

SEC Clarifies Rules on Minimum Capitalization, Treasurer-in-Trust in Philippine Incorporation

The Securities and Exchange Commission has clarified that the Revised Corporation Code (R.A. 11232) removed the old minimum capital stock requirement.

MANILA, PHILIPPINES, November 6, 2025 /EINPresswire.com/ -- The Securities and Exchange Commission (SEC) has clarified that while the Revised Corporation Code (R.A. 11232) removed the old minimum capital stock requirement for most corporations, [foreign investors](#), entrepreneurs must still navigate industry-specific capitalization rules and the appointment of a [Treasurer-in-Trust \(TIT\)](#) to successfully [register a corporation](#) in the Philippines.

"Capitalization is the backbone of corporate stability, and the Treasurer-in-Trust ensures accountability for declared funds. These are not just bureaucratic steps; they are legal safeguards for creditors, investors, and incorporators themselves," SEC Chairperson Emilio B. Aquino told Inquirer Business.

Experts stress that these rules highlight the importance of legal and compliance guidance, particularly for those handling foreign business incorporation Philippines.

No Blanket Rule: Capitalization Depends on Business Type

Under Section 12 of the Revised Corporation Code, stock corporations are no longer required to have a minimum capital stock "except as otherwise specifically provided by special law." This reform was intended to ease entry barriers for small and medium enterprises.

However, according to the SEC, entrepreneurs must still check special industry laws and SEC Memorandum Circulars that impose capitalization thresholds. For example:

- ☐ Financing and Lending Companies Act: ☐10 million minimum paid-up capital.
- ☐ Insurance Code: ☐1 billion capitalization for new life or non-life insurers.



□Banking Law (R.A. 8791): From □10 million for rural banks to □2 billion for commercial banks. For foreign investors, the Foreign Investments Act (R.A. 7042, as amended) requires a USD 200,000 minimum paid-up capital for domestic market enterprises. This can drop to USD 100,000 if the business employs 50 Filipino workers or uses advanced technology. Export-oriented firms, however, are exempt from this rule.

Commissioner Karina Constantino-Guanzon emphasized:

“The law is clear—there is no one-size-fits-all minimum capitalization for corporations in the Philippines. It will always depend on the business type, industry, and whether foreign ownership is involved.”

Treasurer-in-Trust: The Gatekeeper of Paid-In Capital

A critical requirement in the incorporation process Philippines is the designation of a Treasurer-in-Trust (TIT). The TIT is responsible for holding the corporation’s subscribed capital until the SEC grants the Certificate of Incorporation.

The Treasurer’s Affidavit, one of the mandatory incorporation documents, affirms that the required paid-up capital has been received and deposited in the corporate bank account. For companies with foreign equity, this role becomes even more vital, as regulators require stricter documentation to prevent violations of the Philippine Negative List incorporation rules.

The SEC explained that the TIT serves as the gatekeeper of corporate credibility. Without this mechanism, incorporators could misrepresent capitalization. The affidavit forces accountability right from the start of the corporation’s life, while fiduciary obligations ensure that the TIT may be held liable for misuse.

The Commission also highlighted that for foreign corporations, the SEC requires the appointment of a resident agent for incorporation Philippines to ensure compliance and accountability.

Legal Guidance: Avoiding Costly Compliance Pitfalls

While the rules on minimum capitalization and the Treasurer-in-Trust are clear on paper, compliance often becomes complex in practice. Mistakes in the Treasurer’s Affidavit, misinterpretation of industry capitalization laws, or overlooking foreign investment restrictions under the Negative List can result in delays, penalties, or outright rejection of incorporation applications.

The SEC advised incorporators to carefully assess industry laws and capitalization requirements before submitting documents, stressing that capitalization is not just about declaring an amount, but also about ensuring that declarations align with nationality rules, industry regulations, and even employment commitments.

Safeguards for Investor Confidence

The SEC maintains that reforms are designed to strike a balance between promoting investment and ensuring corporate accountability. By removing blanket minimum capital requirements, the regulator has lowered barriers for startups. At the same time, by requiring a Treasurer-in-Trust and enforcing industry-based capitalization rules, it ensures investor protection and regulatory integrity.

Chairperson Emilio B. Aquino noted:

"We want an investor-friendly environment, but one that respects our constitutional and statutory safeguards. This is why compliance with incorporation requirements Philippines for foreign company applications remains strict, and why legal counsel is indispensable."

Business chambers, including the European Chamber of Commerce of the Philippines (ECCP) and the American Chamber of Commerce (AmCham), welcomed the reforms but cautioned investors. Both groups stressed that while the digital reforms make it easier to incorporate in the Philippines, businesses should still seek expert guidance to navigate industry rules and avoid pitfalls in capitalization compliance.

As reforms continue and digital tools like eSPARC, OneSEC, and ZERO streamline registration, the Philippine incorporation framework is evolving into one where speed, flexibility, and compliance safeguards go hand in hand.

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