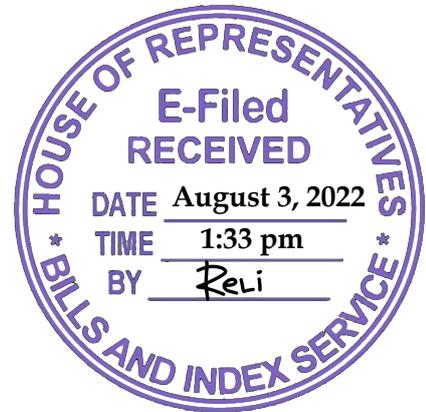


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

House Bill No. 3103



Introduced by **REP. CAMILLE A. VILLAR**

1

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

EXPLANATORY NOTE

MSMEs are the backbone of the Philippine economy. To substantiate, 99.51% of businesses are composed of MSMEs wherein, 10.25% of which are classified as Small while 0.49% are Medium. Additionally, they generate 62.66% of the country's employment where small enterprises cover 25.78% and medium enterprises are at 7.50%. Overall, they are responsible for 40% of our country's Gross Domestic Product (GDP). Because of their major contribution, they are also considered key actors for inclusive economic recovery from the COVID-19 pandemic.¹

However, with the several necessary community quarantines that the state had to implement due to COVID-19, a number of MSMEs faced difficulties resulting in decreased capacity and for some, even closure. The first MSME online forum in 2020 revealed that 80% experienced lower average monthly income during the first three months of the pandemic and 25% laid off employees. Amid the coping measures they implemented, lack of access to credit facilities, tax breaks, and deferred loan payments persist and are among their major struggles.²

Nevertheless, MSMEs' role remains vital in economic performance. The need for government assistance in order to enhance MSME performance and alleviate problems they are currently facing is not only strong but urgent.

Stock exchanges possess potential solutions for current problems faced by MSMEs and promote sustainable development in the enterprises. A study by the World Federation of Exchanges and the United Nations Conference on Trade and

¹ <https://www.dti.gov.ph/resources/msme-statistics/>

² <https://philippines.un.org/en/93680-msme-sector-key-covid-19-inclusive-recovery-ph>

Development (UNCTAD) identified that stock exchanges advance economic development more particularly through mobilizing resources for sustainable economic growth and development and promoting good governance in business practices. Both of which concretizes opportunities for MSMEs to grow and expand.³

In fact, prior to the pandemic, the Development Bank of the Philippines and the Philippine Stock Exchange Inc. were reported to have agreed on the listing of small and medium enterprises (SMEs) in the local market. This signifies that this mechanism is applicable and needed in the Philippines to facilitate growth for SMEs.⁴

This bill forwards the establishment of Small and Medium Enterprises Stock Exchange (SMEX), which once enacted, will provide the avenue for both economic recovery and economic development. Creation of SMEX will reduce the sufferings experienced by SMEs during the pandemic leading to accelerated economic recovery and will pave the way for sustainable economic growth and development through financing and increased motivation and confidence for long-term investors. Moreover, SMEX will increase the assurance and stability for stakeholders who gain their livelihood from either running or being employed in SMEs, which is an important component for national development.

Hence, I recommend the immediate approval of this bill.



CAMILLE A. VILLAR

³ [HTTPS://WWW.PHILSTAR.COM/BUSINESS/2014/05/18/1324331/DBP-PSE-SIGN-DEAL-SPUR-SME-LISTING](https://www.philstar.com/business/2014/05/18/1324331/dbp-pse-sign-deal-spur-sme-listing)

⁴ [HTTPS://UNCTAD.ORG/SYSTEM/FILES/OFFICIAL-DOCUMENT/WFE_UNCTAD_2017_EN.PDF](https://unctad.org/system/files/official-document/wfe_unctad_2017_en.pdf)

HOUSE OF REPRESENTATIVES

House Bill No. 3103

Introduced by **REP. CAMILLE A. VILLAR**

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

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

1 Section 1. *Title.* - This Act shall be known as the "Small and Medium
2 Enterprises Stock Exchange (SMEX) Act of 2022".
3

4 Sec. 2. *Declaration of Policy.* - It is the declared policy of the State to recognize
5 the indispensable role of the private sector, encourage private enterprise, and
6 provide incentives to needed investments.
7

8 In compliance with this policy, the State shall:
9

- 10 a) Encourage the establishment of small and medium enterprises;
11 b) Develop an effective and efficient stock exchange for small and
12 medium enterprises;
13 c) Provide for increased access to financing for small and medium
14 enterprises in order to facilitate funds necessary for their expansion;
15 and
16 d) Stimulate investors and private firms, both local and foreign, to invest
17 in small and medium enterprises.
18

19 Sec. 3. *Establishment of the Small and Medium Enterprises Stock Exchange (SMEX).*
20 - There is hereby established a Small and Medium Enterprises Stock Exchange,
21 (hereinafter referred to as the "SMEX"), which shall be a stock market catering to
22 small and medium enterprises. The SMEX shall be primarily self-regulatory but
23 shall be under the supervision of the Office of the President for purposes of policy
24 coordination.
25

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

1
2 Sec. 4. *Board of Governors.* - To carry out the purposes of this Act, there is
3 hereby created a Board of Governors, which shall be organized within sixty days
4 after the approval of this Act. It shall operate as an independent entity but shall be
5 attached to the Office of the President for budgetary purposes. The operations and
6 activities of the SMEX shall be managed and controlled by the Board of Governors
7 (hereinafter referred to as the "Board" composed of the Governor of the Bangko
8 Sentral ng Pilipinas, the Securities and Exchange Commission (SEC) representative,
9 the Philippine Stock Exchange representative, and five members from the SMEX.

10
11 The five members from the SMEX shall be selected from the officers of the
12 Board, which shall include one stockbroker or securities dealer coming from the
13 registered brokers or securities dealers of the SMEX.

14
15 Sec. 5. *Transaction of Business.* - Only registered members shall transact
16 business on the floors of the SMEX and such members shall deal or otherwise
17 transact business only with registered brokers or securities dealers of the exchange.

18
19 Sec. 6. *Issuance of Implementing Rules and Regulations.* - The Board, in
20 consultation with the Philippine Stock Exchange (PSE), SEC, Board of Investments
21 (BOI) and representatives from the small and medium-sized business sector, shall
22 promulgate and adopt a Code of By-Laws which shall contain, among others: the
23 organizational structure; the rules and regulations on the listing and issuance of
24 securities; and the code of ethics for all members of the exchange, including grounds
25 for disciplinary sanctions or suspension and expulsion of any member, and
26 standards to ensure strict adherence thereto.

27
28 Sec. 7. *Accountability.* - To ensure accountability of the Board and the SMEX,
29 all funds of and held in trust by the SMEX from the National Government, pursuant
30 to the provisions of this Act, shall be audited by the Commission on Audit (COA)
31 and all disbursements shall be made in accordance with existing auditing rules and
32 regulations.

33
34 Sec. 8. *Transition.* - After a period of five (5) years from the effectivity of this
35 Act, the SMEX may be privatized in order to ensure the efficient and effective
36 functioning of the stock exchange.

37
38 Sec. 9. *Appropriation.* - The amount necessary to carry out the provisions of
39 this Act is hereby authorized to be appropriated in the General Appropriations Act
40 of the fiscal year following its enactment into law and thereafter.

41
42 Sec. 10. *Separability Clause.* - If any portion or provision of this Act is declared
43 unconstitutional or invalid, the remainder of this Act or any provisions hereof not
44 affected thereby shall continue to be in force and effect.

1 Sec. 11. *Repealing Clause.* - Any law, presidential decree or issuance, executive
2 order, letter of instruction, rule or regulation inconsistent or contrary to the
3 provisions of this Act is hereby repealed or modified accordingly.

4
5 Sec. 12. *Effectivity.* - This Act shall take effect after fifteen (15) days following
6 its complete publication in the Official Gazette or a newspaper of general circulation.

7
 Approved,