

**[SEC MEMORANDUM CIRCULAR NO. 10, S. 2014,
May 22, 2014]**

**GUIDELINES AND DIRECTIVES TO ASSIST ISSUERS OF
SECURITIES LISTED AND TRADED IN THE PHILIPPINE STOCK
EXCHANGE IN COMPLYING WITH THE REQUIREMENTS OF BIR
REVENUE REGULATION NO. 1-2014**

Adopted: 22 May 2014

Date Filed: 24 June 2014

WHEREAS, Section 2 of the Securities Regulation Code (SRC) declares that it is the policy of the State to, among others, establish a socially conscious, free market that regulates itself, and to promote the development of the Philippine capital market which includes the securities market, protect investors, ensure full and fair disclosure about securities;

WHEREAS, Section 5(a) of the SRC confers to the Securities and Exchange Commission (the Commission) the jurisdiction and supervision over all corporations, partnerships or associations who are grantees of primary franchises and/or license or permit issued by the Government;

WHEREAS, under Section 5(h) of the SRC, the Commission may enlist the aid and support of and/or deputize any and all enforcement agencies of the Government as well as any private institution, corporation, firm, association or person in the implementation of its powers and functions under the SRC;

WHEREAS, the Commission, under SRC Rule 30.2 paragraph 9, has the authority to require every Exchange, clearing agency, broker dealer, transfer agent, other self-regulatory organization or person required to register under the SRC to submit to the Commission and any person deputized and/or duly authorized by the Commission pursuant to Section 5(h) of the SRC, the names of owners/stockholders, members, participants, clients and other related information in its or his possession, upon order of the Commission, in pursuance of an investigation, examination, official inquiry or as part of a surveillance procedures, and/or in compliance with other pertinent laws;

WHEREAS, Article XV paragraph 11 of the Implementing Guidelines of the PSE Revised Trading Rules provides that trading participants must maintain a record of names of all its clients and their corresponding trading account codes. The record shall be kept current, and shall be maintained in the principal office of the TP and when so required by the Capital Markets Integrity Corporation (CMIC) or its successor, the Commission, any judicial, administrative or regulatory body or any person deputized or duly authorized by the Commission in connection with an investigation, examination, inquiry or part of surveillance procedures or in compliance with other pertinent laws and regulations, be made available to CMIC or its successor, SEC, any judicial, administrative or regulatory body or any person duly

deputized or authorized by the Commission within the next trading day, unless the period is specified by the requiring authority.

WHEREAS, on December 17, 2013, the Bureau of Internal Revenue issued Revenue Regulation No. 1-2014 (BIR RR 1-2014) which mandates all withholding agents to submit an alphalist of payees of income payments subject to creditable and final withholding taxes as an integral part of the Annual Information Returns and Monthly Remittance Returns. The said BIR regulation stressed that the submission of the prescribed alphalist where the income payments and taxes withheld are LUMPED into one single amount (e.g., "Various employees", "Various payees", "PCD nominee", "Others", etc.) –

- (1) shall not be allowed;
- (2) shall result to the unsuccessful uploading into the BIR system;
- (3) shall be deemed not received: and
- (4) shall not qualify as deductible expense for income tax purposes.

WHEREAS, issuers of registered securities are affected by this revenue regulation because their stockholders of record are lumped under PCD Nominee and/or brokers' accounts due to the current model of the Philippine capital market structure;

WHEREAS, the Commission, pursuant to Section 5(h) and SRC Rule 30.2 paragraph 9, authorizes the Issuers and their assigned Transfer Agents to receive information from the Philippine Depository and Trust Corporation and the depository account holders to enable the Issuers/Transfer Agents to comply with said revenue regulation;

WHEREAS, to assist and ensure that the issuers of registered securities and other market participants concerned comply with the requirements of BIR Revenue Regulation No. 1-2014, the Commission deems it necessary to issue guidelines and directives which would direct the depository, the broker dealers and other depository participants to provide the issuers with the data required by the BIR regulation;

NOW, THEREFORE, pursuant to the foregoing and other pertinent provisions of the SRC and its Implementing Rules and Regulations, the Commission hereby adopts and issues the following guidelines and directives:

SECTION 1. Definition of Terms. For purposes of these Guidelines, the following terms shall mean as follows:

1. Cum dividend - means "with dividend." A stock trades cum-dividend up until the ex-dividend date. On or after this point, the stock trades without dividend rights.
2. Declaration Date - The date on which the board of directors announces to shareholders and the market as a whole that the company will pay a dividend.
3. Ex-Dividend Date (also known as Ex-Date) - The date set by the Exchange starting from which the buyer is no longer entitled to dividends.
4. Issuer/Paying Company - a company whose board of directors decides to pay a dividend to the company's stockholders of record and announces the dividend declaration.
5. Payment Date - The date the company mails out the dividend to the holders of record. This date is generally a week or more after the Record Date so that the