Republic of the Philippines
Department of Finance
Securities and Exchange Commission

OFFICE OF THE GENERAL COUNSEL

13 March 2019

SEC-OGC Opinion No. 19-06
Re: Remote Monitoring Company, Nationality Requirement

SOHGO SECURITY SERVICES CO. LTD.
Manila Representative Office
23/F GT Tower International
6813 Ayala Avenue, Makati City

Gentlemen:

This is in response to your letter dated 17 January 2018 requesting for opinion on whether the proposed registration of a Remote Monitoring Company ("Company") that is engaged in the business of supply and installation of electronic monitoring equipment and provides monitoring and response service, complies with relevant laws and regulations in the Philippines.

The Company will supply, install and maintain alarms, CCTV cameras, sensors, fire detection devices and other related equipment. It will also provide CCTV and Alarm Monitoring Services to its clients. In case the sensor detects an abnormality while monitoring its clients, the Company shall send a staff to check and confirm the situation and afterwards issue a detailed report to the client. The Company will be owned 60% by a foreign company and 40% by a Filipino company.

In particular, you seek confirmation on whether the Company, with the proposed activities and equity structure, is subject to the nationality requirements for mass media, public utilities and/or retail trade enterprises under the Foreign Investment Negative List (FINL)[1], and for entities engaged in private security services under the Private Security Agency Law[2] (R.A. 5487).

We believe that the Company's activities do not fall under the definition of a mass media[3] or a public utility[4] entity as discussed by this Commission in previous opinions. Meanwhile, you disclosed that the Company will comply with the paid-up capital requirements for retail trade enterprises which will allow foreign participation.

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[1] Executive Order No. 65 Promulgating the Eleventh Regular Foreign Investment Negative List, 29 October 2018.
[2] An Act to Regulate the Organization and Operation of Private Detective, Watchmen or Security Guards Agencies, Rep. Act No. 5487, as amended by Presidential Decree No. 11.
[3] SEC-OGC Opinion No. 18-22 dated 28 November 2018, Kittleson and Carpo Consulting, Inc.
[4] SEC-OGC Opinion No. 18-15 dated 24 August 2018, Donato & Zarate

As regards compliance with the Private Security Agency Law, we believe that the Company's monitoring and response services fall under the definition of "Private Security Services" as defined under Rule III, Section 1(b) of the 2003 Revised Implementing Rules and Regulations (IRR) of R.A. 5487, which provides:

"RULE III
DEFINITION OF TERMS

SECTION 1. Definition - x x x b. Private Security Services – shall include the **act of providing or rendering services to watch an establishment whether public or private, building, compound/area or property, to conduct access control/denial in any form whether physically, manually or scientifically by electronic monitoring systems, for the purpose of securing such area/property and at the same time ensuring safety and protection of persons within such areas, to maintain peace and order within such areas**, to conduct private security training, **and/or to conduct investigation**. It shall also include the act of contracting, recruiting, training, furnishing or posting any security guard, to do its functions or solicit individuals, businesses, firms, or private, public or government-owned or controlled corporations to engage his/its service or those of his/its security guards, for hire, commission or compensation thru subscription or as a consultant/trainer to any private or public corporation. x x x." (Emphasis Ours)

This is confirmed by the Philippine National Police in the letter-reply[5] that you submitted, to wit:

"Please be guided that under the Revised Implementing Rules and Regulations (IRR) of R.A. 5487, as amended our office has no jurisdiction over the supply and installation of electronic equipment, CCTV and alarm and monitoring services.

However, engaging in response activity falls within the ambit of Private Security Services thus requiring a License to Operate and License Exercise Security Profession.

x x x

Thus, your company falls within the definition of private security services for purpose of securing such area/property and at the same time ensuring safety and protection of person such as areas, to maintain peace and order within such areas."

Being an entity which will provide Private Security Services, the Company should be 100% Filipino-owned under Rule IV, Part I, Section 1 of the IRR of R.A. 5487.

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[5] Letter-reply addressed to Mr. Soichiro Amagai of SOHGO Security Services Co. Ltd. from Mr. Reczon Tito T. Acabado, Police Chief Superintendent, Chief, SOSIA, Philippine National Police

"RULE IV
LICENSE TO OPERATE

PART 1

SECTION 1. **Who may organize and maintain a Private Security Agency and Private Detective Agency. -Any Filipino citizen or corporation, association, partnership, one hundred percent (100%) of which is owned and controlled by Filipino citizens**, may organize and maintain a Private Security Agency or Private Detective Agency." (Emphasis ours)

It shall be understood, however, that the foregoing opinion is rendered based solely on the facts and circumstances disclosed and relevant solely to the particular issue raised therein. It shall not be used in the nature of a standing rule binding upon the Commission on other cases or upon the courts whether of similar or dissimilar circumstances.[6] If, upon further inquiry or investigation, it will be disclosed that the facts relied upon are different, this opinion shall be rendered void.

Please be guided accordingly.

CAMILO S. CORREA
General Counsel

[6] SEC Memorandum Circular 2003-15, No. 7