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Newsletter

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In this Issue

The Securities and Exchange Commission (SEC) has issued Memorandum Circular No. 4, series of 2026, about the amendments to the application and definition of terms under the Revised SRC Rule 68 in relation to the adjustment of the audit threshold.

Contents

AMENDMENTS TO THE APPLICATION AND DEFINITION OF TERMS UNDER THE REVISED SRC RULE 68 IN RELATION TO THE ADJUSTMENT OF THE AUDIT THRESHOLD.....	3
Editorial Board.....	6

AMENDMENTS TO THE APPLICATION AND DEFINITION OF TERMS UNDER THE REVISED SRC RULE 68 IN RELATION TO THE ADJUSTMENT OF THE AUDIT THRESHOLD

To: All Covered Corporations

The Securities and Exchange Commission (SEC) issued Memorandum Circular No. 04, Series of 2026, amending the Revised SRC Rule 68 and updating audit thresholds, together with the Commission's approval of the Revised Financial Reporting Bulletin (FRB) No. 4 to guide implementation. The following table provides an overview of the significant revisions.

	Before Amendment	New Amendment
Application of the audit threshold		
Stock & Non-stock Corporations	Corporations with ₱600,000 or more in total assets or total liabilities were required to submit audited financial statements.	Corporations with total assets or total liabilities exceeding ₱3 Million shall be required to submit audited financial statements.
Amendment to Small and Micro Entity Definitions		
Small Entities	Total assets of between ₱3 Million to ₱100 Million or total liabilities between ₱3 Million to ₱100 Million. (consolidated if parent)	Total assets or total liabilities exceeding ₱3 Million but not exceeding ₱100 Million. (consolidated if parent)
Micro Entities	Total assets and liabilities are below ₱3 Million. Micro entities may use income tax basis or PFRS for SEs, and must submit FS including SMR , Auditor's Report, Statement of Financial Position, Statement of Income, and Notes, covering two comparative years, when applicable.	Total assets or total liabilities at or below ₱3 Million Micro entities may use income tax basis or PFRS for SEs, and must submit FS including SMR signed under oath , Statement of Financial Position, Statement of Income, and Notes, all covering two comparative years, if applicable.

As a result of the increased audit threshold, corporations with total assets or liabilities **not exceeding ₱3,000,000** are **no longer required** to submit audited financial statements and must instead file financial statements accompanied by a Statement of Management's Responsibility (SMR), signed under oath as follows, refer to [Annex A](#):

- For stock and non-stock corporations: **by the Chairman of the Board, President or Chief Executive Officer, and Treasurer or Chief Financial Officer, all duly authorized by the Board of Directors;**
- For One Person Corporations (OPCs): **by the President and Treasurer.**

In the absence of the authorized signatories, the Board of Directors may expressly delegate such authority to a specific officer or director vested with equivalent authority.

The signatories shall assume full responsibility for the accuracy, completeness, and truthfulness of the submitted financial statements.

Such financial statements shall at least consist of Statement of Financial Position (Balance Sheet) or a Statement of Fund Balance, Statement of Comprehensive Income (Income Statement) or a Statement of Receipts and Disbursements and Notes to Financial Statements, all of which cover the two (2)-year comparative periods, if applicable.

Any financial statements that are incomplete, inaccurate, false, or misleading shall be subject to penalties under the provisions of the SRC and the RCC, without prejudice to the Commission's authority to require the submission of audited financial statements when necessary for investor protection, regulatory enforcement, or considerations of public interest.

The exemption shall **not** extend to entities classified as Group A, Group B, or Group C under Part I, Section 3(B) of the Revised SRC Rule 68, nor to corporations that the Commission may subsequently determine to be vested with public interest pursuant to the provisions of the RCC through future regulatory issuances. These entities must continue to comply with the mandatory audit requirements, regardless of the amount of their total assets or liabilities, due to their regulatory obligations and the level of public interest they represent.

Transitory Provision

The amended threshold shall apply to **financial statements for fiscal years ending on or after December 31, 2025.**

Corporations with fiscal year-ends prior to the effectivity of this Circular shall continue to comply with the audit threshold applicable as of the end of their respective fiscal years.

Our view:

The Securities and Exchange Commission (SEC) Memorandum Circular No. 4, Series of 2026 increased the audit threshold under the Revised SRC Rule 68 to entities with total assets or liabilities exceeding ₱3 million. One of the key considerations behind this amendment is the recognition that micro enterprises often incur disproportionate compliance costs from mandatory audit requirements despite their limited scale of operations. As a result, many corporations will transition from mandatory statutory audits to submitting financial statements supported by a Statement of Management Responsibility.

This regulatory change, effective for fiscal years ending on or after December 31, 2025, is expected to reduce the volume of statutory audits while increasing demand for advisory, assurance, and financial reporting support services, particularly for entities transitioning to management-certified reporting.

In line with our professional and ethical obligations, we should proactively inform clients whose total assets or liabilities fall below the revised threshold of the change in audit requirements. Where appropriate, we may offer compilation services and other financial reporting support to help them meet their reporting obligations.

For the full text of the Circular, refer to the links below.

SEC MC No. 4, s. 2026: [Amendments to the Application and Definition of Terms under the Revised SRC Rule 68 in Relation to the Adjustment of the Audit Threshold](#)

FRB No. 4, s. 2026: [Updated Financial Reporting Bulletin No. 4 Pursuant to SEC Memorandum Circular No. 4, Series of 2026](#)

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Comments and suggestions are welcome.

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