Securities and Exchange Commission PHILIPPINES

BAGONG PILIPINAS

OFFICE OF THE GENERAL COUNSEL

February 20 2026

SEC OGC Opinion No. 26-04
Re: Treatment for dormant or inactive stockholders

MS. DIANNE CIELO B. FLORES
Corporate Secretary, Secured Bank
compliance@securedbankinc.com

Re : Request for opinion

Dear Ma'am:

This refers to your letter dated January 16, 2026 and your subsequent letter dated January 19, 2026, requesting for an opinion on "the appropriate treatment of unlocated stockholders reflected in [Secured Bank Inc. 's (SBI)] records."

In your letters, you disclosed the following matters:

a) In November 2024, SBI published the Notice of Special Stockholders' Meeting scheduled on December 26, 2024, in newspapers of general circulation on three separate dates (November 11, 18, and 25)[1];

b) In the first half of 2025, SBI published in March 27, April 03, and April 10 the Notice of Annual Stockholders' Meeting scheduled on May 08, 2025[2];

c) On August 21, 2025, SBI published the Notice of Special Stockholders' Meeting scheduled in September 11 of the same year[3];

d) On October 08 and 09, 2025, SBI published the Notice of Special Stockholders' Meeting scheduled on November 08, 2025[4];

e) The notices were also sent via registered mail to the last known address of the stockholders on record[5]; and

f) By December 31, 2025, SBI identified twenty-nine (29) stockholders who had failed to respond to notices sent via registered mail and publication over the preceding eighteen (18) months,[6] classifying them as "unlocatable stockholders," defined by SBI as follows:

> Unlocatable shareholder: A stockholder who has not responded to any of the five notices sent over the past 18 months via registered mail to their last known residence or addresses based on contact information provided in [SBI's] stock and transfer book and official records. These notices were

[1] Wilhelmina R. Clavano, Supplemental Letter on Request for Guidance on the Treatment of Unlocatable Stockholders (January 19, 2026), Annex "A"
[2] *Id.* at Annex "B"
[3] *Id.* at Annex "C"
[4] *Id.* at Annex "D"
[5] *Id.* at p.1, par. 2.
[6] Dianne Cielo B. Flores, Letter Request for Guidance on the Treatment of Unlocatable Shareholders (January 16, 2026)

> supplemented by publication in a newspaper of general circulation, yet [SBI] remains unable to reasonably establish contact or deliver official communications.[7]

You claim that "[t]hese circumstances present governance challenges in relation to quorum validation, voting rights, dividend distribution, and subscription eligibility."[8] As such, you are now requesting for the Commission's guidance on the following matters[9]:

1. "Possible actions and processes [SBI] may adopt to appropriately manage and regularize the records relating to unlocatable stockholders";
2. "The implications for quorum computation, voting rights, and dividend entitlements"; and
3. "The appropriate accounting and governance treatment of shares held by unlocatable stockholders."

Treatment of unlocatable shareholders

As early as the ***Planters Foundation Opinion ("Planters")***[10] which involved unknown stockholders, the Commission had already opined that a corporation has a fiduciary duty to locate stockholders and may meanwhile act as implied trustee for the latter, to wit:

> In line with this, you want to know how the unknown stockholders of the corporation may be identified to enable the issuance of the corresponding certificates of stock, and if such is not feasible, opinion on the status of these shares of stock is requested.
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> It is a well-settled rule that, even where the charter or by-laws of a corporation or the general law under which it is organized, provide that its stock shall be transferable only on the books, as between the parties, an unregistered transfer is valid. The entry of the transfer on the book is not necessary for the translation of the title, or in other words, as between the parties, the title passes by contract and not by the record. The effect of a statute providing that no transfer shall be valid except as between the parties until entered upon the corporate books is to relieve the corporation from any liability whatever on account of the transfer until it is entered upon the books.
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> In the instant case, it would appear that a trust relation is impliedly created between the Planters Foundation, Inc. (trustee) and the fertilizer end-users (cestui que trustees). The Foundation would have the legal title to the undistributed shares of Planters Products Cooperative Marketing and Supply, Inc., which were purchased by the farmers, and would hold such shares in trust for the equitable title-holders. These shares may be entered in the corporate book and shall stand in the name of the Foundation as "trustee" or said holder may be described as "trustee" in the certificate. According to the great weight of authority, the fact that one stock stands on the corporate book in the name of a person as trustee, or that, the holder thereof is described as a trustee in the certificate, is notice to both of the corporation and to the persons who may purchase such shares from the trustee, that he does not hold the shares in his own right. **The fact that the cestui que trust is not named is immaterial. Mere lapse of time after failure of the cestui que trustee to appear and claim the stock and dividend thereon will not raise a presumption of personal ownership in the person named in the certificate as trustee. Nor will the fact that the person seeking the transfer has been unable to discover the *cestuis que trustent*.** The entry on the books of the corporation is a continuous assertion that the stock is not the private property of Planters' Foundation, Inc., and thus, prevents the running of the statute of limitations. Until the stock is transferred on the corporation books in the name of the real owners, the Foundation remains the nominal owner of the shares and is regarded as the trustee of the stock for the benefit of the *cestuis que trustent*.
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> As a matter of identifying the unknown stockholders of Planters Product Cooperative Marketing and Supply, Inc., the Commission suggest that they be ***properly notified thru publication in a newspaper of general circulation, whereby the purchasers of stock of said corporation be directed to step forward and procure the proper transfer of the shares in their respective names, requiring them to produce such evidence of identity as well as their right to the transfer.*** (Citations omitted, emphasis supplied)

This doctrine was reiterated in ***SEC-OGC Opinion No. 08-16 ("Sime Darby")***,[11] *viz.*:

> Further, for shares whose owners cannot be located, a trust relation is impliedly created between the corporation and the unknown stockholders. **Such shares may be entered in the corporate book and shall stand in the name of the corporation as "trustee" or said holder may be described as "trustee" in the certificate. However, it is an elementary rule that a trustee should not profit out of the handling of the trust estate, e.g. the trustee should not himself buy the trust estate.** This springs from the fiduciary duty of the trustee of protecting the interest of the beneficiary and not to permit his personal interest to conflict with his duty in this respect.
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> Thus, ***you should exhaust all available means in ascertaining the whereabouts of these stockholders, either through publication and/or sending of notices to their next of kin, if known.*** ***Should the search prove to be***

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[7] *Supra* Note 6. at par. 2.
[8] *Id.* at par. 4.
[9] *Id.* at par. 5.
[10] SEC Opinion (September 10, 1982) [addressed to Candido S. Dizon].
[11] SEC-OGC Opinion No. 08-16 (July 22, 2008) [addressed to Sime Darby Pilipinas Inc.].

futile, it is still the fiduciary obligation of the corporation to continuously hold the shares in trust for the owners thereof, unless otherwise escheated in accordance with law. (Emphasis and underscoring supplied)

In ***SEC-OGC Opinion No. 19-37*** ("***Veterans***"),[12] the Commission further discussed the nuances regarding the applicability of the ***Planters Opinion***, to wit:

> To identify the **unknown stockholders** of [Planters], the Commission suggested that they be properly notified thru publication in a newspaper of general circulation, whereby the purchasers of [Planters] stock will be directed to step forward and effect the proper transfer of the shares in their respective names, requiring them to produce evidence of identity as well as their right to the transfer.
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> The Planters opinion on implied trust was later applied to stockholders **who cannot be found**, in the SEC opinions cited by [Veterans]. In these opinions, the Commission opined that for shares whose owners cannot be located, a trust relation is impliedly created between the corporation and the unknown stockholders. ***Such shares may be entered in the corporate book and shall stand in the name of the corporation as "trustee" or said holder may be described as "trustee" in the certificate.*** However, it is an elementary rule that a trustee should not profit out of the handling of the trust estate, e.g., the trustee should not himself buy the trust estate. This springs from the fiduciary duty of the trustee of protecting the interest of the beneficiary and not to permit his personal interest to conflict with this duty in this respect. Thus, the corporation should exhaust all available means in ascertaining the whereabouts of the stockholders, whether through publication and/or sending of notices to their next of kin, if known.
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> **Should the search prove to be futile, it is still the fiduciary obligation of the corporation to continuously hold the shares in trust for the owners thereof, unless otherwise escheated in accordance with law.** (Emphasis and underscoring supplied, citations omitted)

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Based on your very definition of unlocatable stockholders, **they are stockholders of record who are known but are dormant or inactive**. To recall, your definition included mentions of sending notices to their last known addresses based on contact information provided in SBI's stock and transfer book and official records which means that **they are identified**.

In this relation, ***Sime Darby***[13] is illustrative of the doctrine that there is a limited implied trust on behalf dormant or inactive stockholders. In ***Sime Darby***, the corporation sought to buy out the shares of the minority stockholders who are identified but cannot be reached by mail and through newspaper publication. The Commission opined that publication does not substitute for the stockholder of record's positive act of consent to the transfer of property or acquisition of shares in favor of Sime Darby. ***Sime Darby*** emphasized that dormant or inactive stockholders remain stockholders of record with full property rights, *viz.*:

> While you admitted having notified the minority stockholders by mail and through publication, you likewise conceded that the same had not been successful. By this it can be reasonably inferred that you still have not heard from any of the minority stockholders. Thus, there can hardly be meeting of the minds.
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> That your case may fall under the rules on tender offer would not materially change the situation. Under the tender offer rules, if the security holder finds the terms of the tender offer reasonable, he then accepts the same by tendering his securities for them to be accepted for payment, subject to an option to withdraw within a given time frame. In short, while you may have complied with the publication requirement, there must still be a positive act on the part of the security holder to effect an actual sale of the securities.
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> Thus, you should exhaust all available means in ascertaining the whereabouts of these stockholders, either through publication and/or sending of notices to their next of kin, if known. Should the search prove to be futile, it is still the fiduciary obligation of the corporation to ***continuously hold the shares in trust for the owners thereof, unless otherwise escheated in accordance with law.*** (Emphasis and underscoring supplied, citations omitted)

Thus, as to your first question, SBI should **maintain the status** of the dormant or inactive stockholders as stockholders of record and continue to act as a fiduciary trustee for the latter, while exerting and exhausting all available means to locate them.

Computation of quorum in stockholders' meetings

Under the Republic Act (R.A.) No. 11232 or the Revised Corporation Code (RCC),[14] a quorum for stockholders' meetings generally consists of the stockholders representing a **majority of the outstanding capital stock**, unless otherwise provided in the RCC or the by-laws. Outstanding capital stock is defined as

[12] SEC-OGC Opinion No. 19-37 (September 13, 2019) [addressed to Philippine Veterans Bank].
[13] *Supra* Note 11.
[14] Republic Act (R.A.) No. 1123 or the Revised Corporation Code (RCC) (February 23, 2019), Section 51.

the total shares of stock issued under binding subscription contracts, whether fully or partially paid, **excluding only treasury shares.**[15]

As such, all stockholders of record, **even dormant or inactive ones**, continue to be factored into the denominator of the quorum calculation as only treasury shares are excluded from the computation.

Accordingly, as to the first part of your second question, SBI **cannot exclude** "unlocatable stockholders" from the quorum count, as doing so is considered an undue restriction on the right to vote.

In the event that SBI faces a recurring inability to reach a quorum for purposes of election, the previsions of Section 25 of the RCC may apply.

Extent of the corporation's limited fiduciary duty vis-à-vis right to vote

The right to vote is an inherent and fundamental incident of ownership. In ***Veterans,***[16] the Commission discussed the right to vote as a protected property interest that remains with the stockholder of record which cannot be bypassed by unauthorized representatives or broad interpretations.

Veterans[17] clarified that the rule laid down in ***Planters***[18] on implied trust covers **only the safekeeping or holding of the shares.** This fiduciary relationship **does not necessarily confer other ownership rights to the trustee**, specifically the right to vote at stockholders' meetings. Furthermore, the doctrine of *negotiorum gestio* (officious management) cannot be used to justify voting for dormant or inactive stockholders. Voting is an act of strict dominion or ownership, not a mere act of administration; therefore, an officious manager cannot be presumed to have the power to exercise a stockholder's corporate suffrage.[19] ***Veterans***[20] discusses it in this wise:

> **It is worthy to state that unlike the *Planters* opinion which involves unknown stockholders who cannot be located, the case of [Veterans] concerns stockholders that are known but inactive or dormant.** Further, it appears that the trust mentioned in the opinions covers only safekeeping or holding of the shares, which does not necessarily confer other ownership rights to the trustee, such as the right to vote at the stockholders' meeting. ***In fact, in these opinions, the subject corporations were not allowed to recall, retire or sell the shares of its stockholders who cannot be identified or located, despite being considered as implied trustees.*** Instead, they were reminded to exhaust all available means to locate their stockholders. **Finally, there is nothing in these opinions that allowed the trustee corporation to vote the subject shares.**
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> The right to vote is a stockholder's most basic and fundamental right inherent in and incidental to the ownership of corporate shares of stock. It is an incident of ownership or of the property in the stock of which the stockholder cannot be deprived without his consent.
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> It is through the right to vote that stockholders participate in the management of the corporation. The right to vote, unlike the right to receive dividends and liquidating distributions, is not a passive thing because management or administration is, under the Corporation Code, now the [RCC], vested in the board of directors, with certain reserved powers residing in the stockholders directly.
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> Only stockholders of record as of the date fixed in the by-laws shall enjoy the right to vote. The RCC provides only three instances when a stockholder may vote indirectly, through a representative: (1) by means of a written proxy; or (2) by a trustee under a voting trust agreement; or (3) by executors, administrators, receivers and other legal representatives duly appointed by the court.
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> Under the rule of *expressio unius est exclusio alterius*, where a statute, by its terms, is expressly limited to certain matters, it may not, by interpretation or construction, be extended to others. The rule proceeds from the premise that the legislature would not have made specified enumerations in a statute had the intention been not to restrict its meaning and to confine its terms to those expressly mentioned.
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> This strict interpretation is appropriate especially since the right to vote is a property right of which the stockholder cannot be deprived except upon written consent or upon representation provided for by law.

Thus, as to the second part of your second question, in accordance with ***Veterans,*** the right to vote of dormant or inactive stockholders is absolute and protected as a property interest and SBI is prohibited from unilaterally voting these shares or bypassing the owners' rights through unauthorized representation or "deemed" proxies.

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[15] *Supra* Note 14. at Section 173.
[16] *Supra* Note 12.
[17] *Id.*
[18] *Supra* Note 10.
[19] *Supra* Note 12.
[20] *Id.*

Dividend entitlement of dormant or inactive stockholders

Section 42 of the RCC provides that the board of directors of a stock corporation may declare dividends out of unrestricted retained earnings, which are payable to all stockholders on the basis of the outstanding stock held by them.[21]

For **all** stockholders of record, their right to receive dividends is a right emanating from ownership of a specific stock, i.e. *jus fruendi*.[22] The right to receive dividends is a fundamental contractual right as illustrated by the fact that even if a stockholder were to be declared delinquent, he or she would still retain his or her right to dividends under Section 70 of the RCC, subject only to the rule that any cash dividends would first be applied to his or her unpaid balance, and stock dividends would be withheld until his or her subscription is fully paid.[23]

Since dormant stockholders are typically stockholders of record, their right to dividends is protected and they must be credited with the full value of the distribution of dividends.

Mere lapse of time after failure of the stockholder to appear and claim the dividend thereon will not raise a presumption of personal ownership in favor of the corporation. The corporation remains the nominal owner and trustee, holding the dividends for the benefit of the true owner, i.e. the dormant or inactive stockholders.[24]

Thus, as to the third part of your second question, SBI must continue to treat the shares held by its "unlocatable stockholders" as part of the outstanding capital stock and SBI is legally required to hold all dividends declared in trust for these owners. These funds cannot be cancelled, reacquired, or transferred by SBI through unilateral action, unless otherwise escheated in accordance with the law.[25]

Accounting and governance treatment for unlocatable shareholders

As to your third question, the accounting treatment of the shares held by unlocatable shareholders is that they shall not affect the share or equity capital of the corporation, they being still a part of the outstanding capital stock as aforementioned.

As to the governance treatment, please refer to our discussion on the previous questions. We note, however, that SBI is a Rural Bank which may be covered by other relevant regulations issued by the Bangko Sentral ng Pilipinas (BSP).

It shall be understood that the foregoing opinion is rendered solely on the basis of the facts, circumstances and documents disclosed/submitted, and should be considered 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.[26] If upon investigation, it will be disclosed that the facts relied upon are different, this opinion shall be rendered null and void.

Yours most respectfully,

ROMUALD C. PADILLA
General Counsel

[21] *Supra* Note 14, at Section 42.
[22] *Roy III v. Herbosa*, G.R. No. 207246, April 18, 2017 [Per J. Caguioa, En Banc]
[23] *Supra* Note 14 at Section 70.
[24] *Supra* Note 10.
[25] For example, Section 139 of the RCC provides the following rule:

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> Except as otherwise provided for in Section 93 and 94 of this Code, upon the winding up of corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown or cannot be found shall be escheated in favor of the national government.

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[26] SEC Memorandum Circular No. 15 (2003), Section. 7.