



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Sixteenth Congress
First Regular Session

HOUSE BILL NO. 1749



Introduced by Honorable Damian Gaviola Mercado

EXPLANATORY NOTE

We all know that in an ordinary investor's view, a publicly listed company's price per share could become attractive given the right price-to-earnings ratio in accordance with commonly available information. A fact that could lead someone to invest in a particular shares of stock of a listed company.

However, with the present practice of publicly listed corporations of holding on their net earnings under the guise of business expansion, minority shareholders which mostly consists of unsuspecting investors are often left to the disadvantage against majority stockholders whose management actions often serve their own interests like keeping the corporate earnings among their favored banks, overpricing expansion cost to enrich their favored contractors and other undesirable practices. Under this condition, the rights of minority stockholders to earn their fair share (as expected based on the price-to-earnings ratio) of the corporation's income are grossly being neglected.

To protect the rights of the minority shareholders against the above-cited wrongdoings, a measure to compel the management of publicly listed corporations to declare fifty percent (50%) of the corporation's annual net earnings, as cash dividend is needed. Under this set-up, the said corporations could still hold on up to fifty percent (50%) of their yearly net income for legitimate expansion and other business plans while handing to the stockholders the earnings due them.

In view of the foregoing, passage of this bill is hereby being earnestly sought.


DAMIAN GAVIOLA MERCADO



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AN ACT
MANDATING PUBLICLY LISTED CORPORATIONS TO SET ASIDE 50% OF
THEIR ANNUAL NET INCOME AS CASH DIVIDEND

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Definition of Terms.* For purposes of implementing this act, the following terms shall be interpreted as follows:

- a.) Corporation- a juridical entity created under Philippine laws duly registered with the Securities and Exchange Commission and listed at the Philippine Stock Exchange.
- b.) Income- duly audited corporate net income as reflected in the books of the corporation and reported to the Securities and Exchange Commission in compliance of regulations thereat or the net income that may have been discovered by a post audit of the books as a result of an inquiry or an investigation.

SECTION 2. *Dividend.* The Board of Directors shall declare the award of cash dividends to all stockholders of a corporation of not less than fifty percent (50%) of the annual corporate net income within 30 days from the time the corporation have ascertain the amount of their yearly net income from the immediately preceding calendar year.

a.) The management of the corporation shall see to it that the audited financial statement that reflects the income or loss of the corporation shall be completed not later than ninety (90) days from the end of the immediately preceding calendar year.

b.) Should the corporation be newly listed, the income that should be due for award as cash dividend shall include the corporate income for the whole year of its listing regardless of the date of its listing at the stock exchange.

c.) The management of the corporation shall pay to the stockholders the cash dividend due within thirty (30) days from the declaration of the Board of Directors of the amount and record date of the payout.

SECTION 3. *Penal Clause.* Failure of the Board of Directors or any officer of the corporation to comply or have caused non-compliance with any of the provisions of this law shall be meted an imprisonment of not less than six (6) months and one (1) day and not more than two (2) years.