

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

Twentieth Congress
First Regular Session

HOUSE BILL NO. 4476



Introduced by **Representative RAYMOND ADRIAN SALCEDA**

AN ACT
PROMOTING THE RIGHTS OF SMALL SHAREHOLDERS, ENHANCING
CORPORATE GOVERNANCE, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The Philippine economy depends on strong capital markets to finance growth, mobilize savings, and broaden participation in economic development. Yet, despite the growth of the Philippine Stock Exchange (PSE), stock market participation remains shallow. As of 2022, only about 1.7 million Filipinos held direct stock investments, representing less than two percent (2%) of the population, according to PSE data. Among these, the vast majority are small shareholders with limited ability to influence corporate governance.

Small shareholders often face structural disadvantages. They are frequently excluded from meaningful participation in board elections, have limited access to timely corporate information, and may see their holdings diluted through stock issuances or insider-favored transactions. Dividend policies are not always transparent, leaving minority investors uncertain about the returns due to them. These factors discourage broader retail investor participation, which in turn weakens the country's ability to deepen its capital markets and generate long-term domestic savings.

The Revised Corporation Code of the Philippines has introduced reforms such as cumulative voting and remote participation in meetings, but there remains a need to institutionalize stronger protections for small shareholders and to align practice with the State's constitutional mandate to promote equity, fairness, and inclusive economic opportunity.

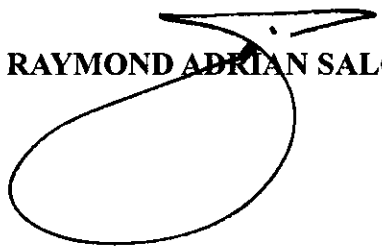
This measure, the Small Shareholders' Rights Act, seeks to address these gaps by:

1. Guaranteeing the effective exercise of cumulative voting rights and facilitating electronic participation in corporate elections;

2. Ensuring timely access to corporate information such as audited financial statements, governance reports, and material related-party transactions;
3. Mandating transparent dividend policies and equitable treatment of all shareholders;
4. Protecting small shareholders from dilution by affirming their pre-emptive rights; and
5. Establishing a mechanism for small shareholders to nominate and elect representatives to corporate boards, especially in publicly listed companies.

By empowering small shareholders, this Act aims to build confidence in Philippine capital markets, encourage retail participation, and ensure that corporate growth benefits a wider base of the Filipino population. Stronger minority protections will also help attract foreign portfolio investments, raise corporate governance standards, and contribute to inclusive growth.

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


RAYMOND ADRIAN SALCEDA

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

SECTION 1. *Short Title.* This Act shall be known as the “Small Shareholders’ Rights Act.”

SEC. 2. *Declaration of Policy.* It is hereby declared the policy of the State to strengthen investor protection, encourage equity market participation, and ensure fair treatment of all shareholders, regardless of shareholding size, in accordance with the constitutional mandate to promote equitable access to opportunities and the Revised Corporation Code of the Philippines.

SEC. 3. *Definition of Terms.* For purposes of this Act:

(a) Small shareholder refers to any natural or juridical person who owns less than two percent (2%) of the outstanding shares of a corporation.

(b) Corporation shall refer to a stock corporation duly registered under the Revised Corporation Code.

SEC. 4. *Cumulative Voting.* Corporations shall ensure that small shareholders may fully exercise their right to cumulative voting in the election of directors as provided under the Revised Corporation Code. Corporations shall adopt mechanisms to facilitate electronic or remote cumulative voting for small shareholders.

SEC. 5. *Right to Information.* Small shareholders shall have the right to timely, accurate, and accessible information regarding the corporation, including:

(a) audited financial statements;

(b) minutes of stockholders’ meetings;

(c) material related-party transactions; and

(d) corporate governance reports. Such information shall be provided electronically at no cost to small shareholders.

SEC. 6. *Proxy Solicitation and Participation.* Corporations shall adopt transparent procedures to allow small shareholders to participate in meetings through proxies, electronic means, or remote communication, in line with rules issued by the Securities and Exchange Commission (SEC).

SEC. 7. *Fair Dividend Policy.* Corporations shall formulate and disclose a clear dividend policy, ensuring that dividends are declared equitably to all shareholders, including small shareholders, subject to business exigencies and regulatory requirements.

SEC. 8. *Protection Against Dilution.* Any issuance of additional shares, stock rights, or similar instruments shall ensure that small shareholders are given pre-emptive rights proportionate to their existing holdings, unless expressly waived by a majority vote of the stockholders.

SEC. 9. *Small Shareholders' Representative.* In publicly listed corporations, small shareholders owning at least two percent (2%) of outstanding shares, individually or collectively, shall have the right to nominate and elect a representative to the Board of Directors, consistent with the Revised Corporation Code.

SEC. 10. *Remedies and Enforcement.* The Securities and Exchange Commission (SEC) shall promulgate the necessary rules and regulations to implement this Act and shall have the authority to:

(a) impose penalties for violations;

(b) require disclosure of corporate actions materially affecting small shareholders; and

(c) provide a complaint and dispute resolution mechanism for small shareholders.

SEC. 11. *Funding.* The amount necessary to carry out the provisions of this Act shall be included in the annual budget of the Securities and Exchange Commission under the General Appropriations Act.

SEC. 12. *Implementing Rules and Regulations.* Within ninety (90) days from the effectivity of this Act, the SEC shall issue the necessary implementing rules and regulations.

SEC. 13. *Separability Clause.* If any provision of this Act is declared unconstitutional, the remainder shall not be affected thereby.

SEC. 14. *Repealing Clause.* All laws, decrees, executive orders, and regulations inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 15. *Effectivity.* This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,