Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Building, EDSA, Greenhills, Mandaluyong City

SEC MEMORANDUM CIRCULAR NO. 10
Series of 2014.

TO : ALL CONCERNED

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

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

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

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

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

Published:
Philippine Star, June 2, 2014
Business Mirror, June 2, 2014

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

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

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

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

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

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

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

SECTION 1. Definition of Terms.

For purposes of these Guidelines, the following terms shall mean as follows:

1. Cum dividend – means "with dividend." A stock trades cum-dividend up until the ex-dividend date. On or after this point, the stock trades without dividend rights.

2. Declaration Date – The date on which the board of directors announces to shareholders and the market as a whole that the company will pay a dividend.

3. Ex-Dividend Date (also known as Ex-Date) – The date set by the Exchange starting from which the buyer is no longer entitled to dividends.

4. Issuer/Paying Company – a company whose board of directors decides to pay a dividend to the company's stockholders of record and announces the dividend declaration.

5. Payment Date – The date the company mails out the dividend to the holders of record. This date is generally a week or more after the Record Date so that the company has sufficient time to ensure that it accurately pays all those who are entitled.

6. Record Date – The date on which the company looks at its record to see who the shareholders of the company are who will be entitled to dividend.

7. Transfer Agent – as defined under SRC Rule 3(1)(X), Transfer Agent is any person who performs on behalf of an issuer or by itself as issuer any of the following activities:

    (i) Countersigns, when applicable, certificates of securities upon their issuance;
    (ii) Monitors the issuance of securities to prevent unauthorized issuances;
    (iii) Registers the transfer of such securities;
    (iv) Exchanges or converts such securities;
    (v) Records the ownership of securities by bookkeeping entry without physical issuance of securities certificates.

SECTION 2. List of PDTC Accounts and corresponding Shareholdings.

The Philippine Depository and Trust Corporation (PDTC) shall prepare an alphalist of all depository account holders and the total shareholdings in each of the accounts and sub-accounts as of Record Date upon receiving information on a dividend declaration.

PDTC shall provide the Issuer or its authorized Transfer Agent with the alphalist and all the depository account holders with their respective shareholdings as reflected in their depository accounts and sub-accounts, if any, not later than 12:00 noon of the day following such Record Date.

SECTION 3. List of Payees and corresponding Shareholdings.

All depository account holders which are registered broker dealers and which hold shares, for the account of their clients or for their own account, and which are payees of dividend declared by the Issuer/Paying Company shall prepare an alphalist showing the total shareholding of each account and sub-account belonging to these payees and the dealer account as of Record Date. In determining the alphalist, the broker dealers shall take into account the Philippine Stock Exchange's (PSE) conventions on transactions effected during cum and ex-dates.

The broker dealers shall also ensure that the account balances are consistent with the respective balances as reflected in the PDTC alphalist of depository account holders and corresponding total shareholdings.

The broker dealer alphalist shall provide the following information. (Please refer to the attached format – **Annex A**):

1. Name of Client/Payee (Last Name, First Name, Middle Name for Individuals, complete name for non-individuals)
2. Tax Identification Number (TIN)
3. Address of Payee
4. Status (Residence/Nationality)
5. Total Shareholding
6. Birth date (for Individuals)/Registration Number (for non-individuals)

The broker dealers shall submit the alphalist certified true and correct by their President and the Head of Settlement Unit in soft and hard copies to the Issuer or its authorized Transfer Agent not later than three (3) days from the Record Date.

SECTION 4. Computation of Dividend and Applicable Tax.

The Issuer/Transfer Agent shall compute the dividends due and applicable tax for each payee based on the reconciled or balanced alphalists of PDTC and depository account holders including the broker dealers.

To guide the depository account holders and broker dealers in the distribution of dividend, the Issuer/Transfer Agent shall provide the depository account holders and broker dealers, not later than the Payment Date, with alphalist of payees with amount of income and amount of tax withheld in accordance with herein **Annex B**.

The Issuer/Transfer Agent shall also provide the PDTC, not later than the Payment Date, with information on the total amounts of income payment and total amount of tax withheld for each depository account of PDTC's participants.

SECTION 5. Payment Procedure.

The Issuer or its authorized Transfer Agent shall pay the dividend not later than the Payment Date in accordance with the existing payment procedure unless otherwise directed or ordered by the Commission.

SECTION 6. Sanctions.

Violation of any provision of this Circular shall be penalized in accordance with Section 54 of the Securities Regulation Code.

SECTION 7. Effectivity.

This Memorandum Circular shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation.

May 22, 2014, Mandaluyong City, Philippines.

TERESITA J. HERBOSA
Chairperson

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ANNEX A

ALPHABETICAL LIST OF PAYEES

(to be prepared by depository account holders/broker dealers)

SEQ. NO.	**Tax Identification Number (TIN)**	**Name of Client/Payee** (Last Name, First Name, Middle Name for Individuals, complete name for non-individuals)	**Address of Payee**	***Status** (As to Residence/Nationality)	**Total Shareholding**	**Birth date/ Registration No.**

* **A** – Citizens of the Philippines **B** – Resident Alien Individuals **C** – Non-Resident Alien Engaged in Business **D** – Non-Resident Alien not Engaged in Business
E – Domestic Corporation **F** – Resident Foreign Corp. **G** – Non-Resident Foreign Corp.
H – Alien employees of oil exploration service contractors and subcontractors, offshore banking units and regional or area headquarters of multinational corp.

ANNEX B

ALPHABETICAL LIST OF PAYEES (to be prepared by Issuer/Transfer Agent)							
SEQ. NO.	**Tax Identification Number (TIN)**	**Name of Client/Payee** (Last Name, First Name, Middle Name for Individuals, complete name for non-individuals)	**Address of Payee**	***Status** (As to Residence/Nationality)	**Amount of Income Payment**	**Rate of Tax**	**Amount of Tax Withheld**

* **A** – Citizens of the Philippines **B** – Resident Alien Individuals **C** – Non-Resident Alien Engaged in Business **D** – Non-Resident Alien not Engaged in Business
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