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REPUBLIC OF THE PHILIPPINES
First Regular Session

SENATE
S.B. No. 1280



Prepared by the Committees on Constitutional Amendment and Revision of Codes and Trade Commerce and Entrepreneurship, with Senators Escudero, Drilon, Aquino, Angara and Zubiri
as Authors. / 12/16

AN ACT
AMENDING BATAS PAMBANSA BLG. 68 OR THE CORPORATION CODE OF THE PHILIPPINES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 SECTION 1. Section 6 of Batas Pambansa Blg. 68 or The Corporation Code of the
2 Philippines (hereinafter, Code), is hereby amended to read as follows:

3 Sec. 6. *Classification of shares.* – **THE CLASSIFICATION OF SHARES, THEIR**
4 **CORRESPONDING RIGHTS, PRIVILEGES, OR RESTRICTIONS, AND THEIR**
5 **STATED PAR VALUE, IF ANY, MUST BE INDICATED IN THE ARTICLES OF**
6 **INCORPORATION. EACH SHARE SHALL BE EQUAL IN ALL RESPECTS TO**
7 **EVERY OTHER SHARE, EXCEPT AS OTHERWISE PROVIDED IN THE ARTICLES**
8 **OF INCORPORATION AND IN THE CERTIFICATE OF STOCK.**

9 The shares [of stock of] **IN** stock corporations may be divided into classes
10 or series of shares, or both[**],** any of which classes or series of shares may have
11 such rights, privileges or restrictions as may be stated in the articles of
12 incorporation: *Provided, That]*. **N[n]o** share may be deprived of voting rights
13 except those classified and issued as "preferred" or "redeemable" shares, unless
14 otherwise provided in this Code: *Provided [further,]* That, there shall always be a
15 class or series of shares [which have] **WITH** complete voting rights.

1 HOLDERS OF NON-VOTING SHARES SHALL NEVERTHELESS BE
2 ENTITLED TO VOTE ON THE FOLLOWING MATTERS:

- 3 1. AMENDMENT OF THE ARTICLES OF INCORPORATION;
- 4 2. ADOPTION AND AMENDMENT OF BY-LAWS;
- 5 3. SALE, LEASE, EXCHANGE, MORTGAGE, PLEDGE, OR OTHER
6 DISPOSITION OF ALL OR SUBSTANTIALLY ALL OF THE CORPORATE
7 PROPERTY;
- 8 4. INCURRING, CREATING OR INCREASING BONDED INDEBTEDNESS;
- 9 5. INCREASE OR DECREASE OF CAPITAL STOCK;
- 10 6. MERGER OR CONSOLIDATION OF THE CORPORATION WITH
11 ANOTHER CORPORATION OR OTHER CORPORATIONS;
- 12 7. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION
13 OR BUSINESS IN ACCORDANCE WITH THIS CODE; AND
- 14 8. DISSOLUTION OF THE CORPORATION.

15 EXCEPT AS PROVIDED IN THE IMMEDIATELY PRECEDING
16 PARAGRAPH, THE VOTE NECESSARY TO APPROVE A PARTICULAR
17 CORPORATE ACT AS PROVIDED IN THIS CODE SHALL BE DEEMED TO REFER
18 ONLY TO STOCKS WITH VOTING RIGHTS.

19 [Any or all of] T[t]he shares or series of shares may **OR MAY NOT** have a
20 par value [or have no par value as may be provided for in the articles of
21 incorporation: *Provided, however,*] **EXCEPT** That banks, trust [companies],
22 insurance [companies], **AND PRE-NEED COMPANIES**, public utilities, [and]
23 building and loan associations, **AND OTHER CORPORATIONS AUTHORIZED TO**
24 **OBTAIN OR ACCESS FUNDS FROM THE PUBLIC, WHETHER PUBLICLY LISTED**
25 **OR NOT**, shall not be permitted to issue no-par value shares of stock.

1 Preferred shares of stock issued by a[ny] corporation may be given
2 preference in the distribution of **DIVIDENDS** and **IN THE DISTRIBUTION OF**
3 **CORPORATE** [the] assets in case of liquidation [of the corporation and in the
4 distribution of dividends], or such other preferences [as may be stated in the
5 articles of incorporation which are not violative of the provisions of this Code:]
6 *Provided*, That preferred shares of stock may be issued only with a stated par
7 value. The board of directors, where authorized in the articles of incorporation,
8 may fix the terms and conditions of preferred shares of stock or any series
9 thereof: *Provided*, That such terms and conditions shall be effective upon filing of a
10 certificate thereof with the [Securities and Exchange] Commission

11 Shares of capital stock issued without par value shall be deemed fully paid
12 and non-assessable and the holder of such shares shall not be liable to the
13 corporation or to its creditors in respect thereto; *Provided*, That [shares without]
14 **NO** par value [may not] **MUST** be issued for a consideration [less than the value]
15 of **AT LEAST** five **PESOS** (P5.00) [pesos] per share: *Provided*[,] further, That the
16 entire consideration received by the corporation for its no-par value of shares
17 shall be treated as capital and shall not be available for distribution as dividends.

18 A corporation may further[more,] classify its shares for the purpose of
19 insuring compliance with constitutional or legal requirements.

20 [Except as otherwise provided in the articles of incorporation and stated in
21 the certificate of stock, each share shall be equal in all respects to every other
22 share.]

23 Where the articles of incorporation provide for non-voting shares in the
24 cases allowed by this Code, the holders of such shares shall be entitled to vote on
25 the following matters:

- 26 9. Amendment of the articles of incorporation;

- 1 10. Adoption and amendment of by-laws;
- 2 11. Sale, lease, exchange, mortgage, pledge, or other disposition of all or
- 3 substantially all of the corporate property;
- 4 12. Incurring, creating or increasing bonded indebtedness;
- 5 13. Increase or decrease of capital stock;
- 6 14. Merger or consolidation of the corporation with another corporation or
- 7 other corporations;
- 8 15. Investment of corporate funds in another corporation or business in
- 9 accordance with this Code; and
- 10 16. Dissolution of the corporation.

11 Except as provided in the immediately preceding paragraph, the vote
12 necessary to approve a particular corporate act as provided in this Code shall be
13 deemed to refer only to stocks with voting rights.]

14 **SECTION 2.** Section 7 of the Code is hereby amended to read as follows:

15 *Sec. 7. Founders' shares.* - Founders' shares [classified as such in the articles
16 of incorporation] may be given certain rights and privileges not enjoyed by the
17 owners of other stocks. [provided that w]

18 Where the exclusive right to vote and be voted for in the election of
19 directors is granted, it must be for a limited period not to exceed five (5) years
20 [subject to the] **FROM THE DATE OF** [approval of the Securities and Exchange
21 Commission] **INCORPORATION, EXCEPT IN MERITORIOUS CASES, AS**
22 **DETERMINED BY THE COMMISSION, PROVIDED, THAT SUCH EXCLUSIVE**
23 **RIGHT SHALL NOT BE ALLOWED IF ITS EXERCISE WILL VIOLATE**
24 **COMMONWEALTH ACT NO. 108 OR THE ANTI-DUMMY LAW, REPUBLIC ACT**
25 **NO. 7042 OR THE FOREIGN INVESTMENTS ACT, AND OTHER PERTINENT**
26 **LAWS.**

1 **SECTION 3.** Section 8 of the Code is hereby amended to read as follows:

2 Sec. 8. *Redeemable shares.* - Redeemable shares **ARE SHARES** [may be
3 issued by the corporation when expressly so provided in the articles of
4 incorporation. They] **WHICH** may be purchased by the corporation **FROM THE**
5 **HOLDERS OF SUCH SHARES** upon the expiration of a fixed period, regardless of
6 the existence of unrestricted retained earnings in the books of the corporation,
7 and upon such other terms and conditions [as may be] stated in the articles of
8 incorporation [which terms and conditions must also be stated in] **AND** the
9 certificate of stock representing said shares[.], **SUBJECT TO RULES AND**
10 **REGULATIONS ISSUED BY THE COMMISSION.**

11 **SECTION 4.** Section 10 of the Code is hereby amended to read as follows:

12 Sec. 10. *Number and qualifications of incorporators.* - [Any number of
13 natural persons not less than five (5) but not more than fifteen (15), all of legal age,
14 and a majority of whom are residents of the Philippines, may form a private
15 corporation for any lawful purpose or purposes.] **ANY PERSON, PARTNERSHIP,**
16 **ASSOCIATION OR CORPORATION, SINGLY OR JOINTLY WITH OTHERS BUT**
17 **NOT MORE THAN FIFTEEN (15) IN NUMBER, MAJORITY OF WHOM ARE**
18 **RESIDENTS OF THE PHILIPPINES, MAY ORGANIZE A CORPORATION FOR ANY**
19 **LAWFUL PURPOSE OR PURPOSES. INCORPORATORS WHO ARE NATURAL**
20 **PERSONS MUST BE OF LEGAL AGE.**

21 Each [of the] incorporator[s] of a stock corporation must own or be a
22 subscriber to at least one (1) share of the capital stock [of the corporation].

23 **A CORPORATION WITH A SINGLE STOCKHOLDER IS CONSIDERED A**
24 **ONE PERSON CORPORATION COVERED BY TITLE XIII, CHAPTER III.**

25 **SECTION 5.** Section 11 of the Code is hereby amended to read as follows:

26 Sec. 11. *Corporate term.* - [A corporation shall exist for a period not exceeding

1 fifty (50) years from the date of incorporation unless sooner dissolved or unless
2 said period is extended. The corporate term as originally stated in the articles of
3 incorporation may be extended for periods not exceeding fifty (50) years in any
4 single instance by an amendment of the articles of incorporation;] **A**
5 **CORPORATION SHALL HAVE PERPETUAL EXISTENCE UNLESS ITS CERTIFICATE**
6 **OF INCORPORATION PROVIDES OTHERWISE. A CORPORATE TERM FOR A**
7 **SPECIFIC PERIOD MAY BE EXTENDED OR SHORTENED BY AMENDING THE**
8 **ARTICLES OF INCORPORATION; Provided,** That no extension [can] **MAY** be made
9 earlier than [five (5)] **THREE (3)** years prior to the original or subsequent expiry
10 date(s) unless there are justifiable reasons for an earlier extension as may be
11 determined by the [Securities and Exchange] Commission, **PROVIDED FURTHER,**
12 **THAT SUCH EXTENSION OF THE CORPORATE TERM SHALL TAKE EFFECT ONLY**
13 **ON THE DAY FOLLOWING THE ORIGINAL OR SUBSEQUENT EXPIRY DATE(S).**

14 A CORPORATION WHOSE TERM HAS EXPIRED MAY, AT ANY TIME APPLY
15 FOR A REVIVAL OF ITS CORPORATE EXISTENCE, TOGETHER WITH ALL THE
16 RIGHTS AND PRIVILEGES UNDER ITS CERTIFICATE OF INCORPORATION AND
17 SUBJECT TO ALL OF ITS DUTIES, DEBTS AND LIABILITIES EXISTING PRIOR TO
18 THE EXPIRATION OF ITS CORPORATE TERM. UPON APPROVAL BY THE
19 COMMISSION, THE CORPORATION SHALL BE DEEMED REVIVED AND AN
20 AMENDED CERTIFICATE OF INCORPORATION SHALL BE ISSUED, GIVING IT
21 PERPETUAL EXISTENCE UNLESS ITS APPLICATION FOR REVIVAL PROVIDES
22 OTHERWISE.

23 **SECTION 6.** Section 12 of the Code is hereby amended to read as follows:

24 Sec. 12. *Minimum capital stock required of stock corporations.* – Stock
25 corporations [incorporated under this Code] shall not be required to have [any] A

1 minimum authorized capital stock, except as otherwise specifically provided [for]
2 by special law, and subject to the provisions of the following section.

3 **SECTION 7.** Section 13 of the Code is hereby amended to read as follows:

4 Sec. 13. *Amount of capital stock to be subscribed and paid for purposes of*
5 *incorporation.* – At least twenty-five [(25%)] percent (25%) of the **NUMBER OF**
6 **SHARES OF THE** authorized capital stock [as] stated in the articles of
7 incorporation must be subscribed at the time of incorporation, and at least
8 twenty-five [(25%)] percent (25%) of the **VALUE OF THE** total subscription must
9 be paid upon subscription, the balance to be payable on a date or dates fixed in
10 the contract of subscription without need of call, or in the absence of a fixed date
11 or dates, upon call for payment by the board of directors: *Provided, however,* That
12 [in no case shall] the paid-up capital **NOT** be less than five thousand (P5,000.00)
13 pesos.

14 **SECTION 8.** Section 14 of the Code is hereby amended to read as follows:

15 Sec. 14. *Contents of articles of incorporation.* - All corporations [organized
16 under this Code] shall file with the [Securities and Exchange] Commission, articles
17 of incorporation in any of the official languages, duly signed and acknowledged
18 **OR AUTHENTICATED, IN SUCH FORM AND MANNER AS MAY BE ALLOWED BY**
19 **THE COMMISSION,** by all [of] the incorporators, containing substantially the
20 following matters, except as otherwise prescribed by this Code or by special law:

- 21 1. The name of the corporation;
- 22 2. The specific purpose or purposes for which the corporation is being
23 [incorporated] **FORMED.** Where a corporation has more than one
24 stated purpose, the articles of incorporation shall state which is the
25 primary purpose and which is/are the secondary purpose or

1 purposes: Provided, That a non-stock corporation may not include a
2 purpose which would change or contradict its nature as such;

- 3 3. [The place where the principal office of the corporation is to be
4 located, which must be within the Philippines] **THE SPECIFIC**
5 **ADDRESS OF THE PRINCIPAL OFFICE OF THE CORPORATION,**
6 **WHICH MUST BE WITHIN THE PHILIPPINES;**

- 7 4. The term for which the corporation is to exist, **IF THE CORPORATION**
8 **HAS NOT ELECTED PERPETUAL EXISTENCE;**

- 9 5. The names, nationalities and residences of the incorporators;
10 6. The number of directors or trustees, which shall not be [less than five
11 (5) nor] more than fifteen (15);

- 12 7. The names, nationalities and residences of persons who shall act as
13 directors or trustees until the first regular directors or trustees are
14 duly elected and qualified in accordance with this Code;

- 15 8. If it be a stock corporation, the amount of its authorized capital stock
16 [in lawful money of the Philippines, the], number of shares into which
17 it is divided, [and in case the share are par value shares, the] par value
18 of each, [the] names, nationalities and residences of the original
19 subscribers, [and the] amount subscribed and paid by each on his **OR**
20 **HER** subscription, and **A STATEMENT THAT** [if] some or all of the
21 shares are without par value, **IF APPLICABLE**[such fact must be
22 stated];

- 23 9. If it be a non-stock corporation, the amount of its capital, [the] names,
24 nationalities and residences of the contributors, and [the] amount
25 contributed by each; [and]

1 10. IF IT BE A STOCK CORPORATION, A STATEMENT OF THE
2 TREASURER, WHO SHALL BE AN INCORPORATOR, THAT AT
3 LEAST TWENTY-FIVE PERCENT (25%) OF THE NUMBER OF
4 SHARES IN THE CORPORATION'S AUTHORIZED CAPITAL STOCK
5 HAS BEEN SUBSCRIBED, AND AT LEAST TWENTY-FIVE PERCENT
6 (25%) OF THE TOTAL SUBSCRIPTION HAS BEEN FULLY PAID IN
7 ACTUAL CASH AND/OR IN PROPERTY, THE FAIR VALUATION OF
8 WHICH IS EQUAL TO AT LEAST TWENTY-FIVE PERCENT (25%) OF
9 THE SAID SUBSCRIPTION, THE PAID-UP CAPITAL BEING AT
10 LEAST THAN FIVE THOUSAND PESOS (P5,000.00); AND

11 [10.]11. Such other matters as are not inconsistent with law and which the
12 incorporators may deem necessary and convenient.

13 [The Securities and Exchange Commission shall not accept the articles of
14 incorporation of any stock corporation unless accompanied by a sworn statement of
15 the Treasurer elected by the subscribers showing that at least twenty-five (25%)
16 percent of the authorized capital stock of the corporation has been subscribed, and
17 at least twenty-five (25%) of the total subscription has been fully paid to him in
18 actual cash and/or in property the fair valuation of which is equal to at least twenty-
19 five (25%) percent of the said subscription, such paid-up capital being not less than
20 five thousand (P5,000.00) pesos.]

21 **THE ARTICLES OF INCORPORATION AND APPLICATIONS FOR**
22 **AMENDMENTS THERETO MAY BE FILED WITH THE COMMISSION IN THE FORM**
23 **OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE WITH THE COMMISSION'S**
24 **RULES AND REGULATIONS ON ELECTRONIC FILING.**

25 **SECTION 9.** Section 15 of the Code is hereby amended to delete the form on the
26 Treasurer's Affidavit and to read as follows:

"Sec. 16. *Form[s] of articles of incorporation; Filing.* - Unless otherwise prescribed by special law, articles of incorporation of all domestic corporations shall comply substantially with the following form:

ARTICLES OF INCORPORATION

OF

(Name of Corporation)

KNOW ALL [MEN] PERSONS BY THESE PRESENTS:

FIRST: That the name of said corporation shall be "_____ INC., CORPORATION
OR OPC";

SECOND: That the purpose or purposes for which such corporation is incorporated are: (If there is more than one purpose, indicate primary and secondary purposes):

THIRD: That the principal office of the corporation is located in the City/Municipality of _____, Province of _____, Philippines;

FOURTH: That the **CORPORATION SHALL HAVE PERPETUAL EXISTENCE OR**
FOR A TERM OF _____ years from [and after the date of] the date of
issuance of the certificate of incorporation;

FIFTH: That the names, nationalities and residences of the incorporators of the corporation are as follows:

NAME NATIONALITY RESIDENCE

xxx

SIXTH: That the number of directors or trustees of the corporation shall be _____; and the names, nationalities and residences of the first directors or trustees of the corporation are as follows:

NAME NATIONALITY RESIDENCES x

1 _____
2 _____
3 _____
4 _____
5 _____
6 _____
7 _____
8 _____
9 _____
10 _____
11 _____
12 _____
13 _____
14 _____
15 _____
16 _____
17 _____
18 _____
19 _____
20 _____
21 _____
22 _____
23 _____
24 _____
25 _____
26 _____

xxx

SEVENTH: That the authorized capital stock of the corporation is _____
(P_____) PESOS [in lawful money of the Philippines], divided into shares [are of]
WITH the par value of _____ (P_____) PESOS each, and of which
_____ shares are without par value.

(In case all the shares are without par value):

That the capital stock of the corporation is _____ shares
without par value. (In case some shares have par value and some are without par
value): That the capital stock of said corporation consists of
_____ shares of which _____ shares are of the par
value of _____ shares are of the par value of _____
PESOS (P_____) each, and of which _____ shares are without
par value.

EIGHTH: That at least twenty five **PERCENT** (25%) [percent] of the
authorized capital stock above stated has been subscribed as follows:

Name of Subscriber	Nationality	No. of Shares Subscribed	Amount Subscribed
_____	_____	_____	_____

xxx

NINTH: That the above-named subscribers have paid at least twenty five
PERCENT (25%) [percent] of the total subscription as follows:

Name of Subscriber	Amount SubscripteD[r]	Total Paid-In
_____	_____	_____

TENTH: That _____ has been elected by the subscribers as
Treasurer of the Corporation to act as such until his **OR HER** successor is duly
elected and qualified in accordance with the by-laws, [and] that as [such]

Treasurer, he **OR SHE** has been authorized to receive [for and] in the name and for the benefit of the corporation, all subscriptionS, [(or fees) or] contributions or donations paid or given by the subscribers or members, **THAT HE OR SHE CERTIFIES THE INFORMATION SET FORTH IN THE SEVENTH, EIGHTH AND NINTH CLAUSES ABOVE, AND THAT HE OR SHE HAS RECEIVED THE PAID-UP PORTION OF THE SUBSCRIPTION IN CASH AND/OR PROPERTY FOR THE BENEFIT AND CREDIT OF THE CORPORATION.**

ELEVENTH: THAT THE INCORPORATORS UNDERTAKE TO CHANGE THE NAME OF THE CORPORATION IMMEDIATELY UPON RECEIPT OF NOTICE FROM THE COMMISSION THAT ANOTHER CORPORATION, PARTNERSHIP OR PERSON HAS ACQUIRED A PRIOR RIGHT TO THE USE OF SUCH NAME, THAT THE NAME HAS BEEN DECLARED NOT DISTINGUISHABLE FROM A REGISTERED NAME, OR THAT IT IS CONTRARY TO LAW, PUBLIC MORALS, GOOD CUSTOMS OR PUBLIC POLICY.

TWELFTH [ELEVENTH] (Corporations which will engage in any business or activity reserved for Filipino citizens shall provide the following):

"No transfer of stock or interest which shall reduce the ownership of Filipino citizens to less than the required percentage of capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of the corporation and this restriction shall be indicated in all stock certificates issued by the corporation."

IN WITNESS WHEREOF, we have hereunto signed these Articles of Incorporation,
this day of, [19] 20..... in the City/Municipality of
....., Province of, Republic of the
Philippines.

(Names and signatures of the incorporators)

1 [TREASURER'S AFFIDAVIT

2 REPUBLIC OF THE PHILIPPINES)

3 CITY/MUNICIPALITY OF) S.S.

4 PROVINCE OF)

5 I, _____, being duly sworn, depose and say:

6 That I have been elected by the subscribers of the corporation as Treasurer thereof, to act
7 as such until my successor has been duly elected and qualified in accordance with the by-
8 laws of the corporation, and that as such Treasurer, I hereby certify under oath that at
9 least 25% of the authorized capital stock of the corporation has been subscribed and at
10 least 25% of the total subscription has been paid, and received by me, in cash or property,
11 in the amount of not less than P5,000.00, in accordance with the Corporation Code.

12 _____
13 (Signature of Treasurer)

14 SUBSCRIBED AND SWORN to before me, a Notary Public, for and in the City/Municipality
15 of _____, this _____ day of _____, 19____; by _____ with
16 Res. Cert. No. _____ issued at _____ on _____,
17 19_____

18 NOTARY PUBLIC

19 My commission expires on 19

20 Doc. No.;

21 Page No.;

22 Book No.;

23 Series of 19]

24 **SECTION 10.** Section 17 of the Code is hereby amended to read as follows:

25 Sec. 17. *Grounds when articles of incorporation or amendment may be rejected*
26 *or disapproved.* - The [Securities and Exchange] Commission may **DISAPPROVE**

1 [reject] the articles of incorporation or [disapprove] any amendment thereto if the
2 same is not [in compliance] **COMPLIANT** with the requirements of this Code:
3 Provided, That the Commission shall give the incorporators, **DIRECTORS,**
4 **TRUSTEES OR OFFICERS** [a reasonable time] **TEN (10) DAYS FROM RECEIPT OF**
5 **THE DISAPPROVAL** within which to [correct or] modify the objectionable portions
6 of the articles or amendment. The following are grounds for such [rejection or]
7 disapproval:

- 8 1. That the articles of incorporation or any amendment
9 thereto is not substantially in accordance with the form
10 prescribed herein;
- 11 2. That the purpose or purposes of the corporation are
12 patently unconstitutional, illegal, immoral or contrary to
13 government rules and regulations;
- 14 3. That the **CERTIFICATION** [Treasurer's Affidavit]
15 concerning the amount of capital stock subscribed and/or
16 paid is false; and
- 17 4. That the **REQUIRED** percentage of **FILIPINO** ownership of
18 the capital stock [be owned by citizens of the Philippines]
19 [has not been complied with as required] **UNDER** [by]
20 existing laws or the Constitution **HAS NOT BEEN**
21 **COMPLIED WITH.**

22 No articles of incorporation or amendment to articles of incorporation of banks,
23 banking and quasi-banking institutions, [building and loan associations,] trust
24 companies and other financial intermediaries, and insurance companies shall be
25 [accepted or] approved by the Commission unless accompanied by a favorable

1 recommendation of the appropriate government agency to the effect that such
2 articles or amendment is in accordance with law.

3 **SECTION 11.** Section 18 of the Code is hereby amended to read as follows:

4 Sec. 18. *Corporate name.* - No corporate name **SHALL** be allowed by the
5 [Securities and Exchange] Commission if **IT** is [identical or deceptively or
6 confusingly similar] **NOT DISTINGUISHABLE** [to that of] **FROM THAT ALREADY**
7 **RESERVED OR REGISTERED FOR THE USE OF ANOTHER** corporation, or [any
8 other] **IF SUCH** name **IS** already protected by law, or **WHEN ITS USE** is [patently
9 deceptive, confusing or] contrary to law, **RULES AND REGULATIONS.**

10 **A NAME IS NOT DISTINGUISHABLE EVEN IF IT CONTAINS ONE OR**
11 **MORE OF THE FOLLOWING:**

12 1. THE WORD "**CORPORATION**", "**COMPANY**",
13 "**INCORPORATED**", "**LIMITED**", "**LIMITED LIABILITY**", OR AN
14 ABBREVIATION OF ONE OF SUCH WORDS;

15 2. PUNCTUATIONS, ARTICLES, CONJUNCTIONS,
16 CONTRACTIONS, PREPOSITIONS, ABBREVIATIONS, DIFFERENT
17 TENSES, SPACING, OR NUMBER OF THE SAME WORD OR PHRASE.

18 THE COMMISSION, UPON DETERMINATION THAT THE CORPORATE
19 NAME IS: A) **NOT DISTINGUISHABLE**; B) **ALREADY PROTECTED BY LAW**, C)
20 OR CONTRARY TO LAW, MAY SUMMARILY ORDER THE CORPORATION TO
21 IMMEDIATELY CEASE AND DESIST FROM USING SUCH NAME AND REQUIRE
22 THE CORPORATION TO REGISTER A NEW ONE. THE COMMISSION SHALL
23 ALSO CAUSE THE REMOVAL OF ALL VISIBLE SIGNAGES, MARKS,
24 ADVERTISEMENTS, LABELS, PRINTS AND OTHER EFFECTS BEARING SUCH
25 **CORPORATE NAME.** When [a change in] the **NEW** corporate name is approved,

1 the Commission shall issue an amended certificate of incorporation under the
2 amended name.

3 **IF THE CORPORATION FAILS TO COMPLY WITH THE COMMISSION'S**
4 **ORDER, THE COMMISSION MAY HOLD THE CORPORATION AND ITS**
5 **RESPONSIBLE DIRECTORS OR OFFICERS IN CONTEMPT AND/OR HOLD THEM**
6 **ADMINISTRATIVELY, CIVILLY AND/OR CRIMINALLY LIABLE UNDER THIS**
7 **CODE AND OTHER APPLICABLE LAWS AND/OR REVOKE THE REGISTRATION**
8 **OF THE CORPORATION.**

9 **SECTION 12.** Section 19 of the Code is hereby amended to read as follows:

10 Sec. 19. *REGISTRATION, INCORPORATION AND commencement of*
11 *corporate existence. - A PERSON OR GROUP OF PERSONS DESIRING TO*
12 *INCORPORATE SHALL SUBMIT THE INTENDED CORPORATE NAME TO THE*
13 *COMMISSION FOR VERIFICATION. IF THE COMMISSION FINDS THAT THE*
14 *NAME IS DISTINGUISHABLE, NOT PROTECTED BY LAW AND NOT CONTRARY*
15 *TO LAW, RULES AND REGULATIONS, THE NAME SHALL BE RESERVED IN*
16 *FAVOR OF THE INCORPORATORS. THE INCORPORATORS SHALL THEN*
17 *SUBMIT THEIR ARTICLES OF INCORPORATION, BY-LAWS, AND SUCH OTHER*
18 *DOCUMENTS AND/OR INFORMATION AS MAY BE REQUIRED BY THE*
19 *COMMISSION.*

20 IF THE COMMISSION FINDS THAT THE SUBMITTED DOCUMENTS AND
21 INFORMATION ARE FULLY COMPLIANT WITH THE REQUIREMENTS OF THIS
22 CODE AND OTHER RELEVANT LAWS, AND RULES AND REGULATIONS, THE
23 COMMISSION SHALL ISSUE THE CERTIFICATE OF INCORPORATION.

24 A private corporation [formed or] organized under this Code commences
25 ITS [to have] corporate existence and juridical personality [and is deemed
26 incorporated] from the date the [Securities and Exchange] Commission issues [a]

1 THE certificate of incorporation under its official seal and thereupon the
2 incorporators, stockholders/members and their successors shall constitute a body
3 [politic and] corporate under the name stated in the articles of incorporation for
4 the period of time mentioned therein, unless said period is extended or the
5 corporation is sooner dissolved in accordance with law.

6 **SECTION 13.** Section 22 of the Code is hereby amended to read as follows:

7 *Sec. 22. Effects of non-use of corporate charter and continuous inoperation of*
8 *a corporation;* – If a corporation does not formally organize and commence [the
9 transaction of] its business [or the construction of its works] within [two (2)]
10 **FIVE (5)** years from the date of its incorporation, its [corporate powers cease and
11 the corporation] **CERTIFICATE OF INCORPORATION** shall be deemed
12 [dissolved] **REVOKE**D AS OF THE DAY FOLLOWING THE END OF SAID FIVE-
13 YEAR PERIOD, WITHOUT THE NEED FOR FURTHER ACTION BY THE
14 **COMMISSION.**

15 However, if a corporation has commenced [the transaction of] its business
16 but subsequently becomes [continuously] inoperative for a period of at least five
17 (5) **CONSECUTIVE** years, [the same shall be a ground for the suspension or
18 revocation of its corporate franchise or certificate of incorporation] **THE**
19 **COMMISSION MAY, AFTER DUE NOTICE AND HEARING, PLACE THE**
20 **CORPORATION UNDER DELINQUENT STATUS.**

21 **THE COMMISSION SHALL GIVE A DELINQUENT CORPORATION A**
22 **PERIOD OF TWO (2) YEARS WITHIN WHICH TO RESUME OPERATIONS AND**
23 **COMPLY WITH ALL REQUIREMENTS THAT THE COMMISSION SHALL**
24 **PREScribe. UPON COMPLIANCE BY THE CORPORATION, THE COMMISSION**
25 **SHALL ISSUE AN ORDER LIFTING THE DELINQUENT STATUS. FAILURE TO**
26 **COMPLY WITH THE REQUIREMENTS AND RESUME OPERATIONS WITHIN**

1 THE PERIOD GIVEN BY THE COMMISSION SHALL CAUSE THE REVOCATION
2 OF THE CORPORATION'S CERTIFICATE OF INCORPORATION.

3 THE COMMISSION SHALL GIVE REASONABLE NOTICE TO, AND
4 COORDINATE WITH, THE APPROPRIATE REGULATORY AGENCY PRIOR TO
5 THE SUSPENSION OR REVOCATION OF THE CERTIFICATE OF
6 INCORPORATION OF COMPANIES UNDER THEIR SPECIAL REGULATORY
7 JURISDICTION.

8 [The provision shall not apply if the failure to organize, commence the
9 transaction of its business or the construction of its works, or to continuously
10 operate is due to causes beyond the control of the corporation as may be
11 determined by the Securities and Exchange Commission].

12 **SECTION 14.** Section 23 of the Code is hereby amended to read as follows:

13 Sec. 23. *The board of directors or trustees; QUALIFICATION AND TERM.* -
14 Unless otherwise provided in this Code, **THE BOARD OF DIRECTORS OR**
15 **TRUSTEES SHALL EXERCISE** the corporate powers [of all corporations formed
16 under this Code shall be exercised], **CONDUCT** all business [conducted], and
17 **CONTROL** all [property] **PROPERTIES** of **THE** [such] corporation. [s controlled
18 and held by the board of directors or trustees]

19 **DIRECTORS SHALL** [to] be elected **FOR A TERM OF ONE (1) YEAR** from
20 among the holders of stocks **REGISTERED IN THE CORPORATION'S BOOKS** [or
21 where there is no stock, from among the members of the corporation, who shall
22 hold office for one (1) year until their successors are elected and qualified],
23 **WHILE TRUSTEES SHALL BE ELECTED FOR A TERM NOT EXCEEDING THREE**
24 **(3) YEARS FROM AMONG THE MEMBERS OF THE CORPORATION. EACH**
25 **DIRECTOR AND TRUSTEE SHALL HOLD OFFICE UNTIL HIS OR HER**
26 **SUCCESSOR IS ELECTED AND QUALIFIED. A DIRECTOR WHO CEASES TO OWN**

1 AT LEAST ONE (1) SHARE OF STOCK OR A TRUSTEE WHO CEASES TO BE A
2 MEMBER OF THE CORPORATION SHALL CEASE TO BE SUCH.

3 AT LEAST ONE THIRD (1/3) OF THE BOARD OF THE FOLLOWING
4 CORPORATIONS VESTED WITH PUBLIC INTEREST MUST BE COMPOSED OF
5 INDEPENDENT DIRECTORS:

6 (A) PUBLIC UTILITIES, EDUCATIONAL INSTITUTIONS, HOSPITALS,
7 BANKS, INSURANCE, TRANSPORTATION, AND
8 TELECOMMUNICATION COMPANIES;

9 (B) CORPORATIONS COVERED BY SECTION 17.2 OF THE SECURITIES
10 REGULATION CODE, NAMELY THOSE WHOSE SECURITIES ARE
11 REGISTERED WITH THE COMMISSION, CORPORATIONS
12 LISTED WITH AN EXCHANGE OR WITH ASSETS OF AT LEAST
13 FIFTY MILLION PESOS (PHP50,000,000) AND HAVING TWO
14 HUNDRED (200) OR MORE HOLDERS OF SHARES, WITH AT
15 LEAST ONE HUNDRED (100) SHARES OF A CLASS OF ITS
16 EQUITY SHARES;

17 (C) THOSE PRIMARILY REGULATED BY ANOTHER GOVERNMENT
18 AGENCY; AND

19 (D) OTHER CORPORATIONS VESTED WITH PUBLIC INTEREST AS MAY
20 BE DETERMINED BY THE COMMISSION.

21 THESE DIRECTORS MUST BE ELECTED BY A MAJORITY OF THE TOTAL
22 NUMBER OF OUTSTANDING SHARES ENTITLED TO VOTE IN THE ELECTION OF
23 DIRECTORS AND MAJORITY OF MINORITY SHAREHOLDERS. SUCH
24 INDEPENDENT DIRECTORS SHALL BE SUBJECT TO RULES AND REGULATIONS
25 GOVERNING THEIR QUALIFICATIONS, DISQUALIFICATIONS, TERM LIMIT,
26 MAXIMUM NUMBER OF BOARD MEMBERSHIP AND OTHER REQUIREMENTS

1 **THAT THE COMMISSION WILL PRESCRIBE IN LINE WITH INTERNATIONAL**
2 **BEST PRACTICES THAT THE COMMISSION MAY, IN ITS JUDGMENT, FIND**
3 **BENEFICIAL FOR THE COUNTRY.**

4 [Every director must own at least one (1) share of the capital stock of the
5 corporation of which he is a director, which share shall stand in his name on the
6 books of the corporation. Any director who ceases to be the owner of at least one
7 (1) share of the capital stock of the corporation of which he is a director shall
8 thereby cease to be a director. Trustees of non-stock corporations must be
9 members thereof. A majority of the directors or trustees of all corporations
10 organized under this Code must be residents of the Philippines.]

11 **SECTION 15.** Section 24 of the Code is hereby amended to read as follows:

12 Sec. 24. *Election of directors or trustees.* – **EXCEPT WHEN THE EXCLUSIVE**
13 **RIGHT IS RESERVED FOR HOLDERS OF FOUNDERS' SHARES UNDER SECTION**
14 **7, EACH STOCKHOLDER OR MEMBER SHALL HAVE THE RIGHT TO NOMINATE**
15 **ANY DIRECTOR OR TRUSTEE WHO POSSESSES ALL OF THE QUALIFICATIONS**
16 **AND NONE OF THE DISQUALIFICATIONS SET FORTH IN THIS CODE.**

17 At all elections of directors or trustees, there must be present, either in
18 person or [by] **THROUGH A** representative authorized to act by written proxy,
19 the owners of [a] majority of the outstanding capital stock, or if there be no capital
20 stock, a majority of the members entitled to vote. **WHEN SO AUTHORIZED IN**
21 **THE BY-LAWS OR BY A MAJORITY OF THE BOARD OF DIRECTORS, THE**
22 **STOCKHOLDERS OR MEMBERS MAY ALSO VOTE THROUGH REMOTE**
23 **COMMUNICATION OR IN ABSENTIA; PROVIDED, THAT, THE RIGHT TO VOTE**
24 **THROUGH SUCH MODES MAY BE EXERCISED IN CORPORATIONS VESTED**
25 **WITH PUBLIC INTEREST, NOTWITHSTANDING THE ABSENCE OF A**
26 **PROVISION IN THE BY-LAWS OF SUCH CORPORATIONS.**

1 **WHEN A STOCKHOLDER OR MEMBER PARTICIPATES THROUGH**
2 **REMOTE COMMUNICATION OR *IN ABSENTIA*, HE OR SHE SHALL BE DEEMED**
3 **PRESENT FOR PURPOSES OF QUORUM.**

4 The election must be by ballot if requested by any voting stockholder or
5 member.

6 In stock corporations, every stockholder entitled to vote shall have the
7 right to vote [in person or by proxy] the number of shares of stock standing, at the
8 time fixed in the by-laws, in his **OR HER** own name [on] **IN** the stock books of the
9 corporation, or where the by-laws are silent, at the time of the election; and said
10 stockholder may vote such number of shares for as many persons as there are
11 directors to be elected or he **OR SHE** may cumulate said shares and give one
12 candidate as many votes as the number of directors to be elected multiplied by the
13 number of his **OR HER** shares [shall equal], or he **OR SHE** may distribute them on
14 the same principle among as many candidates as he **OR SHE** shall see fit:
15 Provided, That the total number of votes cast by him shall not exceed the number
16 of shares owned by him as shown in the books of the corporation multiplied by
17 the whole number of directors to be elected: Provided, however, That no
18 delinquent stock shall be voted. Unless otherwise provided in the articles of
19 incorporation or in the by-laws, members of corporations which have no capital
20 stock may cast as many votes as there are trustees to be elected but may not cast
21 more than one vote for one candidate.

22 [Candidates receiving] **NOMINEES FOR DIRECTORS OR TRUSTEES**
23 **RECEIVING** the highest number of votes shall be declared elected.

24 [Any meeting of the stockholders or members called for an election may
25 adjourn from day to day or from time to time but not sine die or indefinitely] If [
26 for any reason,] no election is held, or **THE OWNERS OF MAJORITY OF THE**

1 OUTSTANDING CAPITAL STOCK OR THE MAJORITY OF THE MEMBERS
2 ENTITLED TO VOTE [if there] are not present IN PERSON [or represented] by
3 proxy OR THROUGH REMOTE COMMUNICATION OR NOT VOTING IN
4 ABSENTIA [,] at the meeting, [the owners of a majority of the outstanding capital
5 stock, or if there be no capital stock, a majority of the members entitled to vote,]
6 THE MEETING MAY BE ADJOURNED AND THE CORPORATION SHALL
7 PROCEED IN ACCORDANCE WITH SECTION 26 OF THIS CODE.

8 THE DIRECTORS OR TRUSTEES ELECTED SHALL PERFORM THEIR
9 DUTIES AS PRESCRIBED BY LAW, RULES OF GOOD CORPORATE
10 GOVERNANCE, AND THE BY-LAWS OF THE CORPORATION.

11 SECTION 16. Section 25 of the Code is hereby amended to read as follows:

12 Sec. 25. *Corporate officers*; quorum.] – Immediately after their election, the
13 directors of a corporation must formally organize [by the election of] AND ELECT
14 THE [a] president, [who shall be a director, a], treasurer, [who may or may not be a
15 director, a] secretary, [who shall be a resident and citizen of the Philippines,] and
16 such other officers as may be provided [for] in the by-laws [;]; PROVIDED, THAT, IF
17 THE CORPORATION IS VESTED WITH PUBLIC INTEREST, THE BOARD SHALL
18 ALSO ELECT A COMPLIANCE OFFICER. Any two (2) or more positions may be held
19 concurrently by the same person, except that no one shall act as president and
20 secretary or as president and treasurer at the same time.

21 THE PRESIDENT AND THE TREASURER MUST BE DIRECTORS AND AT
22 LEAST ONE OF THEM MUST BE A RESIDENT OF THE PHILIPPINES.

23 THE CORPORATE SECRETARY MUST BE A RESIDENT OF THE
24 PHILIPPINES.

25 THE OFFICERS SHALL MANAGE THE CORPORATION AND PERFORM
26 SUCH DUTIES AS MAY BE PROVIDED IN THE BY-LAWS OR, TO THE EXTENT

1 **NOT SO PROVIDED, BY THE BOARD OF DIRECTORS.** [The directors or trustees
2 and officers to be elected shall perform the duties enjoined on them by law and by
3 the by-laws of the corporation. Unless the articles of incorporation or the by-laws
4 provide for a greater majority, a majority of the number of directors or trustees as
5 fixed in the articles of incorporation shall constitute a quorum for the transaction of
6 corporate business., and every decision of at least a majority of the directors or
7 trustees present at a meeting at which there is a quorum shall be valid as a
8 corporate act, except for the election of officers which shall require the vote of a
9 majority of all the members of the board. Directors or trustees cannot attend or vote
10 by proxy at board meeting.]

11 **SECTION 17.** Section 26 of the Code is hereby amended to read as follows:

12 *Sec. 26. Report of election of directors, trustees and officers, NON-HOLDING
13 OF ELECTION AND CESSATION FROM OFFICE. -*

14 Within thirty (30) days after the election of the directors, trustees and
15 officers of the corporation, the secretary, or any other officer of the corporation,
16 shall submit to the [Securities and Exchange] Commission, the names,
17 nationalities, **SHAREHOLDINGS** and residences of the directors, trustees, and
18 officers elected.

19 **THE NON-HOLDING OF ELECTIONS AND THE REASONS THEREFOR,
20 SHALL BE REPORTED TO THE COMMISSION WITHIN THIRTY (30) DAYS
21 FROM THE DATE OF THE SCHEDULED ELECTION. THE REPORT SHALL
22 SPECIFY A NEW DATE FOR THE ELECTION, WHICH SHALL NOT BE LATER
23 THAN SIXTY (60) DAYS FROM THE SCHEDULED DATE.**

24 **IF NO NEW DATE HAS BEEN DESIGNATED, OR IF THE RESCHEDULED
25 ELECTION IS LIKEWISE NOT HELD, THE COMMISSION MAY, UPON THE
26 APPLICATION OF A STOCKHOLDER, MEMBER, DIRECTOR OR TRUSTEE AND**

1 AFTER VERIFICATION OF THE NON-HOLDING OF THE ELECTION,
2 SUMMARILY ORDER THAT AN ELECTION BE HELD. THE COMMISSION SHALL
3 HAVE THE POWER TO ISSUE SUCH ORDERS AS MAY BE APPROPRIATE,
4 INCLUDING ORDERS DIRECTING THE ISSUANCE OF A NOTICE STATING THE:
5 TIME AND PLACE OF THE ELECTION; DESIGNATED PRESIDING OFFICER;
6 QUORUM REQUIREMENT; AND THE RECORD DATE OR DATES FOR THE
7 DETERMINATION OF STOCKHOLDERS OR MEMBERS ENTITLED TO VOTE.

8 NOTWITHSTANDING ANY PROVISION OF THE ARTICLES OF
9 INCORPORATION OR BY-LAWS TO THE CONTRARY, THE SHARES OF STOCK
10 OR MEMBERSHIP REPRESENTED AT SUCH MEETING AND ENTITLED TO
11 VOTE SHALL CONSTITUTE A QUORUM FOR PURPOSES OF CONDUCTING AN
12 ELECTION UNDER THIS SECTION.

13 Should a director, trustee or officer die, resign or in any manner cease to
14 hold office, his **OR HER** heirs in case of his **OR HER** death, the secretary, or any
15 other officer of the corporation, or the director, trustee or officer himself, shall
16 [immediately] **WITHIN SEVEN (7) DAYS FROM KNOWLEDGE THEREOF**, report
17 **IN WRITING** such fact to the [Securities and Exchange] Commission.

18 **IN ELECTING DIRECTORS OR TRUSTEES TO FILL VACANCIES, THE**
19 **PROCEDURE SET FORTH IN SECTION 24 SHALL APPLY.**

20 **SECTION 18.** Section 27 of the Code is hereby amended to read as follows:

21 *Sec. 27. Disqualification of directors, trustees or officers.* – **A PERSON SHALL**
22 **BE DISQUALIFIED FROM BEING A DIRECTOR, TRUSTEE, OR OFFICER OF ANY**
23 **CORPORATION IF WITHIN FIVE (5) YEARS PRIOR TO HIS OR HER ELECTION**
24 **OR APPOINTMENT HE OR SHE WAS:**

25 **1. [No person] C[c]onvicted by final judgment of an offense punishable by**
26 imprisonment for a period exceeding six (6) years, o[r]F a violation of this Code,

1 OR OF REPUBLIC ACT 8799 OTHERWISE KNOWN AS THE SECURITIES
2 REGULATIONS CODE [committed within five (5) years prior to the date of his
3 election or , shall qualify as a director, trustee or officer of any corporation];

4 **2. CONVICTED BY FINAL JUDGMENT OR FOUND ADMINISTRATIVELY
5 LIABLE FOR ANY OFFENSE INVOLVING FRAUD, THEFT, ESTAFA,
6 COUNTERFEITING, MISAPPROPRIATION, FORGERY, BRIBERY, FALSE OATH,
7 PERJURY AND OTHER FRAUDULENT ACTS;**

8 **3. CONVICTED BY FINAL JUDGMENT OF A FOREIGN COURT OR
9 EQUIVALENT FOREIGN REGULATORY AUTHORITY OF ACTS, VIOLATIONS OR
10 MISCONDUCT SIMILAR TO THOSE ENUMERATED IN PARAGRAPHS 1 AND 2
11 ABOVE.**

12 **THE FOREGOING IS WITHOUT PREJUDICE TO QUALIFICATIONS OR
13 OTHER DISQUALIFICATIONS WHICH THE COMMISSION MAY IMPOSE IN ITS
14 PROMOTION OF GOOD CORPORATE GOVERNANCE OR AS A SANCTION IN ITS
15 ADMINISTRATIVE PROCEEDINGS.**

16 **SECTION 19.** Section 28 of the Code is hereby amended to read as follows:

17 Sec. 28. *Removal of directors or trustees.* - Any director or trustee of a
18 corporation may be removed from office by a vote of the stockholders holding or
19 representing at least two-thirds (2/3) of the outstanding capital stock, or if the
20 corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of
21 the members entitled to vote: Provided, That such removal shall take place either
22 at a regular meeting of the corporation or at a special meeting called for the
23 purpose, and in either case, after previous notice to stockholders or members of
24 the corporation of the intention to propose such removal at the meeting. A special
25 meeting of the stockholders or members of a corporation for the purpose of
26 removal of directors or trustees [, or any of them,] must be called by the secretary

1 on order of the president or [on the] **UPON** written demand of the stockholders
2 representing or holding at least a majority of the outstanding capital stock [,] or [,
3 if it be a non-stock corporation, on the written demand of] a majority of the
4 members entitled to vote. **IF THERE IS NO SECRETARY, OR** [Should] **IF** the
5 secretary, **DESPITE DEMAND**, failS or refuseS to call the special meeting [upon
6 such demand or fail or refuse to] **OR TO** give [the] notice **THEREOF**, [or if there is
7 no secretary, the call for the meeting may be addressed directly to the
8 stockholders or members by any] **THE** stockholder or member of the corporation
9 signing the demand **MAY CALL FOR THE MEETING BY DIRECTLY ADDRESSING**
10 **THE STOCKHOLDERS OR MEMBERS.** Notice of the time and place of such
11 meeting, as well as of the intention to propose such removal, must be given by
12 publication or by written notice prescribed in this Code. Removal may be with or
13 without cause: Provided, That removal without cause may not be used to deprive
14 minority stockholders or members of the right of representation to which they
15 may be entitled under Section 25 of this Code.

16 **THE COMMISSION SHALL, MOTU PROPRIO OR UPON VERIFIED**
17 **COMPLAINT AND AFTER DUE NOTICE AND HEARING, ORDER THE REMOVAL**
18 **OF A DIRECTOR OR TRUSTEE ELECTED DESPITE THE DISQUALIFICATION, OR**
19 **WHOSE DISQUALIFICATION AROSE OR IS DISCOVERED SUBSEQUENT TO**
20 **ELECTION. THE REMOVAL OF ANY DISQUALIFIED DIRECTOR SHALL BE**
21 **WITHOUT PREJUDICE TO OTHER SANCTIONS THAT THE COMMISSION MAY**
22 **IMPOSE ON THE BOARD OF DIRECTORS OR TRUSTEES WHO, WITH**
23 **KNOWLEDGE OF THE DISQUALIFICATION, FAILED TO REMOVE SUCH**
24 **DIRECTOR OR TRUSTEE.**

25 **SECTION 20.** Section 29 of the Code is hereby amended to read as follows:

1 Sec. 29. *Vacancies in the office of director or trustee; EMERGENCY BOARD.* -

2 Any vacancy occurring in the board of directors or trustees other than by removal
3 by the stockholders or members or by expiration of term, may be filled by the vote
4 of at least a majority of the remaining directors or trustees, if still constituting a
5 quorum; otherwise, said vacancies must be filled by the stockholders in a regular
6 or special meeting called for that purpose.

7 WHEN THE VACANCY IS DUE TO TERM EXPIRATION, THE ELECTION
8 SHALL BE HELD NO LATER THAN THE DAY OF SUCH EXPIRATION AT A
9 MEETING CALLED FOR THAT PURPOSE. WHEN THE VACANCY ARISES AS A
10 RESULT OF REMOVAL BY THE STOCKHOLDERS OR MEMBERS, THE ELECTION
11 MAY BE HELD ON THE SAME DAY OF THE MEETING AUTHORIZING THE
12 REMOVAL AND THIS FACT MUST BE SO STATED IN THE AGENDA AND
13 NOTICE OF SAID MEETING. IN ALL OTHER CASES, THE ELECTION MUST BE
14 HELD NO LATER THAN FORTY-FIVE (45) DAYS FROM THE TIME VACANCY
15 AROSE. A director or trustee [so] elected to fill a vacancy SHALL BE REFERRED
16 TO AS REPLACEMENT DIRECTOR OR TRUSTEE AND SHALL SERVE [shall be
17 elected] only for the unexpired term of his OR HER predecessor in office.

18 HOWEVER, WHEN THE VACANCY PREVENTS THE REMAINING
19 DIRECTORS FROM CONSTITUTING A QUORUM AND EMERGENCY ACTION IS
20 REQUIRED TO PREVENT GRAVE, SUBSTANTIAL, AND IRREPARABLE LOSS OR
21 DAMAGE TO THE CORPORATION, THE VACANCY MAY BE TEMPORARILY
22 FILLED FROM AMONG THE OFFICERS OF THE CORPORATION BY UNANIMOUS
23 VOTE OF THE REMAINING DIRECTORS OR TRUSTEES. THE ACTION BY THE
24 DESIGNATED DIRECTOR OR TRUSTEE SHALL BE LIMITED TO THE
25 EMERGENCY ACTION NECESSARY, AND HIS OR HER TERM SHALL CEASE
26 WITHIN A REASONABLE TIME FROM THE TERMINATION OF THE

1 EMERGENCY OR UPON ELECTION OF THE REPLACEMENT DIRECTOR OR
2 TRUSTEE, WHICHEVER COMES EARLIER. THE CORPORATION MUST NOTIFY
3 THE COMMISSION WITHIN THREE (3) DAYS FROM THE CREATION OF THE
4 EMERGENCY BOARD, STATING THEREIN THE REASON FOR ITS CREATION.

5 Any directorship or trusteeship to be filled by reason of an increase in the
6 number of directors or trustees shall be filled only by an election at a regular or at
7 a special meeting of stockholders or members duly called for the purpose, or in
8 the same meeting authorizing the increase of directors or trustees if so stated in
9 the notice of the meeting.

10 **IN ALL ELECTIONS TO FILL VACANCIES UNDER THIS SECTION, THE**
11 **PROCEDURE SET FORTH IN SECTIONS 24 AND 26 SHALL APPLY.**

12 **SECTION 21.** Section 30 of the Code is hereby amended to read as follows:

13 Sec. 30. *Compensation of directors OR TRUSTEES.* – In the absence of any
14 provision in the by-laws fixing their compensation, the directors **OR TRUSTEES**
15 shall not receive any compensation [as such directors **OR TRUSTEES,**] **IN THEIR**
16 **CAPACITY AS SUCH**, except for reasonable per diems: *Provided, however,* That
17 [any such compensation other than per diems may be granted to directors by the
18 vote of the stockholders representing at least a majority of the outstanding capital
19 stock at a regular or special meeting.] **THE STOCKHOLDERS REPRESENTING AT**
20 **LEAST A MAJORITY OF THE OUTSTANDING CAPITAL STOCK OR MAJORITY**
21 **OF THE MEMBERS MAY GRANT DIRECTORS OR TRUSTEES WITH**
22 **COMPENSATION AND APPROVE THE AMOUNT THEREOF AT A REGULAR OR**
23 **SPECIAL MEETING.**

24 NO DIRECTOR OR TRUSTEE SHALL PARTICIPATE IN THE
25 DETERMINATION OF HIS OR HER OWN PER DIEMS OR COMPENSATION.

1 **CORPORATIONS VESTED WITH PUBLIC INTEREST SHALL SUBMIT AN**
2 **ANNUAL REPORT OF THE TOTAL COMPENSATION OF EACH OF ITS**
3 **DIRECTORS OR TRUSTEES TO THE SEC AND ITS SHAREHOLDERS.**

4 **SECTION 22.** Section 32 of the Code is hereby amended to read as follows:

5 *Sec. 32. Dealings of directors, trustees or officers with the corporation.* - A
6 contract of the corporation with one or more of its directors or trustees or officers
7 **OR THEIR SPOUSES AND RELATIVES WITHIN THE FOURTH CIVIL DEGREE OF**
8 **CONSANGUINITY OR AFFINITY** is voidable, at the option of such corporation,
9 unless all the following conditions are present:

10 1. That the presence of such director or trustee in the board meeting in which
11 the contract was approved was not necessary to constitute a quorum for such
12 meeting;

13 2. That the vote of such director or trustee was nor necessary for the approval
14 of the contract;

15 3. That the contract is fair and reasonable under the circumstances; [and]

16 4. **THAT IN CASE OF CORPORATIONS VESTED WITH PUBLIC INTEREST,**
17 **MATERIAL CONTRACTS ARE APPROVED BY AT LEAST TWO-THIRDS**
18 **(2/3) OF THE ENTIRE MEMBERSHIP OF THE BOARD, WITH AT LEAST A**
19 **MAJORITY OF THE INDEPENDENT DIRECTORS VOTING TO APPROVE THE**
20 **MATERIAL CONTRACT; AND**

21 [4.] 5. That in case of an officer, the contract has been previously authorized
22 by the board of directors;

23 Where any of the first [two] **THREE** conditions set forth in the preceding
24 paragraph is absent, in the case of a contract with a director or trustee, such
25 contract may be ratified by the vote of the stockholders representing at least two-
26 thirds (2/3) of the outstanding capital stock or of at least two-thirds (2/3) of the

1 members in a meeting called for the purpose: Provided, That full disclosure of the
2 adverse interest of the directors or trustees involved is made at such meeting:
3 Provided, however, That the contract is fair and reasonable under the
4 circumstances.

5 **SECTION 23.** Section 33 of the Code is hereby amended to read as follows:

6 Sec. 33. *Contracts between corporations with interlocking directors.* - Except in
7 cases of fraud, and provided the contract is fair and reasonable under the
8 circumstances, a contract between two or more corporations having interlocking
9 directors shall not be invalidated on that ground alone: Provided, That if the interest
10 of the interlocking director in one corporation is substantial and his interest in the
11 other corporation or corporations is merely nominal, [he] **THE CONTRACT** shall be
12 subject to the provisions of the preceding section insofar as the latter corporation or
13 corporations are concerned.

14 Stockholdings exceeding twenty (20%) percent of the outstanding capital
15 stock shall be considered substantial for purposes of interlocking directors.

16 **SECTION 24.** Section 35 of the Code is hereby amended to read as follows:

17 Sec. 35. *Executive, MANAGEMENT AND OTHER SPECIAL committeeS.* - [The
18 by-laws of a corporation may create an executive committee, composed of not less
19 than three members of the board, to be appointed by the board.] **IF THE BY-**
20 **LAWS SO PROVIDE, THE BOARD MAY CREATE AN EXECUTIVE COMMITTEE**
21 **COMPOSED OF NOT LESS THAN THREE DIRECTORS.** Said committee may act,
22 by majority vote of all its members, on such specific matters within the
23 competence of the board, as may be delegated to it in the by-laws or [on a] **BY**
24 majority vote of the board, except with respect to **THE:** (1) approval of any action
25 for which shareholders' approval is also required; (2) [the] filling of vacancies in
26 the board; (3) [the] amendment or repeal of by-laws or the adoption of new by-

1 laws; (4) [the] amendment or repeal of any resolution of the board which by its
2 express terms is not [so]amendable or repealable; and (5) [a] distribution of cash
3 dividends to the shareholders.

4 THE BY-LAWS MAY AUTHORIZE THE BOARD OF DIRECTORS TO
5 CREATE SPECIAL COMMITTEES OF TEMPORARY OR PERMANENT NATURE
6 AND TO DETERMINE THE MEMBERS' TERM, COMPOSITION, COMPENSATION,
7 POWERS, AND RESPONSIBILITIES.

8 WHEN NECESSARY TO ENSURE GOOD CORPORATE GOVERNANCE,
9 COMBAT GRAFT AND CORRUPT PRACTICES, OR WHEN PARAMOUNT
10 INTEREST OF THE PUBLIC SO REQUIRES, THE COMMISSION MAY REQUIRE
11 THE CREATION OF OTHER COMMITTEES AND PROVIDE FOR THEIR DUTIES
12 AND RESPONSIBILITIES. TO REFLECT SUCH CHANGE, THE CORPORATION'S
13 BY-LAWS SHALL BE AMENDED WITHIN THE PERIOD PRESCRIBED BY THE
14 COMMISSION.

15 SECTION 25. Section 36 of the Code is hereby amended to read as follows:

16 Sec. 36. *Corporate powers and capacity.* - Every corporation incorporated
17 under this Code has the power and capacity:

- 18 1. To sue and be sued in its corporate name;
- 19 2. **TO HAVE PERPETUAL EXISTENCE UNLESS THE CERTIFICATE OF**
20 **INCORPORATION PROVIDES OTHERWISE** [Of succession by its corporate name
21 for the, period of time stated in the articles of incorporation and the certificate of
22 incorporation];
- 23 3. To adopt and use a corporate seal;
- 24 4. To amend its articles of incorporation in accordance with the
25 provisions of this Code;

1 5. To adopt by-laws, not contrary to law, morals or public policy, and to
2 amend or repeal the same in accordance with this Code;

3 6. In case of stock corporations, to issue or sell stocks to subscribers and
4 to sell treasury stocks in accordance with the provisions of this Code; and to admit
5 members to the corporation if it be a non-stock corporation;

6 7. To purchase, receive, take or grant, hold, convey, sell, lease, pledge,
7 mortgage and otherwise deal with such real and personal property, including
8 securities and bonds of other corporations, as the transaction of the lawful
9 business of the corporation may reasonably and necessarily require, subject to the
10 limitations prescribed by law and Constitution;

11 8. To enter into **A PARTNERSHIP, JOINT VENTURE**, merger,
12 consolidation, **OR ANY OTHER COMMERCIAL AGREEMENT WITH NATURAL**
13 **AND JURIDICAL PERSONS** [as provided under this Code];

14 9. To make reasonable donations, including those for the public welfare or
15 for hospital, charitable, cultural, scientific, civic, or similar purposes: *Provided,*
16 That no corporation, domestic or foreign, shall give donations in aid of any
17 political party or candidate or for purposes of partisan political activity;

18 10. To establish pension, retirement, and other plans for the benefit of its
19 directors, trustees, officers, and employees; and

20 11. To exercise such other powers as may be essential or necessary to
21 carry out its purpose or purposes as stated in the articles of incorporation.

22 **SECTION 26.** Section 37 of the Code is hereby amended to read as follows:

23 Sec. 37. *Power to extend or shorten corporate term.* - A private corporation
24 may extend or shorten its term as stated in the articles of incorporation when
25 approved by a majority vote of the board of directors or trustees, and ratified at a
26 meeting by the stockholders **OR MEMBERS** representing at least two-thirds (2/3)

1 of the outstanding capital stock or [by at least two-thirds (2/3)] of ITS [the]
2 members[in case of non-stock corporations]. Written notice of the proposed
3 action and [of] the time and place of the meeting shall be [addressed] SENT to
4 each stockholder or member at his **OR HER** place of residence as shown [on] IN
5 the books of the corporation, and **MUST EITHER BE** deposited to the addressee in
6 the post office with postage prepaid, [or] served personally[.], **OR WHEN**
7 **ALLOWED BY THE BY-LAWS OR DONE WITH THE CONSENT OF THE**
8 **STOCKHOLDER, SENT ELECTRONICALLY IN ACCORDANCE WITH THE RULES**
9 **AND REGULATIONS OF THE COMMISSION ON THE USE OF ELECTRONIC DATA**
10 **MESSAGES.** [Provided, That in]

11 **IN** case of extension of corporate term, [any] A dissenting stockholder may
12 exercise his **OR HER** appraisal right under the conditions provided in this [c]
13 **Code.**

14 **SECTION 27.** Section 38 of the Code is hereby amended to read as follows:

15 *Sec. 38. Power to increase or decrease capital stock; incur, create or increase
16 bonded indebtedness.* – No corporation shall increase or decrease its capital stock
17 or incur, create or increase any bonded indebtedness unless approved by a
18 majority vote of the board of directors and[, at a stockholder's meeting duly called
19 for the purpose,] **BY** two-thirds (2/3) of the outstanding capital stock **AT A**
20 **STOCKHOLDERS' MEETING DULY CALLED FOR THE PURPOSE** [shall favor the
21 increase or diminution of the capital stock or of the incurring, creating, or
22 increasing of any bonded indebtedness]. Written notice **OF THE TIME AND**
23 **PLACE OF THE STOCKHOLDERS' MEETING AND THE PURPOSE FOR SAID**
24 **MEETING,** [proposed increase or diminution of the capital stock or of the
25 incurring, creating, or increasing of any bonded indebtedness and of the time and
26 place of the stockholder's meeting at which the proposed increase or diminution

1 of capital stock or the incurring or increasing of any bonded indebtedness is to be
2 considered,] must be [addressed to] **SENT TO** each stockholder at his **OR HER**
3 place of residence as shown In the books of the corporation and [deposited to the
4 addressee] **SERVED ON THE STOCKHOLDER PERSONALLY, THROUGH**
5 **DEPOSIT** in the post office with postage prepaid, **OR THROUGH ELECTRONIC**
6 **MEANS RECOGNIZED IN THE CORPORATION'S BY-LAWS AND/OR THE**
7 **COMMISSION'S RULES AS A VALID MODE FOR SERVICE OF NOTICES** [or served
8 personally].

9 A certificate in duplicate must be signed by a majority of the directors of the
10 corporation and countersigned by the chairman and secretary of the stockholders'
11 meeting, setting forth:

12 XXX

13 [(5) The actual indebtedness of the corporation on the day of the meeting;]

14 5 [(6)] XXX

15 6 [(7)] XXX

16 Any increase or decrease in the capital stock or the incurring, creating or
17 increasing of any bonded indebtedness shall require prior approval of the
18 [Securities and Exchange] Commission. **THE APPLICATION WITH THE**
19 **COMMISSION SHALL BE MADE WITHIN SIX (6) MONTHS FROM THE DATE OF**
20 **APPROVAL OF THE BOARD OF DIRECTORS AND STOCKHOLDERS, WHICH**
21 **PERIOD MAY BE EXTENDED FOR JUSTIFIABLE REASONS.**

22 One of the duplicate certificates shall be kept on file in the office of the
23 corporation and the other shall be filed with the [Securities and Exchange]
24 Commission and attached to the original articles of incorporation. [From and a]
25 After approval by the [Securities and Exchange] Commission and the issuance by
26 the Commission of its certificate of filing, the capital stock shall **BE DEEMED**

1 [stand] increased or decreased and the incurring, creating or increasing of any
2 bonded indebtedness authorized, as the certificate of filing may declare: Provided,
3 That the [Securities and Exchange] Commission shall not accept for filing any
4 certificate of increase of capital stock unless accompanied by [the] A sworn
5 statement of the treasurer of the corporation lawfully holding office at the time of
6 the filing of the certificate, showing that at least twenty-five **PERCENT** (25%)
7 [percent] of [such increased] **THE INCREASE IN** capital stock has been subscribed
8 and that at least twenty-five (25%) percent of the amount subscribed has been
9 paid [either] in actual cash to the corporation or that [there]**PROPERTY, THE**
10 **VALUATION OF WHICH IS EQUAL TO TWENTY-FIVE PERCENT (25%) OF THE**
11 **SUBSCRIPTION,** has been transferred to the corporation [property the valuation
12 of which is equal to twenty-five (25%) percent of the subscription]: Provided,
13 further, That no decrease of [the] capital stock shall be approved by the
14 Commission if its effect shall prejudice the rights of corporate creditors.

15 xxx xxx xxx

16 Bonds issued by a corporation shall be registered with the [Securities and
17 Exchange] Commission, which shall have the authority to determine the
18 sufficiency of the terms thereof.

19 **SECTION 28.** Section 40 of the Code is hereby amended to read as follows:

20 *Sec. 40. Sale or other disposition of assets.* - Subject to the provisions of
21 existing laws on illegal combinations and monopolies, a corporation may, by a
22 majority vote of its board of directors or trustees, sell, lease, exchange, mortgage,
23 pledge, or otherwise dispose of [all or substantially all of] its property and assets,
24 [including its goodwill,] upon such terms and conditions and for such
25 consideration, which may be money, stocks, bonds or other instruments for the

1 payment of money or other property or consideration, as its board of directors or
2 trustees may deem expedient.

3 **A SALE OF ALL OR SUBSTANTIALLY ALL OF THE CORPORATION'S**
4 **PROPERTIES AND ASSETS, INCLUDING ITS GOODWILL MUST BE [when]**
5 authorized by the vote of the stockholders representing at least two-thirds (2/3)
6 of the outstanding capital stock, or [in case of non-stock corporation, by the vote
7 of] at least to two-thirds (2/3) of the members, in a stockholders' or members'
8 meeting duly called for the purpose.

9 **IN NON-STOCK CORPORATIONS WHERE THERE ARE NO MEMBERS**
10 **WITH VOTING RIGHTS, THE VOTE OF AT LEAST A MAJORITY OF THE**
11 **TRUSTEES IN OFFICE WILL BE SUFFICIENT AUTHORIZATION FOR THE**
12 **CORPORATION TO ENTER INTO ANY TRANSACTION AUTHORIZED BY THIS**
13 **SECTION. THE DETERMINATION OF WHETHER OR NOT THE SALE INVOLVES**
14 **ALL OR SUBSTANTIALLY ALL OF THE CORPORATION'S PROPERTIES AND**
15 **ASSETS MUST BE COMPUTED BASED ON ITS NET ASSET VALUE, AS SHOWN**
16 **IN ITS LATEST FINANCIAL STATEMENTS. A SALE OR OTHER DISPOSITION**
17 **SHALL BE DEEMED TO COVER SUBSTANTIALLY ALL THE CORPORATE**
18 **PROPERTY AND ASSETS IF THEREBY THE CORPORATION WOULD BE**
19 **RENDERED INCAPABLE OF CONTINUING THE BUSINESS OR ACCOMPLISHING**
20 **THE PURPOSE FOR WHICH IT WAS INCORPORATED.**

21 Written notice of the proposed action and of the time and place [of] **FOR**
22 the meeting shall be addressed to each stockholder or member at his **OR HER**
23 place of residence as shown [on] **IN** the books of the corporation and deposited to
24 the addressee in the post office with postage prepaid, [or] served personally, **OR**
25 **WHEN ALLOWED BY THE BY-LAWS OR DONE WITH THE CONSENT OF THE**
26 **STOCKHOLDER, SENT ELECTRONICALLY:** Provided, That any dissenting

1 stockholder may exercise his **OR HER** appraisal right under the conditions
2 provided in this Code.

3 [A sale or other disposition shall be deemed to cover substantially all the
4 corporate property and assets if thereby the corporation would be rendered
5 incapable of continuing the business or accomplishing the purpose for which it
6 was incorporated.]

7 After such authorization or approval by the stockholders or members, the
8 board of directors or trustees may, nevertheless, in its discretion, abandon such
9 sale, lease, exchange, mortgage, pledge, or other disposition of property and
10 assets, subject to the rights of third parties under any contract relating thereto,
11 without further action or approval by the stockholders or members.

12 Nothing in this section is intended to restrict the power of any corporation,
13 without the authorization by the stockholders or members, to sell, lease,
14 exchange, mortgage, pledge, or otherwise dispose of any of its property and assets
15 if the same is necessary in the usual and regular course of business of said
16 corporation or if the proceeds of the sale or other disposition of such property and
17 assets **SHALL** be appropriated for the conduct of its remaining business.

18 [In non-stock corporations where there are no members with voting rights,
19 the vote of at least a majority of the trustees in office will be sufficient
20 authorization for the corporation to enter into any transaction authorized by this
21 section.]

22 **SECTION 29.** Section 43 of the Code is hereby amended to read as follows:

23 Sec. 43. *Power to declare dividends.* - The board of directors of a stock
24 corporation may declare dividends out of the unrestricted retained earnings
25 which **SHALL BE DETERMINED IN ACCORDANCE WITH THE GUIDELINES SET**
26 **BY THE COMMISSION.** **SUCH DIVIDENDS** shall be payable in cash, [in]property,

1 or in stock to all stockholders on the basis of outstanding stock held by them:
2 Provided, That any cash dividends due on delinquent stock shall first be applied to
3 the unpaid balance on the subscription plus costs and expenses, while stock
4 dividends shall be withheld from the delinquent stockholder until his **OR HER**
5 unpaid subscription is fully paid: Provided, further, That no stock dividend shall
6 be issued without the approval of stockholders representing [not less than] **AT**
7 **LEAST** two-thirds (2/3) of the outstanding capital stock at a regular or special
8 meeting duly called for the purpose.

9 Stock corporations are prohibited from retaining surplus profits in excess
10 of one hundred **PERCENT** (100%) [percent] of their paid-in capital stock, except:
11 (1) when justified by definite corporate expansion projects or programs approved
12 by the board of directors; or (2) when the corporation is prohibited under any
13 loan agreement with any financial institution or creditor, whether local or foreign,
14 from declaring dividends without its/his consent, and such consent has not yet
15 been secured; or (3) when it can be clearly shown that such retention is necessary
16 under special circumstances obtaining in the corporation, such as when there is
17 need for special reserve for probable contingencies.

18 **SECTION 30.** Section 46 of the Code is hereby amended to read as follows:

19 Sec. 46. *Adoption of by-laws.* – [Every corporation formed under this Code
20 must, within one (1) month after receipt of official notice of the issuance of its
21 certificate of incorporation by the Securities and Exchange Commission, adopt a
22 code of by-laws for its government not in consistent with this Code.] For the
23 adoption of by-laws by the corporation, the affirmative vote of the stockholders
24 representing at least a majority of the outstanding capital stock, or of at least a
25 majority of the members in case of non-stock corporations, shall be necessary.
26 The by-laws shall be signed by the stockholders or members voting for them and

1 shall be kept in the principal office of the corporation, subject to the inspection of
2 the stockholders or members during office hours. A copy thereof, duly certified
3 [to] by a majority of the directors or trustees **AND** countersigned by the secretary
4 of the corporation, shall be filed with the [Securities and Exchange] Commission
5 [which shall be] **AND** attached to the original articles of incorporation.

6 Notwithstanding the provisions of the preceding paragraph, by-laws may
7 be adopted and filed prior to incorporation; in such case, such by-laws shall be
8 approved and signed by all the incorporators and submitted to the [Securities and
9 Exchange] Commission, together with the articles of incorporation.

10 In all cases, by-laws shall be effective only upon the issuance by the
11 [Securities and Exchange] Commission of a certification that the by-laws are [not
12 inconsistent] **IN ACCORDANCE** with this Code.

13 The [Securities and Exchange] Commission shall not accept for filing the
14 by-laws or any amendment thereto of any bank, banking institution, building and
15 loan association, trust company, insurance company, public utility, educational
16 institution, or other special corporations governed by special laws, unless
17 accompanied by a certificate of the appropriate government agency to the effect
18 that such by-laws or amendments are in accordance with law.

19 **SECTION 31.** Section 47 of the Code is hereby renumbered as Section 48 and
20 amended to read as follows:

21 Sec. 48. *Contents of by-laws.* – [Subject to the provisions of the Constitution,
22 this Code, other special laws, and the articles of incorporation,] A private
23 corporation may provide **THE FOLLOWING** in its by-laws:

24 1. The time, place and manner of calling and conducting regular or special
25 meetings of the directors or trustees;

1 2. The time and manner of calling and conducting regular or special
2 meetings of the stockholders or members;

3 3. The required quorum in meetings of stockholders or members and the
4 manner of voting therein;②

5 **4. THE MANNER OF SENDING NOTICES OF REGULAR OR SPECIAL
6 MEETINGS, WHETHER IN PERSON, THROUGH POSTAL MAIL OR ELECTRONIC
7 MEANS**

8 5 [4]. The form for proxies of stockholders and members and the manner
9 of voting them;

10 6[5]. The **DIRECTORS' OR TRUSTEES'** qualifications, duties **AND
11 RESPONSIBILITIES, [and] THE GUIDELINES FOR SETTING THE** compensation
12 of directors or trustees **AND [L] officers [and employees], AND THE MAXIMUM
13 NUMBER OF OTHER BOARD REPRESENTATIONS THAT AN INDEPENDENT
14 DIRECTOR OR TRUSTEE MAY HAVE WHICH SHALL, IN NO CASE, BE MORE
15 THAN THE NUMBER PRESCRIBED BY THE COMMISSION;**

16 7[6]. The time for holding the annual election of directors or trustees and
17 the mode or manner of giving notice thereof;②

18 8[7]. The manner of election or appointment and the term of office of all
19 officers other than directors or trustees;②

20 9[8]. The penalties for violation of the by-laws;②

21 10[9]. In the case of stock corporations, the manner of issuing stock
22 certificates; [and]

23 11[10]. Such other matters as may be necessary for the proper or
24 convenient transaction of its corporate [business and] affairs **OR AS MAY BE
25 DEEMED NECESSARY BY THE COMMISSION FOR THE PROMOTION OF GOOD
26 GOVERNANCE AND ANTI-GRAFT AND CORRUPTION MEASURES.**

1 **SECTION 32.** Section 48 of the Code is hereby amended to read as follows:

2 Section 48. Amendment to by-laws. – The board of directors or trustees, by
3 a majority vote thereof, and the owners of at least a majority of the outstanding
4 capital stock, or at least a majority of the members of a non-stock corporation, at a
5 regular or special meeting duly called for the purpose, may amend or repeal [any]
6 **THE** by-laws or adopt new by-laws. The owners of two-thirds (2/3) of the
7 outstanding capital stock or two-thirds (2/3) of the members in a non-stock
8 corporation may delegate to the board of directors or trustees the power to
9 amend or repeal [any] **THE** by-laws or adopt new by-laws: Provided, That any
10 power delegated to the board of directors or trustees to amend or repeal [any]
11 **THE** by-laws or adopt new by-laws shall be considered as revoked whenever
12 stockholders owning or representing a majority of the outstanding capital stock
13 or [a] majority of the members [in non-stock corporations,] shall so vote at a
14 regular or special meeting.

15 [Whenever any amendment or new by-laws are adopted, such amendment
16 or new by-laws shall be attached to the original by-laws in the office of the
17 corporation, and a copy thereof, duly certified under oath by the corporate
18 secretary and a majority of the directors or trustees, shall be filed with the
19 Securities and Exchange Commission the same to be attached to the original
20 articles of incorporation and original by-laws.]

21 **WHENEVER THE BY-LAWS IS AMENDED OR NEW BY-LAWS IS**
22 **ADOPTED, THE CORPORATION SHALL FILE WITH THE COMMISSION SUCH**
23 **AMENDED OR NEW BY-LAWS AND, IF APPLICABLE, THE STOCKHOLDERS' OR**
24 **MEMBERS' RESOLUTION AUTHORIZING THE DELEGATION OF THE POWER**
25 **TO AMEND AND/OR ADOPT NEW BY-LAWS, DULY CERTIFIED UNDER OATH**

1 BY THE CORPORATE SECRETARY AND A MAJORITY OF THE DIRECTORS OR
2 TRUSTEES.

3 The amended or new by-laws shall only be effective upon the issuance by
4 the [Securities and Exchange] Commission of a certification that the same **IS** [are
5 not] in [consistent] **ACCORDANCE** with this Code, **AND OTHER RELEVANT**
6 **LAWS.**

7 **SECTION 33.** Section 50 of the Code is hereby amended to read as follows:

8 Sec. 50. *Regular and special meetings of stockholders or members.* - Regular
9 meetings of stockholders or members shall be held annually on a date fixed in the
10 by-laws, or if not so fixed, on any date **AFTER** [in] April **15** of every year as
11 determined by the board of directors or trustees: *Provided*, That written notice of
12 regular meetings shall be sent to all stockholders or members of record at least
13 [two (2)] **TWENTY (20) DAYS** prior to the meeting, unless a [different] **LONGER**
14 period is required [by] **IN** the by-laws, **LAW OR REGULATION.**

15 **AT EACH REGULAR MEETING OF STOCKHOLDERS OR MEMBERS, THE**
16 **BOARD OF DIRECTORS OR TRUSTEES SHALL ENDEAVOR TO PRESENT TO**
17 **STOCKHOLDERS OR MEMBERS THE FOLLOWING:**

18 a. **THE MINUTES OF THE MOST RECENT REGULAR MEETING**
19 **WHICH SHALL INCLUDE, AMONG OTHERS:**

20 (i) **A DESCRIPTION OF THE VOTING AND VOTE**
21 **TABULATION PROCEDURES USED AND TO BE USED IN THE**
22 **CURRENT MEETING;**

23 (ii) **A DESCRIPTION OF THE OPPORTUNITY GIVEN TO**
24 **STOCKHOLDERS OR MEMBERS TO ASK QUESTIONS AND A**
25 **RECORD OF THE QUESTIONS ASKED AND ANSWERS GIVEN;**

(iii) THE MATTERS DISCUSSED AND RESOLUTIONS
REACHED;

(iv) A RECORD OF THE VOTING RESULTS FOR EACH AGENDA ITEM; AND

(v) A LIST OF THE DIRECTORS OR TRUSTEES,
OFFICERS AND STOCKHOLDERS OR MEMBERS WHO ATTENDED
THE MEETING;

(vi) SUCH OTHER ITEMS THAT THE COMMISSION MAY REQUIRE IN THE INTEREST OF GOOD CORPORATE GOVERNANCE AND THE PROTECTION OF MINORITY STOCKHOLDERS;

b. A MEMBERS' LIST FOR NON-STOCK CORPORATIONS AND,
FOR STOCK CORPORATIONS, MATERIAL INFORMATION ON THE
CURRENT STOCKHOLDERS AND THEIR VOTING RIGHTS;

c. A DETAILED, DESCRIPTIVE, BALANCED AND COMPREHENSIBLE ASSESSMENT OF THE CORPORATION'S PERFORMANCE WHICH SHALL INCLUDE INFORMATION ON ANY MATERIAL CHANGE IN THE CORPORATION'S BUSINESS, STRATEGY, AND OTHER AFFAIRS;

d. A FINANCIAL REPORT FOR THE PRECEDING YEAR, WHICH SHALL INCLUDE FINANCIAL STATEMENTS DULY SIGNED AND CERTIFIED IN ACCORDANCE WITH THIS CODE AND THE RULES THE COMMISSION MAY PRESCRIBE, A STATEMENT ON THE ADEQUACY OF THE CORPORATION'S INTERNAL CONTROLS OR RISK MANAGEMENT SYSTEMS, AND A STATEMENT OF ALL EXTERNAL AUDIT AND NON-AUDIT FEES:

1 e. AN EXPLANATION OF THE DIVIDEND POLICY AND THE
2 FACT OF PAYMENT OF DIVIDENDS OR THE REASONS FOR NON-
3 PAYMENT THEREOF;

4 f. DIRECTOR OR TRUSTEE PROFILES WHICH SHALL
5 INCLUDE, AMONG OTHERS, THEIR QUALIFICATIONS AND RELEVANT
6 EXPERIENCE, LENGTH OF SERVICE IN THE CORPORATION, TRAININGS
7 AND CONTINUING EDUCATION ATTENDED, AND NUMBER OF THEIR
8 BOARD REPRESENTATIONS IN OTHER CORPORATIONS;

9 g. A DIRECTOR OR TRUSTEE ATTENDANCE REPORT,
10 INDICATING THE ATTENDANCE OF EACH DIRECTOR OR TRUSTEE AT
11 EACH OF THE MEETINGS OF THE BOARD AND ITS COMMITTEES AND
12 IN REGULAR OR SPECIAL STOCKHOLDER MEETINGS;

13 h. APPRAISALS AND PERFORMANCE REPORTS FOR THE
14 BOARD AND THE CRITERIA AND PROCEDURE FOR ASSESSMENT;

15 i. A DIRECTOR OR TRUSTEE COMPENSATION REPORT
16 PREPARED IN ACCORDANCE WITH THIS CODE AND THE RULES THE
17 COMMISSION MAY PRESCRIBE;

18 j. DIRECTOR DISCLOSURES ON SELF-DEALINGS AND
19 RELATED PARTY TRANSACTIONS;

20 k. THE PROFILES OF DIRECTORS NOMINATED OR SEEKING
21 ELECTION OR RE-ELECTION; AND/OR

22 l. THE COMPENSATION/BENEFITS OF EMPLOYEES WHO
23 ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR, TRUSTEE, OR AN
24 OFFICER OF THE CORPORATION OR WHOSE EMPLOYMENT WAS
25 MADE WITH THEIR ENDORSEMENT; AND

1 A DIRECTOR, TRUSTEE, STOCKHOLDER OR MEMBER MAY PROPOSE
2 ANY OTHER MATTER FOR INCLUSION IN THE AGENDA AT ANY REGULAR
3 MEETING OF STOCKHOLDERS OR MEMBERS.

4 Special meetings of stockholders or members shall be held at any time
5 deemed necessary or as provided in the by-laws: Provided, however, That [at least
6 one (1) week] written notice shall be sent to all stockholders or members **AT**
7 **LEAST TWO (2) WEEKS PRIOR TO THE MEETING**, unless [otherwise] **A**
8 **LONGER PERIOD IS** provided in the by-laws, **LAW OR REGULATION**.

9 **A STOCKHOLDER OR MEMBER SHALL HAVE THE RIGHT TO PROPOSE**
10 **THE HOLDING OF A SPECIAL MEETING AND ITEMS TO BE INCLUDED IN THE**
11 **AGENDA.**

12 Notice of any meeting may be waived, expressly or impliedly, by any
13 stockholder or member[J]; **PROVIDED THAT GENERAL WAIVERS OF NOTICE IN**
14 **THE ARTICLES OF INCORPORATION OR THE BY-LAWS SHALL NOT BE**
15 **ALLOWED; PROVIDED FURTHER, THAT ATTENDANCE AT A MEETING SHALL**
16 **CONSTITUTE A WAIVER OF NOTICE OF SUCH MEETING, EXCEPT WHEN THE**
17 **PERSON ATTENDS A MEETING FOR THE EXPRESS PURPOSE OF OBJECTING**
18 **TO THE TRANSACTION OF ANY BUSINESS BECAUSE THE MEETING IS NOT**
19 **LAWFULLY CALLED OR CONVENED.**

20 Whenever [J] for any cause, there is no person authorized to call a meeting,
21 the [Securities and Exchange] Commission, upon petition of a stockholder or
22 member on a showing of good cause therefor, may issue an order to the
23 petitioning stockholder or member directing him to call a meeting of the
24 corporation by giving proper notice required by this Code or by the by-laws. The
25 petitioning stockholder or member shall preside thereat until at least a majority of

1 the stockholders or members present have chosen [one of their number as] **FROM**
2 **AMONG THEMSELVES A** presiding officer.

3 **UNLESS THE BY-LAWS PROVIDES FOR A LONGER PERIOD, THE STOCK**
4 **AND TRANSFER BOOK OR MEMBERSHIP BOOK SHALL BE CLOSED AT LEAST**
5 **TWENTY (20) DAYS BEFORE THE SCHEDULED DATE OF THE MEETING.**

6 **IN CASE OF POSTPONEMENT OF STOCKHOLDERS' OR MEMBERS'**
7 **MEETINGS, WRITTEN NOTICE THEREOF AND THE REASON THEREFOR SHALL**
8 **BE SENT TO ALL STOCKHOLDERS OR MEMBERS OF RECORD AT LEAST TWO**
9 **(2) WEEKS PRIOR TO THE DATE OF THE MEETING, UNLESS A DIFFERENT**
10 **PERIOD IS REQUIRED BY THE BY-LAWS, LAW OR REGULATION.**

11 **THE RIGHT TO VOTE MAY BE EXERCISED THROUGH REMOTE**
12 **COMMUNICATION OR *IN ABSENTIA* UNDER SUCH RULES AND REGULATIONS**
13 **ADOPTED BY THE COMMISSION, TAKING INTO ACCOUNT THE COMPANY'S**
14 **SCALE, NUMBER OF SHAREHOLDERS OR MEMBERS, STRUCTURE AND OTHER**
15 **FACTORS CONSISTENT WITH THE PROTECTION AND PROMOTION OF**
16 **SHAREHOLDERS' OR MEMBER'S MEETINGS.**

17 **SECTION 34.** Section 51 of the Code is hereby amended to read as follows:

18 Sec. 51. *Place and time of meetings of stockholders of members.* -
19 Stockholders' or members' meetings, whether regular or special, shall be held in
20 the **PRINCIPAL OFFICE OF THE CORPORATION AS SET FORTH IN THE**
21 **ARTICLES OF INCORPORATION, OR, IF NOT PRACTICABLE, IN THE** city or
22 municipality where the principal office of the corporation is located [, and if
23 practicable in the principal office of the corporation]: Provided, That Metro
24 Manila, **METRO CEBU, METRO DAVAO, AND OTHER METROPOLITAN AREAS**
25 shall, for purposes of this section, be considered a city or municipality.

1 [Notice of meetings shall be in writing, and the time and place thereof
2 stated therein.] WRITTEN NOTICE OF MEETINGS SHALL BE SENT THROUGH
3 THE MEANS OF COMMUNICATION PROVIDED FOR IN THE BY-LAWS, WHICH
4 NOTICE SHALL STATE THE TIME, PLACE AND PURPOSES OF THE MEETINGS.

5 EACH NOTICE OF MEETING SHALL FURTHER BE ACCOMPANIED BY
6 THE FOLLOWING:

- 7 (A) THE AGENDA FOR THE MEETING;
- 8 (B) A PROXY FORM WHICH SHALL BE SUBMITTED TO THE
9 CORPORATE SECRETARY WITHIN A REASONABLE TIME PRIOR
10 TO THE MEETING;
- 11 (C) WHEN ATTENDANCE, PARTICIPATION AND VOTING ARE
12 ALLOWED BY REMOTE COMMUNICATION OR *IN ABSENTIA*,
13 THE REQUIREMENTS AND PROCEDURES TO BE FOLLOWED
14 WHEN A STOCKHOLDER OR MEMBER ELECTS EITHER OPTION;
15 AND
- 16 (D) WHEN THE MEETING IS FOR THE ELECTION OF DIRECTORS OR
17 TRUSTEES, THE REQUIREMENTS AND PROCEDURE FOR
18 NOMINATION.

19 All proceedings had and any business transacted at a[ny] meeting of the
20 stockholders or members, if within the powers or authority of the corporation,
21 shall be valid even if the meeting be improperly held or called;[.] P[p]rovided,
22 **THAT** all the stockholders or members of the corporation are present or duly
23 represented at the meeting **AND NONE OF THEM EXPRESSLY STATES AT THE**
24 **BEGINNING OF THE MEETING THAT THE PURPOSE OF THEIR ATTENDANCE**
25 **IS TO OBJECT TO THE TRANSACTION OF ANY BUSINESS BECAUSE THE**
26 **MEETING IS NOT LAWFULLY CALLED OR CONVENED.**

1 SECTION 35. Section 53 of the Code is hereby amended to read as follows:

2 Sec. 53. *Regular and special meetings of directors or trustees; QUORUM.* –

3 UNLESS THE ARTICLES OF INCORPORATION OR THE BY-LAWS
4 PROVIDES FOR A GREATER MAJORITY, A MAJORITY OF THE NUMBER OF
5 DIRECTORS OR TRUSTEES SHALL CONSTITUTE A QUORUM TO TRANSACT
6 CORPORATE BUSINESS, AND EVERY DECISION OF AT LEAST A MAJORITY OF
7 THE DIRECTORS OR TRUSTEES CONSTITUTING A QUORUM SHALL BE VALID AS
8 A CORPORATE ACT, EXCEPT FOR THE ELECTION OF OFFICERS WHICH SHALL
9 REQUIRE THE VOTE OF A MAJORITY OF ALL THE MEMBERS OF THE BOARD.

10 Regular meetings of the board of directors or trustees of every corporation
11 shall be held monthly, unless the by-laws provideS otherwise.

12 Special meetings of the board of directors or trustees may be held at any
13 time upon the call of the president or as provided in the by-laws.

14 Meetings of directors or trustees of corporations may be held anywhere in
15 or outside of the Philippines, unless the by-laws provideS otherwise. Notice of
16 regular or special meetings stating the date, time and place of the meeting must be
17 sent to every director or trustee at least [one (1) day] **FIVE (5) DAYS** prior to the
18 scheduled meeting, unless [otherwise] **A LONGER TIME IS** provided [by] IN the
19 by-laws. A director or trustee may waive this requirement, either expressly or
20 impliedly.

21 **DIRECTORS OR TRUSTEES CANNOT ATTEND OR VOTE BY PROXY AT**
22 **BOARD MEETINGS. THEY CAN PARTICIPATE AND VOTE THROUGH REMOTE**
23 **COMMUNICATION SUCH AS VIDEOCONFERENCING, TELECONFERENCING OR**
24 **OTHER ALTERNATIVE MODES OF COMMUNICATION THAT ALLOW THEM**
25 **REASONABLE OPPORTUNITY TO PARTICIPATE.**

1 A DIRECTOR OR TRUSTEE WHO HAS A POTENTIAL INTEREST IN ANY
2 RELATED PARTY TRANSACTION MUST RECUSE HIMSELF OR HERSELF FROM
3 VOTING ON THE APPROVAL OF THE RELATED PARTY TRANSACTION.

4 SECTION 36. Section 58 of the Code is hereby amended to read as follows:

5 Sec. 58. *MANNER OF VOTING; Proxies.* - Stockholders and members may
6 vote in person or by proxy in all meetings of stockholders or members.

7 WHEN SO AUTHORIZED IN THE BY-LAWS OR BY A MAJORITY OF THE
8 BOARD OF DIRECTORS, THE STOCKHOLDERS OR MEMBERS OF REGULAR
9 CORPORATIONS MAY ALSO VOTE THROUGH REMOTE COMMUNICATION OR
10 IN ABSENTIA; *PROVIDED, THAT, THE RIGHT TO VOTE THROUGH SUCH*
11 *MODES MAY BE EXERCISED IN CORPORATIONS VESTED WITH PUBLIC*
12 *INTEREST, NOTWITHSTANDING THE ABSENCE OF A PROVISION IN THE BY-*
13 *LAWS OF THE CORPORATION; PROVIDED, FURTHER, THE VOTES ARE*
14 *RECEIVED BEFORE THE CORPORATION FINISHES THE TALLY OF VOTES.*

15 WHEN A STOCKHOLDER OR MEMBER PARTICIPATES THROUGH
16 REMOTE COMMUNICATION OR IN ABSENTIA, HE OR SHE SHALL BE DEEMED
17 PRESENT FOR PURPOSES OF QUORUM.

18 THE CORPORATION SHALL ESTABLISH THE APPROPRIATE
19 REQUIREMENTS AND PROCEDURES FOR VOTING THROUGH REMOTE
20 COMMUNICATION AND IN ABSENTIA, TAKING INTO ACCOUNT THE
21 COMPANY'S SCALE, NUMBER OF SHAREHOLDERS OR MEMBERS, STRUCTURE
22 AND OTHER FACTORS CONSISTENT WITH THE BASIC RIGHT CORPORATE
23 SUFFRAGE.

24 Proxies shall be [in writing.] signed **AND FILED**, by the stockholder or
25 member, **IN ANY FORM AUTHORIZED IN THE BY-LAWS** and **RECEIVED BY THE**
26 **CORPORATE SECRETARY WITHIN A REASONABLE TIME** before the scheduled

1 meeting [the corporate secretary]. Unless otherwise provided in the proxy **FORM**,
2 it shall be valid only for the meeting for which it is intended. No proxy shall be
3 valid and effective for a period longer than five (5) years at any one time.

4 **SECTION 37.** Section 59 of the Code is hereby amended to read as follows:

5 Section 59. *Voting Trusts.* – One or more stockholders of a stock
6 corporation may create a voting trust for the purpose of conferring upon a trustee
7 or trustees the right to vote and other rights pertaining to the shares for a period
8 not exceeding five (5) years at any time: Provided, That in the case of a voting
9 trust specifically required as a condition in a loan agreement, said voting trust
10 may be for a period exceeding five (5) years but shall automatically expire upon
11 full payment of the loan. A voting trust agreement must be in writing and
12 notarized, and shall specify the terms and conditions thereof. A certified copy of
13 such agreement shall be filed with the corporation and with the [Securities and
14 Exchange] Commission; otherwise, said agreement is ineffective and
15 unenforceable. The certificate or certificates of stock covered by the voting trust
16 agreement shall be cancelled and new ones shall be issued in the name of the
17 trustee or trustees, stating that they are issued pursuant to said agreement. [In t]
18 The books of the corporation [, it] shall **STATE** [be noted] that the transfer in the
19 name of the trustee or trustees is made pursuant to said voting trust agreement.

20 The trustee or trustees shall execute and deliver to the transferors, voting
21 trust certificates, which shall be transferable in the same manner and with the
22 same effect as certificates of stock.

23 The voting trust agreement filed with the corporation shall be subject to
24 examination by any stockholder of the corporation in the same manner as any
25 other corporate book or record: Provided, That both the transferor and the

1 trustee or trustees may exercise the right of inspection of all corporate books and
2 records in accordance with the provisions of this Code.

3 Any other stockholder may transfer his **OR HER** shares to the same trustee
4 or trustees upon the terms and conditions stated in the voting trust agreement,
5 and thereupon shall be bound by all the provisions of said agreement.

6 No voting trust agreement shall be entered into for [the] purposeS of
7 circumventing the lawS against [monopolies and illegal combinations] ANTI-
8 COMPETITIVE AGREEMENTS, ABUSE OF DOMINANT POSITION, ANTI-
9 COMPETITIVE MERGERS AND ACQUISITIONS, VIOLATION OF NATIONALITY
10 AND CAPITAL REQUIREMENTS, OR [or used for purposes of fraud .] FOR THE
11 PERPETUATION OF FRAUD.

12 Unless expressly renewed, all rights granted in a voting trust agreement
13 shall automatically expire at the end of the agreed period, and the voting trust
14 certificates as well as the certificates of stock in the name of the trustee or
15 trustees shall thereby be deemed cancelled and new certificates of stock shall be
16 reissued in the name of the transferors.

17 The voting trustee or trustees may vote by proxy unless the agreement
18 provides otherwise.

19 **SECTION 38.** Section 62 of the Code is hereby amended to read as follows:

20 "Sec. 62. *Consideration for stocks.* - Stocks shall not be issued for a
21 consideration less than the par or issued price thereof. Consideration for the
22 issuance of stock may be: [any or a combination of any two or more of the
23 following:]

24 1. Actual cash paid to the corporation;

1 2. Property, tangible or intangible, actually received by the
2 corporation and necessary or convenient for its use and lawful purposes at a fair
3 valuation equal to the par or issued value of the stock issued;

4 3. Labor performed for or services actually rendered to the
5 corporation;

6 4. Previously incurred indebtedness of the corporation;

7 5. Amounts transferred from unrestricted retained earnings to stated
8 capital; [and]

9 6. Outstanding shares exchanged for stocks in the event of
10 reclassification or conversion[.];

11 **7. SHARES OF STOCK IN ANOTHER CORPORATION; AND/OR**

12 **8. AS MAY BE ALLOWED BY THE COMMISSION.**

13 Where the consideration is other than actual cash, or consists of intangible
14 property such as patents [of] OR copyrights, the valuation thereof shall initially be
15 determined by the incorporators or the board of directors, subject to **THE**
16 approval [by] **OF** the [Securities and Exchange] Commission.

17 Shares of stock shall not be issued in exchange for promissory notes or
18 future service. The same considerations provided for in this section, insofar as
19 they may be applicable, may be used for the issuance of bonds by the corporation.

20 The issued price of no-par value shares may be fixed in the articles of
21 incorporation or by the board of directors pursuant to authority conferred upon it
22 by the articles of incorporation or the by-laws, or [in the absence thereof] **IF NOT**
23 **SO FIXED**, by the stockholders representing at least a majority of the outstanding
24 capital stock at a meeting duly called for the purpose.

25 **SECTION 39.** Section 63 of the Code is hereby amended to read as follows:

1 Sec. 63. *Certificate of stock and transfer of shares.* - The capital stock of
2 [stock] corporations shall be divided into shares for which certificates signed by
3 the president or vice president, countersigned by the secretary or assistant
4 secretary, and sealed with the seal of the corporation shall be issued in
5 accordance with the by-laws. Shares of stock so issued are personal property and
6 may be transferred by delivery of the certificate or certificates indorsed by the
7 owner, [or] his attorney-in-fact, or ANY other person legally authorized to make
8 the transfer. No transfer, however, shall be valid, except as between the parties,
9 until the transfer is recorded in the books of the corporation [so as] to show the
10 names of the parties to the transaction, the date of the transfer, the number of the
11 certificate or certificates, and the number of shares transferred. **THE**
12 **COMMISSION MAY REQUIRE CORPORATIONS WHOSE SECURITIES ARE**
13 **TRADED IN TRADING MARKETS AND WHICH CAN REASONABLY**
14 **DEMONSTRATE THEIR CAPABILITY TO DO SO TO ISSUE THEIR SECURITIES**
15 **OR SHARES OF STOCKS IN UNCERTIFICATED OR SCRIPLESS FORM IN**
16 **ACCORDANCE WITH THE RULES OF THE COMMISSION.**

17 xxx xxx xxx

18 **SECTION 40.** Section 74 of the Code is hereby amended to read as follows:

19 Sec. 74. *Books to be kept; stock transfer agent.* - Every corporation shall
20 keep and carefully preserve at its principal office **ALL INFORMATION RELATING**
21 **TO THE CORPORATION INCLUDING, BUT NOT LIMITED TO:**

- 22 1. **THE ARTICLES OF INCORPORATION AND BY-LAWS OF THE**
23 **CORPORATION AND ALL THEIR AMENDMENTS;**
- 24 2. **THE CURRENT OWNERSHIP STRUCTURE AND VOTING RIGHTS**
25 **OF THE CORPORATION, INCLUDING LISTS OF STOCKHOLDERS**

OR MEMBERS, GROUP STRUCTURES, INTRA-GROUP RELATIONS, OWNERSHIP DATA, AND BENEFICIAL OWNERSHIP;

3. THE NAMES AND ADDRESSES OF ALL THE MEMBERS OF THE
BOARD OF DIRECTORS OR TRUSTEES AND THE EXECUTIVE
OFFICERS;

4. [A] A record of all business transactions;

5. A RECORD OF THE RESOLUTIONS OF THE BOARD OF
DIRECTORS OR TRUSTEES AND OF THE STOCKHOLDERS OR
MEMBERS;

6. COPIES OF THE LATEST REPORTORIAL REQUIREMENTS
SUBMITTED TO THE COMMISSION; and

7. THE minutes of all meetings of stockholders or members, or of the board of directors or trustees[.]. **SUCH MINUTES** [in which] shall [be] set forth in detail, **AMONG OTHERS:** the time and place of [holding] the meeting **HELD**, how it was authorized, the notice given, **THE AGENDA THEREFOR**, whether the meeting was regular or special, [if special,] its object **IF SPECIAL**, those present and absent, and every act done or ordered done at the meeting. Upon the demand of a[ny] director, trustee, stockholder or member, the time when any director, trustee, stockholder or member entered or left the meeting must be noted in the minutes; and on a similar demand, the yeas and nays must be taken on any motion or proposition, and a record thereof carefully made. The protest of a[ny] director, trustee, stockholder or member on any action or proposed action must be recorded in full on his **OR HER** demand.

SUBJECT TO THE PROVISIONS OF THE DATA PRIVACY ACT, [The]
CORPORATE records, [of all business transactions of the corporation and the
minutes of any meetings] REGARDLESS OF THE FORM IN WHICH THEY ARE
STORED, shall be open to inspection by any director, trustee, stockholder or
member of the corporation IN PERSON OR BY A REPRESENTATIVE at
reasonable hours on business days, and he OR SHE may demand [] in writing, AT
HIS OR HER EXPENSE, for [a copy of] COPIES of SUCH RECORDS OR excerpts
from said records [or minutes, at his expense]. THE INSPECTING OR
REPRODUCING PARTY SHALL REMAIN BOUND BY CONFIDENTIALITY UNDER
PREVAILING LAWS.

11 THERE IS NO RIGHT TO INSPECT AND/OR REPRODUCE CORPORATE
12 RECORDS IF THE REQUESTING PARTY IS NOT A STOCKHOLDER OR MEMBER
13 OF RECORD, OR IS A COMPETITOR OF THE CORPORATION.

14 Any officer or agent of the corporation who shall refuse to allow [any
15 director, trustee, stockholder or member of the corporation to examine and/**OR**
16 copy excerpts from its records or minutes,] **THE INSPECTION AND/OR**
17 **REPRODUCTION OF RECORDS** in accordance with the provisions of this Code,
18 shall be liable to such director, trustee, stockholder or member for damages, and
19 in addition, shall be guilty of an offense which shall be punishable under Section
20 161 of this Code: Provided, That if such refusal is made pursuant to a resolution or
21 order of the board of directors or trustees, the liability under this section for such
22 action shall be imposed upon the directors or trustees who voted for such refusal:
23 and Provided, further, That it shall be a defense to any action under this section
24 that the person demanding to examine and copy excerpts from the corporation's
25 records and minutes has improperly used any information secured through any
26 prior examination of the records or minutes of such corporation or of any other

1 corporation, or was not acting in good faith or for a legitimate purpose in making
2 his **OR HER** demand.

3 **IF THE CORPORATION DENIES OR DOES NOT ACT UPON A DEMAND**
4 **FOR INSPECTION AND/OR REPRODUCTION, THE AGGRIEVED PARTY MAY**
5 **REPORT SUCH TO THE COMMISSION. WITHIN FIVE (5) DAYS FROM RECEIPT**
6 **OF SUCH REPORT, THE COMMISSION SHALL CONDUCT A SUMMARY**
7 **INVESTIGATION AND ISSUE AN ORDER DIRECTING THE INSPECTION OR**
8 **REPRODUCTION OF THE RECORDS SUBJECT OF THE REQUEST REQUESTED.**

9 **THE DIRECTOR, TRUSTEE, STOCKHOLDER OR MEMBER WHOSE**
10 **RIGHT TO INSPECTION AND/OR REPRODUCTION OF RECORDS WAS DENIED**
11 **OR NOT ACTED UPON MAY FILE BEFORE A COURT OF COMPETENT**
12 **JURISDICTION, AN ACTION TO COMPEL INSPECTION OF CORPORATE**
13 **RECORDS SHOWING THAT, DESPITE THE LAPSE OF FIVE (5) DAYS FROM**
14 **RECEIPT OF HIS WRITTEN DEMAND AND DESPITE HAVING BEEN ORDERED**
15 **BY THE COMMISSION TO DO SO, THE CORPORATION, OR AN OFFICER OR**
16 **AGENT THEREOF, REFUSED TO ALLOW THE INSPECTION AND/OR**
17 **REPRODUCTION OR FAILED TO REPLY TO THE WRITTEN DEMAND AND TO**
18 **THE ORDER OF THE COMMISSION. THE COURT MAY, AFTER SUMMARY**
19 **PROCEEDINGS, ORDER THE CORPORATION TO PERMIT THE INSPECTION**
20 **AND/OR REPRODUCTION OR ISSUE ANY SUCH ORDER OR FURTHER RELIEF**
21 **AS IT MAY DEEM JUST AND PROPER.**

22 Stock corporations must also keep a [book to be known as the] stock and
23 transfer book, [in] which [must be kept] **SHALL CONTAIN** a record of all stocks in
24 the names of the stockholders alphabetically arranged; the installments paid and
25 unpaid on all stockS for which subscription has been made, and the date of
26 payment of any installment; a statement of every alienation, sale or transfer of

1 stock made, the date thereof, and by and to whom made; and such other entries as
2 the by-laws may prescribe. The stock and transfer book shall be kept in the
3 principal office of the corporation or in the office of its stock transfer agent and
4 shall be open for inspection by any director or stockholder of the corporation at
5 reasonable hours on business days.

6 No stock transfer agent or one engaged principally in the business of
7 registering transfers of stocks in behalf of a stock corporation shall be allowed to
8 operate in the Philippines unless he **OR SHE** secures a license from the [Securities
9 and Exchange] Commission and pays a fee as may be fixed by the Commission,
10 which shall be renewable annually: Provided, That a stock corporation is not
11 precluded from performing or making transfers of its own stocks, in which case all
12 the rules and regulations imposed on stock transfer agents, except the payment of
13 a license fee herein provided, shall be applicable[.]; **PROVIDED, FURTHER, THAT**
14 **THE COMMISSION MAY REQUIRE AN INDEPENDENT TRANSFER AGENT IN**
15 **THE CASE OF STOCK CORPORATIONS WHICH TRANSFER AND/OR TRADE**
16 **STOCKS IN SECONDARY MARKETS.**

17 **SECTION 41.** Section 75 of the Code is hereby amended to read as follows:

18 Sec. 75. *Right to financial statements.* - Within ten (10) days from receipt of
19 a written request **FROM** [of any] A stockholder or member, the corporation shall
20 furnish [to] him **OR HER** its most recent financial statement, **IN THE FORM AND**
21 **SUBSTANCE OF THE FINANCIAL REPORTING REQUIRED BY THE**
22 **COMMISSION.** [which shall include a balance sheet as of the end of the last
23 taxable year and a profit or loss statement for said taxable year, showing in
24 reasonable detail its assets and liabilities and the result of its operations.]

25 At the regular meeting of stockholders or members, the board of directors
26 or trustees shall present to such stockholders or members a financial report of the

1 operations of the corporation for the preceding year, which shall include financial
2 statements, duly signed and certified [by an independent certified public
3 accountant] **IN ACCORDANCE WITH THIS CODE AND THE RULES THE**
4 **COMMISSION MAY PRESCRIBE.**

5 However, if the [paid-up capital] **TOTAL ASSETS OR TOTAL LIABILITIES**
6 of the corporation is less than P600,000.00, the financial statements may be
7 certified under oath by the treasurer [or any responsible officer of the
8 corporation.] **AND THE PRESIDENT.**

9 **SECTION 42.** Section 77 of the Code is hereby amended to read as follows:

10 Sec. 77. *Stockholder[s'] or member[s'] approval.* - Upon approval by
11 majority vote of each of the board of directors or trustees of the constituent
12 corporations of the plan of merger or consolidation, the same shall be submitted
13 for approval by the stockholders or members of each of such corporations at
14 separate corporate meetings duly called for the purpose. Notice of such meetings
15 shall be given to all stockholders or members of the respective corporations **IN**
16 **THE SAME MANNER AS GIVING NOTICE OF REGULAR OR SPECIAL MEETINGS**
17 **UNDER SECTION 50.** [, at least two (2) weeks prior to the date of the meeting,
18 either personally or by registered mail.] Said notice shall state the purpose of the
19 meeting and [shall] include a copy or a summary of the plan of merger or
20 consolidation.

21 XXX XXX XXX

22 **SECTION 43.** Section 78 of the Code is hereby amended to read as follows:

23 Sec. 78. *Articles of merger or consolidation.* - After the approval by the
24 stockholders or members as required by the preceding section, articles of merger
25 or articles of consolidation shall be executed by each of the constituent

1 corporations, to be signed by the president or vice-president and certified by the
2 secretary or assistant secretary of each corporation setting forth:

- 3 1. The plan of the merger or the plan of consolidation;
4 2. As to stock corporations, the number of shares outstanding,
5 or in the case of non-stock corporations, the number of members; [and]

- 6 3. As to each corporation, the number of shares or members
7 voting for and against such plan, respectively[.];

8 **4. THE CARRYING AMOUNTS AND FAIR VALUES OF THE
9 ASSETS AND LIABILITIES OF THE RESPECTIVE COMPANIES AS OF CUT-
10 OFF DATE AGREED BY THE PARTIES;**

11 **5. THE METHOD TO BE USED IN THE MERGER OR
12 CONSOLIDATION OF ACCOUNTS OF THE COMPANIES;**

13 **6. THE PROVISIONAL OR PRO-FORMA VALUES, AS MERGED
14 OR CONSOLIDATED, USING THE ACCOUNTING METHOD; AND**

15 **7. SUCH OTHER INFORMATION AS MAY BE PRESCRIBED BY
16 THE COMMISSION.**

17 **SECTION 44.** Section 79 of the Code is hereby amended to read as follows:

18 Section 79. *Effectivity of merger or consolidation.* - The articles of merger or
19 of consolidation, signed and certified as [herein above] required **BY THE CODE**,
20 shall be submitted to the [Securities and Exchange] Commission in quadruplicate
21 for its approval: Provided, That in the case of merger or consolidation of banks or
22 banking institutions, [building and loan associations,] trust companies, insurance
23 companies, public utilities, educational institutions, and other special corporations
24 governed by special laws, the favorable recommendation of the appropriate
25 government agency shall first be obtained. If the Commission is satisfied that the
26 merger or consolidation of the corporations concerned is not inconsistent with the

provisions of this Code and existing laws, it shall issue a certificate of **APPROVAL OF THE ARTICLES AND PLAN OF** merger or of consolidation, at which time the merger or consolidation shall be effective.

If, upon investigation, the [Securities and Exchange] Commission has reason to believe that the proposed merger or consolidation is contrary to or inconsistent with the provisions of this Code or existing laws, it shall set a hearing to give the corporations concerned the opportunity to be heard. Written notice of the date, time and place of hearing shall be given to each constituent corporation at least two (2) weeks before said hearing. The Commission shall thereafter proceed as provided in this Code.

SECTION 45. Section 81 of the Code is hereby amended to read as follows:

Sec. 81. *Instances of appraisal right* - Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case an [y] amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; [and]

3. In case of merger or consolidation **WHETHER DE JURE OR DE FACTO.**

SECTION 46. Section 89 of the Code is hereby amended to read as follows:

1 Sec. 89. *Right to vote.* – The right of the members of any class or classes to
2 vote may be limited, broadened, or denied to the extent specified in the articles of
3 incorporation or the by-laws. Unless so limited, broadened, or denied, each
4 member, regardless of class, shall be entitled to one vote.

5 Unless otherwise provided in the articles of incorporation or the by-laws, a
6 member may vote by proxy, in accordance with the provisions of this Code. **THE**
7 **BY-LAWS MAY LIKEWISE AUTHORIZE VOTING THROUGH REMOTE**
8 **COMMUNICATION AND/OR IN ABSENTIA.**

9 [Voting by mail or other similar means by members of non-stock
10 corporations may be authorized by the by-laws of non-stock corporations with
11 the approval of, and under such conditions which may be prescribed by, the
12 Securities and Exchange Commission.]

13 **SECTION 47.** Section 92 of the Code is hereby amended to read as follows:

14 Sec. 92. *Election and term of trustees.* – [Unless otherwise provided in the
15 articles of incorporation or the by-laws,] The **NUMBER OF TRUSTEES** [board of
16 trustees of non-stock corporations] **SHALL BE FIXED IN THE ARTICLES OF**
17 **INCORPORATION OR BY-LAWS BUT SHALL NOT EXCEED** [, which may be more
18 than] fifteen (15) [in number as may be fixed in their articles of incorporation or
19 by-laws, shall]. **THEY SHALL HOLD OFFICE FOR NOT MORE THAN THREE (3)**
20 **YEARS UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFIED.** [as soon as
21 organized, so classify themselves that the term of office of one-third (1/3) of their
22 number shall expire every year ; and subsequent elections of trustees comprising
23 one-third (1/3) of the board of trustees shall be held annually and trustees so
24 elected shall have a term of three (3) years.] Trustees [thereafter] elected to fill
25 vacancies occurring before the expiration of a particular term shall hold office
26 only for the unexpired period.

EXCEPT WITH RESPECT TO INDEPENDENT TRUSTEES OF NON-STOCK
CORPORATIONS VESTED WITH PUBLIC INTEREST, [N]no person shall be
elected as trustee unless he **OR SHE** is a member of the corporation.

Unless otherwise provided in the articles of incorporation or the by-laws, officers of a non-stock corporation may be directly elected by the members.

SECTION 48. Section 93 of the Code is hereby amended to read as follows:

Sec. 93. *Place of meetings, LIST OF MEMBERS AND PROXIES.* - THE CORPORATION SHALL, AT ALL TIMES, KEEP A LIST OF ITS MEMBERS AND THEIR PROXIES IN THE FORM THE COMMISSION MAY REQUIRE, WHICH LIST SHALL BE UPDATED TO REFLECT THE MEMBERS AND PROXIES OF RECORD AS OF TWENTY (20) DAYS PRIOR TO ANY SCHEDULED ELECTION. The by-laws may provide that the members of a non-stock corporation may hold their regular or special meetings at any place even outside the place where the principal office of the corporation is located: Provided, That proper notice is sent to all members indicating the date, time and place of the meeting; and Provided, further, That the place of meeting shall be within the Philippines.

SECTION 49. Section 94 of the Code is hereby amended to read as follows:

Sec. 94. *Rules of distribution.* - In case of dissolution of a non-stock corporation in accordance with the provisions of this Code **FOR REASONS OTHER THAN THOSE SET FORTH IN SECTION 139 (4)**, its assets shall be applied and distributed as follows:

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SECTION 50. A new chapter is hereby added to Title XIII on Special Corporations and
ucceeding provisions are renumbered accordingly.

CHAPTER III

ONE PERSON CORPORATIONS

1 SEC. 117. *APPLICABILITY OF PROVISIONS TO ONE PERSON STOCK*
2 *CORPORATIONS.* - THE PROVISIONS OF THIS CODE ARE APPLICABLE TO ONE
3 PERSON STOCK CORPORATIONS EXCEPT AS OTHERWISE PROVIDED IN THIS
4 TITLE.

5 SEC. 118. *ONE PERSON CORPORATION.* - A ONE PERSON
6 CORPORATION IS A CORPORATION WITH A SINGLE STOCKHOLDER;
7 *PROVIDED THAT,* ONLY A NATURAL PERSON, TRUST OR AN ESTATE MAY
8 FORM A ONE PERSON CORPORATION; *PROVIDED, FURTHER THAT,* A
9 CORPORATION REQUIRED TO OBTAIN A SECONDARY LICENSE UNDER
10 SPECIAL LAWS MAY NOT ORGANIZE AS A ONE PERSON CORPORATION.

11 SEC. 119. MINIMUM CAPITAL STOCK REQUIRED FOR ONE PERSON
12 CORPORATION. - A ONE PERSON CORPORATION SHALL NOT BE REQUIRED
13 TO HAVE A MINIMUM AUTHORIZED CAPITAL STOCK EXCEPT AS OTHERWISE
14 PROVIDED BY SPECIAL LAW. AT LEAST TWENTY-FIVE PERCENT (25%) OF
15 THE AUTHORIZED CAPITAL STOCK MUST BE SUBSCRIBED AT THE TIME OF
16 INCORPORATION, AND IN NO CASE SHALL THE PAID-UP CAPITAL BE LESS
17 THAN FIVE THOUSAND PESOS (P5,000.00).

18 SEC. 120. *ARTICLES OF INCORPORATION.* -A ONE PERSON
19 CORPORATION SHALL FILE ARTICLES OF INCORPORATION IN ACCORDANCE
20 WITH THE REQUIREMENTS UNDER SECTION 14 OF THIS CODE. IT SHALL
21 LIKEWISE CONTAIN SUBSTANTIALLY THE FOLLOWING:

22 (1) IF THE SINGLE STOCKHOLDER IS A TRUST OR AN
23 ESTATE, THE NAME, NATIONALITY, AND RESIDENCE OF THE
24 TRUSTEE, ADMINISTRATOR, EXECUTOR, GUARDIAN,
25 CONSERVATOR, CUSTODIAN, OR OTHER PERSON EXERCISING
26 FIDUCIARY DUTIES TOGETHER WITH THE PROOF OF SUCH

1 AUTHORITY TO ACT ON BEHALF OF THE TRUST OR ESTATE;

2 AND

3 (2) NAME, NATIONALITY, RESIDENCE OF THE
4 NOMINEE AND ALTERNATE NOMINEE, AND THE EXTENT,
5 COVERAGE AND LIMITATION OF THE AUTHORITY.

6 THE ARTICLES OF INCORPORATION SHALL BE
7 ACCOMPANIED BY A SWORN STATEMENT BY THE
8 STOCKHOLDER AS TO THE AMOUNT OF THE CAPITAL STOCK
9 AND THAT TWENTY FIVE PERCENT (25%) OF THE MINIMUM
10 PAID UP CAPITAL IS PAID AND MAINTAINED IN A SEPARATE
11 ACCOUNT FROM THE PERSONAL ACCOUNT OF THE
12 STOCKHOLDER.

13 SEC. 121. *BY-LAWS.* - THE ONE PERSON CORPORATION IS NOT
14 REQUIRED TO SUBMIT AND FILE CORPORATE BY-LAWS.

15 SEC. 122. *DISPLAY OF CORPORATE NAME.* - A ONE PERSON
16 CORPORATION SHALL INDICATE THE LETTERS "OPC" EITHER BELOW OR AT
17 THE END OF ITS CORPORATE NAME.

18 SEC. 123. *SINGLE STOCKHOLDER AS DIRECTOR, PRESIDENT.*- THE
19 SINGLE STOCKHOLDER SHALL BE THE SOLE DIRECTOR AND PRESIDENT OF
20 THE ONE PERSON CORPORATION.

21 SEC. 124. *TREASURER, CORPORATE SECRETARY, AND OTHER OFFICERS.*
22 - WITHIN FIFTEEN (15) DAYS FROM THE ISSUANCE OF ITS CERTIFICATE OF
23 INCORPORATION, THE ONE PERSON CORPORATION SHALL APPOINT A
24 TREASURER, CORPORATE SECRETARY, AND OTHER OFFICERS AS IT MAY
25 DEEM NECESSARY, AND NOTIFY THE COMMISSION THEREOF WITHIN FIVE
26 (5) DAYS FROM APPOINTMENT.

1 THE SINGLE STOCKHOLDER MAY NOT BE APPOINTED AS THE
2 CORPORATE SECRETARY.

3 SEC. 125. *SPECIAL FUNCTIONS OF THE CORPORATE SECRETARY.* – IN
4 ADDITION TO THE FUNCTIONS DESIGNATED BY THE ONE PERSON
5 CORPORATION, THE CORPORATE SECRETARY SHALL:

- 6 1. BE RESPONSIBLE FOR MAINTAINING THE MINUTES-BOOK OF
7 THE CORPORATION;
- 8 2. NOTIFY THE NOMINEE OR ALTERNATE NOMINEE OF THE
9 DEATH OR INCAPACITY OF THE SINGLE STOCKHOLDER, WHICH
10 NOTICE SHALL BE GIVEN NO LATER THAN FIVE (5) DAYS FROM
11 SUCH OCCURRENCE;
- 12 3. NOTIFY THE COMMISSION OF THE DEATH OF THE SINGLE
13 STOCKHOLDER WITHIN FIVE (5) DAYS FROM SUCH OCCURENCE
14 AND STATING IN SUCH NOTICE THE NAMES, RESIDENCES, AND
15 CONTACT DETAILS OF ALL KNOWN LEGAL HEIRS; AND
- 16 4. CALL THE NOMINEE OR ALTERNATIVE NOMINEE AND THE
17 KNOWN LEGAL HEIRS TO A MEETING AND ADVISE THE LEGAL
18 HEIRS WITH REGARD TO, AMONG OTHERS, THE ELECTION OF A
19 NEW DIRECTOR, AMENDMENT OF THE ARTICLES OF
20 INCORPORATION, AND OTHER ANCILLARY AND/OR
21 CONSEQUENTIAL MATTERS.

22 SEC. 126. *NOMINEE AND ALTERNATE NOMINEE.* – THE SINGLE
23 STOCKHOLDER SHALL DESIGNATE A NOMINEE AND AN ALTERNATE
24 NOMINEE WHO SHALL, IN THE EVENT OF THE SINGLE STOCKHOLDER'S
25 DEATH OR INCAPACITY, TAKE THE PLACE OF THE SINGLE STOCKHOLDER AS
26 DIRECTOR AND SHALL MANAGE THE CORPORATION'S AFFAIRS.

1 THE ARTICLES OF INCORPORATION SHALL STATE THE NAMES,
2 RESIDENCES AND CONTACT DETAILS OF THE NOMINEE AND ALTERNATE
3 NOMINEE, AS WELL AS THE EXTENT AND LIMITATIONS OF THEIR
4 AUTHORITY IN MANAGING THE AFFAIRS OF THE ONE PERSON
5 CORPORATION.

6 THE WRITTEN CONSENT OF THE NOMINEE AND ALTERNATE
7 NOMINEE SHALL BE ATTACHED TO THE APPLICATION FOR
8 INCORPORATION. SUCH CONSENT MAY BE WITHDRAWN IN WRITING
9 ANYTIME BEFORE THE DEATH OR INCAPACITY OF THE SINGLE
10 STOCKHOLDER.

11 *SEC. 127. TERM OF NOMINEE AND ALTERNATE NOMINEE.* - WHEN THE
12 INCAPACITY OF THE SINGLE STOCKHOLDER IS TEMPORARY, THE NOMINEE
13 SHALL SIT AS DIRECTOR AND MANAGE THE AFFAIRS OF THE ONE PERSON
14 CORPORATION UNTIL THE STOCKHOLDER, BY HIS OR HER OWN
15 DETERMINATION, REGAINS HIS OR HER CAPACITY.

16 IN CASE OF DEATH OR PERMANENT INCAPACITY OF THE SINGLE
17 STOCKHOLDER, THE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE THE
18 AFFAIRS OF THE ONE PERSON CORPORATION UNTIL THE LEGAL HEIRS OF
19 THE SINGLE STOCKHOLDER HAVE BEEN LAWFULLY DETERMINED, AND
20 THEY HAVE DESIGNATED ONE OF THEM OR HAVE AGREED THAT THE
21 ESTATE IS TO BE THE SINGLE STOCKHOLDER OF THE ONE PERSON
22 CORPORATION

23 THE ALTERNATE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE
24 THE ONE PERSON CORPORATION IN CASE OF THE NOMINEE'S INABILITY,
25 INCAPACITY, DEATH, OR REFUSAL TO DISCHARGE HIS OR HER FUNCTIONS,

1 AND ONLY FOR THE SAME TERM AND UNDER THE SAME CONDITIONS
2 APPLICABLE TO THE NOMINEE.

3 SEC. 128. *CHANGE OF NOMINEE OR ALTERNATE NOMINEE.* – THE
4 SINGLE STOCKHOLDER MAY, AT ANY TIME, CHANGE ITS NOMINEE AND
5 ALTERNATE NOMINEE BY SUBMITTING TO THE COMMISSION THE NAMES OF
6 THE NEW NOMINEES AND THEIR CORRESPONDING WRITTEN CONSENTS.
7 FOR THIS PURPOSE, THE ARTICLES OF INCORPORATION NEED NOT BE
8 AMENDED.

9 SEC. 129. *RECORDS IN LIEU OF MEETINGS.* – WHEN ACTION IS NEEDED
10 ON ANY MATTER, IT SHALL BE SUFFICIENT TO PREPARE A WRITTEN
11 RESOLUTION, SIGNED AND DATED BY THE SINGLE STOCKHOLDER, AND
12 RECORDED IN THE MINUTES-BOOK OF THE ONE PERSON CORPORATION.
13 THE DATE OF RECORDING IN THE MINUTES-BOOK SHALL BE DEEMED TO BE
14 THE DATE OF THE MEETING FOR ALL PURPOSES UNDER THIS CODE.

15 SEC. 130. *MINUTES-BOOK.* – A ONE PERSON CORPORATION SHALL
16 MAINTAIN A MINUTES-BOOK WHICH SHALL CONTAIN ALL ACTIONS,
17 DECISIONS, AND RESOLUTIONS TAKEN BY THE ONE PERSON CORPORATION.

18 SEC. 131. *REPORTORIAL REQUIREMENTS.* – THE ONE PERSON
19 CORPORATION SHALL SUBMIT THE FOLLOWING WITHIN SUCH PERIOD AS
20 THE COMMISSION MAY PRESCRIBE:

- 21 1. FINANCIAL STATEMENTS CERTIFIED BY THE PRESIDENT AND
22 CORPORATE SECRETARY OR DULY AUDITED BY AN INDEPENDENT
23 CERTIFIED PUBLIC ACCOUNTANT ACCREDITED PURSUANT TO
24 REPUBLIC ACT NO. 9298, "THE PHILIPPINE ACCOUNTANCY ACT",
25 AS APPLICABLE;

- 1 2. A REPORT CONTAINING EXPLANATIONS OR COMMENTS BY THE
2 PRESIDENT ON EVERY QUALIFICATION, RESERVATION, OR
3 ADVERSE REMARK OR DISCLAIMER MADE BY THE AUDITOR IN HIS
4 OR HER REPORT;
- 5 3. A DISCLOSURE OF ALL SELF-DEALINGS AND RELATED PARTY
6 TRANSACTIONS ENTERED INTO BETWEEN THE ONE PERSON
7 CORPORATION AND THE SINGLE STOCKHOLDER; AND
- 8 4. OTHER REPORTS AS THE COMMISSION MAY REQUIRE.

9 FOR PURPOSES OF THIS PROVISION, THE FISCAL YEAR OF A ONE
10 PERSON CORPORATION SHALL BE THAT SET FORTH IN ITS ARTICLES OF
11 INCORPORATION OR, IN THE ABSENCE THEREOF, THE CALENDAR YEAR.

12 THE COMMISSION MAY PLACE THE CORPORATION UNDER
13 DELINQUENT STATUS SHOULD THE CORPORATION FAIL TO SUBMIT THE
14 REPORTORIAL REQUIREMENTS THREE (3) TIMES, CONSECUTIVELY OR
15 INTERMITTENTLY, WITHIN A PERIOD OF FIVE (5) YEARS.

16 *SEC. 132. CONVERSION FROM AN ORDINARY CORPORATION TO A ONE*
17 *PERSON CORPORATION.* – WHEN A SINGLE STOCKHOLDER ACQUIRES ALL
18 THE STOCKS OF AN ORDINARY STOCK CORPORATION, THE LATTER MAY
19 APPLY FOR CONVERSION INTO A ONE PERSON CORPORATION, SUBJECT TO
20 THE SUBMISSION OF SUCH DOCUMENTS AS THE COMMISSION MAY REQUIRE.

21 IF THE APPLICATION FOR CONVERSION IS APPROVED, THE COMMISSION
22 SHALL ISSUE AN AMENDED CERTIFICATE OF INCORPORATION REFLECTING
23 THE CONVERSION. THE ONE PERSON CORPORATION CONVERTED FROM AN
24 ORDINARY STOCK CORPORATION SHALL SUCCEED THE LATTER AND BE
25 LEGALLY RESPONSIBLE FOR ALL THE LATTER'S OUTSTANDING LIABILITIES
26 AS OF THE DATE OF CONVERSION.

1 SEC. 133. *CONVERSION FROM A ONE PERSON CORPORATION TO AN*
2 *ORDINARY STOCK CORPORATION.* – A ONE PERSON CORPORATION MAY BE
3 CONVERTED INTO AN ORDINARY STOCK CORPORATION AFTER DUE NOTICE
4 TO THE COMMISSION OF SUCH FACT AND OF THE CIRCUMSTANCES LEADING
5 TO THE CONVERSION, AND AFTER COMPLIANCE WITH ALL OTHER
6 REQUIREMENTS FOR STOCK CORPORATIONS UNDER THIS CODE AND
7 APPLICABLE RULES. SUCH NOTICE SHALL BE FILED WITH THE COMMISSION
8 WITHIN SIXTY (60) DAYS FROM THE OCCURRENCE OF THE CIRCUMSTANCES
9 LEADING TO THE CONVERSION INTO AN ORDINARY STOCK CORPORATION.
10 IF ALL REQUIREMENTS HAVE BEEN DULY COMPLIED WITH, THE
11 COMMISSION SHALL ISSUE AN AMENDED CERTIFICATE OF INCORPORATION
12 REFLECTING THE CONVERSION.

13 IN CASE OF DEATH OF THE SINGLE STOCKHOLDER, THE NOMINEE OR
14 ALTERNATE NOMINEE SHALL TRANSFER THE SHARES IN THE NAME OF THE
15 DULY DESIGNATED LEGAL HEIR OR ESTATE WITHIN SEVEN (7) DAYS FROM
16 RECEIPT OF EITHER AN AFFIDAVIT OF HEIRSHIP OR SELF-ADJUDICATION BY
17 A SOLE HEIR, OR ANY OTHER LEGAL DOCUMENT DECLARING THE LEGAL
18 HEIRS OF THE SINGLE STOCKHOLDER AND NOTIFY THE COMMISSION OF
19 THE TRANSFER. WITHIN SIXTY (60) DAYS FROM THE TRANSFER OF THE
20 SHARES, THE LEGAL HEIRS SHALL NOTIFY THE COMMISSION OF THEIR
21 DECISION TO EITHER WIND UP AND DISSOLVE THE ONE PERSON
22 CORPORATION OR CONVERT IT INTO AN ORDINARY STOCK CORPORATION.

23 THE ORDINARY STOCK CORPORATION CONVERTED FROM A ONE
24 PERSON CORPORATION SHALL SUCCEED THE LATTER AND BE LEGALLY
25 RESPONSIBLE FOR ALL THE LATTER'S OUTSTANDING LIABILITIES AS OF
26 THE DATE OF CONVERSION.

1 **SECTION 51.** Section 118 of the Code is hereby renumbered as Section 135 and

2 amended to read as follows:

3 Sec. [118]135. *Voluntary dissolution where no creditors are affected.* - If
4 dissolution of a corporation does not prejudice the rights of any creditor having a
5 claim against it, the dissolution may be effected by majority vote of the board of
6 directors or trustees, and by a resolution duly adopted by the affirmative vote of
7 the stockholders owning at least two-thirds (2/3) of the outstanding capital stock
8 or of at least two-thirds (2/3) of the members of a meeting to be held upon the call
9 of the directors or trustees.

10 **AT LEAST TWENTY (20) DAYS PRIOR TO THE MEETING, NOTICE**
11 **SHALL BE GIVEN TO EACH SHAREHOLDER OR MEMBER OF RECORD**
12 **PERSONALLY, BY REGISTERED MAIL, OR BY ANY MEANS AUTHORIZED**
13 **UNDER ITS BY-LAWS WHETHER OR NOT ENTITLED TO VOTE AT THE**
14 **MEETING, IN THE MANNER PROVIDED IN SECTION 50 OF THIS CODE AND**
15 **SHALL STATE THAT THE PURPOSE OF THE MEETING IS TO VOTE ON THE**
16 **DISSOLUTION OF THE CORPORATION.** [after publication of the notice] **NOTICE**
17 of **THE** time, place, and object of the meeting **SHALL BE PUBLISHED** for three (3)
18 consecutive weeks **PRIOR TO THE DATE OF THE MEETING** in a newspaper
19 published in the place where the principal office of said corporation is located, [;
20 and] **OR** if no newspaper is published in such place, [then] in a newspaper of
21 general circulation in the Philippines. [, after sending such notice to each
22 stockholder or member either by registered mail or by personal delivery at least
23 thirty (30) days prior to said meeting.]

24 **A VERIFIED REQUEST FOR DISSOLUTION SHALL BE FILED WITH THE**
25 **COMMISSION STATING: A) THE REASON FOR THE DISSOLUTION; B) THE**
26 **FORM, MANNER, AND TIME WHEN THE NOTICES WERE GIVEN; C) NAMES OF**

1 THE STOCKHOLDERS AND DIRECTORS OR TRUSTEES, WHO APPROVED THE
2 DISSOLUTION; D) THE DATE, PLACE, AND TIME OF THE MEETING IN WHICH
3 THE VOTE WAS MADE; AND E) DETAILS OF PUBLICATION.

4 THE CORPORATION SHALL SUBMIT THE FOLLOWING TO THE
5 COMMISSION: (a) A COPY OF THE RESOLUTION AUTHORIZING THE
6 DISSOLUTION, WHICH SHALL HAVE BEEN CERTIFIED BY A MAJORITY OF THE
7 BOARD OF DIRECTORS OR TRUSTEES AND COUNTERSIGNED BY THE
8 SECRETARY OF THE CORPORATION; AND (b) PROOF OF PUBLICATION.

9 [A copy of the resolution authorizing the dissolution shall be certified by a
10 majority of the board of directors or trustees and countersigned by the secretary
11 of the corporation.]

12 WITHIN FIFTEEN (15) DAYS FROM RECEIPT OF THE VERIFIED
13 REQUEST FOR DISSOLUTION, AND IN THE ABSENCE OF ANY WITHDRAWAL
14 WITHIN SAID PERIOD, [The Securities and Exchange] THE Commission shall
15 APPROVE THE REQUEST AND [thereupon] issue the certificate of dissolution.
16 THE DISSOLUTION SHALL TAKE EFFECT ONLY UPON THE ISSUANCE BY THE
17 COMMISSION OF A CERTIFICATE OF DISSOLUTION.

18 SECTION 52. Section 119 of the Code is hereby renumbered as Section 136 and
19 amended to read as follows:

20 Sec. [119]136. [*Voluntary dissolution*] **DISSOLUTION** where creditors are
21 affected; **PROCEDURE AND CONTENTS OF PETITION**. - Where the dissolution of a
22 corporation may prejudice the rights of any creditor, [the petition] A **VERIFIED**
23 **PETITION** for dissolution shall be filed with the [Securities and Exchange]
24 Commission. The petition shall be signed by a majority of [its] **THE**
25 **CORPORATION'S** board of directors or trustees [or other officers having the
26 management of its affairs], verified by its president or secretary or one of its

1 directors or trustees, and shall set forth all claims and demands against it, and that
2 its dissolution was resolved upon by the affirmative vote of the stockholders
3 representing at least two-thirds (2/3) of the outstanding capital stock or [by] at
4 least two-thirds (2/3) of the members at a meeting of its stockholders or members
5 called for that purpose. **THE PETITION SHALL LIKEWISE STATE:** (a) **THE**
6 **REASON FOR THE DISSOLUTION;** (b) **THE FORM, MANNER, AND TIME WHEN**
7 **THE NOTICES WERE GIVEN;** AND (c) **THE DATE, PLACE, AND TIME OF THE**
8 **MEETING IN WHICH THE VOTE WAS MADE.** **THE CORPORATION SHALL**
9 **SUBMIT TO THE COMMISSION THE FOLLOWING:** (a) **A COPY OF THE**
10 **RESOLUTION AUTHORIZING THE DISSOLUTION, CERTIFIED BY A MAJORITY OF**
11 **THE BOARD OF DIRECTORS OR TRUSTEES AND COUNTERSIGNED BY THE**
12 **SECRETARY OF THE CORPORATION; AND (b) A LIST OF ALL ITS CREDITORS.**

13 **THE DISSOLUTION SHALL TAKE EFFECT ONLY UPON THE ISSUANCE BY**
14 **THE COMMISSION OF A CERTIFICATE OF DISSOLUTION.**

15 **SECTION 53.** Section 120 of the Code is hereby renumbered as Section 137 and
16 amended to read as follows:

17 Section [120] **137. Dissolution by shortening corporate term.** - A voluntary
18 dissolution may be effected by amending the articles of incorporation to shorten
19 the corporate term pursuant to the provisions of this Code. A copy of the amended
20 articles of incorporation shall be submitted to the [Securities and Exchange]
21 Commission in accordance with this Code. Upon the expiration of the shortened
22 term, **AS STATED IN THE** [approval of the] **APPROVED** amended articles of
23 incorporation [of, as the case may be], the corporation shall be deemed dissolved
24 without any further proceedings, subject to the provisions of this Code on
25 liquidation.

1 IN THE CASE OF EXPIRATION OF CORPORATE TERM, DISSOLUTION
2 SHALL AUTOMATICALLY TAKE EFFECT ON THE DAY FOLLOWING THE LAST
3 DAY OF THE CORPORATE TERM STATED IN THE ARTICLES OF
4 INCORPORATION, WITHOUT THE NEED FOR THE ISSUANCE BY THE
5 COMMISSION OF A CERTIFICATE OF DISSOLUTION.

6 SECTION 54. A new Section 138 is hereby inserted to read as follows:

7 *SECTION 138. WITHDRAWAL OF REQUEST AND PETITION FOR DISSOLUTION.*
8 - A WITHDRAWAL OF THE REQUEST FOR DISSOLUTION SHALL BE MADE IN
9 WRITING, DULY VERIFIED BY ANY INCORPORATOR, DIRECTOR, SHAREHOLDER,
10 OR MEMBER AND SIGNED BY THE SAME NUMBER OF INCORPORATORS,
11 DIRECTORS, SHAREHOLDERS, OR MEMBERS NECESSARY TO REQUEST FOR A
12 DISSOLUTION AS SET FORTH IN THE FOREGOING SECTIONS. THE WITHDRAWAL
13 SHALL BE SUBMITTED NO LATER THAN FIFTEEN (15) DAYS FROM THE RECEIPT
14 BY THE COMMISSION OF THE REQUEST FOR DISSOLUTION. UPON RECEIPT OF A
15 WITHDRAWAL OF REQUEST FOR DISSOLUTION, THE COMMISSION SHALL
16 WITHHOLD ACTION ON THE REQUEST FOR DISSOLUTION AND SHALL, AFTER
17 INVESTIGATION: (A) MAKE A PRONOUNCEMENT THAT THE REQUEST FOR
18 DISSOLUTION IS DEEMED WITHDRAWN; (B) DIRECT A JOINT MEETING OF THE
19 BOARD OF DIRECTORS OR TRUSTEES AND THE STOCKHOLDERS OR MEMBERS
20 FOR THE PURPOSE OF ASCERTAINING WHETHER TO PROCEED WITH
21 DISSOLUTION; OR ISSUE SUCH OTHER ORDERS AS IT MAY DEEM APPROPRIATE.

22 A WITHDRAWAL OF THE PETITION FOR DISSOLUTION SHALL BE IN A
23 FORM OF A MOTION AND SIMILAR IN SUBSTANCE TO A WITHDRAWAL OF
24 REQUEST FOR DISSOLUTION BUT SHALL BE VERIFIED AND FILED PRIOR TO
25 PUBLICATION OF THE ORDER SETTING THE DATE FOR OBJECTIONS TO THE
26 PETITION.

1 **SECTION 55.** Section 121 of the Code is hereby renumbered as Section 139 and

2 amended to read as follows:

3 Section [121] **139. Involuntary dissolution.** - A corporation may be
4 dissolved by the [Securities and Exchange] Commission **MOTU PROPRIO OR**
5 upon filing of a verified complaint **BY ANY INTERESTED PARTY.** [and after
6 proper notice and hearing on the grounds provided by existing laws, rules and
7 regulations.]

8 **THE FOLLOWING MAY BE GROUNDS FOR DISSOLUTION OF THE**
9 **CORPORATION:**

10 **1. NON-USE OF CORPORATE CHARTER AS PROVIDED UNDER**
11 **SECTION 22 OF THIS CODE;**

12 **2. CONTINUOUS INOPERATION OF A CORPORATION AS PROVIDED**
13 **UNDER SECTION 22 OF THIS CODE;**

14 **3. UPON RECEIPT OF A LAWFUL COURT ORDER DISSOLVING THE**
15 **CORPORATION;**

16 **4. UPON FINDING BY FINAL JUDGMENT THAT THE CORPORATION:**

17 **i. PROCURED ITS INCORPORATION THROUGH**
18 **FRAUD;**

19 **ii. WAS CREATED FOR THE PURPOSE OF**
20 **COMMITTING, CONCEALING, OR AIDING THE**
21 **COMMISSION OF SECURITIES VIOLATIONS,**
22 **SMUGGLING, TAX EVASION, MONEY LAUNDERING,**
23 **OR GRAFT AND CORRUPT PRACTICES;**

24 **iii. COMMITTED OR AIDED IN THE COMMISSION OF**
25 **SECURITIES VIOLATIONS, SMUGGLING, TAX**
26 **EVASION, MONEY LAUNDERING, OR GRAFT AND**

1 CORRUPT PRACTICES, AND ITS STOCKHOLDERS

2 KNEW;

3 iv. REPEATEDLY AND KNOWINGLY TOLERATED THE
4 COMMISSION OF GRAFT AND CORRUPT
5 PRACTICES OR OTHER FRAUDULENT OR ILLEGAL
6 ACTS BY ITS DIRECTORS, TRUSTEES, OFFICERS, OR
7 EMPLOYEES;

8 v. REPEATEDLY AND WILLFULLY EXCEEDED THE
9 AUTHORITY CONFERRED UPON IT BY LAW;

10 vi. REPEATEDLY AND WILLFULLY FALSIFIED,
11 MISSTATED, OR OTHERWISE MISREPRESENTED
12 INFORMATION CONTAINED IN ITS REPORTORIAL
13 REQUIREMENTS;

14 vii. REPEATEDLY AND WILLFULLY CONDUCTED ITS
15 BUSINESS IN A FRAUDULENT OR OTHERWISE
16 UNLAWFUL MANNER; OR

17 viii. VIOLATED THE PROVISIONS OF THIS CODE,
18 PERTINENT LAWS, RULES AND REGULATIONS.

19 IF THE CORPORATION IS DISSOLVED BY FINAL JUDGMENT PURSUANT
20 TO ANY OF THE GROUNDS SET FORTH ABOVE, ITS ASSETS, AFTER PAYMENT
21 OF ITS LIABILITIES, INCLUDING CLAIMS THAT ARISE FROM THE
22 DISSOLUTION OF THE CORPORATION DUE TO GRAFT AND CORRUPT
23 PRACTICES, SHALL BE FORFEITED IN FAVOR OF THE NATIONAL
24 GOVERNMENT UPON PETITION OF THE COMMISSION WITH THE
25 APPROPRIATE COURT. SUCH FORFEITURE SHALL BE WITHOUT PREJUDICE
26 TO ANY OTHER PENALTY OR SANCTION UNDER THIS CODE OR OTHER LAWS.

1 **SECTION 56.** Section 122 of the Code is hereby renumbered as Section 140 and

2 amended to read as follows:

3 Sec. [122]**140.** *Corporate liquidation.* - Every corporation whose charter
4 expires [by its own limitation] **PURSUANT TO ITS ARTICLES OF**
5 **INCORPORATION** or is annulled by forfeiture [or otherwise], or whose corporate
6 existence [for other purposes] is terminated in any other manner, shall
7 nevertheless [be continued] **REMAIN** as a body corporate for three (3) years after
8 the [time when it would have been so dissolved] **EFFECTIVE DATE OF**
9 **DISSOLUTION**, for the purpose of prosecuting and defending suits by or against it
10 and enabling it to settle and close its affairs, [to] dispose of and convey its
11 property, and [to] distribute its assets, but not for the purpose of continuing the
12 business for which it was established.

13 xxx xxx xxx

14 **EXCEPT AS OTHERWISE PROVIDED FOR IN SECTIONS 93 AND 94 OF**
15 **THIS CODE**, upon the winding up of corporate affairs, any asset distributable to
16 any creditor or stockholder or member who is unknown or cannot be found shall
17 be escheated [to the city or municipality where such assets are located] **IN FAVOR**
18 **OF THE NATIONAL GOVERNMENT.**

19 xxx xxx xxx

20 **SECTION 57.** Sections 123, 124, and 125 of the Code are hereby renumbered as
21 Sections 140, 141, and 142, respectively.

22 **SECTION 58.** Section 126 of the Code is hereby renumbered as Section 143 and
23 amended to read as follows:

24 Sec. [126]**143.** *Issuance of a license.* - If the [Securities and Exchange]
25 Commission is satisfied that the applicant has complied with all the requirements
26 of this Code and other special laws, rules and regulations, the Commission shall

1 issue a license [to the applicant] to transact business in the Philippines **TO THE**
2 **APPLICANT** for the purpose or purposes specified in such license. Upon issuance
3 of the license, such foreign corporation may commence to transact business in the
4 Philippines and continue to do so for as long as it retains its authority to act as a
5 corporation under the laws of the country or state of its incorporation, unless such
6 license is sooner surrendered, revoked, suspended, or annulled in accordance with
7 this Code or other special laws.

8 Within sixty (60) days after the issuance of the license to transact business
9 in the Philippines, the licensee, except foreign banking or insurance corporations,
10 shall deposit with the [Securities and Exchange] Commission for the benefit of
11 present and future creditors of the licensee in the Philippines, securities
12 satisfactory to the [Securities and Exchange] Commission, consisting of bonds or
13 other evidence of indebtedness of the Government of the Philippines, its political
14 subdivisions and instrumentalities, or of government-owned or controlled
15 corporations and entities, shares of stock **OR DEBT SECURITIES THAT ARE**
16 **REGISTERED UNDER THE SECURITIES REGULATION CODE** [in "registered
17 enterprises" as this term is defined in Republic Act No. 5186], shares of stock in
18 domestic corporations [registered] **LISTED** in the stock exchange, [or] shares of
19 stock in domestic insurance companies and banks, **OR ANY FINANCIAL**
20 **INSTRUMENT DETERMINED SUITABLE BY THE COMMISSION**, or any
21 combination **THEREOF** [of these kinds of securities,] in the actual market value of
22 at least [one] **FIVE hundred thousand [(P100,000.)] (P500, 000.00)** pesos **OR**
23 **SUCH OTHER AMOUNT THAT MAY BE SET BY THE COMMISSION**; Provided,
24 however, That within six (6) months after each fiscal year of the licensee, the
25 [Securities and Exchange] Commission shall require the licensee to deposit
26 additional securities **OR FINANCIAL INSTRUMENTS** equivalent in actual market

1 value to two (2%) percent of the amount by which the licensee's gross income for
2 that fiscal year exceeds [five] **TEN** million [(P5,000,000.00)] (**P10,000,000.00**)
3 pesos. The [Securities and Exchange] Commission shall also require **THE** deposit of
4 additional securities **OR FINANCIAL INSTRUMENTS** if the actual market value of
5 the securities **OR FINANCIAL INSTRUMENTS** on deposit has decreased by at least
6 ten (10%) percent of their actual market value at the time they were deposited.

7 The [Securities and Exchange] Commission may at its discretion release part of the
8 additional [securities] deposit[ed with it] if the gross income of the licensee has
9 decreased, or if the actual market value of the total [securities on] deposit has
10 increased, by more than ten (10%) percent of theIR actual market value [of the
11 securities] at the time they were deposited. The [Securities and Exchange]
12 Commission may, from time to time, allow the licensee to **MAKE** substitute
13 **DEPOSITS** [other securities] for those already on deposit as long as the licensee is
14 solvent. Such licensee shall be entitled to collect the interest or dividends on [the]
15 **SUCH** [securities] depositS[ed]. In the event the licensee ceases to do business in
16 the Philippines, **ITS** [the securities] depositS[ed as aforesaid] shall be returned,
17 upon the licensee's application therefor and upon proof to the satisfaction of the
18 [Securities and Exchange] Commission that the licensee has no liability to
19 Philippine residents, including the Government of the Republic of the Philippines.

20 **FOR PURPOSES OF COMPUTING THE SECURITIES DEPOSIT, THE**
21 **COMPOSITION OF GROSS INCOME AND ALLOWABLE DEDUCTIONS**
22 **THEREFROM SHALL BE IN ACCORDANCE WITH THE RULES OF THE**
23 **COMMISSION.**

24 **SECTION 59.** Further, Sections 127 to 136 are hereby renumbered as Sections 144 to
25 153 accordingly.

26 **SECTION 60.** A new title is inserted in the Code containing Sections 154 to 173, thus:

1 TITLE XVI – INVESTIGATIONS, OFFENSES,

2 AND PENALTIES

3 Sec. 154. *INVESTIGATION AND PROSECUTION OF OFFENSES.* - THE
4 COMMISSION MAY INVESTIGATE AN ALLEGED MATERIAL VIOLATION OR
5 THREATENED VIOLATION OF THIS CODE, ANY RULE, REGULATION, OR
6 ORDER OF THE COMMISSION.

7 THE COMMISSION SHALL REFER ALL CRIMINAL COMPLAINTS FOR
8 SUCH VIOLATIONS TO THE DEPARTMENT OF JUSTICE FOR PRELIMINARY
9 INVESTIGATION AND PROSECUTION BEFORE THE PROPER COURT.

10 THE COMMISSION MAY PUBLISH ITS FINDINGS, ORDERS, OPINIONS,
11 ADVISORIES, OR INFORMATION CONCERNING ANY SUCH VIOLATION, AS MAY
12 BE RELEVANT TO THE GENERAL PUBLIC OR TO THE PARTIES CONCERNED,
13 SUBJECT TO DATA PRIVACY AND OTHER LAWS.

14 SEC. 155. *ADMINISTRATION OF OATHS, AND SUBPOENA OF WITNESSES*
15 *AND DOCUMENTS.* -THE COMMISSION OR ITS DESIGNATED OFFICER MAY
16 ADMINISTER OATHS AND AFFIRMATIONS, ISSUE SUBPOENA AND SUBPOENA
17 DUCES TECUM, TAKE TESTIMONY IN ANY INQUIRY OR INVESTIGATION, AND
18 MAY PERFORM OTHER ACTS NECESSARY TO THE PROCEEDINGS OR TO THE
19 INVESTIGATION.

20 SECTION 156. *CEASE AND DESIST ORDERS.* - WHENEVER THE
21 COMMISSION HAS REASONABLE BASIS TO BELIEVE THAT A PERSON HAS
22 VIOLATED, IS ABOUT TO VIOLATE, OR WILL CONTINUE TO VIOLATE THIS
23 CODE, ANY RULE, REGULATION, OR ORDER OF THE COMMISSION, IT MAY
24 DIRECT SUCH PERSON TO DESIST FROM COMMITTING THE ACT
25 CONSTITUTING THE VIOLATION.

1 THE COMMISSION MAY ISSUE A CEASE AND DESIST ORDER *EX PARTE*,
2 TO ENJOIN AN ACT OR PRACTICE WHICH IS FRAUDULENT OR CAN BE
3 REASONABLY EXPECTED TO CAUSE SIGNIFICANT, IMMINENT, AND
4 IRREPARABLE DANGER OR INJURY TO PUBLIC SAFETY OR WELFARE. THE *EX*
5 *PARTE* ORDER SHALL BE VALID FOR A MAXIMUM PERIOD OF TWENTY (20)
6 DAYS, WITHOUT PREJUDICE TO THE ORDER BEING MADE PERMANENT
7 AFTER DUE NOTICE AND HEARING.

8 THEREAFTER, THE COMMISSION MAY PROCEED ADMINISTRATIVELY
9 AGAINST SUCH PERSON IN ACCORDANCE WITH SECTION 158, AND/OR
10 TRANSMIT EVIDENCE TO THE DEPARTMENT OF JUSTICE FOR PRELIMINARY
11 INVESTIGATION OR CRIMINAL PROSECUTION.

12 SEC. 157. *CONTEMPT.* – ANY PERSON WHO, WITHOUT JUSTIFIABLE
13 CAUSE, FAILS OR REFUSES TO COMPLY WITH ANY LAWFUL ORDER, DECISION,
14 OR SUBPOENA ISSUED BY THE COMMISSION SHALL, AFTER DUE NOTICE AND
15 HEARING, BE HELD IN CONTEMPT AND FINED IN SUCH AMOUNT AS THE
16 COMMISSION MAY DETERMINE.

17 WHEN THE REFUSAL AMOUNTS TO CLEAR AND OPEN DEFIANCE OF
18 THE COMMISSION'S ORDER, DECISION, OR SUBPOENA, THE COMMISSION
19 SHALL IMPOSE APPROPRIATE DAILY FINES UNTIL THE ORDER, DECISION, OR
20 SUBPOENA IS COMPLIED WITH.

21 SEC. 158. *ADMINISTRATIVE SANCTIONS.* – UPON FINDING THAT A
22 VIOLATION HAS BEEN COMMITTED, AND AFTER DUE NOTICE AND HEARING,
23 TAKING INTO CONSIDERATION THE PARTICIPATION, NATURE, EFFECTS,
24 FREQUENCY AND SERIOUSNESS OF THE VIOLATION, THE COMMISSION MAY:

25 IMPOSE A FINE RANGING FROM FIVE THOUSAND PESOS
26 (PHP5,000.00) TO TWO MILLION PESOS (PHP2,000,000.00) AND NOT MORE

1 THAN ONE THOUSAND PESOS (PHP1,000.00) FOR EACH DAY OF CONTINUING
2 VIOLATION, IN NO CASE TO EXCEED TWO MILLION PESOS (PHP2,000,000.00);

- 3 1. ISSUE A PERMANENT CEASE AND DESIST ORDER;
4 2. ORDER THE SUSPENSION OR REVOCATION OF THE
5 CERTIFICATE OF INCORPORATION; AND
6 3. ORDER THE DISSOLUTION OF THE CORPORATION AND
7 FORFEITURE OF ITS ASSETS UNDER THE CONDITIONS IN TITLE XV OF
8 THIS CODE.

9 SEC. 159. *UNAUTHORIZED USE OF CORPORATE NAME; PENALTIES.* -
10 THE UNAUTHORIZED USE OF A CORPORATE NAME SHALL BE PUNISHED
11 WITH A FINE RANGING FROM FIFTY THOUSAND PESOS (P50,000.00) TO TWO
12 HUNDRED THOUSAND PESOS (P200,000.00).

13 Sec. 160. *CONCEALMENT OF DISQUALIFICATION; PENALTIES.* - A
14 DIRECTOR OR TRUSTEE WHO WILLFULLY CONCEALS THE EXISTENCE OF A
15 GROUND FOR HIS OR HER DISQUALIFICATION UNDER SECTION 28 UPON
16 ACCEPTANCE OF, OR WHILE HOLDING THE POST, SHALL, AT THE
17 DISCRETION OF THE COURT, BE PUNISHED BY A FINE RANGING FROM TEN
18 THOUSAND PESOS (P10,000.00) TO TWO HUNDRED THOUSAND PESOS
19 (P200,000.00) AT THE DISCRETION OF THE COURT, AND SHALL BE
20 PERMANENTLY DISQUALIFIED FROM FURTHER ACTING AS DIRECTOR OF
21 ANY CORPORATION. CONCEALMENT SHALL BE WILLFUL WHEN THE
22 DIRECTOR OR TRUSTEE ACCEPTS OR RETAINS THE POST DESPITE
23 KNOWLEDGE OF THE EXISTENCE OF THE DISQUALIFICATION.

24 Sec. 161. *VIOLATION OF DUTY TO MAINTAIN RECORDS, TO ALLOW
25 THEIR INSPECTION OR REPRODUCTION; PENALTIES.* - THE UNJUSTIFIED
26 FAILURE OR REFUSAL BY THE CORPORATION OR BY THOSE RESPONSIBLE

1 FOR KEEPING AND MAINTAINING CORPORATE RECORDS, TO COMPLY WITH
2 SECTIONS 46, 74, 93, 178 AND OTHER PROVISIONS OF THIS CODE AND THE
3 RULES WITH RESPECT TO RETENTION, INSPECTION OR REPRODUCTION OF
4 RECORDS SHALL BE PUNISHED WITH A FINE RANGING FROM TEN THOUSAND
5 PESOS (PHP10,000.00) TO ONE HUNDRED THOUSAND PESOS
6 (PHP100,000.00), AT THE DISCRETION OF THE COURT, TAKING INTO
7 CONSIDERATION THE SERIOUSNESS OF THE VIOLATION AND ITS
8 IMPLICATIONS.

9 THE PENALTIES IMPOSED UNDER THIS SECTION SHALL BE WITHOUT
10 PREJUDICE TO THE COMMISSION'S EXERCISE OF ITS CONTEMPT POWERS
11 UNDER SECTION 157 HEREOF.

12 SEC. 162. *WILLFUL CERTIFICATION OF INCOMPLETE, INACCURATE,*
13 *FALSE, OR MISLEADING STATEMENTS OR REPORTS; PENALTIES.* – ANY PERSON
14 WHO WILLFULLY CERTIFIES A REPORT OR MATTER REQUIRED UNDER THIS
15 CODE KNOWING THAT THE SAME CONTAINS INCOMPLETE, INACCURATE,
16 FALSE, OR MISLEADING INFORMATION OR STATEMENTS SHALL BE
17 PUNISHED WITH A FINE OF NOT MORE THAN FIVE HUNDRED THOUSAND
18 PESOS (P500,000.00). WHEN THE WRONGFUL CERTIFICATION IS INJURIOUS
19 OR DETRIMENTAL TO THE PUBLIC, THE AUDITOR MAY ALSO BE FINED OF
20 NOT MORE THAN ONE MILLION PESOS (P1,000,000.00).

21 SEC. 163. *INDEPENDENT AUDITOR COLLUSION; PENALTIES.* – AN
22 INDEPENDENT AUDITOR WHO, IN COLLUSION WITH THE CORPORATION'S
23 DIRECTORS OR REPRESENTATIVES, CERTIFIES THE CORPORATION'S
24 FINANCIAL STATEMENTS DESPITE ITS INCOMPLETENESS OR INACCURACY,
25 FAILURE TO GIVE A FAIR AND ACCURATE PRESENTATION OF THE
26 CORPORATION'S CONDITION, OR [DESPITE CONTAINING] FALSE OR

1 MISLEADING STATEMENTS, SHALL BE PUNISHED WITH A FINE OF NOT MORE
2 THAN ONE MILLION PESOS (P1,000,000.00). WHEN THE STATEMENT OR
3 REPORT CERTIFIED IS FRAUDULENT, OR HAS THE EFFECT OF CAUSING
4 INJURY TO THE GENERAL PUBLIC, THE AUDITOR MAY BE PUNISHED WITH A
5 FINE OF NOT MORE THAN TWO MILLION PESOS (P2,000,000.00).

6 SEC. 164. *OBTAINING CORPORATE REGISTRATION THROUGH FRAUD;*
7 *PENALTIES.* – THOSE RESPONSIBLE FOR THE FORMATION OF A
8 CORPORATION THROUGH FRAUD, OR WHO ASSISTED DIRECTLY OR
9 INDIRECTLY THEREIN, SHALL BE PUNISHED WITH A FINE RANGING FROM
10 FIVE HUNDRED THOUSAND PESOS (P500,000.00) TO TWO MILLION PESOS
11 (P2,000,000.00).

12 Sec. 165. *FRAUDULENT CONDUCT OF BUSINESS; PENALTIES.* – A
13 CORPORATION THAT CONDUCTS BUSINESS ITS THROUGH FRAUD SHALL BE
14 PUNISHED WITH A FINE RANGING FROM FIVE HUNDRED THOUSAND PESOS
15 (P500,000.00) TO TWO MILLION PESOS (P2,000,000.00).

16 Sec. 166. *THEFT OF IDENTITY; PENALTIES.* – A CORPORATION,
17 NATURAL PERSON, OR GROUP OF PERSONS, WHO OBTAINS AND WILLFULLY
18 USES THE IDENTIFYING INFORMATION OF A NATURAL OR JURIDICAL
19 PERSON WITHOUT THE LATTER'S CONSENT, FOR ANY UNLAWFUL OR
20 FRAUDULENT PURPOSE DESIGNED TO (A) SECURE AN UNFAIR GAIN; OR (B)
21 CAUSE ANOTHER PERSON TO SUFFER A LOSS, SHALL BE PUNISHED WITH A
22 FINE RANGING FROM FIVE HUNDRED THOUSAND PESOS (P500,000.00) TO
23 TWO MILLION PESOS (P2,000,000.00).

24 Sec. 167. *ACTING AS INTERMEDIARIES FOR GRAFT AND CORRUPT*
25 *PRACTICES; PENALTIES.* – A CORPORATION USED FOR FRAUD OR
26 COMMISSION OR CONCEALMENT OF GRAFT AND CORRUPT PRACTICES SHALL

1 BE LIABLE FOR A FINE RANGING FROM ONE MILLION (P1,000,000.00) TO
2 FIVE MILLION (P5,000,000.00) PESOS.

3 THE CORPORATION'S FAILURE TO INSTALL: A) SAFEGUARDS FOR THE
4 TRANSPARENT AND LAWFUL DELIVERY OF SERVICES, AND B) POLICIES,
5 CODE OF ETHICS, AND PROCEDURES AGAINST GRAFT AND CORRUPTION,
6 WHEN COUPLED WITH A FINDING THAT ANY OF ITS DIRECTORS, OFFICER,
7 EMPLOYEES, AGENTS, OR REPRESENTATIVES ENGAGED IN GRAFT AND
8 CORRUPT PRACTICES, SHALL BE PRIMA FACIE EVIDENCE OF CORPORATE
9 LIABILITY UNDER THIS SECTION.

10 Sec. 168. *ENGAGING INTERMEDIARIES FOR GRAFT AND CORRUPT*
11 *PRACTICES; PENALTIES.* - A CORPORATION THAT APPOINTS AN
12 INTERMEDIARY WHO ENGAGES IN GRAFT AND CORRUPT PRACTICES FOR
13 THE CORPORATION'S BENEFIT OR INTEREST, SHALL BE FINED IN THE
14 AMOUNT OF ONE MILLION PESOS (P1,000,000.00).

15 Sec. 169. *TOLERATING GRAFT AND CORRUPT PRACTICES; PENALTIES.* -
16 A DIRECTOR, TRUSTEE, OR OFFICER WHO KNOWINGLY FAILS TO SANCTION,
17 REPORT OR FILE THE APPROPRIATE ACTION WITH PROPER AGENCIES,
18 ALLOWS OR TOLERATES THE GRAFT AND CORRUPT PRACTICES OR
19 FRAUDULENT ACTS COMMITTED BY A CORPORATION'S DIRECTORS,
20 TRUSTEES, OFFICERS, OR EMPLOYEES, SHALL BE FINED IN THE AMOUNT OF
21 ONE MILLION PESOS (P1,000,000.00).

22 SEC. 170. *RETALIATION AGAINST WHISTLEBLOWERS.* - A
23 WHISTLEBLOWER REFERS TO ANY PERSON WHO PROVIDES TRUTHFUL
24 INFORMATION RELATING TO THE COMMISSION OR POSSIBLE COMMISSION
25 OF ANY OFFENSE OR VIOLATION UNDER THIS CODE. ANY PERSON WHO,
26 KNOWINGLY AND WITH INTENT TO RETALIATE, COMMITS ACTS

1 DETRIMENTAL TO A WHISTLEBLOWER SUCH AS INTERFERING WITH THE
2 LAWFUL EMPLOYMENT OR LIVELIHOOD OF THE WHISTLEBLOWER, SHALL,
3 AT THE DISCRETION OF THE COURT, BE PUNISHED WITH A FINE RANGING
4 FROM FIVE HUNDRED THOUSAND PESOS (P500,000.00) TO ONE MILLION
5 PESOS (P1,000,000.00) AND/OR IMPRISONMENT OF FIVE (5) TO TEN (10)
6 YEARS.

7 **SEC. [144]171. OTHER VIOLATIONS OF THE CODE; SEPARATE LIABILITY. -**

8 Violations of any of the other provisions of this code or its amendments not
9 otherwise specifically penalized herein shall be punished by a fine of not less than
10 [one] **TEN Thousand [P1,000.00] pesos (P10,000.00)** but not more than **ONE**
11 **MILLION** [ten thousand (p10,000.00)] Pesos **(P1,000,000.00)** AND/OR by
12 imprisonment [FOR] **OF** not less than thirty (30) days but not more than five (5)
13 years, or both, [in] **AT** the discretion of the court. If the violation is committed by a
14 corporation, the same may, after notice and hearing, be dissolved in appropriate
15 proceedings before the [Securities and Exchange] Commission: Provided, [t]That
16 such dissolution shall not preclude the institution of appropriate action against the
17 director, trustee, or officer of the corporation responsible for said violation:
18 [p]Provided, further, [t]That nothing in this section shall be construed to repeal the
19 other causes for dissolution of a corporation provided in this [c]Code.

20 **LIABILITY FOR ANY OF THE FOREGOING OFFENSES SHALL BE**
21 **SEPARATE FROM ANY OTHER ADMINISTRATIVE, CIVIL, OR CRIMINAL**
22 **LIABILITY UNDER THIS CODE AND OTHER LAWS.**

23 **SEC. 172. LIABILITY OF DIRECTORS, TRUSTEES, OFFICERS, OR OTHER**
24 **EMPLOYEES. - IF THE OFFENDER IS A CORPORATION, THE PENALTY MAY, AT**
25 **THE DISCRETION OF THE COURT, BE IMPOSED UPON SUCH CORPORATION**
26 **AND/OR UPON ITS DIRECTORS, TRUSTEES, STOCKHOLDERS, MEMBERS,**

1 OFFICERS, OR EMPLOYEES RESPONSIBLE FOR THE VIOLATION OR
2 INDISPENSABLE TO ITS COMMISSION.

3 SEC. 173. *LIABILITY OF AIDERS AND ABETTORS AND OTHER*
4 *SECONDARY LIABILITY.* - ANYONE WHO SHALL AID, ABET, COUNSEL,
5 COMMAND, INDUCE, OR PROCURE ANY VIOLATION OF THIS CODE, OR ANY
6 RULE, REGULATION OR ORDER OF THE COMMISSION SHALL BE PUNISHED
7 WITH A FINE NOT EXCEEDING THAT IMPOSED ON THE PRINCIPAL
8 OFFENDERS, AT THE DISCRETION OF THE COURT, AFTER TAKING INTO
9 ACCOUNT THEIR PARTICIPATION IN THE OFFENSE. WHEN THE OFFENSE IS
10 OF SUCH NATURE AND EXTENT AS TO AFFECT OR ENDANGER PUBLIC
11 INTEREST OR NATIONAL ECONOMY, THE AIDER OR ABETTOR MAY SUFFER
12 THE PENALTY OF IMPRISONMENT.

13 **SECTION 61.** Title XVI on Miscellaneous Provisions is hereby renumbered as Title
14 XVII.

15 **SECTION 62.** Sections 137 and 138 of the Code are renumbered as Sections 174 and
16 175, respectively.

17 **SECTION 63.** Section 139 of the Code is hereby renumbered as Section 176 and
18 amended to read as follows:

19 **SECTION 64.**

20 "Sec. [139] 176. *COLLECTION AND USE OF REGISTRATION, Incorporation and*
21 *other fees.* - [The Securities and Exchange Commission is hereby authorized to collect and
22 receive fees as authorized by law or by rules and regulations promulgated by the
23 Commission.] **FOR A MORE EFFECTIVE IMPLEMENTATION OF THIS CODE, THE**
24 **COMMISSION IS HEREBY AUTHORIZED TO COLLECT, RETAIN, AND USE FEES, FINES,**
25 **AND OTHER CHARGES PURSUANT TO THIS CODE AND ITS RULES AND**
26 **REGULATIONS. THE AMOUNT COLLECTED SHALL BE DEPOSITED AND MAINTAINED**

1 IN A SEPARATE ACCOUNT WHICH SHALL FORM A FUND FOR ITS MODERNIZATION
2 AND TO AUGMENT ITS OPERATIONAL EXPENSES SUCH AS, BUT NOT LIMITED TO,
3 CAPITAL OUTLAY, INCREASE IN COMPENSATION AND BENEFITS CONSISTENT WITH
4 R.A. NO. 6758 OTHERWISE KNOWN AS "THE SALARY STANDARDIZATION LAW", AS
5 AMENDED, REASONABLE EMPLOYEE ALLOWANCE, EMPLOYEE HEALTH CARE
6 SERVICES AND OTHER INSURANCE, EMPLOYEE CAREER ADVANCEMENT AND
7 PROFESSIONALIZATION, LEGAL ASSISTANCE, SEMINARS AND OTHER
8 PROFESSIONAL FEES.

9 **SECTION 65.** Section 140 of the Code is hereby renumbered as Section 177 and

10 amended to read as follows:

11 Sec. [140]177. NATIONALITY AND Stock ownership in [certain]
12 corporations. – THE COMMISSION SHALL DETERMINE THE NATIONALITY OF
13 A CORPORATION BASED ON THE OUTSTANDING CAPITAL STOCK ENTITLED
14 TO VOTE, IN ACCORDANCE WITH THE CONSTITUTION, JURISPRUDENCE, AND
15 APPLICABLE LAWS.

16 [Pursuant to the duties specified by Article XIV of the Constitution, the]
17 THE National Economic and Development Authority shall, from time to time,
18 UPON THE RECOMMENDATION OF THE COMMISSION OR OTHER
19 APPROPRIATE GOVERNMENT AGENCIES, make a determination ON [of]
20 whether the corporate vehicle has been used by any corporation, [or by] business,
21 or industry to frustrate the provisions [thereof] **OF THIS CODE** or [of] applicable
22 laws, and shall submit to the [Batasang Pambansa] **CONGRESS**, whenever deemed
23 necessary, a report of its findings, including recommendations for their
24 prevention or correction.

25 THE CONGRESS may [be] set maximum limits [by the Batasang Pambansa] for
26 stock[holdings] ownership of individuals or groups of individuals related to each

1 other by consanguinity, affinity, or by close business interests, in corporations
2 declared [by it] to be vested with [a] public interest pursuant to the provisions of
3 this section, or whenever [it is] necessary to [achieve national objectives,] prevent
4 **ANTI-COMPETITIVE PRACTICES AS PROVIDED IN REPUBLIC ACT NO. 10667,**
5 **"THE PHILIPPINE COMPETITION ACT"**, or to implement national economic
6 policies designed to promote [the] general welfare and [foster] economic
7 development, AS declared in laws, rules, and regulations.

8 The National Economic and Development Authority shall consider the type and
9 nature of the industry, [the] size of the enterprise, [the] economies of scale, [the]
10 geographic location, [the] extent of Filipino ownership, [the] labor intensity of the
11 activity, [the] export potential, as well as other factors which are germane to the
12 realization and promotion of business and industry, in recommending to the
13 **[Batasang Pambansa] CONGRESS** which corporations, businesses, or industries
14 **[to]** WILL be declared vested with public interest and in formulating proposals for
15 limitations on stock ownership.,

16 **SECTION 66.** Section 141 of the Code is hereby renumbered as Section 178 and
17 amended to read as follows:

18 Sec. [141]178 . *[Annual report]* **REPORTORIAL REQUIREMENTS** of
19 **corporations. – EXCEPT AS OTHERWISE PROVIDED IN THIS CODE OR IN THE**
20 **RULES ISSUED BY THE COMMISSION,** every corporation, domestic or foreign,
21 **[lawfully]** doing business in the Philippines shall submit to the **[Securities and**
22 **Exchange]** Commission:

23 [an annual report of its operations, together with a financial statement of
24 its assets and liabilities, certified by any independent certified public accountant
25 in appropriate cases, covering the preceding fiscal year and such other
26 requirements as the Securities and Exchange Commission may require.]

1 1. ANNUAL FINANCIAL STATEMENTS AUDITED BY AN
2 INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT, ACCREDITED BY THE
3 COMMISSION; *PROVIDED, THAT* IF THE TOTAL ASSETS OR TOTAL
4 LIABILITIES OF THE CORPORATION ARE LESS THAN SIX HUNDRED
5 THOUSAND PESOS [P600,000.00] THE FINANCIAL STATEMENTS SHALL BE
6 CERTIFIED UNDER OATH BY the CORPORATION'S treasurer OR CHIEF
7 FINANCIAL OFFICER; AND

8 2. A GENERAL INFORMATION SHEET;

9 COPORATIONS VESTED WITH PUBLIC INTEREST MUST ALSO SUBMIT
10 THE FOLLOWING:

11 3. A DIRECTOR OR TRUSTEE COMPENSATION REPORT;

12 4. A DIRECTOR OR TRUSTEE APPRAISAL OR PERFORMANCE
13 REPORT AND THE STANDARDS OR CRITERIA USED TO ASSESS EACH
14 DIRECTOR OR TRUSTEE; AND

15 [Such report] **THE REPORTORIAL REQUIREMENTS** shall be submitted
16 **ANNUALLY AND** within such period as may be prescribed by the [Securities and
17 Exchange] Commission.

18 THE COMMISSION MAY PLACE THE CORPORATION UNDER
19 DELINQUENT STATUS SHOULD THE CORPORATION FAIL TO SUBMIT THE
20 REPORTORIAL REQUIREMENTS THREE (3) TIMES, CONSECUTIVELY OR
21 INTERMITTENTLY, WITHIN A PERIOD OF FIVE YEARS.

22 **SECTION 67.** Section 142 of the Code is hereby renumbered as Section 179 and
23 amended to read as follows:

24 Sec. [142]179. **VISITORIAL POWER AND Confidential nature of**
25 *examination results.* - THE COMMISSION SHALL EXERCISE VISITORIAL
26 POWERS OVER ALL CORPORATIONS, WHICH POWERS SHALL INCLUDE THE

1 EXAMINATION AND INSPECTION OF RECORDS, REGULATION AND
2 SUPERVISION OF ACTIVITIES, ENFORCEMENT COMPLIANCE, AND
3 IMPOSITION OF SANCTIONS IN ACCORDANCE WITH THIS CODE.

4 SHOULD THE CORPORATION, WITHOUT JUSTIFIABLE CAUSE, REFUSE
5 OR OBSTRUCT THE COMMISSION'S EXERCISE OF ITS VISITORIAL POWERS,
6 THE COMMISSION MAY REVOKE ITS CERTIFICATE OF INCORPORATION.
7 REVOCATION SHALL BE WITHOUT PREJUDICE TO THE IMPOSITION OF
8 OTHER PENALTIES AND SANCTIONS UNDER THIS CODE.

9 All interrogatories propounded by the [Securities and Exchange]
10 Commission and the answers thereto, as well as the results of any examination
11 made by the Commission or [by] any other official authorized by law to make an
12 examination of the operations, books, and records of any corporation, shall be
13 kept strictly confidential, except [insofar as] WHEN the law [may] requireS the
14 same to be made public, WHEN NECESSARY FOR THE COMMISSION TO TAKE
15 ACTION TO PROTECT THE PUBLIC OR ISSUE ORDERS IN THE EXERCISE OF
16 ITS POWERS UNDER THIS CODE, or where such interrogatories, answers or
17 results are to be presented as evidence before any court.

18 **SECTION 68.** Section 143 of Code is hereby renumbered as Section 180 and amended
19 to read as follows:

20 Sec. [143]180. *[Rule-making power]* **POWERS, FUNCTIONS, [Securities and
21 *Exchange] AND JURISDICTION* of the Commission – The [Securities and Exchange]
22 Commission shall have the power and authority **TO:****

23 **1. EXERCISE SUPERVISION AND JURISDICTION OVER ALL**
24 **CORPORATIONS AND PERSONS ACTING ON THEIR BEHALF, EXCEPT AS**
25 **OTHERWISE PROVIDED UNDER THIS CODE;**

1 PURSUANT TO PRESIDENTIAL DECREE 902-A, THE
2 COMMISSION SHALL RETAIN JURISDICTION OVER PENDING CASES
3 INVOLVING INTRACORPORATE DISPUTES SUBMITTED FOR FINAL
4 RESOLUTION. THE COMMISSION SHALL RETAIN JURISDICTION OVER
5 PENDING SUSPENSION OF PAYMENT/REHABILITATION CASES FILED
6 AS OF 30 JUNE 2000 UNTIL FINALLY DISPOSED.

7 2. IMPOSE SANCTIONS FOR THE VIOLATION OF THIS CODE,
8 ITS IMPLEMENTING RULES, AND ORDERS OF THE COMMISSION;

9 3. PROMOTE CORPORATE GOVERNANCE THROUGH,
10 AMONG OTHERS, REQUIRING ADDITIONAL SUBMISSIONS TO THE
11 COMMISSION;

12 4. ISSUE OPINIONS TO CLARIFY THE APPLICATION OF
13 LAWS, RULES, AND REGULATIONS;

14 5. [to implement the provisions of this Code, and to promulgate
15 rules and regulations reasonably necessary to enable it to perform its
16 duties hereunder, particularly in the prevention of fraud and abuses on the
17 part of the controlling stockholders, members, directors, trustees or
18 officers.] ISSUE CEASE AND DESIST ORDERS EX PARTE TO PREVENT
19 IMMINENT FRAUD OR INJURY TO THE PUBLIC[.];

20 6. HOLD CORPORATIONS IN DIRECT AND INDIRECT
21 CONTEMPT;

22 7. ORDER THE CONDUCT OF STOCKHOLDERS' OR
23 MEMBERS' MEETINGS UNDER ITS SUPERVISION AND OTHER
24 APPROPRIATE ORDERS, INCLUDING SETTING OF THE TIME AND
25 PLACE OF THE MEETING, THE RECORD DATE OR DATES TO
26 DETERMINE WHICH STOCKHOLDERS ARE ENTITLED TO NOTICE OF

1 THE ELECTION AND TO VOTE THEREAT, AND THE FORM OF NOTICE
2 OF SUCH ELECTION;

3 8. ISSUE SUBPOENA DUCES TECUM AND SUMMON
4 WITNESSES TO APPEAR IN PROCEEDINGS BEFORE THE COMMISSION;

5 9. IN APPROPRIATE CASES, ORDER THE EXAMINATION,
6 SEARCH AND SEIZURE OF DOCUMENTS, PAPERS, FILES AND RECORDS,
7 TAX RETURNS, AND BOOKS OF ACCOUNTS OF ANY ENTITY OR PERSON
8 UNDER INVESTIGATION AS MAY BE NECESSARY FOR THE PROPER
9 DISPOSITION OF THE CASES, SUBJECT TO THE PROVISIONS OF
10 EXISTING LAWS;

11 10. SUSPEND OR REVOKE THE CERTIFICATE OF
12 INCORPORATION AFTER PROPER NOTICE AND HEARING;

13 11. DISSOLVE OR IMPOSE SANCTIONS ON CORPORATIONS
14 FOR COMMITTING, AIDING IN THE COMMISSION OF, OR IN ANY
15 MANNER FURTHERING SECURITIES VIOLATIONS, SMUGGLING, TAX
16 EVASION, MONEY LAUNDERING, GRAFT AND CORRUPT PRACTICES, OR
17 OTHER FRAUDULENT OR ILLEGAL ACTS;

18 12. ISSUE WRITS OF EXECUTION AND ATTACHMENT TO
19 ENFORCE PAYMENT OF FEES, ADMINISTRATIVE FINES, AND OTHER
20 DUES COLLECTIBLE UNDER THIS CODE;

21 13. PRESCRIBE THE NUMBER OF INDEPENDENT DIRECTORS
22 AND THE MINIMUM CRITERIA IN DETERMINING THE INDEPENDENCE
23 OF A DIRECTOR.

24 14. IMPOSE OR RECOMMEND NEW MODES BY WHICH A
25 STOCKHOLDER, MEMBER, DIRECTOR OR TRUSTEE MAY ATTEND
26 MEETINGS OR CAST THEIR VOTES, AS TECHNOLOGY MAY ALLOW,

1 TAKING INTO ACCOUNT THE COMPANY'S SCALE, NUMBER OF
2 SHAREHOLDERS OR MEMBERS, STRUCTURE AND OTHER FACTORS
3 CONSISTENT WITH THE BASIC RIGHT CORPORATE SUFFRAGE;

4 15. FORMULATE AND ENFORCE STANDARDS, GUIDELINES,
5 POLICIES, RULES, AND REGULATIONS TO CARRY OUT THE
6 PROVISIONS OF THIS CODE;

7 16. EXERCISE SUCH OTHER POWERS PROVIDED BY LAW OR
8 THOSE, WHICH MAY BE NECESSARY OR INCIDENTAL TO CARRYING
9 OUT, THE POWERS EXPRESSLY GRANTED TO THE COMMISSION.

10 IN EXERCISING ITS POWER TO, AMONG OTHERS, IMPOSE CORPORATE
11 PENALTIES AND ADDITIONAL REQUIREMENTS FOR MONITORING AND
12 SUPERVISION, THE COMMISSION SHALL GIVE DUE REGARD TO THE SIZE,
13 NATURE, AND CAPACITY OF THE CORPORATION.

14 NO COURT BELOW THE COURT OF APPEALS SHALL HAVE JURISDICTION TO
15 ISSUE A RESTRAINING ORDER, PRELIMINARY INJUNCTION, OR PRELIMINARY
16 MANDATORY INJUNCTION IN ANY CASE, DISPUTE, OR CONTROVERSY THAT,
17 DIRECTLY OR INDIRECTLY, INTERFERES WITH THE DUTIES AND
18 RESPONSIBILITIES OF THE COMMISSION."

19 **SECTION 69.** Section 144 of the Code is hereby deleted, amended, and transferred to
20 Section 171.

21 **SECTION 70.** A new provision is inserted in the Code as Section 181:

22 **SECTION 181. DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC**
23 **FILING AND MONITORING SYSTEM-** THE COMMISSION SHALL DEVELOP AND
24 IMPLEMENT AN ELECTRONIC FILING AND MONITORING SYSTEM. THE
25 COMMISSION SHALL PROMULGATE RULES TO FACILITATE AND EXPEDITE,
26 AMONG OTHERS, CORPORATE NAME RESERVATION AND REGISTRATION,

1 INCORPORATION, SUBMISSION OF REPORTS, NOTICES, AND DOCUMENTS
2 REQUIRED UNDER THIS CODE, AND SHARING OF PERTINENT INFORMATION
3 WITH OTHER GOVERNMENT AGENCIES. THE COMMISSION SHALL HAVE FULL
4 DISCRETION TO DETERMINE WHICH SYSTEMS ALLOW THE MOST EFFECTIVE
5 IMPLEMENTATION OF THIS CODE.

6 SECTION 71. A new provision is inserted in the Code as Section 182:

7 SEC. 182. *ARBITRATION FOR UNLISTED CORPORATIONS.* - AN
8 ARBITRATION AGREEMENT MAY BE PROVIDED FOR IN THE ARTICLES OF
9 INCORPORATION OR BY-LAWS OF AN UNLISTED CORPORATION. WHEN SUCH
10 AN AGREEMENT IS IN PLACE, DISPUTES BETWEEN THE CORPORATION, ITS
11 STOCKHOLDERS OR MEMBERS WHICH ARISE FROM THE IMPLEMENTATION
12 OF THE ARTICLES OF INCORPORATION OR BY-LAWS, OR FROM
13 INTRACORPORATE RELATION, SHALL BE REFERRED TO ARBITRATION. A
14 DISPUTE SHALL BE NON-ARBITRABLE WHEN IT INVOLVES CRIMINAL
15 OFFENSES, INTERESTS OF THIRD PARTIES, OR WHEN IT WILL PRECLUDE THE
16 COMMISSION FROM EXERCISING ITS AUTHORITY UNDER THIS CODE.

17 THE ARBITRATION AGREEMENT SHALL BE BINDING ON THE
18 CORPORATION, ITS DIRECTORS, TRUSTEES, OFFICERS, AND EXECUTIVES OR
19 MANAGERS.

20 TO BE ENFORCEABLE, THE AGREEMENT SHOULD INDICATE THE
21 NUMBER OF ARBITRATORS AND THE PROCEDURE FOR THEIR APPOINTMENT.
22 THE POWER TO APPOINT THE ARBITRATORS FORMING THE ARBITRAL
23 TRIBUNAL SHALL BE GRANTED TO A DESIGNATED INDEPENDENT THIRD
24 PARTY. SHOULD THE THIRD PARTY FAIL TO APPOINT THE ARBITRATORS IN
25 THE MANNER AND WITHIN THE PERIOD SPECIFIED IN THE ARBITRATION
26 AGREEMENT, THE PARTIES MAY REQUEST THE COMMISSION TO APPOINT

1 THE ARBITRATORS. IN ANY CASE, ARBITRATORS MUST BE ACCREDITED BY
2 THE COMMISSION OR BELONG TO ACCREDITED ORGANIZATIONS.

3 THE ARBITRAL TRIBUNAL SHALL HAVE THE POWER TO RULE ON ITS
4 OWN JURISDICTION AND/OR ON QUESTIONS RELATING TO THE VALIDITY OF
5 THE ARBITRATION AGREEMENT. WHEN AN INTRACORPORATE DISPUTE IS
6 FILED WITH A REGIONAL TRIAL COURT, THE COURT SHALL DISMISS THE CASE
7 BEFORE THE TERMINATION OF THE PRETRIAL CONFERENCE, IF IT
8 DETERMINES THAT AN ARBITRATION AGREEMENT IS WRITTEN IN THE
9 CORPORATION'S ARTICLES OF INCORPORATION, BY-LAWS, OR IN A SEPARATE
10 AGREEMENT.

11 THE ARBITRAL TRIBUNAL SHALL HAVE THE POWER TO GRANT
12 INTERIM MEASURES NECESSARY TO ENSURE ENFORCEMENT OF THE AWARD,
13 PREVENT A MISCARRIAGE OF JUSTICE, OR OTHERWISE PROTECT THE RIGHTS
14 OF THE PARTIES.

15 A FINAL ARBITRAL AWARD UNDER THIS SECTION SHALL BE
16 EXECUTORY AFTER THE LAPSE OF FIFTEEN (15) DAYS FROM RECEIPT
17 THEREOF BY THE PARTIES AND SHALL BE STAYED ONLY BY THE FILING OF A
18 BOND OR THE ISSUANCE BY THE APPELLATE COURT OF AN INJUNCTIVE WRIT.

19 THE COMMISSION SHALL FORMULATE THE RULES AND REGULATIONS
20 WHICH SHALL GOVERN ARBITRATION UNDER THIS SECTION.

21 SECTION 72. A new provision is inserted in the Code as Section 183 and the
22 succeeding provisions are re-numbered accordingly and amended as follows:

23 SEC. 183. JURISDICTION OVER CORPORATIONS OF SPECIAL CHARACTER.
24 - THE POWERS, AUTHORITIES, AND RESPONSIBILITIES OF THE COMMISSION
25 INVOLVING PARTY-LIST ORGANIZATIONS ARE TRANSFERRED TO THE
26 COMMISSION ON ELECTIONS (COMELEC).

1 WITHIN SIX (6) MONTHS AFTER THE EFFECTIVITY OF THESE
2 AMENDMENTS, THE MONITORING, SUPERVISION, AND REGULATION OF SUCH
3 CORPORATIONS SHALL BE DEEMED AUTOMATICALLY TRANSFERRED TO THE
4 COMELEC.

5 FOR THIS PURPOSE, THE COMELEC, IN COORDINATION WITH THE
6 COMMISSION, SHALL PROMULGATE CORRESPONDING IMPLEMENTING RULES
7 FOR THE TRANSFER OF JURISDICTION OVER THE ABOVE-MENTIONED
8 CORPORATIONS.

9 **SECTION 73.** A new provision is inserted in the Code as Section 184 and the
10 succeeding provisions are re-numbered accordingly and amended as follows:

11 SEC 184. *APPLICABILITY OF THE CODE.* - THE RULES AND
12 REGULATIONS RELATING TO REGISTRATION, REGULATION, AND
13 MONITORING AND SUPERVISION ISSUED BY OTHER GOVERNMENT AGENCIES
14 ACTING AS PRIMARY REGULATORS OF SPECIAL CORPORATIONS, INSOFAR AS
15 THEY ARE NOT INCONSISTENT WITH THIS CODE AND ITS AMENDMENTS,
16 SHALL BE GIVEN EFFECT.

17 **SECTION 74.** *Implementing Rules and Regulations.* - The Commission shall
18 promulgate and/or amend the necessary rules and regulations for the effective implementation
19 of this Act.

20 **SECTION 75.** *Separability Clause.* - If any provision of this Act is declared invalid or
21 unconstitutional, other provisions hereof which are not affected thereby shall continue to be in
22 full force and effect.

23 **SECTION 76.** *Repealing Clause.* - Any law, presidential decree or issuance, executive
24 order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent
25 with any provision of this Act is hereby repealed or modified accordingly.

1 **SECTION 77.** *Applicability to existing corporations* – A corporation lawfully existing
2 and doing business in the Philippines affected by the new requirements of this Code shall be
3 given a period of not more than two (2) years from the effectivity of these amendments within
4 which to comply.

5 **SECTION 78.** *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
6 publication in the *Official Gazette* or in at least two (2) newspapers of general circulation,
7 whichever date comes earlier.