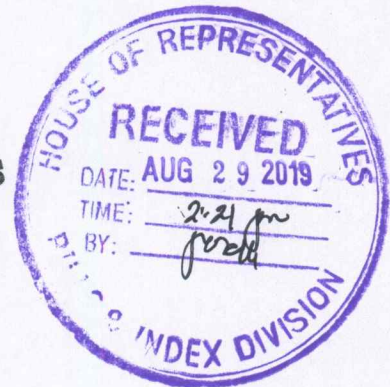


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4268



Introduced by Representative Michael L. Romero

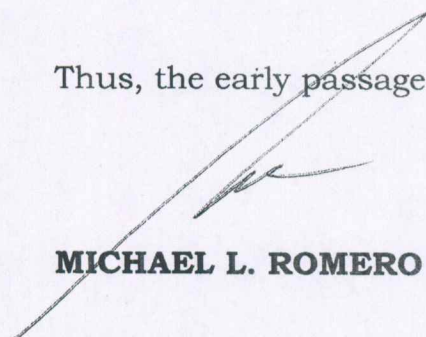
EXPLANATORY NOTE

In the Republic of the Philippines, Foreign investments are fortified in enterprises that expand livelihood and employment opportunities for Filipinos; enhance economic value of farm products; promote the welfare of Filipino consumers; expand the scope, quality and volume of exports and their access to foreign markets; and/or transfer relevant technologies in agriculture, industry and support services.

Foreign investments are welcome as a supplement to Filipino capital and technology in those enterprises serving mainly the domestic market.

This House Bill seeks to encompass those foreign owned firms catering mainly to the domestic market shall be encouraged to commence methods that will gradually increase Filipino participation in their businesses by taking in Filipino partners, electing Filipinos to the board of directors, implementing transfer of technology to Filipinos, generating more employment for the economy and enhancing skills of Filipino workers.

Thus, the early passage of this bill is earnestly requested.



MICHAEL L. ROMERO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4268

Introduced by Representative Michael L. Romero

AN ACT

AMENDING THE REPUBLIC ACT 7042, OTHERWISE KNOWN AS
THE **FOREIGN INVESTMENT ACT OF 1991**, TO AUGMENT
FOREIGN INVESTMENT, TO PROMOTE SUPPLEMENTARY SOURCE OF
REVENUE, AND FOR OTHER PURPOSES

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

SECTION 1. Section 4 of Republic Act No. 7042, as amended by
Republic Act No. 8179, otherwise known as the *Foreign Investments Act of 1991*,
is hereby amended to read as follows:

"SEC. 4. Scope. — This Act shall not apply to banking and other
financial institutions which are governed and regulated by the
General Banking Act and other laws under the supervision of the
Bangko Sentral ng Pilipinas, and the exercise of professions."

SECTION 2. Section 8 of Republic Act No. 7042, as amended by
Republic Act No. 8179, otherwise known as the *Foreign Investment Act of 1991*
is hereby amended to read as follows:

"SEC. 8. List of Investment Areas Reserved to Philippine Nationals (Foreign Investment Negative List). — The Foreign Investment Negative List shall have two (2) component lists: A and B:

- a) List A shall enumerate the areas of activities reserved to Philippine nationals by mandate of the Constitution and specific laws.
- b) List B shall contain the areas of activities and enterprises regulated pursuant to law:
 - 1 . Which are defense-related activities, requiring prior clearance and authorization from the Department of National Defense (DND) to engage in such activity, such as the manufacture, repair, storage and/or distribution of firearms, ammunition, lethal weapons, military ordinance, explosives, pyrotechnics and similar materials; unless such manufacturing or repair activity is specifically authorized, with a substantial export component, to a non-Philippine national by the Secretary of National Defense; or
 - 2 Which have implications on public health and morals, such as the manufacture and distribution of dangerous drugs; all forms of gambling; nightclubs, bars, beer houses, dance halls, sauna, and steam bathhouses and massage clinics.

"Small and medium-sized domestic market enterprises with paid-in equity capital less than the equivalent of Three hundred thousand US dollars (**US \$300,000.00**), are reserved to Philippine nationals:

Provided, That if: (1) they involve advanced technology as determined by the Department of Science and Technology (DOST), or (2) they employ at least FIFTEEN (**15**) direct employees, then a minimum paid-in capital of One hundred Fifty thousand US dollars (**US \$150,000.000**) shall be allowed to non-Philippine nationals

"Amendments to List B may be made upon recommendation of the Secretary of National Defense, or the Secretary of Health, or the Secretary of Education, [Culture and Sports,] indorsed by the NEDA, or upon recommendation motu proprio of NEDA, approved by the President, and promulgated by a Presidential Proclamation.

"The Transitory Foreign Investment Negative List established in Section 15 hereof shall be replaced at the end of the transitory period by the first Regular Negative List to be formulated and recommended by NEDA, following the process and criteria, provided in Sections 8 and 9 of this Act. The first Regular Negative Lists shall be published not later than sixty (60) days before the end of the transitory period provided in said section, and shall become immediately effective at the end of the transitory period. Subsequent Foreign Investment Negative Lists shall become effective fifteen (15) days after publication in a newspaper of general circulation in the Philippines: Provided, however, That each Foreign Investment Negative List shall be prospective in operation and shall in no way affect foreign investment existing on the date of its publication.

"Amendments to list B after promulgation and publication of the first Regular Foreign Investment Negative List at the end of the transitory period shall not be made more often than once every two (2) years."

SECTION 3. CORPORATE BODY - The Department of Interior and Local Government (**DILG**) is hereby authorized to create a corporate entity and/or authority to attract foreign investment to generate additional source of revenue provided however that this is in accordance with the local development plan and the public-foreign investment program.

SECTION 4. POLICY FRAMEWORK - Hereinafter enabling Local Government Units (**LGUs**) to engage in corporate cost-effective enterprise and investment as otherwise allowed by the Constitution, the Local Government Code and the Corporation Code is provided by this Act.

SECTION 5. TRANSITORY PROVISION - Existing industries, businesses and offices affected by the implementation of this Act shall be given six (6) months transitory period from the effectivity of the IRR or such other period as may be determined, to comply with the requirements of this Act.

SECTION 6. IMPLEMENTING RULES AND REGULATIONS. - The departments and agencies charged with carrying out the provisions of this Act

shall, within sixty **(60)** days after the effectivity of this Act, formulate the necessary rules and regulations for its effective implementation.

SECTION 7. REPEALING CLAUSE. – All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 8. SEPARABILITY CLAUSE. – If, for any reason, any section or provision of this Act is held unconstitutional or invalid, the other sections or provisions hereof shall not be affected thereby.

SECTION 9. EFFECTIVITY CLAUSE. – This Act shall take effect after fifteen (15) days from its publication in the Official Gazette or in at least two (2) national newspapers of general circulation whichever comes earlier.

Approved,