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DU-BALADAD AND ASSOCIATES

ADVISORY

SERIES OF 2026

Term Limit of
Independent Directors

SECURITIES AND EXCHANGE COMMISSION
Memorandum Circular No. 7 Series of 2026
January 26, 2026

TERM LIMIT OF INDEPENDENT DIRECTORS

I. Coverage

It covers companies with a class of equities listed for trading with an exchange.¹

II. Term Limit

An independent director (ID) shall be elected for a **term of one (1) year** and shall serve for a **maximum cumulative term of nine (9) years** in the same company.

III. Computation of Nine-Year Term Limit

Situation	Maximum Term Limit
Continuous or consecutive service of an independent director	The nine-year maximum term limit shall fall on (i) the date of the Annual Stockholders' Meeting (ASM) per the by-laws of the company or (ii) on any other ASM date priorly approved by the Commission. For independent directors with an intermittent term, the cumulative tenure shall not exceed nine (9) years.
Intermittent service of an independent director	
If the independent director is elected as non-independent director or officer of the company within the nine-year term limit	He can be elected again as an independent director of the same company only after observing a cooling off period of two (2) years from the date he ceases being a non-independent director or officer, provided that the cumulative service as independent director has not yet reached the nine (9) year maximum limit.

Any fraction of a year exceeding six (6) months shall be considered one (1) full year, regardless of the manner or reason by which the position of independent director was relinquished or vacated.

IV. Effects of Serving the Maximum Cumulative Term

An independent director who has served the maximum cumulative term shall be **barred perpetually from re-election** as an independent director of the same company.

V. Conflicting Regulations

In case of conflicting regulations on term limits of independent directors, as provided by other regulatory agencies, the **shorter maximum term** shall be observed.

¹ "Exchange," as defined under Section 3.7 of R.A. No. 8799 otherwise known as the Securities and Regulation Code, is an organized marketplace or facility that brings together buyers and sellers and executes trade of securities and/or commodities.

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VI. Exception

Independent directors of GOCCs shall be governed by the terms and limitations provided in their respective charters.

VII. Penalties for Breach of Maximum Cumulative Term Limit

- ☑ Basic penalty of One Million Pesos (PHP1,000,000.00) per independent director per year;
- ☑ Continuing penalty of Thirty Thousand Pesos (PHP30,000.00) for every month that the independent director holds the seat;
- ☑ Other sanctions under existing laws and regulations; and
- ☑ A third or succeeding offense(s) for the same violation shall be subject to suspension or revocation of the company's secondary or primary license.

VIII. Effectivity

This Circular shall take effect on February 1, 2026.

Source:
SEC MC No. 7-2026
January 26, 2026

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