



Republic of the Philippines
SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City

January 31, 2005

SEC Opinion No. 05-02
Re: Bearer Certificates

Termulo, Yumang, Munoz,
Palma & Associates
3rd Flr., Priscilla 100 Bldg.,
2297 Pasong Tamo Extension
Makati City

Attention: **Atty. Pedro M. Palma, Jr.**

Gentlemen:

This refers to your letter dated September 29, 2004 requesting clarification as to whether or not "Bearer" stock certificates may be issued by a corporation upon the request of a subscriber.

A certificate of stock is a written instrument signed by the proper officer of a corporation stating or acknowledging that the person named therein is the owner of a designated number of shares of its stock. It indicates the name of the holder, the number, kind and class of shares represented, and the date of issuance.¹

"Every certificate must state on its face that the corporation is organized under the laws of the state, the name of the person to whom issued, the number and class of shares and the designation of a series if any which the certificates represents, the par value of each share represented, or a statement that the shares are without par value."² "Thus, it is of great importance that there be no ambiguity thereof."³

The issuance of "bearer" stock certificates is not allowed under the law. Certificates of stock may be issued only to registered owners of stock in a corporation upon full payment of subscription. It bears emphasizing that "a certificate of stock is

¹ De Leon, Corporation Code of the Phil. Annotated, 2002 ed., p. 550

² Fletcher Cyclopedia Corporations, Vol. 11, p. 320

³ Fletcher Cyc Corp, Vol. 12, p.404

Rev'd by:

[Signature]
ABEL RODRIGUEZ RONCALLES 2/28/05

not a negotiable instrument.”⁴ Although it is sometimes regarded as quasi-negotiable, in the sense that it may be transferred by indorsement, coupled with delivery, it is well settled that it is non-negotiable, because the holder thereof takes it without prejudice to such rights or defenses as the registered owner’s or transferor’s creditor may have under the law except insofar as such rights or defenses are subject to the limitations imposed by the principles governing estoppel.⁵

Hence, your query is answered in the negative.

Very truly yours,



VERNETTE G. UMALI-PACO
General Counsel

⁴ De Leon, Corp. Code, 2002 ed., p. 550

⁵ Tan vs. SEC, 206 SCRA 740