Securities and Exchange Commission
PHILIPPINES

SEC Memorandum Circular No. 7
Series of 2017

To	:	**ALL FINANCING COMPANIES AND LENDING COMPANIES**
SUBJECT	:	**LIMITING THE REQUIREMENT FOR "GROUP C" ACCREDITED INDEPENDENT AUDITORS/CERTIFIED PUBLIC ACCOUNTANTS OF FINANCING AND LENDING COMPANIES PER ASSET SIZE**
DATE	:	**30 March 2017**

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WHEREAS, Part I (3) (A) (i) of the Securities Regulation Code (SRC) Rule 68, as amended, states that the Financial Statements required to be submitted by the corporations covered by the said Rule shall be accompanied by an auditor's report issued by an independent auditor and presented in accordance with the requirements of the said Rule.

WHEREAS, Part I (3) (B) (i) (c) and (3) (b) (iii) (f) of the same Rule require that independent auditors of financing companies (FCs) and lending companies (LCs) shall be those accredited by this Commission under category "C" or higher.

WHEREAS, failure to comply with this requirement subjects the concerned company to a Twenty Five Thousand Peso (P25,000.00) penalty per year as provided under Section 12.4 of SEC Memorandum Circular No. 13, Series of 2009.

WHEREAS, there have been several cases where financing companies and lending companies were penalized for this violation because of the limited number of accredited external auditors under Group "C" category compared to the huge number of financing companies or lending companies in a particular area.

WHEREAS, because of the apparent disparity between the number of FCs and LCs with valid CA and the number of accredited external auditors under Group "C" category who can accommodate only so many number of said companies, more and more FCs and LCs fail to comply with the subject requirement.

WHEREAS, most of the FCs and LCs which are penalized for this violation are those whose asset size is so small that requiring them to pay out of whatever asset is left will jeopardize their continuous operations.

WHEREAS, there is a need to limit the unnecessary burden imposed upon these financing companies and lending companies so as to promote further investments and economic contributions by them.

IN VIEW OF THE FOREGOING, the mandatory requirement for Group "C" accredited External Auditors/Certified Public Accountants for the following shall NO LONGER BE REQUIRED:

1. Financing companies whose asset in the preceding fiscal year is Ten Million Pesos (P10,000,000.00) and below;

2. Lending companies whose asset in the preceding fiscal year is Five Million Pesos (P5,000,000.00) and below.

This Circular shall take effect immediately.

Pasay City, Philippines. 6 April 2017

For the Commission:

TERESITA J. HERBOSA
Chairperson