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## Did you know? Sharing information and ideas

Did you know that the Corporation Code of the Philippines, which was last amended in 1980 is now in the process of being amended? This is currently in the Congress for discussion and the amendments aim to update the Code. In general, it seeks to improve the code by augmenting several provisions that tend to enhance and extend the scope and requirements needed to better regulate a corporation from its initial registration to its ultimate dissolution and to update those old provisions to incorporate recent developments in the environment.

The more significant amendments proposed (as of July 2014) are as follows:

- a one person corporation is already allowed with certain requirements;
- pre-need companies are no longer permitted to issue no-par value shares of stocks;
- redeemable shares can only be redeemed if after the redemption, there is still a sufficient assets in the corporation's book to cover its liabilities;
- a perpetual term is already allowed;
- a minimum authorized capital stocks of Php1M for stock corporation and 200k shares for non-stock corporation are now required and the minimum paid-up capital has been increased from Php5k to Php62,500;
- a new and more detailed information on the content of the articles of incorporation has been incorporated;
- an application/filing is now required to be submitted in the form of an electronic documents;
- a compliance officer is now required as minimum officer of a corporation;
- a lead time of "within three months" from BOD/Stockholder's approval is already required when applying for the increase/decrease of authorized capital stocks;
- a 2/3 votes of the outstanding capital stocks are already required in amending the by-laws;
- the initial amount of securities deposits required for a Branch was increased from Php100k to Php500k, and the amount of "gross sales" basis in calculating the additional securities deposit has been increased from Php5M to Php10M; and
- the determination of nationality of a corporation has been revised. Both the outstanding capital stock and the voting stocks are now considered the basis of computing the required percentage of Filipino ownership. The control test is also indicated to be applied when determining the Corporation's nationality.

In relation to the amendment related to the content of the articles of incorporation, the SEC has already issued the SEC Memorandum Circular no. 6, series of 2014 directing corporations and partnership whose articles of incorporation or articles of partnership still indicate a general address as their principal office address, such as city, town or municipality, or "Metro Manila" to file, on or before December 31, 2014, an amended articles of incorporation or amended articles of partnership, as the case maybe, in order to specify their complete addresses, such that it has a street no., street name, barangay, city or municipality, and if applicable, the name of the building, the number of the building, and name or number of the room or unit.

For more information on the amendments to the Corporation Code, you may also see attached file with detailed comparison of the existing and the proposed changes to the Corporation Code. These proposed changes are as of July 22, 2014 and further changes may ensue.

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