

ADVISORY ON SEC RULES ON MATERIAL RELATED PARTY TRANSACTIONS

PAGE NO.

SEC OGC OPINION NO. 24-42
RE: APPLICABILITY OF THE RULES ON
MATERIAL RELATED PARTY
TRANSACTIONS FOR PUBLICLY-LISTED
COMPANIES ("MRPT")

2

20/F Chatham House
Valero cor. Rufino Sts.



Salcedo Village
Makati 1227



www.bdblawn.com.ph
info@bdblawn.com.ph



T: (632) 8403-2001



Copyright © 2025 by Du-Baladad and Associates (BDB Law). All rights reserved. No part of this issue covered by this copyright may be produced and/or used in any form or by any means – graphic, electronic and mechanical without the written permission of the publisher.

MEMBER FIRM OF

wts global

APPLICABILITY OF THE RULES ON MATERIAL RELATED PARTY TRANSACTION FOR PUBLICLY-LISTED COMPANIES ("MRPT")

I. Transactions between Subsidiaries/Affiliates of Publicly Listed Companies (PLCs) with other entities or individuals (non-related party)

For a related party transaction (RPT) to be considered material under the MRPT Rules, it must:

- ☑ Meet the criteria of representing 10% or more of the Company's total assets;
- ☑ The criteria is applied to both individual and cumulative value of the transactions with the said related party within a 12-month period; and
- ☑ The company's total assets is determined based on the most recent AFS.

However, the said rules cover only those transactions that directly involve the reporting PLCs. Hence, transactions between Subsidiaries/Affiliates of a reporting PLC and a non-related party are not covered by the MRPT Rules.

II. Effect of the consolidated financials of a Subsidiary/Affiliate with the AFS of Parent-PLC

A subsidiary has an independent and separate juridical personality, distinct from that of its parent company. Hence, the consolidation of the financials of the said Subsidiary/Affiliate with the AFS of Parent-PLC has the following effects:

- ☑ Under the MRPT Rules, it does not mean that any or all transactions of the said Subsidiary/Affiliate are deemed that of the Parent-PLC; and
- ☑ The consolidation merely serves as a critical component of financial reporting to enhance financial transparency and accountability. It is not meant to disregard the juridical personality of each entity in the group.

Source:
SEC OGC Opinion No. 24-042

**SECURITIES AND EXCHANGE COMMISSION
SEC OGC OPINION
NO. 24-042**

ADVISORY

Notes:

- ☑ For tax reporting purposes (e.g. BIR Form No. 1709), taxpayers are required to disclose all related party transactions, regardless of the amount.
- ☑ While the materiality of the related party transactions is among the factors to be examined by revenue officers pursuant to RAMO No. 1-2019, otherwise known as the Transfer Pricing Audit Guidelines, taxpayers are still required to defend their transfer pricing practices irrespective of the amount of the related party transaction if subjected to an audit.

Copyright © Du-Baladad and Associates