REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City
Tel. No. 726-0931 to 39
www.sec.gov.ph

SEC MEMORANDUM CIRCULAR NO. 11
Series of 2003

TO : **ALL CONCERNED**
RE : **SUPERVISION OVER REGISTERED CORPORATIONS**

This is to clarify the extent of the supervisory powers of the Securities and Exchange Commission (SEC) over all registered corporations.

Section 5 (a) of the Securities Regulation Code provides that the Commission has "jurisdiction and supervision over all corporations, partnerships or associations which are grantees of primary franchises and/or a license or permit issued by the Government".

The word **"supervision"**, as used in the aforequoted provision of law, is interpreted to mean as follows:

1. The business operations of corporations which are grantees of secondary licenses or franchises by this Commission, such as but not limited to financing companies, investment companies, investment houses, pre-need companies, broker/dealers and exchanges, shall be under the direct supervision of this Commission, i.e.:

   a. submission of reports (monthly, quarterly, operational, annual, etc.) required in the different laws governing the type of activity engaged in by these corporations; and
   b. compliance with provisions of the Corporation Code including those provisions requiring submission of documents to effect compliance.

   Additionally, the Commission exercises regulatory authority over said companies. For corporations with registered/listed issues, compliance with registration requirements and the conditions imposed by the Commission for their registration shall likewise be under its direct supervision.

2. For all other business operations of companies with certificates of registration with the SEC as corporations but not requiring a secondary license from the SEC, the extent of its supervision and monitoring shall be limited to their compliance with the Corporation Code, i.e.:

   a. submission of financial statements;
   b. submission of General Information Sheets (GIS);

c. compliance with provisions in their by-laws on:
   i. number of directors
   ii. qualifications, compensation of directors
   iii. holding of meetings, etc.
d. declaration of dividends;
e. inspection of books; and
f. other provisions of the Code requiring submission of documents to effect compliance.

3. The business operations of corporations which are grantees of secondary licenses or franchises of other government agencies such as but not limited to banking and quasi-banking institutions, building and loan associations, trust companies and other financial intermediaries, insurance companies, public utilities, educational institutions, and other corporations governed by special laws, shall not be under the direct supervision of this Commission, but under the direct supervision of the concerned government agency granting such secondary license or franchise. The extent of the Commission's supervisory powers over such corporations shall be limited to those mentioned in Item No. 2 hereof. All complaints regarding their operations shall be directed to their primary regulator.

4. Notwithstanding the foregoing, the Commission, as provided in Section 5 of the SRC and the effective provisions of PD 902-A, shall have the power to do any and all acts to carry out the effective implementation of the laws it is mandated to enforce, i.e.: constitute a Management Committee; appoint receivers; issue Cease and Desist Orders to prevent fraud or injury to the public; and such other measures necessary to carry out its role as a regulator.

For information and guidance.

Mandaluyong City.

5 August 2003

Lilia R. Bautista

LILIA R. BAUTISTA
Chairperson