



**IFIAR 2019 Member Profile – Philippine Securities and Exchange Commission (PSEC)**

<p><b>1. Jurisdiction</b></p>	<p><b>1.1 Insert the name of the jurisdiction in English:</b></p> <p>Philippines</p>
<p><b>2. Member<sup>1</sup></b></p>	<p><b>2.1 Insert the name of the Member, both in the local language and in English:</b></p> <p>English: Philippine Securities and Exchange Commission or PSEC</p> <p>Local Language (Filipino): Komisyon sa mga Panagot at Palitan</p> <hr/> <p><b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b></p> <p>Postal Address: Secretariat Building, PICC Complex, Roxas Boulevard, 1307 Metro Manila, Philippines</p> <p>Telephone No.: (+632) 818-0923</p> <p>Fax No.: (+632) 818-5293</p> <p>Website: <a href="http://www.sec.gov.ph/">http://www.sec.gov.ph/</a></p> <hr/> <p><b>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</b></p> <p>The following provisions of (1) Republic Act No. 8799, otherwise known as the Securities Regulation Code (SRC) which was approved on July 19, 2000 and (2) Batas Pambansa Blg. 68 (National Law No. 68), otherwise known as the Corporation Code of the Philippines which was approved on May 1, 1980, empower the PSEC to oversee external audit firms and/or auditors of entities overseen by the PSEC.</p> <p>The SRC grants PSEC the authority and power over accounting rules and regulations.</p> <p><b>1. The SRC</b></p>

<sup>1</sup> In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.



Section 68 of the SRC and Rule 68 issued by the Philippine SEC:

Section 68. Special Accounting Rules - The Commission shall have the authority to make, amend, and rescind such accounting rules and regulations as may be necessary to carry out the provisions of this Code, including rules and regulations governing registration statements and prospectuses for various classes of securities and issuers, and defining accounting, technical and trade terms used in this Code. Among other things, the Commission may prescribe the form or forms in which required information shall be set forth, the items or details to be shown in the balance sheet and income statement, and the methods to be followed in the preparation of accounts, appraisal or valuation of assets and liabilities, determination of depreciation and depletion, differentiation of recurring and non-recurring income, differentiation of investment and operating income, and in the preparation, where the Commission deems it necessary or desirable of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer.

The SRC has its Implementing Rules and Regulations (IRR), one of which is SRC Rule 68, as Amended. SRC Rule 68 (together with subsequent official pronouncements, interpretations and rulings on accounting and reporting matters, which may be issued by the Commission from time to time) currently provides the following (there are proposed amendments that will increase the thresholds and revisions/updates on the current ruling for better protection of investors):

- i. The requirements applicable to the form and content of financial statements required to be filed with the Commission by corporations which fall under any of the following categories:
  - a. Stock corporations with paid-up capital stock of Fifty Thousand Pesos (P50,000) or more;
  - b. Non-stock corporations with total assets of Five Hundred Thousand Pesos (P500,000) or more, or with gross annual receipts of One Hundred Thousand Pesos (P100,000) or more;
  - c. Branch offices of stock foreign corporations with assigned capital in the equivalent amount of One Million Pesos (P1,000,000) or more;
  - d. Branch offices of non-stock corporations with total assets in the equivalent amount of One Million Pesos (P1,000,000) or more;
  - e. Regional operating headquarters of foreign corporations with total revenues in the equivalent amount of One Million Pesos (P1,000,000) or more.

Financial statements of branch offices of foreign corporations licensed to do business in the Philippines by the Commission shall comply with the requirements of the Rule unless otherwise determined by the Commission as not applicable.

- ii. Additional requirements for financial statements of following corporations covered under Section 17.2 of the SRC as set forth under Part II of SRC Rule 68:



	<p>a. Issuer which has sold a class of its securities pursuant to a registration statement under Section 12 of the SRC;</p> <p>b. Issuer with a class of securities listed for trading on an Exchange; and</p> <p>c. Issuer with assets of at least Fifty Million Pesos (P50,000,000) or such other amount as the Commission shall prescribe and has Two Hundred (200) or more holders each holding at least One Hundred (100) shares of a class of its equity securities as of the first day of the issuer's fiscal year</p> <p>iii. Accreditation by the PSEC of the external auditors of the PSEC-regulated entities categorized under Groups A, B or C. The accreditation serves as a quality control mechanism or quality assurance review by the PSEC on the audit work of the accredited external auditors. The audited financial statements (AFS) of their selected audit clients are reviewed during the evaluation of their applications for accreditation.</p> <p><b>Group A</b></p> <p>a. Issuers of registered securities which have sold a class of securities pursuant to a registration under Section 12 of the SRC except those issuers of registered timeshares, proprietary and non-proprietary membership certificates which are covered in Group B;</p> <p>b. Issuers with a class of securities listed for trading in an Exchange;</p> <p>c. Public companies or those which have total assets of at least Fifty Million Pesos (P50,000,000) or such other amount as the Commission shall prescribe and having Two Hundred (200) or more holders each holding at least One Hundred (100) shares of a class of its equity securities.</p> <p><b>Group B</b></p> <p>a. Issuers of Registered Timeshares, Proprietary and Non-Proprietary Membership Certificates;</p> <p>b. Investment Houses;</p> <p>c. Brokers and Dealers of securities;</p> <p>d. Investment Companies;</p> <p>e. Government Securities Eligible Dealers;</p> <p>f. Universal Banks Registered as Underwriters of Securities;</p> <p>g. Investment Company Advisers;</p> <p>h. Clearing Agency and Clearing Agency as Depository;</p> <p>i. Stock and Securities Exchange/s;</p> <p>j. Special Purpose Vehicles registered under the Special Purpose Vehicle Act of 2002 and its implementing rules;</p> <p>k. Special Purpose Corporations registered under the Securitization Act of 2004 and its implementing rules;</p> <p>l. Such other corporations which may be required by law to be supervised by the Commission.</p> <p><b>Group C</b></p> <p>a. Financing Companies;</p> <p>b. Lending Companies; and</p> <p>c. Transfer Agents.</p>
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- iv. There are requirements for accreditation of applicant-external auditors (both individuals and firms).

The PSEC accreditation is for a period of three (3) years subject to renewal. The PSEC has the right to suspend or revoke the auditors' accreditation upon notice and hearing if the accredited auditors commit serious violations. The PSEC may also impose monetary penalties on accredited firms or individuals if it finds material errors or deficiencies in the AFS of the external auditors' corporate clients. In other cases, in addition to monetary penalties, the auditors may be required to restate and reissue the AFS. Only auditors duly accredited by the PSEC can audit the aforementioned regulated companies under Groups A, B or C.

Section 5 of the SRC

Powers and Functions of the Commission - The Commission shall act with transparency and shall have the powers and functions provided by this Code, Presidential Decree No. 902-A, the Corporation Code, the Investment Houses Law, the Financing Company Act and other existing laws. Pursuant thereto, the Commission shall have, among others, the following powers and functions:

- a. Have jurisdiction and supervision over all corporations, partnerships or associations who are the grantees of primary franchises and/or a license or a permit issued by the Government;
- b. Formulate policies and recommendations on issues concerning the securities market, advise Congress and other government agencies on all aspects of the securities market and propose legislation and amendments thereto;
- c. Regulate, investigate or supervise the activities of persons to ensure compliance;
- d. Impose sanctions for the violation of laws and rules, regulations and orders, and issued pursuant thereto;
- e. Prepare, approve, amend or repeal rules, regulations and orders, and issue opinions and provide guidance on and supervise compliance with such rules, regulation and orders;
- f. Issue cease and desist orders to prevent fraud or injury to the investing public;
- g. Punish for the contempt of the Commission, both direct and indirect, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court;
- h. Compel the officers of any registered corporation or association to call meetings of stockholders or members thereof under its supervision;
- i. Issue subpoena *duces tecum* and summon witnesses to appear in any proceedings of the Commission and in appropriate cases, order the examination, search and seizure of all documents, papers, files and records, tax returns and books of accounts of any entity or person under investigation as may be necessary for the proper disposition of the cases before it, subject to the provisions of existing laws;
- j. Suspend, or revoke, after proper notice and hearing, the franchise or certificate of registration of corporations, partnership or associations, upon any of the grounds provided by law; and



k. Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws.

PSEC Memorandum Circular (MC) No. 9, Series of 2017

The PSEC MC No. 9, Series of 2017 on Rules and Regulations was issued solely for the Implementation of the SEC Oversight Assurance Review (SOAR) Inspection Program; this was approved by the Commission *En Banc* on August 18, 2017 and was published in two (2) newspapers of general circulation in the Philippines on August 22, 2017. As no questions or comments were raised on the rules during the period allowed, such rules have become effective and officially enforced fifteen (15) days after its publication.

The SOAR Inspection Program is the initiative of the PSEC to do an on-site review of the quality control policies and procedures of accredited firms auditing companies with equity or debt securities listed in an exchange and a review of portions of the audit work on selected audit engagements of these firms from time to time. The Circular is divided into nine (9) sections which cover brief information regarding the Inspection Program, the SOAR Organization, Consultations with Resource Persons, the Scope, Coverage and Frequency of Inspection, the Inspection Process, Reporting, Remediation Action and Other Matters.

**2. Section 141 of the Corporation Code of the Philippines**

The Corporation Code is the law that requires Corporations, either domestic or foreign, to comply with the requirements on reporting of the PSEC.

Annual report of corporations - Every corporation, domestic or foreign, lawfully doing business in the Philippines shall submit to the PSEC an annual report of its operations, together with a financial statement of its assets and liabilities, certified by any independent certified public accountant (CPA) in appropriate cases, covering the preceding fiscal year and such other requirements as the PSEC may require. Such report shall be submitted within such period as may be prescribed by the PSEC.

Below are the relevant proposed amendments to the SRC Rule 68 and the Corporation Code of the Philippines:

- The SRC Rule 68 became effective on February 1, 2001. Its amendments were passed on October 20, 2011 and became effective in November 2011.

There are proposed amendments pertaining to the SRC Rule 68, As Amended, which shall then be called the "Revised SRC Rule 68". The proposed amendments include the following: additional requirements for accreditation of external auditors, provisions for the conduct of the SOAR Inspection Program, and adoption of certain requirements for the implementation of the ASEAN financial market integration. The Commission, after the public hearing conducted in 2014 and



	<p>consultations with public practitioners through the Auditing and Assurance Standards Council, has approved the proposed amendments to the Revised SRC Rule 68 on April 21, 2016. The Revised SRC Rule 68 is a complete compilation of all financial reporting rules and which includes all amendments and all latest rules and regulations on financial reporting up to present which are duly approved by the Commission <i>En Banc</i> and are already fully enforced. On June 7, 2018, this was posted in the PSEC website inviting all interested parties to submit their comments and inputs within thirty (30) days from the date of such exposure. Comments received from the public were carefully considered. Currently, the final review process of the Revised SRC Rule 68 is ongoing.</p> <ul style="list-style-type: none"> <li>▪ The Revised Corporation Code was approved by the Senate and the House of Representatives on November 28, 2018 and is currently an enrolled bill and is awaiting the approval and signature of President Rodrigo Roa Duterte. The following are the amendments in the Revised Corporation Code which have impact on financial reporting, on external auditors and on PSEC's functions:             <ul style="list-style-type: none"> <li>a. Financial statements of corporations who have total assets or total liabilities of less than Six Hundred Thousand Pesos (Php600,000) may be certified under oath by the Treasurer and President.                 <p>Except above, all the financial statements of registered corporations must be duly signed and certified by an independent CPA in accordance with the Revised Corporation Code.</p> <p>The previous Corporation Code, however, allows the financial statements of corporations with paid-up capital of less than Fifty Thousand Pesos (Php50,000) to be only certified under oath by the Treasurer and any responsible officer of the corporation.</p> </li> <li>b. The formation of One Person Corporations, or a corporation with a Single Stockholder is now allowed. A One Person Corporation is not required to have a minimum authorized capital stock except as otherwise provided by special law.                 <p>Under the previous Corporation Code, any number of natural person not less than five (5) but not more than fifteen (15) may form a private corporation for any lawful purpose or purposes. Each of the incorporators of the stock corporation must own or subscribe to at least one (1) share of the capital stock of the corporation.</p> <p>A One Person Corporation is also required to submit an annual financial statement, subject to the provisions discussed in (a) above.</p> </li> <li>c. Penalties are now imposable to independent auditors who, in collusion with the corporation's directors or representatives, certify the corporation's financial statements despite its incompleteness or inaccuracy, its failure to give a fair and accurate presentation of the corporation's condition or despite containing false or misleading misstatements. The independent auditors shall be punished with a fine ranging from Eighty Thousand Pesos (Php80,000) to Five Hundred Thousand Pesos (Php500,000). When the statement or</li> </ul> </li> </ul>
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	<p>report certified is fraudulent, or has the effect of causing injury to the general public, the auditor or responsible officer may be punished with a fine ranging from One Hundred Thousand Pesos (Php100,000) to Six Hundred Thousand Pesos (Php600,000).</p> <p>d. PSEC is explicitly authorized to exercise visitorial powers over all corporations, which powers shall include the examination and inspection of records, regulation and supervision of activities, enforcement of compliance and imposition of sanctions in accordance with the Revised Corporation Code.</p> <hr/> <p><b>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p>No, except for the Revised Corporation Code which is now with the Office of the President and is awaiting the approval and signature of President Rodrigo Roa Duterte for it to become a law. In our submitted application form last July 2017, the Revised Corporation Code was pending the approval of Senate and the House of Representatives.</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p> <p>Not applicable.</p>
<p><b>3. Governing Body Composition and members</b></p>	<p><b>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not<sup>2</sup>. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p>The governing body of the PSEC is the Commission <i>En Banc</i>. It is a collegial body, composed of a Chairperson and four (4) Commissioners, appointed by the President of the Republic of the Philippines for a term of seven (7) years each. The Chairperson and the Commissioners shall serve as such until their successor have been appointed and qualified.</p> <p>In addition, all members of the Commission <i>En Banc</i> are independent from the audit profession. They are required to work full time with the PSEC and are required to have undivided loyalty to the PSEC in the execution of their duties. Thus, there may not be any instance where they will be connected in any capacity with the auditing firms, professional accountancy bodies and entities associated with the audit profession.</p> <p>The current composition of the Commission <i>En Banc</i> is as follows:</p> <p>A. <b>Emilio Benito S. Aquino</b> (June 7, 2018 – present) <i>Chairperson</i></p>

<sup>2</sup> An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.





Prior to his appointment as PSEC's Chairperson in 2018, Emilio Benito Aquino was appointed as PSEC Commissioner by President Rodrigo R. Duterte on December 2, 2016.

For over a decade, Commissioner Aquino was a practicing CPA-Lawyer based in Western Mindanao. He taught commercial law subjects at the law schools of Ateneo del Zamboanga and Western Mindanao State University.

His appointment as PSEC's Commissioner in 2016 marked his return to the PSEC where he rose through the ranks to become the youngest Director of its former Prosecution and Enforcement and Non-Traditional Securities and Instruments Departments. He is credited for having issued the most number of Cease and Desist Orders against pyramiding and boiler-room operations of pseudo investment firms. He also headed the PSEC Davao and Zamboanga Extension Offices where he launched capital market promotion activities as well as a relentless enforcement program against investment scams in the countryside.

As a PSEC Commissioner, He was designated as the Supervising Commissioner on Enforcement, Human Resource and Administration as well as Extension Offices concerns. As such, he was able to carry out a proactive and effective enforcement drive of the Commission as Champion of Investor Protection. He led the recent sweep against illegal lenders and is now the PSEC's point man on Cybercrimes and Cryptocurrencies.

He earned a Bachelor of Science degree in Commerce major in Accounting, Magna Cum Laude and Valedictorian at the Universidad de Zamboanga in 1984. He hurdled the CPA Licensure Exams with a rating of 89.14%. He finished his law studies at San Beda College where he was a Dean's Lister and Silver Medalist. He placed 16th in the 1992 Bar Exams. Under a government scholarship, he earned a Master's degree in Public Management at the Development Academy of the Philippines, graduating at the top of his class. He was also sent to the University of Sydney in Australia where he was conferred a Certificate of Study for a short course in Effective Governance. He completed a course in Asian Institute of Management (AIM) in 2002. He was sent to numerous foreign trainings and conferences in Asia, Europe, Australia and North America to include three (3) International Institutes on Enforcement and Securities Market Development at the US SEC in Washington D.C., Chicago and New York.

A Multiple Paul Harris Fellow (PHF+8) of The Rotary Foundation, he was the President of the Rotary Club of Zamboanga City West for RY 2009 to 2010 capping the Most Outstanding President plum plus 14 major District Awards and 6 Rotary International Citations and Distinctions. He is a Past President of the Integrated Bar of the Philippines Zambasulta Chapter which was recognized under his able leadership as the country's Best IBP Chapter during the 15th National Convention of Lawyers in Cebu City. He was elected President of the UZ Alumni Association and was thrice awarded as the Most Outstanding Alumnus of Universidad de Zamboanga in the field of Law, Business and Accountancy. He was also awarded as Outstanding Silver Jubilarian of San Beda Law '92. He also held top





positions in the local and regional levels of the Philippine Institute of Certified Public Accountants and presently, a member of the Boy Scouts of the Philippines Executive Board and Chair of Ways and Means.

**B. Antonieta Fortuna-Ibe**  
*Commissioner*

Commissioner Ibe started her professional career in Sycip Gorres Velayo & Co. (SGV & Co.) where she rose from junior auditor to partner. As partner at SGV & Co., the biggest accounting firm in the Philippines, for 20 years, Commissioner Ibe managed and handled assignments for audit clients in various industries, as well as special projects for the Firm including the development of manuals for thirteen (13) industries for use by the auditors. While at SGV & Co., she also served as Chairman of the Professional Regulatory Board of Accountancy (BOA), and previously as Vice Chairman and Member for five (5) years. As BOA Chairman, she helped develop the Country Action Plan for the accounting profession, now fully implemented, and instituted reforms for local accountancy, the most significant of which was the full adoption of the international accounting and auditing standards by the Philippine accountancy profession.

In 2001, she was named Chairperson of the Professional Regulation Commission (PRC), the first-ever female Chairperson to be appointed. As Chair, she was member of different professions' councils. She introduced good governance as the platform of her administration. She resigned in 2004 to avoid any possible conflict of interest when her daughter who was the bet of her medical school took the medical board licensure examinations. As PRC Chair, Commissioner Ibe instituted reforms in professional regulation such as raising the bar for professional licensure examinations and practice; starting the computerized Licensure Examination and Registration Information System and archiving system; among others. It was during her term that 11 new/amended professional legislations were enacted, a first in PRC history. She spearheaded the development of the Code of Good Governance for all Professions in the Philippines, jointly with all the 42 Professional Regulatory Boards and the 42 Accredited Professional Organizations, which was signed as Executive Order No. 220 dated June 23, 2003 of the President of the Philippines; and the Good Governance Code of Ethical Standards for PRC and employees.

After her resignation from the PRC, Commissioner Ibe was a Risk Management Partner at the KPMG member firm in the Philippines, reporting directly to the Asia Pacific Region on risk management matters. Later, as Chancellor of the University of the East (UE), she was key to introducing reforms in the University's accountancy program and other programs.

Commissioner Ibe was a National Secretary of the Philippine Institute of Certified Public Accountants (PICPA), Chairman of PICPA Metro Manila Regional Council and Secretary General of the ASEAN Federation of Accountants (AFA) and member of the AFA Council. While member and Chair of BOA, she was also the President of the Philippine Association of Professional Regulatory Board Members for two (2) years. She was also a member of Commission on Higher



Education Technical Panel on Accounting Education. Her other significant involvement in accountancy-related activities was assistance in the conceptualization and development of a Quality Assurance Review Program for accounting firms in 2006, and the development of the Roadmap of the Philippine accountancy profession.

She was also a consultant of the World Bank; currently, she is a Trustee of the Institute for Solidarity in Asia (ISA), an organization whose main advocacy is governance, and the Chair of UE Alumni Foundation. Immediately prior to her appointment at the PSEC, Commissioner Ibe was a member of the Board of Trustees of the Local Water Utilities Administration (LWUA) for over a year.

She is a recipient of the following awards and distinctions, among others: PRC's Outstanding Professional in Accountancy, and Medallion for Professional Excellence; PICPA's Accountancy Hall of Fame, Outstanding CPA in Public Practice and Outstanding PICPA Member; one of UE's Most Outstanding Alumni during its 60th Anniversary; and an Outstanding Alumna of the College of Business Administration Alumni Award; Fellow for Good Governance and Responsible Citizenship from ISA; and SGV's special award for outstanding performance and getting the respect and recognition of clients.

Commissioner Ibe is a CPA and graduated with Bachelor in Business Administration major in Accountancy, magna cum laude from UE. She took up her Advanced Management Program from the Asian Institute of Management (AIM) and her Management Development Program from The European Institute of Business Administration (INSEAD) in Fontainebleau, Cedex, France as an SGV scholar. She has attended various development executive trainings and seminars on the accounting profession and other disciplines in the United States, Canada, United Kingdom, France and other ASEAN countries. She was also a speaker in national and international conferences. She also attended the US SEC International Institute in Washington D.C. and in Chicago and the US Public Company Accounting Oversight Board Training in Washington D.C.

**C. Ephyro Luis B. Amatong**  
*Commissioner*

Before joining the PSEC, Commissioner Amatong was an Assistant Secretary of Department of Finance (DOF) where he had an active role in a number of privatization projects. He was the DOF representative to the Inter-Agency Anti-Graft Coordinating Council and was also part of the team that developed and implemented President Aquino's Reform Program for the Bureau of Customs.

He also served in various capacities in the government, namely as Vice President of the Philippine Deposit Insurance Corporation, Corporate Staff Officer of the National Power Corporation, Acting Chairman of the LWUA, Corporate Legal Counsel and Assistant Corporate Secretary of the PNOG Exploration Corporation, Adviser to



then Ambassador Hilario G. Davide, Jr. at the Permanent Mission of the Philippines to the United Nations, and Senior Law Clerk to then Justice Conchita Carpio Morales of the Supreme Court of the Philippines.

Before joining the government, he was an associate with the Villaraza & Angangco Law Offices, where he dealt with high-profile litigation cases.

Commissioner Amatong is a member of the Philippine Bar and the New York Bar. He holds a Master of Laws degree, with an International Finance concentration, from Harvard Law School, where he was an Ayala scholar and a Eugenio Lopez scholar. He also holds a Bachelor of Laws degree from the UP College of Law, where he was conferred the Dean’s medal for academic excellence, and a Bachelor of Science in Business Economics degree, cum laude, from the UP School of Economics. He was a member of the Order of the Purple Feather, the Honors Society of the UP College of Law, and is a life member of the Honor Societies of Phi Kappa Phi and Pi Gamma Mu.

**D. Javey Paul D. Francisco**  
*Commissioner*

Javey Paul Durban Francisco is a career public servant who has been with the PSEC for the last 17 years. He rose from the ranks starting out as a Securities Counsel II in 2001, promoted to Securities Counsel III in 2003, then Officer-in-charge in 2005. Prior to his appointment as Commissioner by President Rodrigo Roa Duterte on April 18, 2018, he was the PSEC’s Director for its Davao Extension Office, a position he has held since 2007. Said Office has jurisdiction over PSEC operations in Regions XI, XII and some parts of the Autonomous Region in Muslim Mindanao.

His professional career as a lawyer began with a stint at the Angara Abello Concepcion Regala and Cruz Law Offices or ACCRA Law where he was an associate from 1996-2000. While at ACCRA, he handled various corporate, labor, litigation as well as public interest cases. He joined the government service in 2001 with a short stay at the Office of the Ombudsman for Mindanao. In the same year, he transferred to the PSEC. At the PSEC, he was sent to attend two international training-conferences, the Tokyo Seminar on Securities Regulation, Tokyo, Japan sponsored by the Financial Services Agency-Japan (2006) and 9th International Conference on Financial Crimes and Terrorism Financing, Kuala Lumpur, Malaysia (2017).

Commissioner Francisco is a product of the Ateneo de Davao University where he studied from elementary up to law school. He earned his Bachelor of Arts major in Philosophy degree in 1991 and his law degree in 1995. He was admitted to the Bar in 1996. In 2005, he earned his Master in Management degree from the University of the Philippines in Mindanao. After completing the Executive Leadership Program of the Career Executive Service Board, he was granted Career Executive Service Eligibility in 2010.

His professional and civic affiliations include the Integrated Bar of the Philippines-Davao City Chapter and the National Union of Career



Executive Service Officers or NUCESO. He is the treasurer of the Association of Regional Executives of National Agencies in Region XI (ARENA XI). He was a former member of the board of trustees of the Ateneo de Davao University Alumni Association, a life member of the Mindanao Amateur Radio Association or MINDARA and is also a Past Master of Datu Bago Masonic Lodge No. 197 of the Free and Accepted Masons of the Philippines.

**E. Kelvin Lester K. Lee**  
*Commissioner*

Kelvin Lester K. Lee, a lawyer, was appointed as the newest PSEC Commissioner by President Rodrigo Roa Duterte on January 25, 2019. Prior to joining the Commission, Atty. Lee was an Assistant Secretary in the Office of the Executive Secretary, Office of the President (OP), where he handled special concerns of the Executive Secretary, Government Owned and Controlled Corporations (GOCCs) and various agencies/instrumentalies under the OP.

While working in Malacañang as an Assistant Secretary, he was also concurrently the head of the Strategic Action and Response Office (STAR). As Head of STAR, Atty. Lee was responsible for its constituent offices, namely, the Presidential Complaint Center and the 8888 Citizen's Complaint Center.

While in Malacañang, Atty. Lee was also Chairman of the Movie and Television Review and Classification Board Appeals Committee, Acting Chairman (on behalf of the Executive Secretary) of the Fertilizer and Pesticide Authority and Board Member (Palace Observer) in the Subic Bay Management Authority Board of Directors. Atty. Lee was also designated as the OP Representative to the Governance Commission for GOCCs Multi-Sectoral Governance Council, the OP Representative to the Climate Change Adaptation and Mitigation Cabiner Cluster and was also a Member of the OP Bids and Awards Committee. He also alternated with other OP Senior Officials as OP Representative to the Cabinet Assistance System and other Cabinet Clusters. He was also previously the OP Representative to the Maritime Industry Authority Board.

Before entering government service, Atty. Lee held positions as a Partner in various Davao and Manila based law firms. He began his legal career as an Associate Lawyer of the Siguion Reyna Montecillo & Ongisako Law Office. He was also an Opinion and Legal Columnist of the Sunstar Davao newspaper.

Atty. Lee is a graudate of the Ateneo de Manila School of Law, where he was an Executive Director of the Ateneo Law Journal and a member of the St. Thomas More Debate Society. Upon graduation, he was awarded as the Dean's Award for Best Thesis (Silver Medal). Atty. Lee has contributed articles to the Ateneo Law Journal, Asian Institute Management Leadership Journal and other business/law publications.

**3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?**



	<p>Chapter II, Section 4.2 and 4.3 of the SRC discusses the eligibility criteria for the members of the PSEC's Commission <i>En Banc</i>.</p> <p><i>“4.2. The Commissioners must be natural-born citizens of the Philippines, at least forty (40) years of age for the Chairperson and at least thirty-five (35) years of age for the Commissioners, of good moral character, of unquestionable integrity, of known probity and patriotism, and with recognized competence in social and economic disciplines: Provided, that the majority of Commissioners, including the Chairperson, shall be members of the Philippine Bar.</i></p> <p><i>4.3. The Chairperson is the Chief Executive Officer of the Commission. The Chairperson shall execute and administer the policies, decisions, orders and resolutions approved by the Commission and shall have general executive direction and supervision of the work and operation of the Commission and of its members, bodies, boards, offices, personnel and all its administrative business.”</i></p> <hr/> <p><b>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <hr/> <p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p>Not applicable.</p> <hr/> <p><b>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</b></p> <p>Not applicable.</p> <hr/> <p><b>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> <p>Although not mandatory and as applicable, members of the Commission <i>En Banc</i> inhibit themselves in any cases that the PSEC decides or rules which involve their former clients when they were auditors or practitioners. In</p>
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	<p>addition, the Commission <i>En Banc</i> is a collegial body and all decisions carried out by the governing body require at least a majority vote.</p>
	<p><b>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</b></p> <p>Not applicable.</p>
<p><b>4. Funding Arrangements</b></p>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>The PSEC, as a national government agency, is funded through an Annual General Appropriations Act (GAA) passed by the Congress of the Philippines and approved by the President of the Philippines. The budget of the PSEC for Personal Services, Maintenance and Other Operating Expenses and Capital Outlay is provided in the GAA and should be disbursed in accordance therewith.</p> <p>Annually, the PSEC prepares its budgetary requirements for the succeeding year. The prepared budget is then submitted to the Department of Budget and Management (DBM) for its consideration, with a copy furnished to the DOF for consolidation with its other attached agencies. Upon consideration by the DBM, the entire budget is submitted to both Houses of Congress for their approval. Once approved by both Houses of Congress, the proposed GAA is forwarded to the Office of the President for signature. Upon signing by the President, the GAA becomes a law and is effective within 15 days from publication.</p> <p>With the approval of the Revised Corporation Code, PSEC would have a certain fiscal autonomy. Section 175 of the Revised Corporation Code states that:</p> <p style="padding-left: 40px;"><i>“For a more effective implementation of this Code, the Commission is hereby authorized to collect, retain, and use fees, fines and other charges pursuant to this Code and its rules and regulations. The amount collected shall be deposited and maintained in a separate account which shall form a fund for its modernization and to augment its operational expenses such as, but not limited to, capital outlay, increase in compensation and benefits comparable with prevailing rates in the private sector, reasonable employee allowance, employee health care services, and other insurance, employee career advancement and professionalization, legal assistance, seminars and other professional fees.”</i></p> <p>Having obtained the approval of both the Senate and the House of Representatives on November 28, 2018, the Revised Corporation Code is</p>





	<p>currently an enrolled bill and is awaiting for the approval and signature of President Rodrigo Roa Duterte.</p>
	<p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>The funding is free from any undue influence by any members of the profession. As discussed in 4.1 above, the PSEC is funded through the GAA which is passed by the Congress of the Philippines and approved by the President of the Philippines.</p>
<p><b>5. Inspection System</b></p>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</b></p> <p>Not applicable.</p>
	<p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>The SOAR Inspection Program is an on-site review of the quality control policies and procedures of accredited firms auditing companies with equity or debt securities listed in an Exchange and a review of the portion of the audit work on selected audit engagements of these audit firms. It is conducted by the PSEC's Office of the General Accountant (OGA).</p> <p>Upon the full implementation of the SOAR Inspection Program, the frequency of the inspection shall be as follows:</p> <ol style="list-style-type: none"> <li>a. For all covered audit firms, it shall be once every three (3) years. All audit firms of listed companies will be covered within the three-year period. PSEC, however, is not precluded from subjecting firms to an annual inspection, if circumstances would warrant the conduct thereof; and</li> <li>b. During the triennial review of an audit firm, at least one (1) engagement will be selected.</li> </ol>



<p><b>6. Audit and Financial Market</b></p>	<p><b>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</b></p> <p>As of December 31, 2018, there were 21 PSEC-accredited auditing firms under Group A that are allowed to handle the audits of the 270 publicly-listed companies (PLCs) and five (5) companies listed in the Philippine Dealing Exchange (PDEX). Out of these 21 PSEC-accredited Group A firms, 16 are handling the audits of PLCs and companies listed in the PDEX and are therefore covered by the SOAR Inspection Program.</p> <p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</b></p> <p>Below is the market share of the firms auditing PLCs and companies listed in the PDEX as of December 31, 2018:</p> <table border="1" data-bbox="544 824 1428 1196"> <thead> <tr> <th colspan="2">Auditing Firms</th> <th>No. of Clients</th> <th>% share</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Sycip Gorres Velayo &amp; Co. (Ernst &amp; Young Philippines)</td> <td>141</td> <td>51%</td> </tr> <tr> <td>2</td> <td>Punongbayan and Araullo (Grant Thornton Philippines)</td> <td>34</td> <td>12%</td> </tr> <tr> <td>3</td> <td>Reyes Tacandong and Company (RSM Philippines)</td> <td>24</td> <td>9%</td> </tr> <tr> <td>4</td> <td>R.G. Manabat and Co. (KPMG Philippines)</td> <td>23</td> <td>8%</td> </tr> <tr> <td>5</td> <td>Isla Lipana and Co. (PricewaterhouseCoopers Philippines)</td> <td>12</td> <td>4%</td> </tr> <tr> <td>6</td> <td>Navarro Amper and Co. (Deloitte Philippines)</td> <td>3</td> <td>1%</td> </tr> <tr> <td>7</td> <td>Others – composed of small and medium sized Auditing Firms</td> <td>38</td> <td>15%</td> </tr> </tbody> </table>	Auditing Firms		No. of Clients	% share	1	Sycip Gorres Velayo & Co. (Ernst & Young Philippines)	141	51%	2	Punongbayan and Araullo (Grant Thornton Philippines)	34	12%	3	Reyes Tacandong and Company (RSM Philippines)	24	9%	4	R.G. Manabat and Co. (KPMG Philippines)	23	8%	5	Isla Lipana and Co. (PricewaterhouseCoopers Philippines)	12	4%	6	Navarro Amper and Co. (Deloitte Philippines)	3	1%	7	Others – composed of small and medium sized Auditing Firms	38	15%
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<p><b>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</b></p>	<p><b>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</b></p> <p><input checked="" type="checkbox"/> Registration/Licensing  <input type="checkbox"/> Audit and/or Ethics Standard Setting  <input type="checkbox"/> Permanent Education of Auditors  <input checked="" type="checkbox"/> Enforcement  <input type="checkbox"/> Other: _____</p> <p><b>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p>																																



	<p>PSEC requires external auditors to be accredited before they can audit issuers and regulated companies under Groups A, B or C, as enumerated in 2.3 above. The PSEC issues accreditations to auditing firms and independent auditors which/who meet the qualification requirements, trainings and quality assurance manuals.</p> <p>The accreditation process for external auditors and audit firms serves as the quality mechanism implemented by the PSEC to safeguard the integrity and ensure the reliability of the report submitted to the Commission in order to protect the investors. This process involves an evaluation of the capabilities of the applicant-external auditor and an evaluation of the AFS of the applicant's selected audit clients.</p> <p>Under the present PSEC accreditation process, while accreditation is for a period of three (3) years, the PSEC has a review program where the financial statements audited by the accredited audit firms may also be reviewed. In addition, the Group also conducts analysis of AFS of companies under investigation upon request of the PSEC Operating Departments, the Congress and other government agencies, and issues opinions or clarifications on accounting and related matters.</p>
	<p><b>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <p>PSEC issues Memorandum Circulars upon adoption of auditing standards promulgated by the Auditing and Assurance Standards Council and approved by the BOA. These Memorandum Circulars require PSEC-regulated entities to follow the adopted auditing standards. In addition, PSEC also issues financial reporting rules which are included in the Revised SRC Rule 68. Under the Revised SRC Rule 68, external auditors accredited with the PSEC are required to: 1) comply with the rotation policies set forth in the Code of Ethics for Professional Accountants in the Philippines; 2) conduct audit in accordance with the requirements of the Philippine Standards on Auditing; and 3) submit as part of their application for accreditation a disclosure under oath attesting their adherence to the fundamental principles under the Code of Ethics for Professional Accountants in the Philippines as well as to the principles applicable to the professional accountants in public practice particularly in the areas involving conflict of interest and independence.</p>



**7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?**

- Directly  Through Oversight

**If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.**

Not applicable.

**7.5 If the Member has the responsibility for Enforcement, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?**

- Directly  Through Referral

**If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.**

Section 5(f) of the SRC provides the PSEC’s powers to “impose sanctions for the violation of laws and rules, regulations and orders, and issued pursuant thereto”.

**A. SOAR Inspection Program**

In relation thereto, Section 9.2 of PSEC MC No. 9, Series of 2017 provides the procedures and sanctions for violations identified during the inspection.

The following provisions are as follows:

*“If the Inspection Team determines that information it obtained from the firm and the engagement team during the inspection indicates that the firm subject to such inspection, any member of the engagement team or any firm personnel may have engaged in any act or omission that may be in violation of professional standards or the firm’s own quality control procedures, it shall:*

- 1. Report information concerning such act, practice or omission to the Commission En Banc; and*
- 2. If deemed necessary, recommend an investigation of such act, practice or omission or a disciplinary proceeding in accordance with the Rule of the Commission.*

*The following administrative sanctions may be imposed on auditing firms/auditors covered by the inspection:*



1. *Censure;*
2. *Require additional professional education and training;*
3. *Require the firm to engage another consultant to design policies and to improve compliance with professional standards relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto;*
4. *Monetary fines; and*
5. *For egregious or repeat violations, suspension or revocation of PSEC accreditation.”*

If the SOAR Inspection Team would find, in the course of their inspection, violations by PLCs and other companies of securities law and other laws and regulations being implemented by the PSEC, the same will be reported also to the operating department [Market Securities and Regulation Department (MSRD), Corporate Governance and Finance Department (CGFD), and the Company Registration and Monitoring Department (CRMD)] of the PSEC for further proceedings against the PLCs/companies concerned and for imposition of appropriate administrative sanctions. If the violations would constitute fraud or would warrant initiation of criminal action, the same shall be referred to the Enforcement and Investors Protection Department (EIPD) of the PSEC for further proceedings. The MSRD is responsible for the registration of securities and supervision of the PLCs, while the EIPD is the investigation and prosecution arm of the PSEC.

PSEC has an independent sanctioning authority to auditors in circumstances when audit failings are found as stated in the IRR of SOAR. The IRR of SOAR specifically provides administrative sanctions to audit firms/auditors covered by our inspection program.

The Procedures and Sanctions for Violations as stated in Section 9.2 of MC No. 9, Series of 2017 for inspections on auditors and auditing firms are determined and enforced directly by the PSEC thru the OGA.

**B. PSEC Accreditation Process**

Specifically, with respect to PSEC-accredited auditors, the PSEC has the right to suspend or revoke their accreditation upon notice and hearing if the accredited auditors commit serious violations. The PSEC may also impose monetary penalties on accredited firms or individuals if it finds material errors or deficiencies in the AFS of the external auditors’ corporate clients. Under Section 12.6 of PSEC MC No. 13, Series of 2009 on the Revised Guidelines on Accreditation of Auditing Firms and External Auditors:

*“12.6. Suspension or Delisting of Accreditation*

- i. After due notice and hearing, the accreditation of an auditing firm or external auditor shall be suspended for any of the following grounds:*
  - a. Failure to settle the penalty assessed for any violation under Section 11 of this Circular;*
  - b. Continued failure to comply with the requirements of this Circular or directive of the Commission;*



*The suspension of the accreditation shall be for a period of ninety (90) business days from the date of the Order of the Commission. The delisting of the accreditation shall be ordered by the Commission, after due notice and hearing, if the firm or external auditor fails to settle the assessed penalty or comply with the requirements under the Circular within the 90-day suspension period.*

*The delisted firm or external auditor may re-apply for accreditation provided two years have lapsed from the date of delisting and the assessed penalty is paid or the requirement is complied with. If the applicant has a derogatory record with the Commission, the previously delisted firm or external auditor shall not be qualified for a higher category of accreditation (Group A or B)."*

Auditing firms/external auditors who do not have valid PSEC accreditations are prohibited from certifying financial statements of corporations which are publicly listed and with secondary license with PSEC as provided in SRC Rule 68, as Amended (2011). The SRC Rule 68, as Amended, requires certain entities to have external auditors that are accredited with the PSEC. In addition, under the said rule, the PSEC requires re-issuance of the Financial Statements:

*"10.C Re-issuance of Financial Statements*

- i. For financial statements that may be found by the Commission to be deficient and/or misstated, it shall make a determination whether such misstatement or incompleteness is significantly material that would necessitate the re-issuance of such financial statements;*
- ii. Corporations covered by Part II of this Rule shall not re-issue their audited financial statements without prior request from and approval by the Commission;*
- iii. An amendment or re-issuance of the financial statements shall not exonerate the company from the penalty that may be assessed by the Commission due to the material deficiency or misstatement of the original financial statements".*

**7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:**

Not applicable.





<p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p>	<p><b>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</b></p> <p>The PSEC is the national government regulatory agency charged with supervision and protection over the corporate sector, the capital market participants, the securities and investment instruments market, and the investing public. Created on October 26, 1936 by Commonwealth Act 83 also known as The Securities Act, the Commission was tasked to regulate the sale and registration of securities, exchanges, brokers, dealers and salesmen. Subsequent laws were enacted to encourage investments and more active public participation in the affairs of private corporations and enterprises, and to broaden the Commission’s mandates. Recently enacted laws gave greater focus on the Commission’s role to develop and regulate the corporate and capital market toward good corporate governance; empowerment of investors, corporators, and entrepreneurs; and effective access to financial products and resources.</p> <p>The PSEC is the registrar and overseer of the Philippine corporate sector; it supervises more than 0.5 million active corporations and evaluates the financial statements and other reports filed by corporations registered with it. The PSEC also develops and regulates the capital market, a crucial component of the Philippine financial system and economy. As it carries out its mandate, the PSEC contributes significantly to government revenues.</p> <p>With the growing number of corporations and other forms of associations that it supervises and monitors, and given the evolving nature of transactions where the corporate vehicle is being used to defraud the investing public, as well as the ever dynamic character of the capital market, the PSEC must progressively perform its critical role as the champion of investor protection; the judicious administrator of an automated, reliable and secured company registration and information systems; and the progressive overseer of a robust and inclusive capital market.</p> <p>To effectively carry out the mandate of the PSEC, the Commission has four (4) principal departments. Its core function of capital market regulation is performed by the MSRD and CGFD. Its company registration and enforcement functions shall be performed by the CRMD and EIPD.</p>
<p><b>9. Major Events and Activities</b></p>	<p><b>9.1 Describe any recent major events and activities:</b></p> <p>The SOAR Inspection Program completed the fieldwork for its first (1<sup>st</sup>) inspection on September 12, 2018 while the fieldwork for the second (2<sup>nd</sup>) inspection was completed last November 27, 2018. Currently, SOAR Inspection Team is in the process of completing all the required written communications and reports with the inspected audit firms and engagement teams.</p>