SEC MEMORANDUM CIRCULAR NO. 4
Series of 2026

TO	:	**ALL COVERED COMPANIES**
SUBJECT	:	**AMENDMENTS TO THE APPLICATION AND DEFINITION OF TERMS UNDER THE REVISED SRC RULE 68 IN RELATION TO THE ADJUSTMENT OF THE AUDIT THRESHOLD**
DATE	:	January 20, 2026

WHEREAS, Section 177 of the Revised Corporation Code (RCC) requires corporations to submit annual financial statements, and further provide that corporations with total assets or total liabilities of less than Six Hundred Thousand Pesos (P600,000), in lieu of audited financial statements, submit financial statements certified under oath by the treasurer or president and treasurer for One Person Corporations (OPCs);

WHEREAS, Section 68 of the Securities Regulation Code (SRC), in relation to Section 5 thereof, authorizes the Commission to formulate, amend, or repeal accounting and reporting rules, standards, and requirements applicable to corporations under its supervision;

WHEREAS, the existing audit threshold of less than ₱600,000 in total assets or total liabilities, set under the Revised SRC Rule 68 pursuant to the RCC, no longer reflects current economic conditions nor the present-day definition of micro enterprises under Philippine law;

WHEREAS, micro enterprises face disproportionate compliance costs resulting from mandatory audit requirements despite their limited scale of operations;

WHEREAS, Section 74 of the RCC authorizes the Commission, subject to the approval of the Department of Finance (DOF), to revise the prescribed audit threshold;

WHEREAS, increasing the audit threshold to above ₱3,000,000 total assets or total liabilities aligns the Commission's financial reporting requirements with national MSME policy, supports ease of doing business, and reduces unnecessary regulatory burden without compromising oversight;

WHEREAS, the DOF, in a letter dated November 18, 2025, approved and concurred that the proposed revision to the audit threshold aligns with efforts to stimulate economic growth, while underscoring the necessity of strengthened compliance monitoring and heightened accountability of certifying officers where audited financial statements are not required;

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NOW THEREFORE, the Commission, in the exercise of its rule-making authority, hereby amends the relevant provisions of the Revised SRC Rule 68, pursuant to the provisions of Section 74 of the RCC, specifically the *Application and Definition of Terms*, as follows:

SECTION 1. AMENDMENT TO PART I, SECTION 1(A) OF THE REVISED SRC RULE 68 (Application and Definition of Terms – Application of this Rule)

Part I, Section 1(A)(i)(a)–(b) of the Revised SRC Rule 68 is hereby amended to read as follows:

"A. Application of this Rule

(i) This Rule (together with subsequent official pronouncements, interpretations, and rulings on accounting and reporting matters which may be issued by the Securities and Exchange Commission, hereinafter referred to as the "Commission") states the requirements applicable to the form and content of financial statements required to be filed with the Commission by corporations which meet the threshold, as follows:

a) **Stock corporations with total assets or total liabilities of more than Three Million Pesos (₱3,000,000)**, as prescribed under the Revised Corporation Code of the Philippines (RCC) and any of its subsequent revisions, or such amount as may be subsequently prescribed;
b) **Non-stock corporations with total assets or total liabilities of more than Three Million Pesos (₱3,000,000)**, as prescribed under the Revised Corporation Code and any of its subsequent revisions, or such amount as may be subsequently prescribed."

SECTION 2. COVERAGE OF AUDIT REQUIREMENT

Corporations with total assets or total liabilities **at or below** the prescribed threshold shall **not** be required to submit audited financial statements.

Instead, such corporations shall submit financial statements accompanied by a Statement of Management's Responsibility (SMR)[1], signed under oath as follows:

- **For stock and non-stock corporations: by the Chairman of the Board, President or Chief Executive Officer, and Treasurer or Chief Financial Officer, all duly authorized by the Board of Directors;**
- **For One Person Corporations (OPCs): by the President and Treasurer.**

In the absence of the authorized signatories, the Board of Directors may expressly delegate such authority to a specific officer or director vested with equivalent authority.

The signatories shall assume full responsibility for the accuracy, completeness, and truthfulness of the submitted financial statements.

Any financial statements that are incomplete, inaccurate, false, or misleading shall be subject to penalties under the provisions of the SRC and RCC, without prejudice to the Commission's authority to require audited financial statements when necessary for investor protection, regulatory enforcement, or matters of public interest.

This exemption shall **not** apply to entities classified as Group A, Group B, or Group C as enumerated under Part I, Section 3 (B) of the Revised SRC Rule 68, nor to corporations that the

[1] The SMR templates are set forth in the attached Annexes: Annex **"A.1"** for stock and non-stock corporations, and Annex **"A.2"** for one person corporations.

Commission may determine as vested with public interest pursuant to the provisions of the RCC through subsequent regulatory issuances. Given the nature of their regulatory obligations and the degree of public interest they represent, these entities shall remain subject to mandatory audit requirements, irrespective of their total asset or liability size.

SECTION 3. AMENDMENT TO SMALL AND MICRO ENTITY DEFINITIONS (PART I, SECTION 2.A(iii)-(iv))

Pursuant to the amendment of Section 2 on the audit threshold, the definitions and reporting requirements for Small and Micro Entities are hereby revised as follows:

(iii) Small Entities

a) Small Entity are those that meet all of the following criteria

1) Total assets or total liabilities exceeding Three Million Pesos (₱3 Million) but not exceeding One Hundred Million Pesos (P100 Million). If the entity is a parent company, the said amounts shall be based on the consolidated figures; ...xxx"

(iv) Micro Entities

a) Micro entities are those that meet all of the following criteria:

1) Total assets or total liabilities at or below Three Million Pesos (₱3 Million); xxx

b) Micro entities have the option to use as their financial reporting framework either the income tax basis or PFRS for SEs, *provided however,* that the financial statements shall at least consist of the Statement of Management's Responsibility signed under oath, Statement of Financial Position, Statement of Income and Notes to Financial Statements, all of which cover the two (2)-year comparative periods, if applicable. xxx

SECTION 4. TRANSITORY PROVISION

The amended threshold shall apply to **financial statements covering fiscal years ending on or after December 31, 2025**.

Corporations with fiscal year-ends prior to the effectivity of this Circular shall comply with the audit threshold in effect as of the close of their respective fiscal year.

SECTION 5. REPEALING CLAUSE

All other provisions of SRC Rule 68, circulars, orders, and memoranda inconsistent with this Circular are hereby amended or repealed accordingly.

SECTION 6. EFFECTIVITY

This Memorandum Circular shall take effect **fifteen (15) days after publication** in the Official Gazette or in two (2) newspapers of general circulation.

Signed this 20th day of January 2026, Makati City, Philippines.

For the Commission:

FRANCISCO ED. LIM
Chairperson

Annex A.1

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of (name of reporting company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended (date), in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (Trustees) is responsible for overseeing the Company's financial reporting process.

The Board of Directors (Trustees) reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders or members.

Signature_____
Printed Name of the Chairman of the Board _____

Signature _____
Printed Name of President or Chief Executive Officer _____

Signature _____
Printed Name of Treasurer or Chief Financial Officer _____

Signed this ____ day of _____

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Annex A.2

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of (name of OPC) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended (date), in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Single Stockholder is responsible for overseeing the Company's financial reporting process.

The Single Stockholder reviews and approves the financial statements including the schedules attached therein.

Signature _____
Printed Name of President or Chief Executive Officer _____

Signature _____
Printed Name of Treasurer or Chief Financial Officer _____

Signed this ____ day of _____

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