACHIEVED
MFO 3: Registration, enforcement, regulation and monitoring

Services related to the registration, licensing, and accreditation of firms and individuals, registration of securities and market instruments, monitoring and/or evaluation of corporate reports, financial disclosures and registration statements, and the enforcement of SEC-administered laws and regulations by investigating potential legal infractions and imposing penalties against errant entities

6. Register stock and non-stock corporations, record articles of partnership, issue license to foreign corporations

- Registered a total of 15,659 stock corporations and 9,588 non-stock corporations; recorded 2,628 articles of partnership; and granted licenses to 64 foreign branch offices and 48 representative offices of foreign corporations; 20 regional headquarters and regional operating headquarters of multinationals; 109 financing companies and 468 lending companies, at the head office and seven (7) extension offices.
- Processed and approved 39,901 various applications, among others: 10,801 applications for amendments of Articles of Incorporation and By-Laws; 1,486 increase of capital stock; 53 corporate mergers and consolidations; 167 dividend declarations, 131 dissolutions, 36 decrease of capital stock; 1,051 applications for amended Articles of Partnerships including Deeds of Assignment, Affidavit of Withdrawal, and Dissolution of Partnership; 290 various Foreign Investments Act (FIA)-related applications; and registered 24,460 stock and transfer books and membership books for stock corporations and non-stock corporations.

7. Register/license capital market participants, and securities and investment instruments

- Registered/issued licenses to 864 institutions, such as, securities brokers and dealers, investment houses, financing companies, investment companies, government securities eligible dealers, transfer agents, investment company advisers, and mutual fund distributors.
- Issued licenses to 4,670 individuals such as associated persons/compliance officers, salesmen of brokers/dealers in securities, and certified investment solicitors.
- Accredited 216 auditing firms and 1,063 individual external auditors and granted probationary accreditation to 61 auditing firms and 418 individual external auditors.
- Renewed the licenses of 3,326 professionals and 257 institutions.
- Evaluated applications and issued 162 Certificates of Eligibility (COE) covering non-performing assets worth P 1.98 billion.
- Registered P 48.54 billion worth of securities, broken down as follows: P 7.13 billion equity securities, P 29.80 billion debt securities, and P 11.61 billion proprietary/non-proprietary shares/certificates.

8. Examine, inspect, verify, and/or evaluate corporate reports, financial disclosures, and registration statements

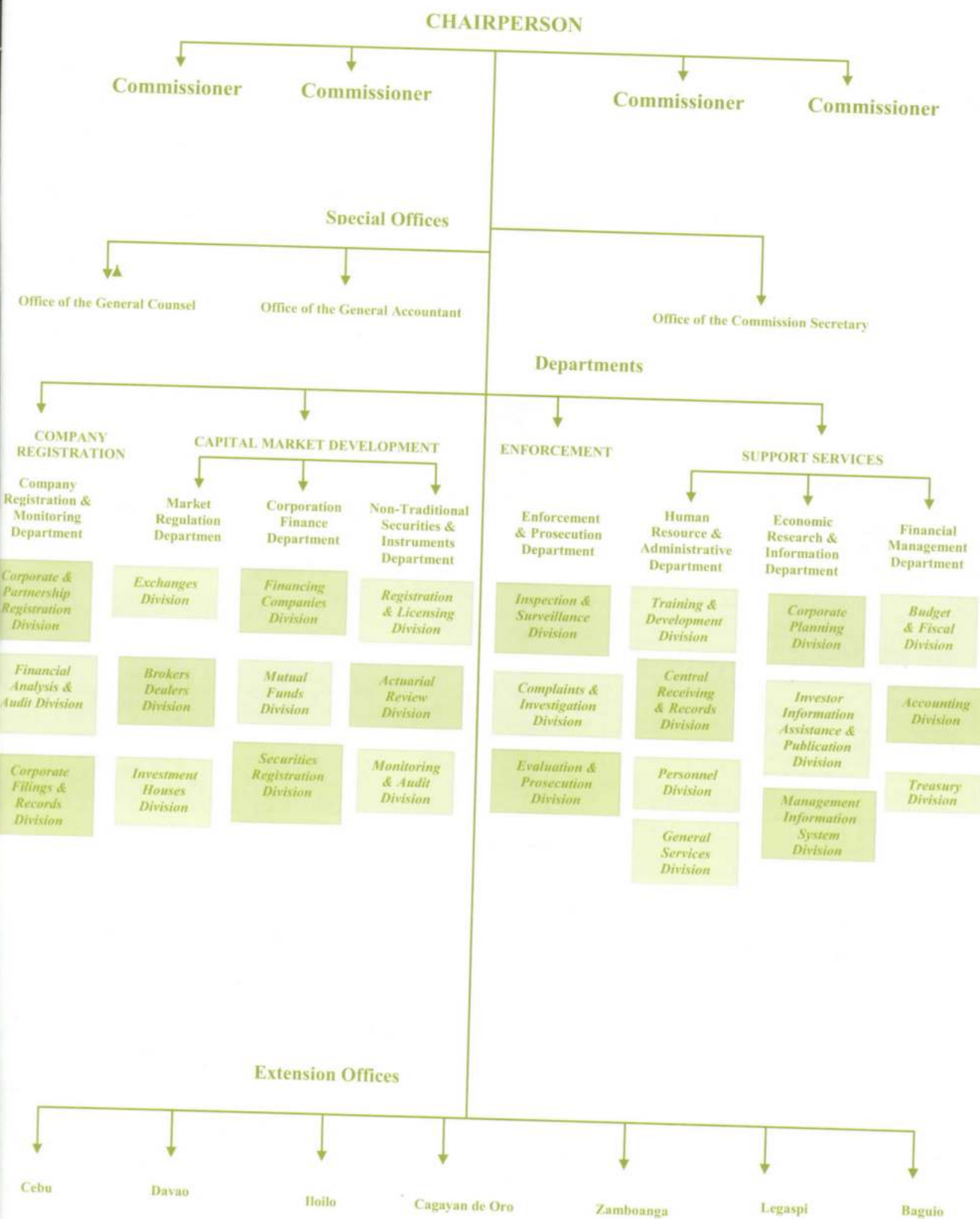
- Continued the process of monitoring compliance with reportorial requirements under Section 141 of the Corporation Code of the Philippines. Monitored 24,946 corporations of which, 6,585 corporations were imposed fines for failure to comply with their reportorial obligations.
- Received and reviewed 18,096 financial reports, disclosures, other periodic reports of regulated entities, which resulted in the revocation of the registration/certificate of authority of 11 firms and the suspension of four (4) entities for violations of disclosure and reporting obligations, and 154 companies were penalized for violations of the Financing Company Act, the Lending Company Regulation Act, and Securities and Regulation Code.
- Issued comment letters along with a directive to submit a written explanation to 904 corporations whose audited financial statements were reviewed to determine compliance with accounting standards and rules of the Commission.
- Monitored 940 registered foundations for compliance with Rule 68 of the Securities Regulation Code and SEC Memorandum Circular (MC) No. 8 s. 2006 – Revised Guidelines on Foundations.
- Monitored 209 entities' compliance with the Anti-Monetary Laundering Act (AMLA) and 260 entities' compliance with the Code of Corporate Governance, respectively, and issued show-cause letters to non-compliant firms.

PLANNED	ACHIEVED
<p>9. Conduct enforcement, regulatory compliance-monitoring, surveillance, and intelligence activities</p>	<ul style="list-style-type: none"> • Sustained the monitoring of market trading participants and their daily transactions through the use of a real-time market surveillance system for detecting unusual price and volume movements to identify and/or address any potentially problematic or fraudulent stock transaction in its early stage. • Processed 79 complaints from the public, twenty-five (25) of which were against the First Galleon Fund Management Inc; nine (9) from local agencies and two (2) from foreign law enforcement agencies, and 161 referrals from within SEC. • Evaluated 23 investigation reports, which resulted in the filing of seventeen (17) petitions for issuance of revocation orders and the issuance of three (3) cease and desist orders against errant entities. • Acted on 426 Petitions to Lift SEC Orders of Revocation and rendered 169 decisions on regular cases and appeals, such as petitions to change corporate name, calling of meeting, dissolution, revocation of certificate of registration, and appeals to the Commission En Banc on decisions issued by operating departments. • Downgraded the accreditation of five (5) external auditors for failure to comply with the required level of audit quality applicable to SEC-accredited auditors. • Suspended the operations of three (3) brokers, revoked the registration of 14 associated persons, and revoked the license of one non-PSE member broker. • Imposed fines on 51 accredited external auditors for violation of the Guidelines on Accreditation and Reportorial Requirements of External Auditors.

Other activities undertaken to deliver on SEC's MFOs-

<p>10. Observe prudence in administration of SEC's mandate and resources</p>	<ul style="list-style-type: none"> • For the last five years, SEC expenditures accounted for less than 50% of the income generated during the period. As of 31 December 2010, gross collections reached P 1.309 billion, while total expenditures stood at only 31% thereof amounting to P 409.81 million.
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HOW WE ARE ORGANIZED



COMMISSION CHAIRPERSON COMMISSIONERS

Office of the General Counsel

1. Provides legal counsel to the En Banc and the Departments;
2. Handles non-enforcement litigation, including coordination with the Office of the Solicitor General;
3. Assists in the preparation of comments on proposed legislation referred to the En Banc, including liaison with Congress;
4. Renders advice, upon request, on rulings proposed to be issued by the Departments;
5. Prepares reply to legal queries from the public;
6. Reviews opinions issued by the Departments, as may be requested by the En Banc or a Commissioner;
7. Supervises hearing panels and management committees, and all activities relating to rehabilitation, receivership and liquidation;
8. Reviews contracts;
9. Performs such other functions as may be assigned by the En Banc. Or the Chair.

Office of the General Accountant

1. Acts as lead office in the adoption and implementation of financial reporting standards, and compliance with auditing standards and practices;
2. Prepares reply to queries from the public that involve accounting issues;
3. Accredits actuaries, valuers, external auditors or auditing firms, appraisal companies and credit rating agencies;
4. Monitors compliance by external auditors and auditing firms, appraisal companies and credit rating agencies with the rules and regulations of the Commission;
5. Evaluates financial statements of corporations that may be referred by the Departments;
6. Renders advice to the Departments, upon request, on accounting matters;
7. Evaluates applications for, and issues certificates of eligibility under the Special Purpose Vehicle Law;
8. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
9. Performs such other functions as may be assigned by the En Banc or the Chair.

Company Registration and Monitoring Dept. - 63

1. Registers corporations and partnerships;
2. Licenses (a) foreign companies to do business in the Philippines; (b) investment, financing, pre-need and lending companies; and (c) investment houses;
3. Licenses (a) brokers, dealers, and their sales person and associated persons; (b) investment company advisers, (c) government securities dealers, (d) transfer agents and mutual fund distributors;
4. Processes applications for amendment of articles of incorporation/ articles of partnership, by-laws, mergers and other corporate activities that require the prior approval of the Commission;
5. Handles petitions for correction of articles of incorporation and by-laws and their amendments, revocation of amended articles of incorporation and amended by-laws and revocation of certificates of incorporation for non-compliance with reportorial requirements;
6. Monitors compliance by registered corporations with their reportorial responsibilities under the Corporation Code;
7. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
8. Performs such other functions as may be assigned by the En Banc or the Chair.

Market Regulation Dept.

1. Registers and supervises Exchanges (whether or not a Self Regulatory Organization), Clearing agencies, Securities Lending agencies and other Self Regulatory Organizations and other securities markets as may be authorized by the Commission;
2. Supervises (a) brokers, dealers, and their associated persons and salespersons; (b) transfer agents, (c) investment houses; (d) investment company advisers; (e) mutual fund distributors; (f) certified investment solicitors of investment company advisers; and (g) other securities market participants for their compliance with the laws, rules and regulations, and orders of the Commission;
3. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
4. Performs such other functions as may be assigned by the En Banc or the Chair.

Corporation Finance Dept.

1. Registers securities;
2. Monitors the activities of and compliance by holders of secondary licenses (except those monitored by Market Regulation Department and Non-Traditional Securities and Investment Department) with their legal and regulatory responsibilities;
3. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
4. Performs such other functions as may be assigned by the En Banc or the Chair.

Non-Traditional Securities and Instruments Dept.

1. Registers pre-need plans, alternative trading systems and other non-traditional securities;
2. Issues secondary licenses to pre-need corporations and their general agents;
3. Monitors the activities of and compliance by pre-need corporations, general agents, actuaries and validators, alternative trading systems and other non-traditional securities issuers with their legal and regulatory responsibilities;
4. Monitors compliance by trustees with the rules and regulations of the Commission on the management of the trust fund of pre-need corporations;
5. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
6. Performs such other functions as may be assigned by the En Banc or the Chair.

Baguio Extension Office

1. Registers corporations and partnerships;
2. Processes applications for amendments of articles of incorporation, articles of partnership, and their respective by-laws;
3. Handles petitions for correction of articles of incorporation and by-laws and their amendments, and revocation of Certificates of filing of amended articles of incorporation and amended by-laws;
4. Monitors compliance by corporations in their areas of responsibility with the rules and regulations of the Commission;
5. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
6. Implements administrative rules and regulations;
7. Performs such other functions as may be assigned by the En Banc or the Chair.

Legaspi Extension Office

1. Registers corporations and partnerships;
2. Processes applications for amendments of articles of incorporation, articles of partnership, and their respective by-laws;
3. Handles petitions for correction of articles of incorporation and by-laws and their amendments, and revocation of Certificates of filing of amended articles of incorporation and amended by-laws;
4. Monitors compliance by corporations in their areas of responsibility with the rules and regulations of the Commission;
5. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
6. Implements administrative rules and regulations;
7. Performs such other functions as may be assigned by the En Banc or the Chair.

Iloilo Extension Office

1. Registers corporations and partnerships;
2. Processes applications for amendments of articles of incorporation, articles of partnership, and their respective by-laws;
3. Handles petitions for correction of articles of incorporation and by-laws and their amendments, and revocation of Certificates of filing of amended articles of incorporation and amended by-laws;
4. Monitors compliance by corporations in their areas of responsibility with the rules and regulations of the Commission;
5. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
6. Implements administrative rules and regulations;
7. Performs such other functions as may be assigned by the En Banc or the Chair.

Cebu Extension Office

1. Registers corporations and partnerships;
2. Processes applications for amendments of articles of incorporation, articles of partnership, and their respective by-laws;
3. Handles petitions for correction of articles of incorporation and by-laws and their amendments, and revocation of Certificates of filing of amended articles of incorporation and amended by-laws;
4. Monitors compliance by corporations in their areas of responsibility with the rules and regulations of the Commission;
5. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
6. Implements administrative rules and regulations;
7. Performs such other functions as may be assigned by the En Banc or the Chair.
8. Authority to act on applications for, and, where appropriate, issue Certificates of Authority to lending companies.



SEC Functional Chart

Office of the Commission Secretary

1. Maintains the official records of the En Banc;
2. Prepares the agenda and notices for En Banc meetings;
3. Ensures the integrity of the official records in its custody;
4. Maintains custody over documents it has acted on, or are directly filed with it, unless otherwise directed by the En Banc;
5. Prepares decisions and resolutions for the approval of the En Banc;
6. Keeps certificates of title of real estate properties of the Commission, including confidential documents as may be determined by the En Banc;
7. Reviews the Statement of Assets, Liabilities and Net Worth of all personnel to determine their compliance with the requirements of law;
8. Performs such other functions as may be assigned by the En Banc or the Chair.

Enforcement and Prosecution Dept.

- Enforces compliance by corporations, partnerships and holders of secondary licenses with the laws and the rules and regulations of the Commission;
- Investigates, motu proprio or upon complaint, violations of the law and the rules and regulations of the Commission;
- Initiates action for the revocation for cause of certificates of incorporation unless the revocation involves non-compliance with reporting requirements;
- Enforces compliance by foundations with the rules and regulations of the Commission;
- Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
- Collates information for and acts as ex-officio Anti-Money Laundering Desk of the Commission;
- Performs such other functions as may be assigned by the En Banc or the Chair.

Human Resource and Administrative Dept.

1. Implements the laws and policies relating to recruitment, employment and promotion;
2. Recommends and implement programs for career growth and human resource development;
3. Receives and releases official documents, and maintains the integrity of the official records in its custody;
4. Provides timely and effective administrative and maintenance support to the Departments and offices of the Commission;
5. Ensures the safety and proper maintenance of official properties and equipment;
6. Conducts annual inventory of the properties and equipment of the Commission in accordance with the law and its rules and regulations;
7. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
8. Performs such other functions as may be assigned by the En Banc or the Chair.

Economic Research and Information Dept.

1. Promotes the development of an efficient management information system in the Commission;
2. Ensures the proper maintenance of the computer facilities and systems of the Commission;
3. Prepares and disseminates information materials on the policies, plans, programs and accomplishments of the Commission;
4. Provides inter-agency coordination on matters relating to trade and financial services, information linkage, and in-house budget planning and support;
5. Assists in the conduct of strategic corporate planning and implementation programs;
6. Monitors the accomplishment of the commitments of the Commission under the Capital Market Development Blueprint;
7. Provides the public with investor information and assistance, and prepares and disseminates relevant investment information;
8. Reviews contracts;
9. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
10. Performs such other functions as may be assigned by the En Banc or the Chair.

Financial Management Dept.

1. Implements fiscal policies and procedures in accordance with the law and rules and regulations;
2. Recommends budgetary plans and programs;
3. Performs budgetary, accounting, treasury and other financial functions, including coordination with external agencies;
4. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
5. Performs such other functions as may be assigned by the En Banc or the Chair.

Davao Extension Office

- Registers corporations and partnerships;
- Processes applications for amendments of articles of incorporation, articles of partnership, and their respective by-laws;
- Handles petitions for correction of articles of incorporation and by-laws and their amendments, and revocation of Certificates of filing of amended articles of incorporation and amended by-laws;
- Monitors compliance by corporations in their areas of responsibility with the rules and regulations of the Commission;
- Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
- Implements administrative rules and regulations;
- Performs such other functions as may be assigned by the En Banc or the Chair.
- Authority to act on applications for, and, where appropriate, issue Certificates of Authority to lending companies.

Cagayan de Oro Ext. Office

1. Registers corporations and partnerships;
2. Processes applications for amendments of articles of incorporation, articles of partnership, and their respective by-laws;
3. Handles petitions for correction of articles of incorporation and by-laws and their amendments, and revocation of Certificates of filing of amended articles of incorporation and amended by-laws;
4. Monitors compliance by corporations in their areas of responsibility with the rules and regulations of the Commission;
5. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
6. Implements administrative rules and regulations;
7. Performs such other functions as may be assigned by the En Banc or the Chair.

Zamboanga Ext. Office

1. Registers corporations and partnerships;
2. Processes applications for amendments of articles of incorporation, articles of partnership, and their respective by-laws;
3. Handles petitions for correction of articles of incorporation and by-laws and their amendments, and revocation of Certificates of filing of amended articles of incorporation and amended by-laws;
4. Monitors compliance by corporations in their areas of responsibility with the rules and regulations of the Commission;
5. Maintains custody over documents it has acted on or are directly filed with it, unless otherwise directed by the En Banc;
6. Implements administrative rules and regulations;
7. Performs such other functions as may be assigned by the En Banc or the Chair.



DIRECTORY

EXECUTIVE OFFICES

	Direct	Local	Fax		Direct	Local	Fax
OFFICE OF THE CHAIRPERSON (8th Floor)							
Hon. Teresita J. Herbosa	584-5343 584-5767	286 205 229 282 275	584-5498	Mutual Funds Division Asst. Dir. Emmanuel Y. Artiza	584-6080 584-7264	230	
				Securities Registration Division Asst. Dir. Jocelyn C. Villar-Altamira	584-8508	231	

OFFICE OF THE COMMISSIONERS (8th Floor)

Hon. Ma. Juanita E. Cueto	584-6896 584-8320	204 268 289	584-6434
Hon. Raul J. Palabrica	584-5008	206 239 287	584-5539
Hon. Manuel Huberto B. Gaité	584-8142 584-6769	202 290	584-6159
Hon. Eladio M. Jala	584-6158 584-6857	203 246 217 288	584-5358

SPECIAL OFFICES

OFFICE OF THE GENERAL COUNSEL (9th Floor)

Atty. Vesper Julius B. Garcia Officer-in-Charge	584-5348 584-5418 584-8260	207 216 267	584-8459
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OFFICE OF THE COMMISSION SECRETARY (8th Floor)

Com. Sec. CA Gerard M. Lukban gmlukban@sec.gov.ph	584-8141 584-5478	209 278 291	584-6367
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OFFICE OF THE GENERAL ACCOUNTANT (7th Floor)

Atty. Ma. Gracia F. Casals-Diaz	584-9763	285	584-6120
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OPERATING DEPARTMENTS

MARKET REGULATION DEPARTMENT (6th Floor)

Director Vicente Graciano P. Felizmenio Jr. gpfelizmenio@sec.gov.ph	584-5703	223	584-5593
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Exchanges Division	584-2016	226	
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Brokers/Dealers Division	584-7164	225	
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Investment Houses Division

Asst. Dir. Celso Virgilio C. Ylagan IV cvylagan@sec.gov.ph	584-8178	283	
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CORPORATION FINANCE DEPARTMENT (6th Floor)

Acting Director Justina F. Callangan justina.callangan@sec.gov.ph	584-6103	227	584-5990
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Financing Companies Division

Asst. Dir. Victor C. Estrada vcestrada@sec.gov.ph	584-5950	228	
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Asst. Dir. Emmanuel Y. Artiza	584-6080 584-7264	230	
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Asst. Dir. Jocelyn C. Villar-Altamira	584-8508	231	
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NON-TRADITIONAL SECURITIES & INSTRUMENTS DEPARTMENT (10th Floor)

Director Jose P. Aquino aquino@sec.gov.ph	584-6058	208 273	584-6447
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Registration and Licensing Division

Asst. Dir. Merle Joy B. Pascual mjbpascual@sec.gov.ph	584-5324	249	
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Actuarial Review Division	584-5717	248	
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Monitoring and Audit Division

Asst. Dir. Leonora S. Tandoc	584-5476 584-9227	245	
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COMPANY REGISTRATION AND MONITORING DEPT. (2nd Floor)

Director Benito A. Cataran benito.cataran@sec.gov.ph	584-5811	212	584-5319
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Corporate and Partnership Registration Division

Asst. Dir. Ferdinand B. Sales	584-9225 584-0763	219 254	584-2202
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Financial Analysis and Audit Division

Asst. Dir. Yolanda L. Tapales yolly_tapales@yahoo.com	584-5922 584-8520	238	584-2106
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Corporate Filing and Records Division

Asst. Dir. Gerardo F. Del Rosario	584-8738	284 214 256	584-7895
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Licensing Unit

Atty. Thelma V. Alcoriza		272	
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Compliance Monitoring Division

Atty. Rosalina T. Tesorio	584-2887	240	
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ENFORCEMENT PROSECUTION DEPT. (5th Floor)

Atty. Leila T. Laureta- Agustin Officer-in-Charge	584-6337	280	584-8709
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Inspection and Surveillance Division

Asst. Dir. Ma. Elmira A. Alconaba	584-7187	211	
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Complaints and Investigation Division

Asst. Dir. Jocelyn C. Villar-Altamira jcaltamira@sec.gov.ph	584-7652	224	
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Evaluation and Prosecution Division

Atty. Leila T. Laureta- Agustin	584-5704 584-6047 584-5235	281	
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Direct Local Fax

SUPPORT SERVICES

HUMAN RESOURCE AND ADMIN. DEPT. (4th Floor)

Director Marilyn Peneyra-Lim 584-6165 236 584-5293
 mplim@sec.gov.ph 237

Training and Development Division

Asst. Dir. Jernel R. Macatangay 584-6654 266 233

Central Receiving and Records Division (ground floor)
 584-6543 264

Releasing No. 584-6543

Public Reference Unit (Basement) 584-5285 264
 Asst. Dir. Isma C. Gonzales

Personnel Division

584-6072 213
 584-5714

Medical/Dental Clinic (3rd Flr.)

Public Reference Unit (Basement) 584-5285 264
 Asst. Dir. Isma C. Gonzales

Personnel Division

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General Services Division

Asst. Dir. Ferdinand A. Jugo 584-5826 210
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 Procurement Specialist 584-5330 232
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 Printing 276

ECONOMIC RESEARCH AND INFO. DEPT. (7th Floor)

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 vssalentes@sec.gov.ph

Corporate Planning Division

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 584-7238 242

Officer-in-Charge

Investor Information Assistance and Publication Division

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 584-1119 279
 584-1269 243

Library (9th Floor)

Linda B. Mimay 584-5994 253

Management Information System

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FINANCIAL MANAGEMENT DEPT. (4th Floor)

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Consultant

258

584-5352

SECCU Express Lane 3rd Floor

257

255

220

261

260

SECEA 3rd Floor

Canteen 3rd Floor

SBCC Basement

584-5824

Security Guard

Ground Floor

201

8th floor

241

4th floor

252

12th floor

205

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EDITORIAL COMMITTEE



(1st Row Left to Right) Thelma Victor-Alcoriza, Anna Christina Iglesias, Emelynda Fausto -Sun, Diana Z. Elviña-Cortes, Joyce Beringuela, Germilyn Liboon, Pearl Ivy Santos, Joanne Ranada

(2nd Row Left to Right) Gaile Dante Caraan, Oliver Leonardo, Renato Santos, Romell Antonio Cuenca



For any comments or suggestions about the 2010 Annual Report and future publications, please email any of us at mis@sec.gov.ph

The background of the page features a soft-focus image of several hands of different skin tones gently cupping a globe. The hands are positioned around the globe, with fingers slightly curled, creating a sense of global unity and support. The lighting is warm and diffused, highlighting the textures of the skin and the contours of the hands.

ABOUT THE COVER

HANDS OF COOPERATION AND SYNERGY

The diverse cultural hands surrounding the globe represent the cooperation, collaboration and synergy among ASEAN securities regulators to pursue a mutually-beneficial agenda for further developing their respective financial and capital markets. During the past year in review, the SEC with the help of its counterparts within ASEAN, has initiated the formulation and implementation of uniform rules on information, good corporate governance and cross-border enforcement of the capital market regulations.

It is hoped that in the coming years, this collaboration will be enhanced to cover other mutually beneficial areas of capital and financial market regulation and development.