

3rd Annual SEC-PSE CORPORATE GOVERNANCE FORUM

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Corporate Financial Disclosure and Transparency

Commissioner Antonieta Fortuna-Ibe
SEC



**Securities and
Exchange
Commission**
P H I L I P P I N E S

OUTLINE

1. 2015 Implementing Rules and Regulations of the SRC
2. Revised SRC Rule 68
3. SEC Oversight Assurance Review (SOAR) Inspection Program
4. Philippine Financial Reporting Standard No. 9
5. 2016 Code of Corporate Governance for PLCs – Disclosure and Transparency



2015 Implementing Rules and Regulations of the SRC



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Changes in disclosure requirements

- Disclosure to the Exchange within 10 minutes from the occurrence, and prior to release to the public through new media, shall be deemed filing with the Commission.
- Disclosure is required from multilateral financial entities (MFEs) as issuers of exempt securities.
- Disclosure is required from an issuer of a class of securities falling under exempt transactions.



Revised SRC Rule 68



Objectives of the Amendments to SRC Rule 68, as amended

- To improve the SEC's financial reporting regulations and enhance compliance by covered corporations;
- To improve the reliability of audits and align regulation with global practices through the adoption of an oversight assurance review system; and
- To adjust the financial statement requirements for registration of securities in light of the ASEAN Capital Market Integration.



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■ Highlights of amendments in financial reporting in the Revised SRC Rule 68

- Incorporated significant interpretations and clarifications issued by the Commission through the Financial Reporting Bulletins.
- Provided for the implementation of the SOAR Inspection Program.
- Added possible companies to be considered large and/or publicly accountable entities.
- Required attachment of Reconciliation Schedule to the AFS filed by banks showing the difference between the presentation, recognition and measurement between PFRS and the BSP financial reporting package.
- Required all corporations to establish a system that captures relevant information on related-party transactions



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■ Highlights of amendments in financial reporting in the Revised SRC Rule 68 (contd.)

- Required a 10-year records retention period.
- Adjusted financial statement requirements for registration of securities in light of the ASEAN Capital Market Integration.
- Required compliance with requirements of PSAE 3420 regarding submission of Pro-forma Financial Statements



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SEC Oversight Assurance Review (SOAR) Inspection Program



■ Implementation of the SOAR inspection program

- The SOAR inspection program involves an on-site review of the quality control policies and procedures of SEC-accredited auditing firms and a review of portions of the audit work of selected audit engagements from time to time.



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■ Why the SOAR program?

- Audit quality impacts the credibility of financial statements that are issued by those responsible for corporate governance, and that are relied on by investors, regulators, and other stakeholders. Thus the SEC considers ensuring audit quality, particularly for listed entities, as crucial to its mandate to protect investors and promote the development of the country's capital market.
- As a member of the International Organization of Securities Commissions (IOSCO), the SEC subscribes to and is committed to follow the IOCSO's Objectives and Principles of Securities Regulation.



■ Why the SOAR program?

- The IOSCO's Objectives related to securities regulation are:
 - Protecting investors
 - Ensuring that markets are fair, efficient and transparent
 - Reducing systemic risk



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■ Why the SOAR program?

- The IOSCO's Principles related to securities regulation include:
 - Ensuring an effective and credible use of inspection, investigation, surveillance and enforcement powers and implementation of an effective compliance program
 - Having auditors that are subject to adequate levels of oversight
 - Having auditors that apply audit standards of a high and internationally acceptable level of quality



■ Why the SOAR program?

- The SOAR program will also support covered auditors' compliance with PSQC 1, which is based on International Standard on Quality Control (Redrafted), "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements," issued by the International Auditing and Assurance Standards Board



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■ Implementation status and challenges

- Implementation status
- Implementation challenges



Implementation of PFRS 9



OVERVIEW

- Aims to address the “too little, too late” concern under PAS 39
- Expected Credit Loss model
- More expectations from those charged with governance



Expected Credit Loss

- Estimation is complex and inherently judgmental
- Dependent on a wide range of data
- Needs to incorporate forward-looking information



Expectations from those charged with Governance



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■ Key concerns for governance

- Ensure effective controls over compliance
- Guard against financial damage from material control failures



■ Key areas for an effective governance and control framework

- Data quality and availability
- Methodologies and modeling
- Systems, processes and internal controls



2016 Code of Corporate Governance for PLCs - Disclosure and Transparency



Highlights of the amendments:

■ ENHANCE COMPANY DISCLOSURE POLICIES AND PROCEDURES

- Company to establish corporate disclosure policies and procedures
- Company to have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares within three business days.
- Disclosure of all relevant and material information on individual board members and key executives
- Disclosure of company policies and procedures for setting Board and executive remuneration and disclosure of remuneration on an individual basis



Highlights of the amendments:

■ ENHANCE COMPANY DISCLOSURE POLICIES AND PROCEDURES

- Disclosure on company policies governing Related Party Transactions (RPTs)
- Disclosure of information regarding acquisition or disposal of significant assets
- Company's corporate governance policies, programs and procedures to be contained in one reference document, Manual on Corporate Governance



Thank you!



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