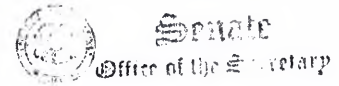


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 JUL -7 P5 :55

SENATE
S. No. 226

RECEIVED BY: 

Introduced by Senator MARK A. VILLAR

AN ACT
ESTABLISHING THE SMALL AND MEDIUM ENTERPRISES STOCK
EXCHANGE

EXPLANATORY NOTE

Small and Medium Enterprises (SMEs) are the engines of the country's economic growth and development. They provide essential products and services and generate needed employment in our developing economy.

However, the growth and momentum of SMEs are hobbled by capital constraints. SMEs experience difficulties in obtaining finance to fund their capitalization or expansion requirements.

It is for these reasons that this bill is filed to assist SMEs in obtaining their financing requirements from the developing capital market in the country.

Listing with the stock exchange is one way for small businesses to get capital to fund growth and expansion. Further, tapping the SME sector will help expand the investor base in the country.

A Small and Medium Enterprises Stock Exchange (SMEX) can be the equities market of growing businesses that may still not meet the capitalization requirements for public listing by the Philippine Stock Exchange (PSE). Public listing in the SMEX may

well provide SMEs with a cheap and steady pool of funds for their business requirements.

Creation of the SMEX will also provide SMEs their benchmarks for business accomplishments, in making them aware of the processes and demands of making their enterprises "investment-ready."

The SMEX at the same time will broaden and deepen the capital markets by providing both foreign and local investors another window of investment opportunity. This has been the experience of the United States when they set up the National Association of Securities Dealers Automated Quotations (NASDAQ) stock market for growing companies, which has been the market for the public listing of phenomenal companies such as Intel and Microsoft.

In sum, alternative equities markets like the SMEX can provide crucial institutional support to SMEs, while at the same time lay the groundwork for more investment opportunities in the country today.

For these, immediate approval of this bill is recommended.



MARK A. VILLAR
Senator

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

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

3 Sec 2. *Declaration of Policy.* – It is the declared policy of the State to
4 recognize the indispensable role of the private sector, encourage private enterprise,
5 and provide incentives to needed investments. In compliance with this policy, the
6 State shall encourage the establishment of small and medium enterprises, develop
7 an effective and efficient stock exchange for small and medium enterprises, provide
8 for increased access to financing for small and medium enterprises in order to
9 facilitate funds necessary for their expansion, and stimulate investors and private
10 firms, both local and foreign, to invest in small and medium enterprises.

11 Sec 3. *Definition of Terms.* – The following definitions shall apply to this Act:
12 a.) Small Enterprise refers to any business of whatever nature whose
13 net capital amounts to 3,000,001-15,000,000 million pesos;

- 14 b.) Medium Enterprise refers to any business of whatever nature
15 whose net capital amounts to 15,000,001-100,000,000 million
16 pesos;
17 c.) 100,000,001-300,000,000 million pesos (for the Small and Medium
18 Stock Exchange Primary Board)

19 Sec 4. *Creation of the Small and Medium Enterprises Stock Exchange.* –the
20 Small and Medium Enterprises Stock Exchange (SMEX) is hereby established, which
21 shall be a stock market catering to small and medium enterprises. The SMEX shall be
22 primarily self-regulatory but shall be under the supervision of the Office of the
23 President for purposes of policy coordination.

24 Sec 5. *Board of Governors.* – To carry out the purposes of this Act, a Board of
25 Governors (the Board) is hereby created, which shall be organized within sixty (60)
26 days after the approval of this Act. It shall operate as an independent entity, but
27 shall be attached to the Office of the President for budgetary purposes. The
28 operations and activities of the SMEX shall be managed and controlled by the Board,
29 which shall be composed of the Governor of the Bangko Sentral ng Pilipinas, a
30 Securities and Exchange Commission (SEC) representative, a Philippine Stock
31 Exchange representative, and five (5) members from the SMEX.

32 The five members from the SMEX shall include one stockbroker or securities dealer
33 coming from the registered brokers or securities dealers of the SMEX.

34 Sec 6. *Transaction of Business.* – Only registered members shall transact
35 business on the floors of the SMEX and such members shall deal or otherwise
36 transact business only with registered brokers or securities dealers of the exchange.

37 Sec 7. *Implementing Rules and Regulations.* – The Board, in consultation with
38 the Philippine Stock Exchange, Securities and Exchange Commission, Board of
39 Investments and representatives from the small and medium- sized business sector
40 shall promulgate and adopt a Code of By-Laws which shall, among others, contain

41 the organizational structure; the rules and regulations on the listing and issuance of
42 securities; the code of ethics for all members of the exchange, including grounds for
43 disciplinary sanctions or suspension and expulsion of any member, and standards to
44 ensure strict adherence thereto. This shall be done within ninety (90) days from the
45 effectivity of this Act.

46 Sec 8. *Appropriation.* – The amount necessary to carry out the provisions of
47 this Act is hereby authorized to be appropriated in the General Appropriations Act of
48 the fiscal year following its enactment into law and thereafter.

49 Sec 9. *Accountability.* – To ensure accountability of the Board and the SMEX,
50 all funds of and held in trust by the SMEX from the National Government, pursuant
51 to the provisions of this Act, shall be audited by the Commission on Audit and all
52 disbursements shall be made in accordance with existing auditing rules and
53 regulations.

54 Sec 10. *Transitory Provision.* – After a period of five years, the SMEX shall be
55 privatized in order to ensure the efficient and effective functioning of the stock
56 exchange.

57 Sec 11. *Separability Clause.* – If any portion or provision of this Act is
58 declared unconstitutional, the remainder of this Act or any provision not affected
59 thereby shall remain in force and effect.

60 Sec 12. *Repealing Clause.* – Any law, presidential decree or issuance,
61 executive order, letter of instruction, rule or regulation inconsistent with the
62 provisions of this Act is hereby repealed or modified accordingly.

63 Sec 13. *Effectivity.* – This Act shall take effect fifteen (15) days following its
64 complete publication in a newspaper of general circulation.

Approved,