



Revised guidelines on compliance with securities deposit of branch offices of foreign corporations

The Securities and Exchange Commission (SEC) issued revised policies and guidelines on compliance with securities deposit by foreign branches in the Philippines.

Coverage and amount of securities deposit

All branches of foreign corporations licensed to do business in the Philippines are mandated to deposit securities based on the following schedule:

1. Securities with actual market value of at least P500,000 -- within 60 days from the issuance of the SEC license
2. Within six months after the end of the fiscal year, additional securities shall be deposited as follows:
 - a. If the gross income within the Philippines exceeds P10 million, additional securities with an actual market value equivalent to 2% of the increase in gross income; and
 - b. If the actual market value of the securities deposit or financial instrument has decreased by at least 10% from the time it was deposited, additional securities with an actual market value that would cover the decrease

The following corporations are not required to post securities deposit:

1. Foreign banking corporations, including offshore banking units
2. Foreign insurance corporations
3. Foreign non-stock corporations including foreign religious corporations
4. Foreign corporations that have established representative offices in the Philippines
5. Regional or area headquarters of multinational companies
6. Operating regional headquarters of multinational companies

Types of acceptable securities

The following securities or combination thereof are acceptable as deposit:

1. Government debt instruments
2. Equity debt instruments
 - a. Shares of stock in registered enterprises under the Omnibus Investment Code of 1987
 - b. Shares of stock in domestic corporations registered in the stock exchange
 - c. Share of stock in domestic insurance corporations under the supervision and regulation of the Office of the Insurance Commissioner
 - d. Share of stock in banks licensed by the Bangko Sentral ng Pilipinas

Procedures for application of securities deposit

1. A written application to deposit securities shall be filed with the SEC, signed under oath by the resident agent or its authorized representative.
2. A monitoring fee of 1/10 of 1% of the amount of securities deposit but not lower than P10,000 and not exceeding P50,000 per annum shall be charged upon filing of the application.
3. The SEC shall determine whether or not the securities deposited are acceptable and its actual market value is at least P500,000.
4. The SEC shall then issue a Certificate of Acceptance of Deposit to inventory the securities.
5. The branch office shall ensure that securities accepted remain unimpaired during the period that the foreign corporation engages/transacts business in the Philippines.
6. Substitution of other securities for those already on deposit is allowed.

Release of securities

Securities may be released under the following instances in which the SEC will issue a Certificate of Partial Release of Securities:

1. If there is more than 10% decrease in gross income of the branch office
2. If the actual market value of the total securities deposit has increased by more than 10% of the actual market value of the securities at the time they were deposited

The current balance of the security deposit should be maintained under the following instances:

1. The gross income is equal to allowable deductions defined under this Circular
2. The gross income after allowable deductions defined under this Circular would result in a negative amount

Fines and penalties

1. Failure to post the required amount of security deposit within the prescribed period shall be subject to a daily penalty of 1/100 of 1% of the amount of security deposit, which should be additionally posted until the requirement is fulfilled.
2. The branch office’s license shall be suspended/revoked for failure to post securities deposit despite notice and hearing.
3. The fines and surcharges for late deposits are as follows:

#	Initial Securities Deposit	Additional Securities Deposit
1 st Violation	Basic fine – P10,000 Surcharge – P500 per month of delay	Basic fine – P7,000 Surcharge – P500 per month of delay
2 nd Violation	Basic fine – P10,000 Surcharge – P1,000 per month of delay	Basic fine – P7,000 Surcharge – P1,000 per month of delay
3 rd Violation	Basic fine – P10,000 Surcharge – P1,500 per month of delay	Basic fine – P7,000 Surcharge – P1,500 per month of delay

Note: A fraction of a month shall be considered one month for purposes of computing the surcharge.

4. The penalties shall be without prejudice to the filing of criminal charges against the persons responsible for the violation.

Collection of interest/return of securities

- The branch office is entitled to collect the interest or dividends on the securities during the period they are deposited with the SEC.
- The SEC may return the securities through a Certificate of Return of Deposit whenever a foreign corporation decides to withdraw its business from the Philippines.

Please refer to [SEC Memorandum Circular](#) for your reference and guidance.

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