Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Building, EDSA, Greenhills, Mandaluyong City

SEC MEMORANDUM CIRCULAR NO. 9
SERIES OF 2012

TO: **ALL CONCERNED CORPORATIONS**

SUBJECT: **REVISED GUIDELINES ON ACCREDITATION OF SURETY COMPANIES**

DATE: **19 SEPTEMBER 2012**

GUIDELINES ON ACCREDITATION OF SURETY COMPANIES

The following guidelines are hereby promulgated for the information and guidance of all duly licensed stockbrokers/dealers and their respective surety companies pursuant to Section 28.1 (b) of the Securities Regulation Code in relation to SRC Rule 28.1-5 of its implementing rules and regulations.

Section 1. Coverage – These Guidelines shall apply to surety companies whose surety bonds are required to be filed before the Securities and Exchange Commission (Commission).

Section 2. Requirements for Accreditation – No surety company shall be allowed to transact business involving surety bonds filed with the Commission unless such surety company is accredited and authorized by the Commission. The surety company shall file three (3) duly accomplished and notarized application form (SEC Form SCA-0001) together with the following supporting documents:

a. Cover letter expressing intent to be accredited as a surety company by the Commission;
b. Certified copy of the original Articles of Incorporation and By-laws and the latest amended Articles of Incorporation and By-laws, if applicable;
c. Certified copy of the latest General Information Sheet (GIS) stamped received by the Commission;
d. Certified copy of the latest Audited Financial Statements stamped received by the Bureau of Internal Revenue (BIR) and the Commission;
e. Secretary's Certificate showing the surety company's authorized signatories and their specimen signatures;
f. Personal Information Sheet of the authorized signatories and their latest 2x2 color photograph;
g. Certified copy of the Authority to Transact Surety Business upon official recognizance, stipulations, bonds and undertakings issued by the Office of the Executive Secretary under the Office of the President;

h. Certified copy of the current Certificate of Authority from the Insurance Commission;
i. Clearance Certificate from the various departments of the Commission;
j. Pro-forma Stockbroker's/Dealer's Bond Agreement containing relevant provisions satisfying the Commission's requirements; and
k. Such other documents as the Commission may require from time to time.

Section 3. Fees – All applications for accreditation shall be accompanied by an application fee of Five Thousand Pesos (P5,000.00).

An annual fee of One Thousand Pesos (P1,000.00) and an additional fee of One Hundred Pesos (P100.00) per broker/dealer client shall be paid on the first Monday of March of the year subsequent to the year the application or renewal, as the case may be, was filed and approved. The annual fee and additional fee shall be accompanied by a certified copy of the latest Certificate of Authority from the Insurance Commission.

For purposes of computing the additional fee, the number of broker/dealer clients of the surety company shall be based on the total number of clients as of the first Monday of March of each year.

Section 4. Approval – Within thirty (30) days from receipt of the application for accreditation with complete requirements, the Commission shall either approve the application outright or schedule a hearing to resolve issues which may result in such application being denied based on concerns that the Commission may deem important. If the application for accreditation is denied, the Commission shall inform the applicant surety company of the denial and the reasons therefor. The application feel shall be forfeited.

Section 5. Validity and Effectivity of Certificate of Accreditation – Unless earlier revoked by the Commission, the Certificate of Accreditation shall be valid for three (3) years, from the year the initial application or renewal application was filed, wherein a fraction of a year shall be treated as a full year, until December 31 of the third year. Every Certificate of Accreditation shall indicate the period of validity thereof. Despite notice of the approval of the application, no surety company may issue and file bonds with the Commission prior to the effectivity of the Certificate of Accreditation.

Section 6. Renewal of Application – The accreditation shall be renewed by filing a duly accomplished renewal form (SEC Form SCAR-0002) with the following documents:

a. Previous Certificate of Accreditation issued by the Commission;
b. A notarized certification that the firm is in compliance with the general qualification requirements under Section 2;
c. A Sworn Statement of its outstanding obligations with the Commission, signed by the President and Treasurer, indicating the number of forfeited bonds and the amounts thereof; and
d. A verified summary of its transactions with the Commission for the duration of the previous accreditation.

The application for renewal of the accreditation of a surety company shall be accompanied by an application fee of Five Thousand Pesos (P5,000.00).

Renewal applications for accreditation shall be filed during the month of July of the third year of validity of the current Certificate of Accreditation of the surety company. Renewal applications for accreditation filed between August 01 and October 31 of the third year of validity of the surety company's current Certificate of Accreditation shall be deemed as new applications for accreditation and must be accompanied with the application supporting documents enumerated in Section 2 and the application fees mentioned in Section 3 hereof.

Renewal applications for accreditation filed beyond October 31 of the third year of validity of the surety company's current Certificate of Accreditation shall not be accepted by the Commission. These surety companies shall file their new applications for accreditation instead on the year following the renewal year, following the process for initial applications.

Section 7. Suspension or Cancellation of the Certificate of Accreditation – The following are the grounds for the suspension or cancellation of the Certificate of Accreditation:

a. Any willful misrepresentation in its application form and attached documents;
b. The surety company has committed fraudulent or illegal acts in transacting bonds;
c. Failure of the surety company to deliver the corresponding amount of surety bond to the Commission within thirty (30) days from receipt of notice to pay from the principal or the Commission;
d. Non-compliance by the surety company with any of the provisions of these Guidelines ;
e. Non-renewal or cancellation of the Certificate of Authority by the Insurance Commission; and
f. Other grounds prescribed by the Commission.

Section 8. Duty to Report – The surety company shall notify the Commission and the parties to the action or proceeding of any act, event, or circumstances that may affect its business or operations, such as corporate rehabilitation; amendment of its articles of incorporation that shortens corporate lifetime; bankruptcy; insolvency; or issuance of writs of execution, attachment, or garnishment against it. The notice, which shall be given within ten (10) days from the occurrence of the act, event, or circumstance, shall have as attachments thereto, certified true copies or authenticated documents evidencing the same act, event or circumstance.

Mandaluyong City, Philippines, 19 September 2012.

For the Commission:

TERESITA J. HERBOSA
Chairperson