Republic of the Philippines
Department of Finance
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City Metro Manila
Philippines

20 March 2006

SEC Opinion No. 06-18
"Hold-over principle"

MR. MELION C. VENTURA
3 Redemption St., GSIS Village,
Barangay Sangandaan, Quezon City

Sir:

This refers to your letter dated 07 February 2006 requesting opinion on the queries posed therein.

Relative thereto, please be informed that the Commission lost its jurisdiction over cases involving election controversies and appointment of officers.

Section 5 of Presidential Decree No. 902-A provides:

> "Section 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:
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> c. Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations.
>
> xxx xxx xxx"

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Pursuant to Section 5.2 of the Securities Regulation Code, the aforecited controversy is now cognizable by the Regional Trial Court, thus:

> "Section 5.2. The Commission's jurisdiction over all cases enumerated under Section 5 of Presidential Decree No. 902-A is hereby transferred to the Court of general jurisdiction or the appropriate Regional Trial Court."

Anent your second query, your By-laws categorically provides for a one (1) year term for all elected officers. However, there is no provision which disqualifies an incumbent officer from seeking another term of office. Furthermore, it should be noted that the phrase "until their successors are duly elected and installed" simply establishes the rule on "hold-over" but does not prohibit an incumbent officer from seeking reelection.

A "hold-over" situation arises when no successor is elected due to valid and justifiable reasons. Thus, the incumbent holds over and continues to function until another officer is chosen and qualified.[1]

Very truly yours,

VERNETTE G. UMALI-PACO
General Counsel

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[1] SEC Opinion addressed to Mr. Alfdredo P. Palmiery dated June 24, 1998.

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