

CLIENT ADVISORY BULLETIN NO. 2020-005C (Guidelines on Corporate Term)

09 September 2020

Gentlemen/Mesdames,

Please be informed that the Securities and Exchange Commission (SEC), on 18 August 2020, has issued *Memorandum Circular (MC) No. 22 s.2020*¹, implementing Section 11 of the Revised Corporation Code (RCC)², as regards a company's term of existence, the guidelines of which are as follows:

1. ***Corporations incorporated under R.A. No. 11232 (Revised Corporation Code)*** – corporations incorporated under the RCC shall have perpetual existence unless its articles of incorporation provide a specific corporate term.
2. ***Corporations incorporated under B.P. No. 68 (Corporation Code of the Philippines) and Act No. 1459 (The Corporation Law)*** – the corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist shall be deemed to be perpetual upon the effectivity of the RCC. Said corporation may amend its Articles of Incorporation to reflect a perpetual corporate term, by a **majority** vote of its Board of Directors and by a vote of its stockholders representing a **majority** of its outstanding capital stock.

A corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, that elects to continue with their present corporate term, pursuant to its Articles of Incorporation, shall notify the SEC thereof by filing a Notice, with attached Directors' Certificate, no later than **23 February 2021**. The corporate term of corporations which fail to comply with the required notification shall be treated as perpetual after 23 February 2021.

¹ <https://www.sec.gov.ph/mc-2020/mc-no-22-s-2020guidelines-on-corporate-term/>

² <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190220-RA-11232-RRD.pdf>

3. ***Amendment to Extend or Shorten Corporate Term*** – corporations incorporated under the RCC whose Articles of Incorporation provide for a specific term of existence and existing corporations incorporated prior to the effectivity of the RCC that opted to retain its specific corporate term may file an Amendment of its Articles of Incorporation to extend or shorten its specific corporate term, approved by a **majority** vote of the Board of Directors and of the stockholders representing **at least two-thirds (2/3) of the outstanding capital stock of the corporation**. In no case shall any extension of corporate term be made earlier than three (3) years prior to the expiration date of the corporate term, unless there are justifiable reasons for extension as may be determined by the SEC.

4. ***Amendment to Change Perpetual Corporate Term to Specific Corporate Term*** – corporations incorporated under the RCC whose Articles of Incorporation provide for perpetual term of existence, corporations incorporated prior to the effectivity of the RCC and existing at the time of effectivity of the RCC whose corporate terms were treated perpetual for failure to comply with the notification required above, as well as corporations that amended their Articles of Incorporation to reflect their perpetual term of existence, may subsequently amend its perpetual term of existence to a specific corporate term, which amendment must be approved by a **majority** vote of the Board of Directors and of the stockholders representing **at least two-thirds (2/3) of the outstanding capital stock of the corporation**.

In keeping with our commitment of providing our clients and the public with the best possible service we can, we will continue to provide you with relevant updates on issuances made by the various government agencies during the period of GCQ.

Keep safe.

Thank you very much.


DAMIAN M. PLACIDO, JR.
Managing Partner

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