



Oct. 2, 2023

Atty. Emilio B. Aquino, CPA
Chairperson and CEO
Securities and Exchange Commission
7907 Makati Avenue, Salcedo Village,
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Dear Atty. Aquino:

We hope that you are well.

We got hold of a news column which reported about the SEC proposal to increase its fees and charges and to which stakeholders were invited to submit comments. We then take this opportunity to collectively voice our objections to such proposal, citing relevant principles to provide some context to our position:

1. The basic principle enunciated in Administrative Order No. 31, s. 2012 and DOF-DBM-NEDA Joint Circular No. 1-2013 in fixing regulatory fees is that national government agencies should seek to strike a balance between cost recovery and the socio-economic impact of the impositions. Any increase in

fees must be just and reasonable and minimize, if not avoid, unintended impact on established national priorities and the general public.

2. When the SEC increased its fees in 2017, stakeholders were able to show that the fees being collected by the SEC from stock market transactions alone were MORE than enough to fund SEC's ENTIRE operations based on SEC's requested appropriations from the GAA, which budget presumably is the cost of regulations. This does not yet include the myriad of other fees SEC charges to new and existing companies for various corporate actions and document requirements.
3. We are aware that the current fee collections of SEC already far exceed the cost of its operations. Proofs of this include the purchase of its own building in Makati CBD reportedly costing about P2.5 billion, in addition to about 90 commercial parking slots estimated at about P1 million per slot.
4. While we appreciate the effort to streamline SEC processes when the Commission offered IT services such as the CIFFS eSearch Facility to enable the public to purchase and download digital copies of documents submitted to the SEC, there is serious concern on the cost. Under the previous downloading facility (i-View facility), users could download copies of GIS, AFS, and other SEC filings for only P0.50 per page. However, when SEC launched the CIFFS eSearch Facility last August 1, 2023, its charges went up astronomically from P0.50 per page to anywhere from P1,000 to P2,000, depending on the document being downloaded. Given this exorbitant amount of increase, it is clear that instead of charging for cost recovery in delivering this basic service to its stakeholders, the SEC wants to make this eSearch Facility a flourishing money-making activity.
5. We likewise noted that the Supreme Court has already issued a doctrinal pronouncement in the case of Philippine Association of Stock Transfer and Registry Agencies, Inc. v. Court of Appeals, G.R. No. 137321 [October 15, 2007], 562 PHIL 58-70) where the Supreme Court held that fee increases that have far-reaching effects on the capital market should be frowned upon. The Supreme Court further held that "charging exorbitant processing fees could discourage many small prospective investors and curtail the infusion of money into the capital market and hamper its growth."
6. Finally, in First Philippine Holdings Corp. v. Securities and Exchange Commission, G.R. No. 206673, [July 28, 2020], the Supreme Court declared as invalid the fees imposed by the SEC for application of amended articles of incorporation where [the] amendment consists of extending the term of corporate existence which fees shall be 1/5 of 1% (20 basis points) of the authorized capital stock, but not less than P2,000.00. The Supreme Court found the same to be invalid and unreasonable for being arbitrary.

The facts and principles listed above runs counter to the intention of SEC to impose what to stakeholders are "unreasonable", if not "obscene" fees and charges as follows:

1. For “Creation of Bonded Indebtedness”, SEC now proposes to charge corporate Issuers $\frac{1}{4}$ of 1% of the total indebtedness. Using 2022 numbers, SEC’s fees would amount to P1.27 billion on the total bond issuances of P508 billion for that year.
2. SEC also proposes to impose a fee on the total transactions cleared and settled in the previous year by Securities Clearing Corporation of the Philippines (SCCP) and Philippine Depository Trust Corporation (PDTTC) in the amount of 0.1 basis point and 0.05 basis point, respectively. Based on 2022 transactions, this would amount to P14.51 million and P7.25 million of additional friction cost for stock market investors.

Why these fees and charges are objectionable and serve as huge burden to its stakeholders have basis on the following:

1. The current fee proposal by the SEC is even higher than the relevant fees struck down by the Supreme Court in the above-referenced First Philippine Holdings Corp. case to “1/4 of 1% (25 basis points) of the authorized capital stock but not less than P2,500.00 or the subscription price of the subscribed capital stock, whichever is higher.”
2. Fees that far exceed the costs of regulation are beyond the authority and power of SEC to impose. If the purpose is regulatory – and not revenue generation – then the test of reasonableness vis-à-vis costs to regulate should be met in order to increase the processing fees of SEC. Clearly, this standard has not been met by the SEC in coming up with the proposed fee increases under the guise of regulation.
3. While the President and his economic team are actively wooing new investors and struggling to maintain existing ones, it is unfortunate that SEC is doing exactly the opposite by proposing unnecessary and unconscionable increases in fees. We cannot help but feel that SEC is operating on its own and is not aligned with this thrust of the current administration.
4. The increased cost of doing business will also hurt SMEs covered by SEC and/or due to the ripple effects of the fee increases.

Consistent with the ease of doing business law, we then strongly recommend that SEC submit this proposed policy to the Anti-Red Tape Authority (ARTA) for a Regulatory Impact Assessment (RIA) to check against harmful impacts to business and the economy. We likewise raise the need for exhaustive stakeholder consultation prior to the RIA as part of the regulatory process and due diligence on the part of SEC.

Rallying behind the “Bagong Pilipinas” brand of governance, we raise the challenge for SEC to step up in contributing to this vision by reviewing, if not totally scrapping this proposal as anti-business and therefore detrimental to the economy and our people. We are ready to discuss our position with the Commissioner or a designate at a convenient time.

Thank you for your usual attention and support.

Sincerely,



Dr. George T. Barcelon
President
Philippine Chamber of
Commerce and Industry




Dr. Cecilio K. Pedro
President
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Chambers of Commerce and
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