Securities and Exchange Commission PHILIPPINES

OFFICE OF THE GENERAL COUNSEL

30 June 2026
SEC-OGC Opinion No. 26-10
Re: Transfer of Stock Certificates Registered Under the Name of the Deceased Stockholder to His Legal Heirs

DUMAGUETE CITY DEVELOPMENT BANK
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Attention: **Gregorio L. Uymatio Jr.**
President

Dear Mr. Uymatio:

This refers to your letter dated 30 April 2026, requesting an opinion regarding the transfer of stock certificates registered under the name of the deceased stockholder to his legal heirs.

As stated in your letter, the corporation declared stock dividends at a time when one of its stockholders passed away. At the time of stock dividend declaration and issuance of the corresponding stock certificates, the shares of the deceased stockholder had not yet been transferred to the legal heirs in the corporate books.

The legal heirs submitted the Extrajudicial Settlement of Estate (EJS) and the Electronic Certificate Authorizing Registration (eCAR) to the corporation, but only after the corresponding stock certificates for the stock dividends were already issued in the name of the deceased stockholder.

According to you, there were instances in which the company knew of the death of a stockholder, but the heirs have not yet submitted the EJS, eCAR, or paid the applicable estate taxes.

Your queries are:

1. Whether the corporate secretary or the corporation may validly recall or cancel the stock certificates already issued in the name of the deceased stockholder and re-issue them to the legitimate heirs upon the submission of EJS and eCAR;
2. Whether the company may validly withhold or defer the issuance of stock certificates, including stock and cash dividends, until the documentary requirements and taxes are complied with and paid.

Anent your first query, Section 62 of the Revised Corporation Code (RCC) expressly provides:

> "SEC. 62. Certificate of Stock and Transfer of Shares. – The capital stock of corporations shall be divided into shares for which certificates signed by the president or vice president, countersigned by the secretary or assistant secretary, and sealed with the seal of the corporation shall be issued in accordance with the bylaws. Shares of stock so issued are personal property and may be transferred by delivery of the certificate or certificates indorsed by the owner, his attorney-in-fact, or any other person legally authorized to make the

transfer. **No transfer, however, shall be valid, except as between the parties, until the transfer is recorded in the books of the corporation showing the names of the parties to the transaction, the date of the transfer, the number of the certificate or certificates, and the number of shares transferred.** The Commission may require corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so to issue their securities or shares of stocks in uncertificated or scripless form in accordance with the rules of the Commission.

No shares of stock against which the corporation holds any unpaid claim shall be transferable in the books of the corporation." (Emphasis supplied)

The Supreme Court, in *Republic of the Philippines v. Sandiganbayan et al.*,[1] explained the purpose of registering or recording the transfer of shares in the books of the corporation:

"Indeed, until registration is accomplished, the transfer, though valid between the parties, cannot be effective as against the corporation. Thus, the unrecorded transferee x x x cannot vote nor be voted for. **The purpose of registration, therefore, is two-fold: to enable the transferee to exercise all the rights of a stockholder, including the right to vote and to be voted for, and to inform the corporation of any change in share ownership so that it can ascertain the persons entitled to the rights and subject to the liabilities of a stockholder.** Until challenged in a proper proceeding, a stockholder of record has a right to participate in any meeting; his vote can be properly counted to determine whether a stockholders' resolution was approved, despite the claim of the alleged transferee. On the other hand, a person who has purchased stock, and who desires to be recognized as a stockholder for the purpose of voting, must secure such a standing by having the transfer recorded on the corporate books. **Until the transfer is registered, the transferee is not a stockholder but an outsider.**" (Emphasis supplied)

In *Teng v. Securities and Exchange Commission*,[2] citing *Ponce v. Alsons Cement Corporation*,[3] it was held that **"[f]rom the corporation's point of view, the transfer is not effective until it is recorded. Unless and until such recording is made, the demand for the issuance of stock certificates to the alleged transferee has no legal basis,** x x x. The Stock and Transfer Book (STB) is the basis for ascertaining the persons entitled to the rights and subject to the liabilities of a stockholder. **Where a transferee is not yet recognized as a stockholder, the corporation is under no specific legal duty to issue stock certificates in the transferee's name."**

The Supreme Court, in *Puno v. Puno Enterprises, Inc.*,[4] ruled that upon the death of a stockholder, the heirs do not automatically become stockholders of the corporation, and hence, are not mandatorily entitled to the rights and privileges of a stockholder.[5]

"Upon the death of a shareholder, the heirs do not automatically become stockholders of the corporation and acquire the rights and privileges of the deceased as shareholder of the corporation. The stocks must be distributed first to the heirs in estate proceedings, and the transfer of the stocks must be recorded in the books of the corporation. Section 63 of the Corporation Code [now Section 62 of the RCC] provides that no transfer shall be valid, except as between the parties, until the transfer is recorded in the books of the corporation. During such interim period, the heirs stand as the equitable owners of the stocks, the executor or administrator duly appointed by the court being vested with the legal title to the stock. Until a settlement and division of the estate is effected, the stocks of the decedent are held by the administrator or executor. Consequently, during such time, it is the administrator or executor who is entitled to exercise the rights of the deceased as stockholder.

Thus, even if petitioner presents sufficient evidence in this case to establish that he is **the son of Carlos L. Puno**, he **would still not be** allowed to inspect respondent's books and be **entitled to receive dividends from respondent, absent any showing in its transfer book that some of the shares owned by Carlos L. Puno were transferred to him** xxx." (Emphasis supplied)

Thus, any deceased stockholder is entitled to receive stock dividends and the issuance in his name of the corresponding certificate of stocks, which forms part of his estate, as long as he is still reflected as a stockholder of record in the STB. However, the corporation may cancel the certificate of stocks registered

[1] G.R.No.107789 and 147214, April 30, 2003, citing Batangas Laguna Tayabas Bus. Co. v. Bitanga G.R. Nos.137934 and137936, August 10, 2001.
[2] G.R No. 184332, February 17, 2016.
[3] 442 Phil. 98 (2002)
[4] G.R. No. 177066, 11 September 2009.
[5] *Ibid.*

in the name of the deceased stockholder and issue new certificates of stocks to the legal heirs after their compliance with the requirements for settlement of estate and paying the corresponding estate taxes.

Anent the second query, Section 90 of the National Internal Revenue Code of the Philippines[6] provides that a clearance from the Bureau of Internal Revenue is a prerequisite to the transfer of ownership of shares of stock in the name of the legal heirs:

> "**Section 90.** *Estate Tax Returns.* -
>
> (A) *Requirements.* - In all cases of transfers subject to the tax imposed herein, or regardless of the gross value of the estate, where the said estate consists of registered or registrable property such as real property, motor vehicle, **shares of stock** or other similar property for which **a clearance from the Bureau of Internal Revenue is required as a condition precedent for the transfer of ownership thereof in the name of the transferee, the executor, or the administrator, or any of the legal heirs**, as the case may be, shall file a return under oath xxx." (Emphasis supplied)

The Commission opined that to record changes in stockholdings resulting from the death of a stockholder, existing internal revenue laws require the presentation of proof of payment by the heirs of the inheritance and estate taxes before any transfer of stock in their favor can be recorded in the books of the corporation. Once the legal requirements for transfer of shares under existing laws have been complied with, it would be a ministerial duty on the part of the corporation to register the transfer in the corporate books in the name of the legal heir.[7] Otherwise, the corporation may withhold the recording of the transfer in the STB and the issuance of the new certificates.

It shall be understood that the foregoing opinion is rendered based solely on the facts, circumstances, and documents disclosed/submitted and relevant solely to the particular issue raised therein. It shall not be used in the nature of a standing rule binding upon the Commission in other cases or upon the courts whether of similar or dissimilar circumstances.[8] If, upon further inquiry or investigation, it will be disclosed that the facts relied upon are different, this opinion shall be rendered void.

Please be guided accordingly.

Very truly yours,

ROMUALD C. PADILLA
General Counsel

[6] Republic Act No. 8424, as amended by Republic Act No. 10963.
[7] SEC-OGC Opinion No.06-28 addressed to Ms. Jessica Calfororo Salas dated 11 July 2006.
[8] Section 7, SEC MC No. 15 Series of 2003, 16 December 2003.