



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



SEVENTEENTH CONGRESS
Third Regular Session

House Bill No. 8939

Introduced by **DIWA Party-list Representative Pepito M. Pico**

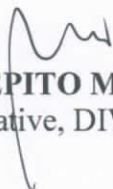
EXPLANATORY NOTE

Small and medium-sized enterprises (SMEs) make up 99.6 percent of all registered businesses in the Philippines and employ over 70 percent of the working population.

However, they face a host of growth challenges—including lack of technical capacity, difficulty in accessing regional markets in Asean and, notably, a lack of access to finance—leaving them accounting for just 35 percent of GDP.

Unlike large companies, these enterprises experience more difficulties in obtaining finance to fund their capitalization or expansion requirements. One effective means of doing so is through listing in the stock exchange, as an initial public offering can bring in a substantial influx of capital.

This bill, a re-filing of House Bill No. 3102 filed by former DIWA Party-list Representative Emmeline Villar and a counterpart of Senate Bill No. 720 filed by Senator Cynthia Villar, goes a step further by facilitating the creation of a Small and Medium Enterprises Stock Exchange (SMEX) which will serve as the equities market of SMEs. The SMEX will simultaneously broaden and deepen the capital markets by providing both foreign and local investors another opportunity for investment. With the passage of this bill, everyone benefits.


PEPITO M. PICO
Representative, DIWA Party-list



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**AN ACT ESTABLISHING THE SMALL AND MEDIUM ENTERPRISES STOCK
EXCHANGE**

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

Section 1. Title. - This Act shall be known as the "*Small and Medium Enterprises Stock Exchange (SMEX) Act.*"

Section 2. Declaration of Policy. - It is the declared policy of the State to recognize the indispensable role of the private sector, encourage private enterprise, and provide incentives to needed investments.

In compliance with this policy, the State shall:

- (a) Encourage the establishment of small and medium enterprises;
- (b) Develop an effective and efficient stock exchange for small and medium enterprises;
- (c) Provide for increased access to financing for small and medium enterprises in order to facilitate funds necessary for their expansion; and
- (d) Stimulate investors and private firms, both local and foreign, to invest in small and medium enterprises.

Section 3. Establishment of the Small and Medium Enterprises Stock Exchange (SMEX). - There is hereby established a Small and Medium Enterprises Stock Exchange, (hereinafter referred to as the "SMEX"), which shall be a stock market catering to small and medium enterprises. The SMEX shall be primarily self-regulatory but shall be under the supervision of the Office of the President for purposes of policy coordination.

For purposes of this Act, the small and medium enterprises shall be those defined as such under Republic Act 9501 or the *Magna Carta for MSMEs*.

Section 4. Board of Governors. - To carry out the purposes of this Act, there is hereby created a Board of Governors, which shall be organized within sixty days after the approval of this Act.

It shall operate as an independent entity but shall be attached to the Office of the President for budgetary purposes. The operations and activities of the SMEX shall be managed and controlled by the Board of Governors (hereinafter referred to as the "Board" composed of the Governor of the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission (SEC) representative, the Philippine Stock Exchange representative, and five members from the SMEX.

The five members from the SMEX shall be selected from the officers of the Board, which shall include one stockbroker or securities dealer coming from the registered brokers or securities dealers of the SMEX.

Section 5. *Transaction of Business.* - Only registered members shall transact business on the floors of the SMEX and such members shall deal or otherwise transact business only with registered brokers or securities dealers of the exchange.

Section 6. *Issuance of Implementing Rules and Regulations.* - The Board, in consultation with the Philippine Stock Exchange, Securities and Exchange Commission, Board of Investments and representatives from the small and medium-sized business sector, shall promulgate and adopt a Code of By-Laws which shall contain, among others: the organizational structure; the rules and regulations on the listing and issuance of securities; and the code of ethics for all members of the exchange, including grounds for disciplinary sanctions or suspension and expulsion of any member, and standards to ensure strict adherence thereto.

Section 7. *Appropriation.* - The amount necessary to carry out the provisions of this Act is hereby authorized to be appropriated in the General Appropriations Act of the fiscal year following its enactment into law and thereafter.

Section 8. *Accountability.* - To ensure accountability of the Board and the SMEX, all funds of and held in trust by the SMEX from the National Government, pursuant to the provisions of this Act, shall be audited by the Commission on Audit and all disbursements shall be made in accordance with existing auditing rules and regulations.

Section 9. *Transition.* - After a period of five years, the SMEX may be privatized in order to ensure the efficient and effective functioning of the stock exchange.

Section 10. *Separability Clause.* - If any provision of this Act shall be held invalid, the reminder of the Act not otherwise affected thereby shall remain in full force and effect.

Section 11. *Repealing Clause.* - All laws, executive orders, decrees, rules and regulations, or part thereof, contrary to or inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Section 12. *Effectivity.* - This Act shall take effect fifteen days after its publication in the Official Gazette or at least two national newspapers of general circulation.

Approved,