



SEC MEMORANDUM CIRCULAR NO. 12
Series of 2026

TO : **ALL CONCERNED**

SUBJECT : **GUIDELINES ON THE ISSUANCE AND DISCLOSURE OF *SUKUK***

WHEREAS, Section 2 of the Securities Regulation Code (SRC) declares it a policy of the State to, among others, promote the development of the Philippine capital market, encourage the widest participation of ownership in enterprises and enhance the democratization of wealth;

WHEREAS, *Sukuk* represents an important avenue for domestic and international fundraising and investment activities generating significant cross-border flows globally, and is the most popular financial instrument in the Islamic Capital Market, structured in compliance with *Shari'ah* principles;

WHEREAS, Republic Act (RA) No. 11439, also known as the Islamic Banking Act of 2019, and related circulars by the SEC, Bureau of Internal Revenue (BIR), and Bangko Sentral ng Pilipinas (BSP), recognize *Sukuk* as an essential instrument to promote financial inclusion and economic growth in the Philippines;

WHEREAS, the Commission intends to foster the Government's agenda to develop Islamic banking and finance in the country and to create opportunities for Philippine issuers to access the *Sukuk* market in the future;

WHEREAS, most countries looking into the development of the *Sukuk* market seek for a conducive environment that would support *Sukuk* issuance and safeguard investor protection;

WHEREAS, Section 8.1 of the SRC prohibits the selling or offering for sale or distribution of securities within the Philippines without a registration statement duly filed with and approved by the Commission; and

WHEREAS, Section 72.1 of the SRC vests upon the Commission the authority to make, issue, amend, and rescind rules and regulations and orders which are necessary or appropriate to the exercise of the powers conferred upon it in the SRC;

NOW, THEREFORE, pursuant to the powers vested in the Commission, the SEC issues the following **Guidelines on the Issuance and Disclosure of *Sukuk*** to ensure transparency, investor protection, and compliance with *Shari'ah* principles:

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SECTION 1. OBJECTIVE AND SCOPE - These Guidelines establish the regulatory framework governing the issuance, registration, disclosure, and continuing obligations pertaining to *Sukuk* issuances in the Philippines, consistent with the SRC.

The Commission may issue supplementary guidance, including interpretative issuances, frequently asked questions (FAQs), illustrative structures, or sample disclosure templates, to facilitate compliance and promote consistency, without limiting the disclosure and investor protection requirements under the SRC and its implementing rules.

SECTION 2. DEFINITION OF SUKUK - *Sukuk* refers to certificate(s) of equal value representing undivided investment, interest in or rights to the underlying assets, usufructs, and services or projects undertaken in accordance with *Shari'ah* principles. *Sukuk* are generally named after the *Shari'ah* principle by which they are structured.¹

SECTION 3. REGISTRATION - Unless otherwise stated herein, registration with the Commission shall be mandatory for *Sukuk* intended for public offering. Listing, trading, and settlement shall be subject to compliance with the applicable rules of the relevant exchange or organized market and shall not be construed as automatic or guaranteed solely by reason of registration.

To support liquidity and the development of a secondary market, the Commission may, as appropriate, coordinate with domestic trading, clearing, and settlement platforms, including fixed-income exchanges and other registered market operators, to facilitate the integration of *Sukuk* into the Philippine bond market infrastructure.

SECTION 4. PARTIES/ENTITIES INVOLVED IN SUKUK ISSUANCE –

- a. **Investors/Sukukholders** - Individuals, institutions, or entities that purchase the *Sukuk* certificates to provide the funds needed by the Issuer.
- b. **Issuer** - The entity offering *Sukuk*, which may either be the Originator or the Special Purpose Entity (SPE), as identified on a per transaction basis, depending on the *Sukuk* structure adopted. Where an SPE is utilized, such SPE shall be a separate juridical entity, and the obligations of the Issuer shall be limited to those expressly assumed under the *Sukuk* transaction documents and shall not be deemed joint or solidary with the obligations of the Originator, unless expressly provided and fully disclosed.
- c. **Lead Manager/Arranger** - Typically a financial institution or investment bank responsible for structuring the *Sukuk* issuance, coordinating the transaction, and underwriting the issuance. This party plays a key role in the origination and execution of the *Sukuk* issuance.
- d. **Obligor** - The person responsible for making the payments due on the *Sukuk* to the investors, who may be a juridical or natural person, including the Originator's operating company or business. The underlying asset itself shall not be deemed the Obligor.
- e. **Originator** - The entity seeking to raise funds through the issuance of *Sukuk*. This could be a government, a corporation, a financial institution, or another legal entity with financing needs. The Originator may act as the Issuer or may establish an SPE to serve as the Issuer.

¹ Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) *Shari'ah* Standard 17. Investment *Sukuk* and BSP Circular No. 1139, s. of 2022.

- f. **Shari'ah Advisor/Shari'ah Committee** - An individual, committee, or corporate advisory entity with recognized expertise in *Shari'ah* principles and Islamic finance engaged to provide *Shari'ah* opinions or certification for the *Sukuk*, subject to full disclosure of qualifications, experience, independence, and scope of engagement.

The applicable *Shari'ah* governance structure may vary depending on whether the *Sukuk* is offered through a public offering or a private placement, and the Commission may issue additional guidelines or establish a registry of qualified local or foreign *Shari'ah* Advisors as may be necessary to support market development and investor protection.

- g. **Special Purpose Entity (SPE)** - A separate legal entity established to issue the *Sukuk*. It holds the underlying assets or business activities related to the *Sukuk* and serves as the conduit through which investors can participate in the ownership of the underlying assets.
- h. **Trustee** - A fiduciary appointed to represent the interests of the *Sukukholders* and ensure compliance with the terms and conditions of the *Sukuk*, which may, subject to appropriate governance arrangements and safeguards, be the same entity as the Special Purpose Entity; *Provided*, that fiduciary duties, potential conflicts of interest, and the delineation of roles, responsibilities, and reporting lines are clearly disclosed in the offering documents.
- i. **Underwriters** - A person who guarantees on a firm commitment or declared best effort basis the distribution and sale of securities of any kind by another company.

SECTION 5. PERMISSIBLE STRUCTURES - The Commission permits the issuance of *Sukuk* under the following *Shari'ah*-compliant structures:

- a. **Sukuk Ijarah**: Lease-based *Sukuk* wherein assets are sold and leased back to the Issuer;
- b. **Sukuk Murabahah**: Cost-plus margin (mark-up) financing *Sukuk* for fixed-price sales transactions;
- c. **Sukuk Istisna**: Financing *Sukuk* to raise funds for manufacturing or construction projects;
- d. **Sukuk Wakalah bil Istithmar**: Agency-based *Sukuk* wherein a *wakeel* (investment agency) is appointed to invest on behalf of holders in specified assets;
- e. **Sukuk Mudarabah**: Profit-sharing *Sukuk*, where one party provides funds and the other party provides expertise;
- f. **Sukuk Musharakah**: Joint venture *Sukuk* representing co-ownership of assets or projects;
- g. **Hybrid structure** - *Sukuk* structured based on a combination of two or more Islamic financing or investment structures provided under this Section, such as *Ijarah* and *Murabahah*, where each component complies with *Shari'ah* principles and the overall structure, risk allocation, and cash flow mechanics are fully disclosed in the offering documents; and

- h. Other *Sukuk* structures as may be approved by the Commission, in accordance with *Shari'ah* principles.

Sukuk structure under this Section shall be designed and implemented in accordance with *Shari'ah* principles and the objectives of *Maqasid al-Shari'ah*, including the protection of faith, life, intellect, family, and wealth, and Issuers engaged in mixed business activities shall disclose the screening, methodology applied, including both quantitative and qualitative considerations, to address non-permissible activities, consistent with the Commission's full disclosure framework. The Commission may issue supplemental guidance, including illustrative or model structures and phased implementation measures, to support market development and investor protection.

SECTION 6. GENERAL PROHIBITIONS ON SUKUK ISSUANCES - The elements that are strictly prohibited in *Sukuk* issuance include:

- a. **Riba (interest or usury):** Any form of interest-based transactions or unjustified increase in capital;
- b. **Maysir and Qimar (gambling and games of chances):** Any involvement in speculative activities or games of chance;
- c. **Gharar (excessive uncertainty, fraud, deception, ambiguity);**
- d. **Jahal (ignorance):** Any lack of transparency or withholding of relevant information among parties in a contract;
- e. **Rishwah (corruption):** Exploitation or abuse of trust for unlawful gain; and
- f. Investment in non-permissible goods and activities under *Shari'ah* principles.

SECTION 7. ELIGIBLE ISSUERS –

- a. The following entities may issue *Sukuk*:
 - i. Special Purpose Entities (SPEs) created specifically for *Sukuk* issuance, incorporated and registered with the SEC, and in compliance with SEC regulations;
 - ii. Publicly Listed Companies (PLCs); and
 - iii. Non-listed Stock corporations.
- b. The following entities are eligible issuers of *Sukuk* but are not required to register under these Guidelines, consistent with the exemptions provided under Section 9 of the SRC and Rule 9.1 of the 2015 SRC Implementing Rules and Regulations (2015 SRC Rules):
 - i. Banks supervised by the BSP;
 - ii. Local Government Units (LGUs);
 - iii. National Government, its agency, or its agency or instrumentality thereof;
 - iv. Any person controlled or supervised by, and acting as an instrumentality of said Government; and

- v. SPEs formed by any of the entities under (a) to (d).

Pursuant to Rule 9.1.4 of the 2015 SRC Rules, the above issuers of Subsection 7.2 shall notify the Commission of their issuance of *Sukuk* and shall submit disclosures, in accordance with these Guidelines. In addition, banks supervised by the BSP or their SPEs shall submit to the Commission a favorable recommendation from the BSP for *Sukuk* issuances that are intended to be used for regulatory capital purposes.

SECTION 8. REQUIREMENTS FOR SPE INCORPORATION AS SUKUK ISSUER - The SPE must be incorporated as a separate legal entity, distinct from the Originator and established primarily for *Sukuk* issuance and hold the assets for *Sukukholders*. It must adhere to international standards for *Sukuk* issuance, including *Shari'ah* principles, and comply with the provisions of the Revised Corporation Code of the Philippines (RCC), particularly the following:

- a. The SPE must register with the Commission before *Sukuk* issuance by submitting the following documents:
 - i. Articles of Incorporation of the SPE stating that its primary purpose is to issue *Sukuk*, in accordance with *Shari'ah* principles. It shall further provide that the SPE shall hold, manage, and transfer such assets solely for the benefit of the *Sukukholders*, in compliance with these Guidelines and applicable laws;
 - ii. Bylaws which must include provisions ensuring that the operation of SPE is compliant with *Shari'ah* principles.
- b. The SPE must comply with the corporate governance standards prescribed by law, rules, and the RCC.
- c. The SPE must submit to the Commission, as well as to the SEC-registered Exchange on which the *Sukuk* is listed (if applicable), the reporting requirements, pursuant to Section 177 of the RCC.
- d. Pursuant to Section 3 of these Guidelines, an SPE that issues *Sukuk* and seeks to list, trade, or settle such instruments through the facilities of an SEC-registered Exchange shall likewise comply with all applicable rules, regulations, guidelines, and issuances of said Exchange. This includes, in particular, adherence to the Exchange's listing requirements prior to the *Sukuk* being traded or settled, as well as compliance with all continuing disclosure obligations incumbent upon an Issuer.

Sukuk issued by SPEs in compliance with these Guidelines shall not be regulated under RA No. 9267, also known as the Securitization Act of 2004.

SECTION 9: DISCLOSURE AND REPORTORIAL REQUIREMENTS - In addition to the information and documents required by SEC Form 12-1, Issuers of *Sukuk* are required to disclose the following information and submit the following documents to the Commission for review and approval:

- a. Purpose of the *Sukuk* issuance;
- b. A detailed description of the *Sukuk* structure and transaction flow, including but not limited to the following:

- i. structural diagram identifying the parties to the *Sukuk* structure, their capacities, and the principal contractual relationships among them and the movement of funds and assets;
 - ii. the sequence of transactions executed by the parties involved, including but not limited to the execution/entry into each agreement/contract, payments made, transfer of assets, issuance, and redemption of *Sukuk*; and
 - iii. the contracts used in the structure and the relevant information, provisions and arrangements pertaining to the contract;
- c. Summary of the principal contracts and all other relevant agreements;
- d. Valuation of underlying assets, which may be based on (i) an independent valuation; (ii) a desktop valuation based on the Issuer's or Originator's latest audited financial statements, or (iii) the book value of the underlying assets as stated in the Originator's latest audited accounts, as applicable, or appraisal conducted by an independent appraiser accredited by the Commission in accordance with the Philippine Valuation Standards and the requirements under the Asset Valuation Guidelines. In case of valuation conducted by an independent appraiser, at least two (2) valuation approaches shall be applied (e.g., market or comparison approach, cost approach, income capitalization approach), unless the appraiser provides written justification for adopting a single valuation approach;²
- e. Roles, responsibilities, and obligations of the SPE and the *Sukuk* Obligor/Originator;
- f. Role of *Shari'ah* in the interpretation of the *Sukuk* contracts, and particularly in default, enforcement, amendment, or restructuring;
- g. Certification from the *Shari'ah* Committee or Advisor that the issuance is aligned with *Shari'ah* requirements as specified in Section 15 of these Guidelines. The Certification shall be accompanied by a report disclosing the review process and the basis of the compliance;
- h. Policy and procedures for regular *Shari'ah* monitoring and audit, including processes for addressing events impacting *Shari'ah* compliance and extraordinary matters, such as default, enforcement, amendment, and restructuring;
- i. Confirmation that *Sukuk* are tradable/transferable from a *Shari'ah* compliance standpoint, if applicable;
- j. Process and procedures on the purification payments to be made when non-*Shari'ah* compliant income arise within the *Sukuk* arrangements, such as payments to a charity, not affiliated to the Issuer, Originator, or the SPE, which aims to eliminate income derived from the prohibited activities under Section 6 of these Guidelines;
- k. Disclosure should describe any arrangements for *Zakah*³ or any other *Shari'ah*-related payments to be made in relation to the asset or activity underlying the *Sukuk*;

² SECTION 8.1 of the SRC – Full and fair disclosure in securities registration; Philippine Valuation Standards (2018) – adopted under BSP Circular No. 855, Series of 2014

³ Based on IFSB Glossary, *Zakah* is an obligatory financial contribution disbursed to specified recipients that is prescribed by the *Shari'ah* on those who possess wealth reaching a minimum amount that is maintained in their possession for one lunar year.

- l. Disclosure on *ta'wīd*⁴ (other compensation) for overdue amounts;
- m. Comprehensive disclosures on risks, particularly those related to SPE limitations, asset ownership, operational controls, *Shari'ah* non-compliance, and legal considerations;
- n. Evidence of ownership or rights to underlying assets backing the *Sukuk*, particularly ensuring that SPE-held assets are compliant with *Sukuk* requirements;
- o. For Trustee appointed to act for *Sukukholders*, disclosures should describe the following:
 - i. Their rights, obligations, and powers;
 - ii. The circumstances and pre-requisites for them acting on behalf of the *Sukukholders*;
 - iii. Provisions for change or termination;
 - iv. Their role in default, acceleration of payments, enforcement, or restructuring of the *Sukuk*; and
 - v. The party responsible for the fees and expenses of the trustee.
- p. In the case of a *Sukuk* with an exchangeability or convertibility into shares feature, the following matters should be disclosed:
 - i. On what basis and who determines that the converted shares are *Shari'ah*-compliant;
 - ii. Any risk that the relevant shares might become non-compliant in the future; and
 - iii. Any accommodation for *Sukukholders* should the relevant shares become non-compliant.

SECTION 10. ONGOING REPORTING AND CONTINUING DISCLOSURES - The Issuer shall comply with the reportorial and disclosure requirements prescribed by the RCC and SRC. In addition, the Issuer shall promptly disclose any material *Shari'ah* non-compliance incident, including the nature of the incident, its impact, and remedial measures undertaken, and file with the Commission a report through SEC Form 17-C on the events enumerated below within five (5) days upon occurrence:

- a. Any amendments to the contracts that would materially affect the *Shari'ah* aspects of the *Sukuk*;
- b. Any changes in relation to convertible or exchangeable *Sukuk*;
- c. Any material changes in the assets, investments, and/or activities underlying the *Sukuk* structure;

⁴ Based on IFSB Glossary, *Ta'wīd* is what is paid in compensation for harm resulting from violation of a contract.

- d. Any material updates submitted to or received from a Credit Rating Agency in relation to the *Sukuk* shall likewise be disclosed to the Commission and *Sukukholders*;⁵
- e. Any appointment or replacement of a Trustee;
- f. Any material changes in the matters disclosed under Use of Proceeds and Source of Payments and Recourse;
- g. Details of payments made in respect of purification or compensation, if any, after the issuance of *Sukuk*;
- h. Any new *fatwa*⁶ or confirmation relating to the *Sukuk*;
- i. The Issuer shall submit an annual *Shari'ah* compliance report describing the scope of review, methodology applied, any breaches identified, and corrective actions undertaken; and
- j. Any matter that a reasonable *Shari'ah*-sensitive investor would consider material to an investment decision relating to the *Sukuk*.

The Commission may encourage or require the use of digital or structured online disclosure systems to facilitate timely dissemination of continuing disclosures to investors.

Any amendment to the terms of the *Sukuk* shall not result in non-compliance with these Guidelines or *Shari'ah* principles. It shall be made with the requisite consents of relevant parties, and shall be disclosed to investors prior to effectivity.

SECTION 11. USE OF PROCEEDS - Disclosures shall describe the intended and actual use of proceeds, ensuring that all remain compliant with *Shari'ah* principles. Such disclosures shall also state whether the *Sukuk* issuance is aligned with the SEC-issued Thematic Bond Guidelines,⁷ *Maqasid al-Shari'ah*, or other sustainable or ethical finance frameworks. If the Issuer is an SPE, disclosure shall extend beyond the initial application to include the actual utilization by the Originator.

The Issuer shall monitor and report on a periodic basis, which shall be at least annually, the actual utilization of proceeds vis-a-vis the stated purposes in the offering documents.

SECTION 12. SOURCE OF PAYMENTS AND RECOURSE - The disclosure shall clearly and prominently set out the ultimate source(s) of funds used to make distributions to *Sukukholders* and shall explicitly state whether the *Sukuk* is structured on a "with recourse" or "without recourse" basis. It shall also include the following information:

⁵ SECTION 8.2 of the SRC – Continuous disclosure obligations of issuers; SEC Memorandum Circular (MC) No. 7, Series of 2021 – Rules on the Accreditation and Reportorial Requirements of Credit Rating Agencies

⁶ Based on the IFSB Glossary, a *fatwā* refers to a juristic opinion issued by a *Shari'ah* board on any matter pertaining to *Shari'ah* issues, based on the appropriate methodology

⁷ SEC MC No. 12 s. 2018 - Guidelines on the Issuance of Green Bonds Under the ASEAN Green Bonds Standards in the Philippines; SEC MC No. 8 s. 2019 - Guidelines on the Issuance of Sustainability Bonds Under the ASEAN Sustainability Bonds Standards in the Philippines; SEC MC No. 09 s. 2019 - Guidelines on the Issuance of Social Bonds Under the ASEAN Social Bonds Standards in the Philippines; SEC MC No. 3 s. 2023 - Guidelines on the Issuance of Sustainability-Linked Bonds Under the ASEAN Sustainability-Linked Bonds Standards in the Philippines and SEC MC No. 15 s. 2023 - Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines

- a. Any contractual limitations in disposing of or enforcing against those assets;
- b. Whether the performance of the underlying assets depends primarily on the efforts of the *Sukuk* Obligor/Originator, or whether contractual arrangements have been established to minimize such reliance, consistent with the objective of asset isolation; and
- c. Any arrangement for credit enhancement.

SECTION 13. UNDERLYING ASSET AND OWNERSHIP RIGHT - The following information in relation to the underlying asset and the ownership right shall be disclosed:

- a. The assets, investments and/or activities underlying the *Sukuk* structure, together with their intended use;
- b. Valuation of the asset in accordance with the requirements provided under Section 9(4) of these Guidelines. Valuation reports shall contain, at a minimum:
 - i. basis of valuation;
 - ii. assumptions used;
 - iii. date and extent of inspection;
 - iv. acquisition history of the asset within the last two (2) years, and
 - v. any breach of applicable land, property, or regulatory laws;
- c. Any arrangement for assets to be varied or substituted during the lifetime of the *Sukuk*, including how substituted assets will be valued;
- d. Any arrangement that transfers or mitigates the ownership risks or price risks relating to assets underlying the *Sukuk* structure, such as *Takaful*;
- e. Any encumbrance on the assets;
- f. The mechanisms for the transfer of the asset into the *Sukuk* structure at the time of issuance and the transfer of the asset out of the *Sukuk* structure at redemption, which shall be undertaken solely for purposes of structuring the *Sukuk* in accordance with *Shari'ah* principles and shall not be construed as exempting the Issuer, Originator, or any other party from compliance with applicable registration, documentation, or tax requirements under existing laws and regulations. The offering documents shall disclose the regulatory, registration, and tax implications arising from such transfers or arrangements, including the allocation of any applicable taxes, fees, or charges, and may reference relevant issuances of the BIR or other competent authorities addressing the tax treatment of *Sukuk*-related transactions;
- g. The precise legal interests and rights of the *Sukukholders* in the underlying assets or arrangements, including the nature of recourse and any limitations on tradability, without reliance solely on ownership labels, to ensure full, fair, and accurate disclosure consistent with the Philippine law;
- h. Any limitation on the rights of the Issuer and *Sukukholders* in the asset; and

- i. Where the underlying assets are encumbered or co-owned, the disclosure shall include the written consent of lienholders or co-owners prior to transfer into the *Sukuk* structure.

SECTION 14. DEFAULT, ENFORCEMENT, RESTRUCTURING AND INSOLVENCY -

- a. Disclosure should state whether the *Sukuk* Obligor has existing conventional debt, which, for purposes of these Guidelines, refers to interest-bearing debt or financing arrangements that are not structured in accordance with *Shari'ah* principles, and, if so, whether its *Sukuk* and conventional debt contain cross-default provisions.
- b. Any arrangement to facilitate a *Shari'ah*-compliant restructuring should be disclosed.
- c. The disclosure shall indicate whether, in an insolvency proceeding, payment obligations under the *Sukuk* may be treated differently from other unsecured obligations.
- d. If the SPE faces *Shari'ah* constraints in participating in an insolvency proceeding of the *Sukuk* Obligor or accepting distributions from the insolvency estate, this should be disclosed, and the constraints described.
- e. The disclosure shall describe the effect of limitations in ownership rights over the underlying asset on enforcement.
- f. The precise mechanisms for pursuing recourse shall be disclosed, distinguishing between Asset-Based *Sukuk* and Asset-Backed *Sukuk*. In the case of Asset-Based *Sukuk*, the disclosure shall specify the mechanisms for pursuing recourse to the Obligor. In the case of Asset-Backed *Sukuk*, the disclosure shall clearly state the absence of recourse against the Originator's or Obligor's general assets and shall describe the enforcement rights and disposition procedures limited solely to the underlying assets following default or dissolution.
- g. The disclosure shall include a warning on the risk of uncertainty in judicial interpretation and/or enforcement of key provisions that are legally untested and may encourage the inclusion of arbitration or alternative dispute resolution mechanisms, including *Shari'ah*-compliant dispute resolution clauses, where appropriate.
- h. Non-payment of *Sukuk* principal or profit on the due date shall constitute an Event of Default or, for equity-based structures such as Musharakah or Mudarabah, a Dissolution Event and shall not be subject to any materiality threshold. A remedy or cure period may be allowed, provided that the mechanism and duration thereof are clearly stipulated in the Trust Deed, taking into consideration the nature of the *Sukuk* structure and underlying assets, and fully disclosed to *Sukukholders*.
- i. Other events of default, such as covenant breaches, may allow reasonable materiality thresholds or cure periods, provided these are clearly stipulated in the Trust Deed and remain consistent with *Shari'ah* principles.
- j. Any waiver, amendment, or modification of rights of *Sukukholders* shall require the approval by *Sukukholders* representing at least two-thirds (2/3) of the total outstanding *Sukuk*, not merely those present or represented at the meeting, or such higher threshold

as may be provided in the Trust Deed, subject to quorum requirements that ensure approval represents more than fifty percent (50%) of the total outstanding *Sukuk*.⁸

SECTION 15. SHARI'AH GOVERNANCE AND CERTIFICATION - Issuers shall either establish its *Shari'ah* Committee or appoint a *Shari'ah* advisor to certify that the *Sukuk* structure and underlying assets comply with *Shari'ah* principles.

a. Qualifications.

- i. A *Shari'ah* Committee shall comprise a panel of not less than three (3) members - two (2) of whom are scholars with recognized expertise in *Shari'ah* principles, and one (1) must be with adequate expertise in finance. *Shari'ah* scholars should have appropriate grounding in *Fiqh al-Muamalat*, and at least one member should have postgraduate-level training or equivalent in Islamic finance with exposure to capital markets.
 - ii. A *Shari'ah* advisor is an individual or an entity with expertise in *Shari'ah* principles and adequate knowledge in finance. In the case of an individual advisor, the person shall have appropriate grounding in *Fiqh al-Muamalat* and, at minimum, postgraduate level training or equivalent in Islamic finance with exposure to capital markets. In the case of an entity advisor, at least two (2) experts in *Fiqh al-Muamalat* and Islamic finance shall be designated, with at least one member possessing postgraduate level training or equivalent in Islamic finance with exposure to capital markets.
- b. **Role.** The *Shari'ah* Committee or Advisor shall provide guidance and oversight to ensure that all aspects of the *Sukuk* transaction, from issuance to maturity, adhere to *Shari'ah* principles and shall oversee the monitoring and audit of the *Shari'ah* compliance.
- c. **Independence.** The *Shari'ah* Committee or the *Shari'ah* Advisor shall operate independently from the Board of Directors of the Issuer and any potential conflict of interest should be disclosed.
- d. **Annual Reportorial Requirement.** The Issuer must submit to the Commission, as part of the SEC Form 17-A (Annual Report), the annual *Shari'ah* report prepared by the *Shari'ah* Committee or Advisor summarizing the review process, key findings, any breaches, and the purification measures taken.

SECTION 16. TRUST DEED REQUIREMENTS - Every *Sukuk* issuance shall be supported by a Trust Deed executed between the issuer, SPE, and trustee. The Trust Deed shall, at a minimum, contain the following:

- a. The covenants of the Issuer, including an undertaking to comply with *Shari'ah* principles, these Guidelines, and all relevant laws and regulations;
- b. A description of the powers and duties of the trustee, including the fiduciary duty to protect the interests of *Sukukholders* and to enforce remedies in case of default, including, where applicable, the authority of the trustee to act upon and enforce remedial actions following the declaration of a *Shari'ah* Non-Compliance (SNC) Event by

⁸ SECTION 39 of the SRC - Trust Indenture requirements, including events of default; SECTIONS 60-63 - Republic Act No. 10142 (Financial Rehabilitation and Insolvency Act of 2010) - Restructuring and enforcement; SECTION 31 of the RCC - Fiduciary duties of directors and officers

the *Shari'ah* Advisor or *Shari'ah* Committee, in accordance with the terms of the Trust Deed;

- c. Procedures for meetings of *Sukukholders*, including quorum, voting thresholds, and procedures for passing resolutions;
- d. Provisions on the establishment of a sinking fund or reserve account where applicable, and the agreed period for payments into such fund;
- e. Clear stipulation that no variation or amendment to the Trust Deed, or to the terms and conditions of the *Sukuk*, shall be effective without prior written consent of *Sukukholders* representing at least a majority of the outstanding *Sukuk*, unless a higher threshold is provided under the Trust Deed, subject to the provisions of Section 14(j) of these Guidelines.⁹

For avoidance of doubt, the determination and certification of the occurrence of a *Shari'ah* Non-Compliance Event shall be vested solely in the *Shari'ah* Advisor or *Shari'ah* Committee, and upon receipt of such certification, the trustee shall act in accordance with its contractual obligations under the Trust Deed, including the declaration of a Dissolution Event and enforcement of remedies, as applicable.

The Commission may issue supplementary guidance, training standards, or illustrative trust deed templates for *Sukuk* issuances, to support Trustee capacity-building and promote consistent implementation across different *Sukuk* structures.

SECTION 17. CREDIT RATING REQUIREMENTS -

- a. All publicly offered *Sukuk* must obtain a credit rating either from an SEC-accredited credit rating agency or an international credit rating agency to assess the creditworthiness and risk profile of the *Sukuk*.
 - i. For Asset-Backed *Sukuk* where the SPE and *Sukukholders* have legal ownership of the underlying asset, the credit rating shall pertain to the *Sukuk* and the underlying asset.
 - ii. For Asset-Based *Sukuk* where the Obligor/Originator still holds the asset and SPE and *Sukukholders* have a beneficial ownership/interest over the underlying asset, the credit rating should pertain not only to the *Sukuk* and the underlying asset but also to the Obligor/Originator's creditworthiness.
- b. The credit rating must be disclosed in the *Sukuk* prospectus and offering materials.
- c. The Issuer shall provide relevant information on a continuous and timely basis, at least on an annual basis, to the credit rating agency to ensure that the latter can continuously make available to investors the rating for the *Sukuk*.
- d. The Issuer must ensure that the credit rating report shall be published by the credit rating agency as soon as the rating has been finalized, or at least seven (7) business days prior to the issuance of the *Sukuk*.¹⁰

⁹ SECTION 39 of the SRC – Trust Indenture; Title XII of the RCC – Trusts and Trustees

¹⁰ SEC Memorandum Circular No. 7, Series of 2021 – Accreditation and operational rules for Credit Rating Agencies

- e. Any change in credit rating after issuance, whether due to re-evaluation or market conditions, must be reported to the SEC and disclosed to *Sukukholders*, in accordance with Section 10 of these Guidelines.
- f. The appointed Credit Rating Agency shall not be replaced during the tenure of the *Sukuk* without the prior consent of a majority of *Sukukholders*.¹¹

SECTION 18. TAX TREATMENT OF SUKUK INSTRUMENTS - The tax treatment of *Sukuk* instruments shall be governed by Revenue Memorandum Circular (RMC) No. 81-2024, as may be amended, or the Tax Treatment of *Sukuk* (Islamic Bond) as an Islamic Banking Arrangement, pursuant to the Tax Neutrality Provision of RA No. 11439, as implemented by Revenue Regulations No. 17-2020. This ensures neutral tax treatment for Islamic finance transactions and conventional banking transactions.

SECTION 19. APPLICABILITY OF CERTAIN LAWS AND REGULATIONS – The provisions of the SRC and its implementing rules and regulations, and other relevant laws and regulations insofar as they are applicable and not inconsistent herewith, shall apply suppletorily.

SECTION 20. PENALTIES - Violation of the provisions of this Memorandum Circular shall, after due notice and hearing, be subject to the appropriate penalty provided under Section 54 of the SRC.

The Commission may issue cease and desist orders, suspend or revoke the registration of *Sukuk*, or disqualify the issuer or its officers, in accordance with the pertinent provisions of the SRC and its implementing rules and regulation.

Where a violation relates to *Shari'ah* non-compliance, the Commission may, after consultation with the BSP and the *Shari'ah* Supervisory Board of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), direct corrective actions to restore compliance.

SECTION 21. SUPPLEMENTAL REGULATIONS – This Memorandum Circular may be supplemented by relevant regulations and guidelines which the Commission may, from time to time, issue.

SECTION 22. EFFECTIVITY – This Memorandum Circular shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of national circulation in the Philippines.

Done this 25th day of February 2026, in Makati City, Philippines.

For the Commission:


FRANCISCO ED. LIM
Chairperson

¹¹ SECTION 8.1-8.2 – Disclosure of material facts and ongoing obligations