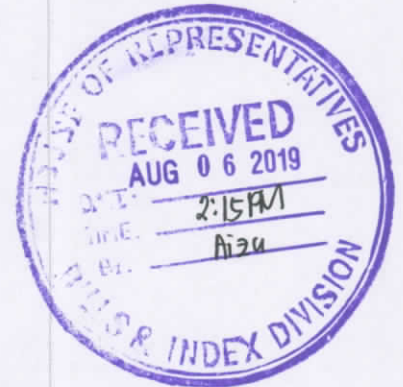


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

18th Congress
First Regular Session
HOUSE BILL NO. 3502



Introduced by: **HON. LORNA C. SILVERIO**

EXPLANATORY NOTE

The Philippines passed the Retail Trade Liberalization law in the year 2000 specifically to allow entry of foreign direct investments in the retail sector to stimulate economic growth therefore providing more jobs and better choices to the Filipino consumers at lower cost.

Since the passage of the law, the goals of liberalization has not yet been achieved, the unemployment rate is pegged at 5.4% as of July 2016, the opportunity for employment has been lessened without such investments from the foreign retailers.

In order to make our country equally competitive in the world stage, issues like these need to be addressed in the existing Retail Trade Liberalization Law of 2000. The law provides for a US\$ 2,500,000 capital requirement before a foreign entity may 100% own a retail establishment. In comparison, countries like Singapore and Indonesia allow Foreign Direct Investments (FDI) in the retail trade sector without setting minimum capital requirements and without limits on foreign equity participation.

This makes the Philippines dead last in the ranking of Southeast Asian nations behind Singapore, Vietnam, Malaysia, Thailand and Indonesia because of the guidelines covering foreign direct investments.

Let us encourage the entry of more market players in our business landscape because it will mean more job opportunities and market competition will result to quality goods and services being provided for the Filipino at lower costs. This bill proposes to do away with these barriers to foreign investment by removing equity and capitalization requirements in the said law to create a better and a business and consumer friendly environment in the Philippines.

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

Lorna C. Silverio
LORNA C. SILVERIO

Republic of the Philippines
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18th Congress
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HOUSE BILL NO. 3502

Introduced by: Representative Lorna C. Silverio

AN ACT
AMENDING REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE RETAIL
TRADE LIBERALIZATION ACT, AND FOR OTHER PURPOSES

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

1 **SECTION 1.** Section 5 of Republic Act No. 8762 is hereby amended to read as
2 follows:

3 “Sec. 5. *Foreign Equity Participation.* - Foreign-owned partnerships,
4 associations and corporations formed and organized under the laws of the
5 Philippines may, upon registration with the Securities and Exchange
6 Commission (SEC) and the Department of Trade and Industry (DTI), or in
7 case of foreign owned single proprietorships, with the DTI, engage or invest
8 in the retail trade business [, subject to the following categories:] **WITH A**
9 **MINIMUM PAID-UP CAPITAL OF THE EQUIVALENT IN**
10 **PHILIPPINE PESO OF TWO HUNDRED THOUSAND US DOLLARS**
11 **(US\$ 200,000.00).**

12 [*Category A* - Enterprises with paid-up capital of the equivalent in
13 Philippine Pesos of less than Two million five hundred thousand US dollars
14 (US\$2,500,000.00) shall be reserved exclusively for Filipino citizens and
15 corporations wholly owned by Filipino citizens.]

16 [*Category B* - Enterprises with a minimum paid-up capital of the
17 equivalent in Philippine Pesos of Two million five hundred thousand US
18 dollars (US\$2,500,000.00) but less than Seven million five hundred thousand
19 US dollars (US\$7,500,000.00) may be wholly owned by foreigners [except for

1 the first two (2) years after the effectivity of this Act wherein foreign
2 participation shall be limited to not more than sixty percent (60%) of total
3 equity.]

4 [Category C - Enterprises with a paid-up capital of the equivalent in
5 Philippine Pesos of Seven million five hundred thousand US dollars (US\$
6 7,500,000.00) or more may be wholly owned by foreigners Provided,
7 however, That in no case shall the investments for establishing a store in
8 Categories B and C be less than the equivalent in Philippine Pesos of Eight
9 hundred thirty thousand US dollars (US\$830,000.00).]

10 [Category D - Enterprises specializing in high-end or luxury products
11 with a paid -up capital of the equivalent in Philippine Pesos of Two hundred
12 fifty thousand US dollars (US\$250,000.00) per store may be wholly owned by
13 foreigners.]

14 The foreign investor shall be required to maintain in the Philippines
15 the full amount of [the prescribed minimum] **ITS PAID UP** capital, unless the
16 foreign investor has notified the SEC and the DTI of its intention to repatriate
17 its capital and cease operations in the Philippines. The actual use in Philippine
18 operations of the inwardly remitted [minimum] capital [requirement] shall be
19 monitored by the SEC.

20 Failure to maintain the [full] amount of [the prescribed minimum]
21 **PAID UP** capital **REQUIRED IN THE IMMEDIATELY PRECEDING**
22 **PARAGRAPH**, prior to notification of the SEC and the DTI, shall subject the
23 foreign investor to penalties or restrictions on any future trading
24 activities/business in the Philippines.

25 Foreign retail stores shall secure a certification from the *Bangko*
26 *Sentral ng Pilipinas* (BSP) and the DTI, [which will] **TO** verify or confirm
27 **THE** inward remittance of [the minimum required] **THEIR** capital
28 investment.”

29 Sec. 2. Section 6 of Republic Act No. 8762 is hereby deleted.

30 Sec. 3. Section 7 of Republic Act No. 8762 is hereby deleted.

31 Sec. 4. Section 8 of Republic Act No. 8762 is hereby amended to read as
32 follows:

1 “Sec. 8. *Qualification of Foreign Retailers.* – [No foreign retailer shall
2 be allowed to engage in retail trade in the Philippine unless all the following
3 qualifications are met:]

4 [(a) A minimum of Two hundred million US dollar
5 (US\$200,000,000.00) net worth in its parent corporation for Categories B and
6 C, and Fifty million US dollar (US\$50,000,000.00) net worth in its parent
7 corporation for category D;]

8 [(b) (5) retailing branches or franchises in operation anywhere around
9 the world unless such retailer has at least one (1) store capitalized at a
10 minimum of Twenty-five million US dollars (US\$25,000,000.00);]

11 [(c) Five (5)-year track record in retailing; and]

12 [(d)] Only nationals from [,] or juridical entities formed or
13 incorporated in countries which allow the entry of Filipino retailers shall be
14 allowed to engage in retail trade in the Philippines.

15 The DTI is hereby authorized to pre-qualify all foreign retailers,
16 subject to the provisions of this Act, before they are allowed to conduct
17 business in the Philippines.

18 The DTI shall keep a record of qualified foreign retailers who may,
19 upon compliance with law, establish retail stores in the Philippine. [It shall
20 ensure that parent retail trading company of the foreign investor complies with
21 the qualifications on capitalization and track record prescribed in this section.]

22 The Inter- Agency Committee on Tariff and Related Matters Authority
23 **OF THE NATIONAL ECONOMIC AND DEVELOPMENT**
24 **AUTHORITY (NEDA)** Board shall formulate and regularly update a list of
25 foreign retailers of high-end or luxury goods and render an annual report on
26 the same to Congress.

27 Sec. 5. Section 9 of Republic Act No. 8762 is hereby amended to read as follows:

28 “Sec. 9. *Promotion of Locally Manufactured Products.* – [For ten (10)
29 year after the effectivity of this Act, at] **AT least [thirty] TEN percent [(30%)]**
30 **(10%)** of the aggregate cost of the stock inventory of foreign retailers [falling
31 under Categories B and C and ten percent (10%) for category D] shall be
32 made in the Philippines.”

1 Sec. 6. *Repealing Clause.* – Republic Act No. 8762, and all laws, decrees, orders,
2 rules and regulations or other issuances or parts thereof inconsistent with the provisions of
3 this Act are hereby repealed or modified accordingly.

4 Sec. 7. *Separability Clause.* – If any portion or provision of this Act is declared
5 unconstitutional, the remainder of this Act or any provisions not affected thereby shall remain
6 in force and effect.

7 Sec. 8. *Effectivity.* – This Act shall take effect fifteen (15) days after publication in
8 two (2) newspapers of general circulation in the Philippines.

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11

Approved,

Genado. Pilaminis



**Please
SIGN**