

REPUBLIC ACT NO. 7227
OTHERWISE KNOWN AS THE BASES CONVERSION AND
DEVELOPMENT ACT OF 1992

IMPLEMENTING RULES AND REGULATIONS
OF THE SUBIC SPECIAL
ECONOMIC AND FREEPORT ZONE AND
THE SUBIC BAY METROPOLITAN AUTHORITY
UNDER REPUBLIC ACT NO. 7227



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PART I

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Pages 1-17

PART II

IMPLEMENTING RULES AND REGULATIONS

**OF THE SUBIC SPECIAL
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Pages 18– 61

Section 12 of R.A. 7227 refers to the creation of the Subic Bay Special Economic and Freeport Zone to accelerate the conversion of the 67,452 hectares area of the former US military base in Subic Bay into a dynamic economic growth center immediately after the bases treaty between the Philippines and the U.S. expired.

Section 13 of R.A. 7227 created the Subic Bay Metropolitan Authority (SBMA), the government agency responsible to regulate and manage the areas covering the Subic Special Economic and Freeport Zone.

REPUBLIC ACT NO. 7227

THE BASES CONVERSION AND DEVELOPMENT ACT OF 1992

AN ACT ACCELERATING THE CONVERSION OF MILITARY RESERVATIONS INTO OTHER PRODUCTIVE USES, CREATING THE BASES CONVERSION AND DEVELOPMENT AUTHORITY FOR THIS PURPOSE, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES.

SECTION 1. *Short Title.* This Act shall be known as the "*Bases Conversion and Development Act of 1992.*"

Sec. 2. *Declaration of Policies.* It is hereby declared the policy of the Government to accelerate the sound and balanced conversion into alternative productive uses of the Clark and Subic military reservations and their extension (John Hay Station, Wallace Air Station, O'Donnell Transmitter Station, San Miguel Naval Communications Station and Capas Relay Station), to raise funds by the sale of portions of Metro Manila military camps, and to apply said funds as provided herein for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement between the Philippines and the United States of America, as amended.

It is likewise the declared policy of the Government to enhance the benefits to be derived from said properties in order to promote the economic and social development of Central Luzon in particular and the country in general.

Sec. 3. *Creation of the Bases Conversion and Development Authority.* There is hereby created a body corporate to be known as the Bases Conversion and Development Authority, which shall have attribute of perpetual succession and shall be vested with the powers of a corporation.

It shall be organized within thirty (30) days after approval of this Act. It shall have a term of fifty (50) years from its organization: *Provided*, That Congress, by a joint resolution, may dissolve the Conversion Authority whenever in its judgment the primary purpose for its creation has been accomplished. It shall establish its principal office in Metropolitan Manila unless otherwise provided by the Conversion Authority and may put up such branches as may be necessary.

Sec. 4. *Purposes of the Conversion Authority.* The Conversion Authority shall have the following purposes:

(a) To own, hold and/or administer the military reservations of John Hay Station, Wallace Air Station, O'Donnell Transmitter Station, San Miguel Naval Communication Station, Mt. Sta. Rita Station (Hermosa, Bataan) and those portions of Metro Manila, military camps which may be transferred to it by the President;

(b) To adopt, prepare and implement a comprehensive and detailed development plan embodying a list of projects including but not limited to those provided in the Legislative-Executive Bases Council (LEBC) framework plan for the sound and balanced conversion of the Clark and Subic military reservations and their extensions consistent with ecological and environmental standards, in other productive uses to promote the economic and social development of Central Luzon in particular and the country in general;

(c) To encourage the active participation of the private sector in transforming the Clark and Subic military reservations and their extensions into other productive uses;

(d) To serve as the holding company of subsidiary companies created pursuant to Section 16 of this Act and to invest in Special Economic Zones declared under Sections 12 and 15 of this Act;

(e) To manage and operate through private sector companies developmental projects outside the jurisdiction of subsidiary companies and Special Economic Zones declared by presidential proclamations and established under this Act;

(f) To establish a mechanism in coordination with the appropriate local government units to effect meaningful consultation regarding the plans, programs and projects within the regions where such plans, programs and/or project development are part of the conversion of the Clark and Subic military reservations and their extensions and the surrounding communities as envisioned in this Act; and

(g) To plan, program and undertake the adjustment, relocation, or resettlement of population within the Clark and Subic military reservations and their extensions as may be deemed necessary and beneficial by the Conversion Authority, in coordination with the appropriate government agencies and local government units.

Sec. 5 Powers of the Conversion Authority. To carry out its objectives under this Act, the Conversion Authority is hereby vested with the following powers:

(a) To succeed in its corporate name, to sue and be sued in such corporate name and to adopt, alter and use a corporate seal which shall be judicially noticed;

(b) To adopt, amend and repeal its by-laws;

(c) To enter into, make, perform and carry out contracts of every class, kind and description which are necessary or incidental to the realization of its purposes with any person, firm or corporation, private or public, and with foreign government entities;

(d) To contract loans, indebtedness, credit and issue commercial papers and bonds, in any local or convertible foreign currency from any international financial institutions, foreign government entities, and local or foreign private commercial banks or similar institutions under terms and conditions prescribed by law, rules and regulations;

(e) To execute any deed of guarantee, mortgage, pledge, trust or assignment of any property for the purpose of financing the programs and projects deemed vital for the early attainment of its goals and objectives, subject to the provisions of Article VII, Section 20, and Article XII, Section 2, paragraphs (4) and (5) of the Constitution;

(f) To construct, own, lease, operate and maintain public utilities as well as infrastructure facilities;

(g) To reclaim or undertake reclamation projects as it may deem necessary in areas adjacent or contiguous to the Conversion Authority's lands described in Section 7 of this Act either by itself or in collaboration with the Public Estates Authority (PEA) established under Presidential Decree No. 1084, as amended;

(h) To acquire, own, hold, administer, and lease real and personal properties, including agricultural lands, property rights and interests and encumber, lease, mortgage, sell, alienate or otherwise dispose of the same at fair market value it may deem appropriate;

(i) To receive donations, grants, bequeaths and assistance of all kinds from local and foreign government and private sectors and utilize the same;

(j) To invest its funds and other assets other than those of the Special Economic Zones under Sections 12 and 15 of this Act in such areas it may deem wise;

(k) To exercise the right of eminent domain;

(l) To exercise oversight functions over the Special Economic Zones declared under this Act and by subsequent presidential proclamations within the framework of the declared policies of this Act;

(m) To promulgate all necessary rules and regulations; and

(n) To perform such other powers as may be necessary and proper to carry out the purposes of this Act.

Sec. .6. Capitalization. The Conversion Authority shall have an authorized capital of One hundred billion pesos (P100,000,000,000) which may be fully subscribed by the Republic of the Philippines and shall either be paid up from the proceeds of the sales of its land assets as provided for in Section 8 of this Act or by transferring to the Conversion Authority properties valued in such amount.

An initial operating capital in the amount of seventy million pesos (P70,000,000) is hereby authorized to be appropriated out of any funds in the National Treasury not otherwise appropriated which shall be covered by preferred shares of the Conversion Authority retireable within two (2) years.

Sec. 7. Transfer of Properties. Pursuant to paragraph (a), Section 4 hereof, the President shall transfer forthwith to the Conversion Authority:

(a) Station	Area in Has. (more or less)
John Hay Air Station	570
Wallace Air Station	167
O'Donnell Transmitter Station	1,755
San Miguel Naval Communication Station	1,100
Mt. Sta. Rosa Station (Hermosa, Bataan)	

(b) Such other properties including, but not limited to, portions of Metro Manila military camps, pursuant to Section 8 of this Act: *Provided, however,* That the areas which shall remain as military reservations shall be delineated and proclaimed as such by the President.

Sec. 8. Funding Scheme. The capital of the Conversion Authority shall come from the sales proceeds and/or transfers of certain Metro Manila military camps, including all lands covered by Proclamation No. 423, series of 1957, commonly known as Fort Bonifacio and Villamor (Nichols) Air Base, namely:

Camp	Area In has. (more or less)
Phase I (for immediate disposal)	
1. Camp Claudio	2.0
2. Camp Bago Bantay	5.0
3. Part of Villamor Air Base	135.10
4. Part of Fort Bonifacio	<u>498.40</u>
Total	640.50

Camp	Area in has. (more or less)
Phase II	
1. Camp Ver	1.9
2. Camp Melchor	1.0
3. Camp Atienza	4.9
4. Part of Villamor Air Base	37.9
5. Part of Fort Bonifacio	224.90
6. Fort Abad	<u>.60</u>
Total	271.20

Provided, That the following areas shall be exempt from sale:

(a) Approximately 148.80 hectares in Fort Bonifacio for the National Capital Region (NCR) Security Brigade, Philippine Army (PA) officers' housing area, and Philippine National Police (PNP) jails and support services (presently Camp Bagong Diwa);

(b) Approximately 99.91 hectares in Villamor Air Base for the Presidential Airlift Wing, one squadron of helicopters for the NCR and respective security units;

(c) The following areas segregated by Proclamation Nos.:

- (1) 461, series of 1965; (AFP Officers Village)
- (2) 462, series of 1965; (AFP Enlisted Men's Village)
- (3) 192, series of 1967; (Veterans Center)
- (4) 208, series of 1967; (National Shrines)
- (5) 469, series of 1969; (Philippine College of Commerce)
- (6) 653, series of 1970; (National Manpower and Youth Council)
- (7) 684, series of 1970; (University Center)
- (8) 1041, series of 1972; (Open Lease Concession)
- (9) 1160, series of 1973; (Manila Technical Institute)
- (10) 1217, series of 1970; (Maharlika Village)
- (11) 682, series of 1970; (Civil Aviation Purposes)
- (12) 1048, series of 1975; (Civil Aviation Purposes)
- (13) 1453, series of 1975; (National Police Commission)
- (14) 1633, series of 1977; (Housing and Urban Development)
- (15) 2219, series of 1982; (Ministry of Human Settlements, BLISS)
- (16) 172, series of 1987; (Upper, Lower, and Western Bicutan and Signal Housing)
- (17) 389, series of 1989; (National mapping and Resource Information Authority)
- (18) 518, series of 1990; (CEMBO, SO CEMBO, W REMBO, E REMBO, COMEMBRO, PEMBO, PITOGO)
- (19) 467, series of 1968; (Greater Manila Terminal Food Market Site)
- (20) 347, series of 1968; (Greater Manila Food Market Site)
- (21) 376, series of 1968; (National Development Board and Science Community)

(d) A proposal of 15 hectares as relocation site for families to be affected by circumferential road 5 and radial road 4 construction: *Provided, further*, That the boundaries and technical description of these crumpet areas shall be determined by an actual group survey.

The President is hereby authorized to sell the above lands, in whole or in part, which are hereby declared alienable and disposable pursuant to the provisions of existing laws and regulations governing sales of government properties: *Provided*, That no sale or disposition of such lands will be undertaken until a development plan embodying projects for conversion shall be approved by the President in accordance with Paragraph (b), Section 4, of this Act. However, six (6) months after approval of this Act, the President shall authorize the Conversion Authority to dispose of certain areas in Fort Bonifacio and Villamor as the latter so determines. The Conversion Authority shall provide the President a report on any such disposition or plan for disposition within one (1) month from such disposition or preparation of such plan. The proceeds from any sale, after deducting all expenses related to the sale, of portions of Metro Manila military camps as authorized under this Act, shall be used for the following purposes with their corresponding percent shares of proceed:

(1) Thirty-two and five-tenths percent (32.5%) - To finance the transfer of the AFP military camps and the construction of new camps, the self-reliance and modernization program of the AFP, the concessional and long-term housing loan assistance and livelihood assistance to AFP officers and enlisted men and their families, and the rehabilitation and expansion of the AFP's medical facilities;

(2) Fifty percent (50%) - To finance the conversion and the commercial uses of Clark and Subic military reservations and their extensions;

(3) Five percent (5%) - To finance the concessional and long-term housing loan assistance for the homeless of Metro Manila, Olongapo City, Angeles City and

(4) The balance shall accrue and be remitted to the National Treasury to be appropriated thereafter by Congress for the sole purpose of financing programs and projects vital for the economic upliftment of the Filipino people.

Provided, That, in case of Fort Bonifacio, two and five tenths percent (2.5%) of the proceeds thereof in equal shares shall each go to the Municipalities of Makati, Taguig and Pateros: *Provided, further*, That in no case shall farmers affected be denied due compensation.

With respect to the military reservations and their extensions, the President upon recommendation of the Conversion Authority or the Subic Authority when it concerns the Subic Special Economic Zone shall likewise be authorized to sell or dispose those portions of lands which the Conversion Authority or the Subic Authority may find essential for the development of their projects.

Sec. 9. Board of Directors: Composition. The powers and functions of the Conversion Authority shall be exercised by a Board of Directors to be composed of nine (9) members, as follows:

- (a) A full-time chairman who shall also be the president of the Conversion Authority; and
- (b) Eight (8) other members from the private sector, two (2) of whom coming from the labor sector.

The chairman and members shall be appointed by the President with the consent of the Commission on appointments. Of the initial members of the Board, three (3) including the chairman, a representative from the private sector and a representative from the labor sector shall be appointed for a term of six (6) years, three (3) for a term of four (4) years and the other three (3) for a term of two (2) years. In case of vacancy in the Board, the appointee shall serve the unexpired term of the predecessor.

No person shall be appointed or designated unless he is a natural-born Filipino citizen, of good moral character, of unquestionable integrity, and of recognized competence in relevant fields including, but not limited to, economics, management, international relations, law or engineering, preferably naval or aeronautical.

The chairman and president of the Conversion Authority shall have a fixed term of six (6) years.

All procedural matters in the conduct of board meetings shall be prescribed in its internal rules.

Members of the Board shall receive a *per diem* of not more than Five thousand pesos (P5,000) for every board meeting: *Provided, however,* That the per diem collected per month does not exceed the equivalent of four (4) meetings: *Provided, further,* That the amount of *per diem* for every board meeting may be increased by the President but such amount shall not be increased within two (2) years after its last increase.

Sec. 10. Functions of the Board. The Board of Directors shall be the policy-making body of the Conversion Authority and shall perform the following functions:

- (a) Determine the organizational structure of the Conversion Authority, define the duties and responsibilities of all officials and employees and adopt a compensation and benefit scheme at least equivalent to that of the Central Bank of the Philippines;
- (b) Appoint all officials down to the third level and authorize the president of the Conversion Authority to appoint all others: *Provided*, That all appointments shall be on the basis of merit and fitness and all personnel action shall be in pursuance of Civil service laws, rules and regulations, except those co-terminus employees of the members of the Board;
- (c) Prepare the annual and supplemental budgets of the Conversion Authority;
- (d) Submit an annual report of the operation of the Conversion Authority to the President of the Philippines, President of the Senate and Speaker of the House of Representatives;
- (e) Carry out the purposes of the Conversion Authority with the following terms and references:
 - (1) As much as possible, major conversion projects shall be undertaken under the complete project turnkey or build-operate-transfer (BOT) scheme, as provided under Republic Act Numbered Sixty-nine hundred and fifty-seven (R.A. 6957); and
 - (2) Starting the fourth year of the Conversion Authority's full operation, a privatization or divestment program of its projects and subsidiaries shall begin under general guidelines prescribed.

Sec. 11. Duties and Responsibilities of the President of the Conversion Authority. The president of the Conversion Authority shall have the following duties and responsibilities:

- (a) To act as Chief Executive Officer of the Conversion Authority;
- (b) To execute, administer and implement the policies and measures approved by the Board
- (c) To direct and supervise the operations and administration of the Conversion Authority;

(d) To represent the Conversion Authority in all dealings with offices, agencies and instrumentalities of the Government and with all persons and entities, public or private, domestic or foreign;

(e) To direct and supervise the preparation of the agenda for the meeting of the Board, and to submit for the consideration of the Board such policies and measures as he believes necessary to carry out the purpose and objectives of this Act; and

(f) To exercise such other powers and functions provided in the bylaws and as may be vested in him by the Board.

Sec. 12. *Subic Special Economic Zone.* Subject to the concurrence by resolution of the Sangguniang Panlungsod of the City of Olongapo and the Sangguniang Bayan of the Municipalities of Subic, Morong and Hermosa, there is hereby created a Special Economic and Free-port Zone consisting of the City of Olongapo and the Municipality of Subic, Province of Zambales, the lands occupied by the Subic Naval Base and its contiguous extensions as embraced, covered, and define by the 1947 Military Bases Agreement between the Philippines and the United States of America as amended, and within the territorial jurisdiction of the municipalities of Morong and Hermosa, Province of Bataan, hereinafter referred to as the Subic Special Economic Zone whose metes and bounds shall be delineated in a proclamation to be issued by the President of the Philippines. Within thirty (30) days after the approval of this Act, each local government unit shall submit its resolution of concurrence to join the Subic Special Economic Zone to the Office of the President. Thereafter, the President of the Philippines shall issue a proclamation defining the metes and bounds of the zone as provided herein.

The abovementioned zone shall be subjected to the following policies:

(a) Within the framework and subject to the mandate and limitations of the Constitution and the pertinent provisions of the Local Government Code, the Subic Special Economic Zone shall be developed into a self-sustaining, industrial, commercial, financial and investment center to generate employment opportunities in and around the zone and to attract and promote productive foreign investments;

(b) The Subic Special Economic Zone shall be operated and managed as a separate customs territory ensuring free flow or movement of goods and capital within, into and exported out of the Subic Special Economic Zone, as well as provide incentives such as tax and duty-free importations of raw materials, capital and equipment. However, exportation or removal of goods from the territory of the Subic Special Economic Zone to the other parts of the Philippine territory shall be subject to customs duties and taxes under the Customs and Tariff Code and other relevant tax laws of the Philippines;

(c) The provision of existing laws, rules and regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed within the Subic Special Economic Zone. In lieu of paying taxes, three percent (3%) of the gross income earned by all businesses and enterprise within the Subic Special Economic Zone shall be remitted to the National Government, one percent (1%) each to the local government units affected by the declaration of the zone in proportion to their population area, and other factors. In addition, there is hereby established a development fund of one percent (1%) of the gross income earned by all business and enterprise within the Subic Special Economic Zone to be utilized for the development of municipalities outside the City of Olongapo and the Municipality of Subic, and other municipalities contiguous to the base areas.

In case of conflict between national and local laws with respect to tax exemption privileges in the Subic Special Economic Zone, the same shall be resolve in favor of the latter;

(d) No exchange control policy shall be applied and free markets for foreign exchange, gold, securities and future shall be allowed and maintained in the Subic Special Economic Zone;

(e) The Central Bank, through the Monetary Board, shall supervise and regulate the operations of banks and other financial institutions within the Subic Special Economic Zone;

(f) Banking and finance shall be liberalized with the establishment of foreign currency depository units of local commercial banks and offshore banking units of foreign banks with minimum Central Bank regulation;

(g) Any investor within the Subic Special Economic Zone whose continuing investment shall not be less than Two hundred fifty thousand dollars (\$250,000), his/her spouse and dependent children under twenty-one (21) years of age, shall be granted permanent resident status within the Subic Special Economic Zone. They shall have freedom of ingress and egress to and from the Subic Special Economic Zone without any need of special authorization from the Bureau of Immigration and deportation. The Subic Bay Metropolitan Authority referred to in Section 13 of this Act may also issue working visas renewable every two (2) years to foreign executives and other aliens possessing highly-technical skills which liked Filipino within the Subic Special Economic Zone possesses, as certified by the Department of Labor and Employment. The names of aliens granted permanent residence status and working visas by the Subic Bay metropolitan Authority shall be reported to the Bureau of Immigration and Deportation within thirty (30) days after issuance thereof;

(h) The defense of the zone and the security of its perimeters shall be the responsibility of the National Government in coordination with the Subic Bay Metropolitan Authority. The Subic Bay Metropolitan Authority shall provide and establish its own internal security and firefighting forces; and

(i) Except as herein provided, the local government units comprising the Subic Special economic Zone shall retain their basic autonomy and identity. The cities shall be governed by their respective charters and the municipalities shall operate and function in accordance with republic Act No. 7160, otherwise known as the Local Government Code of 1991.

Sec. 13. *The Subic Bay Metropolitan Authority.*

(a) Creation of the Subic Bay Metropolitan Authority - A body corporate to be known as the Subic Bay Metropolitan Authority is hereby created as an operating and implementing arm of the Conversion Authority.

(b) Powers and functions of the Subic Bay Metropolitan Authority - The Subic Bay Metropolitan Authority, otherwise known as the Subic Authority, shall have the following powers and function:

- (1) To operate, administer, manage and develop the ship repair and ship building facility, container port, oil storage and refueling facility and Cubi Air Base within the Subic Special Economic and Free-port Zone as a free market in accordance with the policies set forth in Section 12 of this Act;
- (2) To accept any local or foreign investment, business or enterprise, subject only to such rules and regulations to be promulgated by the Subic Authority in conformity with the policies of the Conversion Authority without prejudice to the nationalization requirements provided for in the Constitution;
- (3) To undertake and regulate the establishment, operation and maintenance of utilities, other services and infrastructure in the Subic Special Economic Zone including shipping shipping and related business, stevedoring and port terminal services or concessions, incidental thereto and airport operations in coordination with the Civil Aeronautics Board, and to fix just and reasonable rates, fares charges and other prices therefor;
- (4) To construct, acquire, own lease, operate and maintain on its own or through contract, franchise, license permits bulk purchase from the private sector and build-operate transfer scheme or joint-venture the required utilities and infrastructure in coordination with local government units and appropriate government agencies concerned and in conformity with existing applicable laws therefor;

- (5) To adopt, alter and use a corporate seal; to contract, lease, sell, dispose, acquire and own properties; to sue and be sued in order to carry out its duties and functions as provided for in this Act and to carry exercise the power of eminent domain for public use and public purpose;
- (6) Within the limitation provided by law, to raise and/or borrow the necessary funds from local and international financial institutions and to issue bonds, promissory notes and other securities for that purpose and to secure the same by guarantee, pledge, mortgage deed of trust, or assignment of its properties held by the Subic Authority for the purpose of financing its projects and programs within the framework and limitation of this Act;
- (7) To operate directly or indirectly or license tourism related activities subject to priorities and standards set by the Subic Authority including games and amusements, except horse racing, dog racing and casino gambling which shall continue to be licensed by the Philippine Amusement and Gaming Corporation (PAGCOR) upon recommendation of the Conversion Authority; to maintain and preserve the forested areas as a national park;
- (8) To authorize the establishment of appropriate educational and medical institutions;
- (9) To protect, maintain and develop the virgin forests within the baselands, which will be proclaimed as a national park and subject to a permanent total log ban, and for this purpose, the rules and regulations of the Department of Environment and Natural Resources and other government agencies directly involved in the above functions shall be implemented by the Subic Authority;
- (10) To adopt and implement measures and standards for environmental pollution control of all areas within its territory, including but not limited to all bodies of water and to enforce the same. For which purpose the Subic Authority shall create an Ecology Center; and
- (11) To exercise such powers as may be essential, necessary or incidental to the powers granted to it hereunder as well as to carry out the policies and objectives of this Act.

(c) Board of Directors - The powers of the Subic Authority shall be vested in the exercised by a Board of Directors, hereinafter referred to as the Board of Directors, hereinafter referred to as the Board, which shall be composed of fifteen (15) members, to wit:

- (1) Representatives of the local government units that concur to join the Subic Special Economic Zone;
- (2) Two (2) representatives from the National Government;
- (3) Five (5) representatives from the private sector coming from the present naval stations, public works center, ship repair facility, naval supply depot and naval air stations; and
- (4) The remaining balance to complete the Board shall be composed to representatives from the business and investment sectors.

The chairman and the members of the Board shall be appointed by the President to serve for a term of six (6) years, unless sooner removed for cause except for the representatives of the local government units who shall serve for a term of three (3) years. In case of removal for cause, the replacement shall serve only the unexpired portion of the term.

No person shall be appointed as a member of the Board unless he is a Filipino citizen, of good moral character, and of recognized competence in relevant fields including, but not limited to, economics, management, international relations, law or engineering. Preference in the appointment of the members of the Board shall be given to residents within the Subic Special Economic Zone.

Members of the Board shall receive a per diem of not more than Five Thousand pesos (P5,000) for every board meeting; Provided, however, That the per diem collected per month does not exceed the equivalent of four (4) meetings; Provided, further, That the amount of per diem for every board meeting may be increased by the President; Provided, finally, That the amount of per diem shall not be increased within two (2) years after its last increase.

(d) Chairman/Administrator - The president shall appoint a professional manager as administrator of the Subic Authority with a compensation to be determined by the Board subject to the approval of the Secretary of Budget, who shall be the ex officio chairman of the Board and who shall serve as the chief executive officer of the Subic Authority; Provided, however, That for the first year of its operation from the effectivity of this Act, the mayor of the City of Olongapo shall be appointed as the chairman and chief executive officer of the Subic Authority.

(e) Capitalization - The Subic Authority shall have an authorized capital stock of Twenty billion pesos (P20,000,000,000) divided into twenty thousand (20,000) number per shares fully subscribed and paid up by the Republic of the Philippines with:

- (1) All lands embraced covered and defined in Section 12 hereof, as well as permanent improvements and fixtures upon proper inventory not otherwise alienated, conveyed, or transferred to another government agency;

(2) All other assets which the President may transfer to the Subic authority as part of the equity contribution of the Government; and

(3) Cash contribution by the Government in the amount of Three hundred million pesos (P300,000,000) a year for the next three (3) years, which is hereby appropriated out of any fund in the National Treasury not otherwise appropriated.

Sec. 14. Relationship with the Conversion Authority and the Local Government Units.

- (a) The provisions of existing laws, rules and regulations to the contrary notwithstanding, the Subic Authority shall exercise administrative powers, rule-making and disbursement of funds over the Subic Special Economic Zone in conformity with the oversight function of the Conversion Authority.
- (b) In case of conflict between the Subic Authority and the local government units concerned on matters affecting the Subic Special Economic Zone other than defense and security, the decision of the Subic Authority shall prevail.

Sec. 15. Clark and Other Special Economic Zones. Subject to the concurrence by resolution of the local government units directly affected, the president is hereby authorized to create by executive proclamation a Special Economic Zone covering the lands occupied by the Clark military reservations and its contiguous extensions as embraced, covered and defined by the 1947 Military Bases Agreement between the Philippines and the United States of America, as amended, located within the territorial jurisdiction of Angeles City, Municipalities of Mabalacat and Porac, Province of Pampanga, and the municipality of Capas, Province of Tarlac, in accordance with the provision as herein provided insofar as applied to the Clark military reservations.

The governing body of the Clark Special Economic Zone shall likewise be established by executive proclamation with such powers and functions exercised by the Export Processing Zone Authority pursuant to Presidential Decree No. 66, as amended.

The policies to govern and regulate the Clark Special Economic Zone shall be determined upon consultation with the inhabitants of the local government units directly affected which shall be conducted within six (6) months upon approval of this Act.

Similarly, subject to the concurrence by resolution of the local government units directly affected, the President shall create other Special Economic Zones, in the base areas of Wallace Air Station in san Fernando, La Union (excluding areas designated for communications, advance warning and radar requirements of the Philippine Air Force to be determined by the Conversion Authority) and Camp John Hay in the City of Baguio.

Upon recommendation of the Conversion Authority, the President is likewise authorized to create Special Economic Zones covering the Municipalities of Morong, Hermosa, Dinalupihan, Castillejos, and San Marcelino.

Sec. 16. *Subsidiaries.* The Conversion Authority shall have the power to form, establish, organize and maintain a subsidiary corporation or corporations. Such subsidiary or subsidiaries shall be formed in accordance with the Philippine Corporation Law and existing rules and regulations promulgated by the Securities and Exchange Commission, unless otherwise provided in this Act. In all cases, the Conversion Authority shall own initially at least fifty-one *per centum* (51%) of the capital stock of a subsidiary. The Conversion Authority shall also initially have the majority of the Board of Directors of the subsidiaries, of which at least one (1) director shall be the chairman of the Conversion Authority and a second director shall be the president of the Conversion Authority or his designated representative.

Such subsidiaries shall be exempt from the coverage of the Civil service Laws, rules and regulations.

Sec. 17. *Supervision.* The Conversion Authority shall be under the direct control and supervision of the Office of the President for purposes of policy direction and coordination.

Sec. 18. *Legal Counsel.* Without prejudice to the hiring of an outside counsel, the Government Corporate Counsel shall be the *ex officio* legal counsel of the Conversion Authority, the governing boards of the Special Economic Zones and the subsidiaries wherein the Conversion Authority owns the majority of the shares of stocks, and for this purpose he may designate a full time representative whose compensation shall be approved by the Board.

Sec. 19. *Auditor.* - The Commission on Audit shall appoint a representative who shall be the full time auditor of the Conversion Authority, its subsidiaries and the Special Economic Zones and such personnel as may be necessary to assist said representative in the performance of his duties. He is mandated to impose pre-audit within thirty (30) days after submission of all proposed substantial sales, transfer, and alienations of property. He shall likewise render a full report thereof to Congress every sixty (60) days. The salaries of the auditor and his staff shall be approved by the Board.

Sec. 20. *Interim Capacity.* - Except for the chairman of the Subic Authority, the chairman and other members of the Board of the Conversion Authority and the Subic Authority shall act in an interim capacity and shall serve until the 31st of July 1992 or until such time that their successors shall have been duly appointed.

Sec. 21. *Injunction and Restraining Order.* The implementation of the projects for the conversion into alternative productive uses of the military reservations are urgent and necessary and shall not be restrained or enjoined except by an order issued by the Supreme Court of the Philippines.

Sec. 22. Separability Clause. - If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

Sec. 23. Repealing Clause. - All laws, executive issuances or parts thereof which are inconsistent herewith are hereby repealed or amended accordingly.

Sec. 24. Effectivity Clause. - This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

This Act which is a consolidation of House Joint Resolution No. 10 and Senate Bill No. 1648 was finally passed by the House of Representatives and the Senate on February 5, 1992 and February 6, 1992, respectively.

*Neptali A. Gonzales, President of the Senate
Ramon V. Mitra, Speaker of the House of Representatives*

*Anacleto D. Daboy, Jr., Secretary of the Senate
Camilo L. Sabio, Secretary General, House of Representatives*

Corazon C. Aquino, President of the Philippines

Approved: March 13, 1992

REPUBLIC ACT NO. 9400 (AN ACT AMENDING REPUBLIC ACT NO. 7227)

March 20, 2007

Amendment to SECTION 12(b) of R.A. 7227

The Subic Special Economic Zone shall be operated and managed as a separate customs territory ensuring free flow or movement of goods and capital within, into and exported out of the Subic Special Economic Zone, as well as provide incentives such as tax and duty-free importations of raw materials, capital and equipment. However, exportation or removal of goods from the territory of the Subic Special Economic Zone to the other parts of the Philippine territory shall be subject to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended, the National Internal Revenue Code of 1997, as amended, and other relevant tax laws of the Philippines;

Amendment to SECTION 12(c) of R.A. 7227

The provision of existing laws, rules and regulations to the contrary notwithstanding, no national and local taxes shall be imposed within the Subic Special Economic Zone. In lieu of said taxes, a five percent (5%) tax on gross income earned shall be paid by all business enterprises within the Subic Special Economic Zone and shall be remitted as follows: three percent (3%) to the National Government, and two (2%) percent to the Subic Bay Metropolitan Authority (SBMA) for distribution to the local government units affected by the declaration of and contiguous to the zone, namely: the City of Olongapo and the municipalities of Subic, San Antonio, San Marcelino and Castillejos of the Province of Zambales; and the municipalities of Morong, Hermosa and Dinalupihan of the Province of Bataan, on the basis of population (50%), land area (25%), and equal sharing (25%).

RULES AND REGULATIONS IMPLEMENTING THE PROVISIONS RELATIVE TO THE SUBIC SPECIAL ECONOMIC AND FREEPORT ZONE AND THE SUBIC BAY METROPOLITAN AUTHORITY UNDER REPUBLIC ACT NO. 7227

CHAPTER I. PRELIMINARY PROVISIONS

Section 1. Scope. These Rules and Regulations are hereby promulgated to implement the provisions governing the Subic Special Economic and Freeport Zone, and the Subic Bay Metropolitan Authority, under Republic No. 7227, otherwise known as the Bases Conversion and Development Act of 1992, and other related laws.

Sec. 2. Declaration of Policy. Within the framework and subject to the mandate of the Constitution and the pertinent provisions of the Local Government Code, it is hereby declared the policy of the SBMA to develop the Subic Special Economic and Freeport Zone into a self-sustaining, industrial, commercial, financial and investment center to generate employment opportunities in and around the Zone, to attract and promote productive foreign investments, to accelerate the sound and balanced conversion into alternative productive uses of the former Subic Naval Base and its contiguous extensions, and to enhance the benefits to be derived from the Zone in order to promote the economic and social development of Central Luzon in particular and the country in general.

It is also declared the policy of the SBMA to operate and manage the SBF as a separated customs territory ensuring free flow or movement of goods and capital within, into and exported our the SBF, as well as provide incentives such as tax and duty free importations of raw materials, capital and equipment.

Sec. 3. Definitions. For purposes of these Rules, these terms shall be understood to have the following meanings:

- a. *Act* refers to Republic Act No. 7227, otherwise known as the Bases Conversion and Development Act of 1992.

- b. *Rules* refers to these Implementing Rules and Regulations.
- c. *SBF* is the Subic Bay Freeport referred to as the Special Economic and Freeport Zone in Section 12 of the Act , a separate customs territory consisting of the City of Olongapo and the municipality of Subic, Province of Zambales, the lands occupied by the Subic Naval Base and its contiguous extensions as embraced, covered and defined by the 1947 Philippine-U.S. Military Base Agreement as amended and within the territorial jurisdiction of Morong and Hermosa, Province of Bataan, the metes and bounds which shall be delineated in a proclamation to be issued by the President of the Philippines; *provided*, the pending the establishment of secure perimeters around the entire SBF, the SBF shall refer to the area demarcated by the SBMA pursuant to Section 13 hereof.
- d. *SBMA* refers to the Subic Bay Metropolitan Authority created under Section 13 of the Act.
- e. *Conversion Authority* refers to the Bases Conversion Development Authority created under Section 13 of the Act.
- f. *Point of Entry* refers to any place designated by the SBMA where articles may be lawfully introduced into or removed from the SBF or any part therein designated the SBMA.
- g. *SBF Enterprise* refers to any business entity or concern within the SBF duly registered with and/or licensed by the SBMA to operate any lawful economic activity within the SBF.
- h. *Certificate of Registration* refers to the certificate issued by the SBMA representing the registration of the business entity as an SBF Enterprise.
- i. *Certificate of Residency* refers to the certificate issued by the SBMA representing the registration of an individual as an SBF Resident.
- j. *SBF Facilities Operator* refers to an SBF Enterprise which operates facilities or services within the SBF, including the subleasing of land or other property to other SBF Enterprises.
- k. *Board* refers to the Board of Directors of the SBMA.

- l. *Domestic Articles* refers to articles which are the growth, product or manufacture of the Philippines and upon which all national internal revenue taxes have been paid, if subject thereto, and upon which no drawback or bounty has been allowed; and articles to foreign origin on which all duties and taxes have been paid and upon which no drawback or bounty has been allowed, of which have previously been entered into customs territory free of duties and taxes.
- m. *Foreign Articles* refers to articles of foreign origin on which duties and taxes have not been paid, or upon which drawback or bounty has been allowed, or which have not been previously entered into customs territory; or articles which are the growth, product or manufacture of the Philippines on which not all national internal revenue taxes have been paid, if subject thereto, or upon which drawback or bounty has been allowed.
- n. *Customs Territory* refers to the portion of the Philippines outside the SBF where the Tariff and Customs Code of the Philippines and other national tariff and customs laws are in force and effect.
- o. *Articles* for purposes of these Rules, and when used with reference to importations or exportations, the term includes raw materials, supplies, equipment, machinery, packaging materials, goods, wares, merchandise and in general, anything that may, under the Rules of the SBMA, be made the subject of importation into or exportation from the Zone.
- p. *Transshipment* refers to transshipment of articles discharged at ports or airports of entry located in Customs Territory destined for delivery to the SBF, and articles coming from the SBF intended for export through a Philippine Customs port/airport of entry which may be transported under bond, upon examination and consigned to the Collector at the port of destination/export who will allow the consignor or consignee, as the case may be, to make entry for exportation.
- q. *Foreign Exchange* refers to any currency other than the Philippine Peso acceptable for payment by the Central Bank of the Philippines.
- r. *National Government* refers to the Government of the Philippines.
- s. *Foreign National* refers to a natural person who is not a citizen of the Philippines.
- t. *Offshore Banking Unit (OBU)* refers to an offshore bank licensed and registered under the laws of the Philippines.

Sec. 4. Rules of Interpretation. Pursuant to the declared policies of the State on the SBF, the following rules of interpretation shall be observed in the implementation of Sections 12, 13 and 14, and other related provisions of the Act, as well as the provisions of these Rules:

- a. All trade and business, immigration, corporation, banking and quarantine laws shall be subordinated to and/or liberally construed in favor of the SBF to enhance and promote the policies of the special economic and Freeport system within the boundaries established by law and these Rules.
- b. In case of conflict between national and local laws and tax exemption privileges in the SBF, the same shall be resolved in favor of the latter.
- c. In case of conflict between the SBMA and the local government units concerned on matters affecting the SBF other than the defense security of the said local government units, the decision of the SBMA shall prevail.
- d. The provisions of existing laws, rules and regulations to the contrary notwithstanding, the SBMA shall exercise administrative powers, rulemaking and disbursements of funds over the SBF.

Sec. 5. Boundaries of the Subic Bay Freeport. The boundaries of the SBF shall comprise the area described in Section 12 of the Act, the metes and bounds of which will be further delineated through Presidential Proclamation. Pending the establishment of secure perimeters around the SBF, the SBMA shall adopt and implement the gradual and phased operationalization of areas within the SBF to ensure strict compliance with the Act, these Rules and other Philippine laws.

CHAPTER II. THE SUBIC BAY METROPOLITAN AUTHORITY (SBMA)

A. Composition and Operation of the Board of Directors

Sec. 6. Board of Directors. The powers of the SBMA shall be vested in and exercised by a Board of Directors.

Sec. 7. Composition. The Board shall be composed of fifteen (15) members to be appointed by the President of the Philippines, as follows:

- a. Representatives of all local government units that concur to be part of the SBF;
- b. Two (2) representatives from the National Government;

- c. Five (5) representatives from the private sector coming from the present naval air station, public works center, ship repair facility, naval supply depot, and naval station;
- d. The remaining balance to complete the Board membership shall be composed of representatives from the business and investment sectors.

Sec. 8. Chairman/Administrator. The president shall appoint a professional manager as administrator of the SBMA with a compensation to be determined by the Board subject to the approval of the Secretary of Budget, who shall be the ex officio chairman of the Board and who shall serve as the chief executive officer of the SBMA; Provided, however, that for the first year of its operations from the effectivity of the act, the Mayor of the City of Olongapo shall be appointed as the chairman and executive officer of the SBMA.

Sec. 9. ByLaws. The Board of Directors shall adopt a set of bylaws that shall govern the SBMA's internal business and operations.

B. Powers and Functions of the SBMA

Sec. 10. Powers and Functions. The SBMA shall have the following powers and functions:

- a. To operate, administer, manage and develop the ship repair and ship building facility, container port, oil storage and refueling facility and Cubi Air Base within the SBF as a free market in accordance with the policies set forth in Section 12 of the Act;
- b. To accept any local or foreign investment, business or enterprise, subject only to these Rules and in conformity with the policies of the act, the SBMA and the Conversion Authority;
- c. To undertake and regulate the establishment, operation and maintenance of utilities, other services and infrastructure in the SBF including shipping and related business, stevedoring and port terminal services or concessions incidental thereto and airport operations in coordination with the Civil Aeronautics Board, and to fix just and reasonable rates, fares, charges and other prices therefore;
- d. To construct, acquire, own, lease, operate and maintain on its own or through contract, franchise, license, permits, bulk purchase from the private sector and build-operate-transfer scheme or joint venture, the required utilities and infrastructure in coordination with local government units conformity with existing applicable laws therefore;

- e. To adopt, alter and use a corporate seal; to contract, lease, sell, dispose, acquire and own properties; to sue and be sued in order to carry out its duties and functions as provided for in the Act; and to exercise the power of eminent domain for public use and public purpose;
- f. Within the limitation provided by law, to raise and/or borrow the necessary funds from local and international financial institutions and to issue bonds, promissory notes and other securities for that purpose and to secure the same by guarantee, pledge, mortgage, deed of trust, or assignment of its properties held by the SBMA for the purpose of financing its projects and programs within the framework and limitations of the Act;
- g. To operate directly or indirectly or license tourism-related activities subject to priorities and standards set by the SBMA including games and amusements, except horse racing, dog racing and casino gambling which shall continue to be licensed by the Philippine Amusement and Gaming Corporation (PAGCOR) upon recommendation of the Conversion Authority; to maintain and preserve the forested areas as a national park;
- h. To authorize the establishment of appropriated educational and medical institutions;
- i. To protect, maintain and develop the virgin forests within the baselands which will be proclaimed as a national park and subject to a permanent total log ban, and for this purpose, the rules and regulations of the Department of Environment and Natural Resources and other government agencies directly involved in the above functions shall be implemented by the SBMA;
- j. To adopt and implement measures and standards for environment pollution control of all areas within its territory, including, but not limited to all bodies of water and to enforce the same. For the purpose, the SBMA shall create an Ecology Centre; and
- k. To raise revenues from among, but not limited to, the following:
1. periodic license fees and/or application, filing and registration and administrative/regulatory fees from SBF Enterprises;
 2. lease of land, facilities or other properties in the former Subic Naval Base area, as well other areas in the SBF;
 3. management and administrative service fees for processing, handling and escorting of importations, exportations and local sales or purchases;

4. capital or other contributions from the national government;
5. service and utility charges;
6. voluntary contributions;
7. resources from external, technical and financial assistance agencies;
8. grants from the National Government, local government units, local and foreign state-owned and privately owned entities and international organizations;
9. donations and contributions of all kinds;
10. funds from loans and/or other securities obtained as authorized by the Board of Directors; and
11. proceeds from administrative fines, and penalties.

l. To lease out land, facilities and other properties in the SBF, by negotiated contract or otherwise, giving due consideration to the declared policies of the Act; and

m. To exercise such powers as may be essential, necessary or incidental to the powers granted to it hereunder as well as to carry out the policies and objectives of the Act.

Sec.11. Responsibilities of the SBMA. Other than the powers and functions prescribed in Section 10 of these Rules, the SBMA shall have the following responsibilities:

- a. The SBMA shall exercise authority and jurisdiction over all economic activity within the SBF;
- b. The SBMA shall provide and establish its own internal security and fire fighting forces. However, the defense of the SBF and the security of its perimeters shall be the responsibility of the National Government in coordination with the SBMA;
- c. The SBMA will coordinate the provisions of security, police, and municipal services within the overall area of the SBF with the existing local government units;
- d. The SBMA shall have the authority to exclude from the SBF any articles substance, merchandise, operation, activity or process it considers to be inconsistent with the policies and purposes of the Act and these Rules, or detrimental to the public interest , and to establish procedures for such exclusion;

- e. The SBMA may require SBF Enterprises or Residents to secure the necessary permits for any article, substance, merchandise, transaction, activity, or operation in the SBF, specify conditions under which such permits will be issued, and establish procedures for issuing and revoking such permits; and
- f. Consistent with the Constitution, the SBMA shall have the following powers to enforce the law and these Rules in the SBF:
- (1) to audit and inspect the records of any SBF Enterprise;
 - (2) to inspect and search the premises of any SBF Enterprise or Resident, or any vehicle, aircraft, vessel, or person in the SBF to detect any violation of the law or these Rules;
 - (3) to conduct investigations of any suspected violation of the law or Rules, provided that the investigation of any violation of the criminal law of the Philippines occurring in the SBF shall not be conducted by the SBMA, but rather by the police or National Government agency having jurisdiction in the area where the violation occurred;
 - (4) to seize articles, substances, merchandise and records considered to be in violation of the law and these Rules, and to provide for their return to the enterprise of person from whom they were seized, or their forfeiture to the SBMA;
 - (5) to issue subpoena *duces tecum* and *ad testificandum* in the course of its investigations;
 - (6) to arrest persons in the SBF for any violation of the laws of the Philippines;
 - (7) to assess and collect administrative fees or impose administrative fines or other monetary penalties for violations of these Rules;
 - (8) to issue, alter, modify, suspend or revoke for cause, any permit, certificate, license, visa or privilege allowed under the Act or these Rules;
 - (9) to regulate ingress to and egress from the SBF;
 - (10) to regulate traffic within the SBF and to impose administrative fines and penalties for traffic violations, including charges for towing and impounding; and
 - (11) to promulgate such other rules, regulations and circulars as may be necessary, proper or incidental to carry out the policies and objectives of the Act, these Rules, as well as the powers and duties of the SBMA thereunder.

Sec. 12. Best Use of SBMA Properties. The SBMA shall take all measures necessary to secure the best of its properties within the SBF. The SBMA may lease the aforesaid properties to private facilities operators who may thereafter, under conditions approved by the SBMA, sublease the facilities or otherwise provide services based thereon to other SBF Enterprises.

Sec. 13. Establishment of Secure Perimeters, Points of Entry and duty and Tax Free Areas of the SBF. Pending the establishment of secure perimeters around the entire SBF, the SBMA shall have the authority to establish and demarcate areas of the SBF with secure perimeters within which articles and merchandise free of duties and internal revenue taxes may be limited, without prejudice to the availment of other benefits conferred by the Act and these Rules in the SBF outside such areas. The SBMA shall furthermore have the authority to establish, regulate and maintain points of entry to the SBF or to any limited duty and tax free of the SBF.

Sec. 14. General Land Use Plan. The SBMA shall draw up and publish a general land use plan specifying the general uses and economic activities to be promoted for different areas of the SBF and shall enforce said plan subject to such revisions as the SBMA may deem necessary or appropriate to accomplish the policies and objectives of the Act.

Sec. 15. Annual Reports. The SBMA shall render and publish annual reports on the economic activities undertaken in the SBF.

CHAPTER III. PROCEDURES FOR REGISTRATION OF SUBIC BAY FREEPORT ENTERPRISES & RESIDENTS

A. General Provisions

Sec. 16. Registration Office. The SBMA shall establish an office to register all business enterprises or concerns applying to be SBF Enterprises, as well as natural persons applying to be SBF Residents. This office shall consist of two (2) departments, to wit: The SBF Enterprise Department and the SBF Residents Department, which shall in turn consist of two (2) divisions each, to wit: the Evaluation Division and the follow up Division. The above departments shall issue standard application forms and require submission of pertinent documents to the proper department which shall act thereon in the most expeditious manner possible. If warranted, the Registration Office shall approve the application and register qualified enterprises and residents, after which it shall issue certificates attesting to their registration and residency, respectively. After issuance of the certificates, the Registration Office shall periodically monitor the status of all SBF Enterprises and Residents.

Sec. 17. Who are Eligible. Application for SBF registration shall be open to nationals and business enterprises of any country in any area of economic activity, except only as is specifically limited by the Constitution of the Philippines.

Sec. 18. *Conditions for Registration.* An SBF Enterprise shall be a constituted business enterprise organized or domiciled in the Philippines or any foreign country. The enterprise must name a representative or agent who is a legal resident of the SBF. If affiliated with an existing enterprise in the Philippines outside of the SBF, the SBF Enterprise must establish a separate business organization to conduct business exclusively within the SBF which shall be a separate taxable entity.

Sec. 19. *Criteria for Issuance of Certificates.* The SBMA shall issue the Certificates of Registration or Residency to an SBF Enterprise or Resident, respectively, if qualified and if in the SBMA's discretion such issuance will promote the policies set forth in the Act and these Rules.

Sec. 20. *Period of Issuance of Certificates.* Should the application(s) merit approval, the SBMA shall issue the certificates applied for no later than thirty (30) days following receipt of the completed application and all required supporting documents.

Sec.21. *Effect of Issuance of Certificates.* Issuance of the Certificate of Registration or Residency to an SBF Enterprise or Resident, respectively, shall entitle and subject the business enterprise or resident to all the benefits and obligations under the Act and these Rules, and other regulations that may be promulgated by the SBMA, subject to the provisions of Section 5 and 13 hereof.

In general, any business or enterprise registered as an SBF Enterprise shall be automatically excluded from benefiting from any other preferential regime such as that provided for in Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991 and Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, or other special laws of the Philippines. If the enterprise already enjoys benefits under these regimes, these benefits shall be withdrawn in the same manner as they were granted, before it can enjoy any benefits under these Rules or the Act. Exceptions to the foregoing may be separately made and issued by the SBMA in consultation with the Board of Investments, the Department of Finance and other concerned government agencies under circumstances to be determined by the SBMA.

Sec. 22. *Simultaneous Issuance of Certificates of Registration and Residency.* Issuance of the Certificate of Registration shall be accompanied by issue of the Certificate(s) of Residency to qualified enterprises and residents, respectively, when all required supporting documents are included in the applications.

Sec. 23. *Validity.* All certificates issued by the SBMA shall be valid for a period of one (1) year from issuance and shall be deemed automatically renewed every year upon payment of the prescribed fees at least ten (10) days prior to the expiration of the said one (1) year period for the particular year involved, and (ii) for as long as the SBF

Enterprise or Resident remains qualified to continue its business operations or reside within the SBF under similar terms and conditions for which the original certificate(s) was/were issued.

Sec. 24. Identification Card System. All SBF Residents must secure SBF Identification Cards from the SBMA, under an identification card system that the SBMA will enforce and implement, which will contain such information as the SBMA may deem necessary, including, but no limited to, the name, age, address, blood type and skills of the SBF Resident. Identification cards may also be required of domestic tourists and visitors to the SBF. These cards will constitute, among others, the domestic tourists' or visitor's permit to enter the SBF and other similar documents that may be required under these Rules.

Sec. 25. Fees. The SBMA may charge reasonable fees for the acceptance, processing, issuance and renewal of all applications, certificates and other similar documents that may be required under these Rules.

Sec. 26. Withdrawal, Suspension or Cessation of Operations. Whenever an SBF Enterprise decides to withdraw, suspend, or cease its registered activity or operations, written notice thereof shall be sent to the SBMA one (1) month prior to implementation of the action. Subject to provisions of pertinent laws and the rights of mortgage creditors, the withdrawal or cessation from business operations for a continuous period of two (2) months, unless extended upon written request of the enterprise and approval of the SBMA, shall have the effect of automatically canceling the Certificate of Registration without the need of Board action. Upon such withdrawal or cessation from operations, the SBF Enterprise shall cease to be entitled to the incentives provided for in the Act and these regulations.

Sec. 27. Revocation, Suspension or Cancellation of Certificates of Registration or Residency. Without prejudice to the imposition of penalties prescribed under the pertinent provisions of the Tariff and Customs Code of the Philippines and the issued by the SBMA to any SBF Enterprise or Resident may be revoked, suspended or canceled for any of the following grounds:

- a. Failure to maintain the qualifications for registration or license as required by the Act;
- b. Violation of any provision of the Philippine law, the Act and/or these Rules;
- c. Violation of the corresponding implementing memoranda or circulars or any of the general and specific terms of the registration or license agreement between the SBMA and the SBF Enterprise.

Provided, that , the SBMA may prescribe and impose administrative penalties, fines and sanctions in lieu of the revocation, cancellation or suspension of the Certificates of Registration or Residency for minor violations. The SBMA may also graduate the penalties, fines or sanctions to be imposed based on the gravity and frequency of the violation concerned.

B. Registration of Existing Enterprises and Residents

Sec. 28. Eligibility for Registration. Any business enterprise currently operating entirely within the SBF shall be eligible to register as an SBF Enterprise.

Sec. 29. Requirements for Registration of Existing Enterprises. In order to qualify for registration, the prospective SBF Enterprise must submit an application in the form prescribed by the SBMA, as well as the following information:

- a. copies of relevant documentation of the legal status of the business enterprise (articles of incorporation, partnership agreement, SEC registration, and similar documents) showing, among others, beneficial ownership;
- b. if a corporation, partnership or other business enterprise organized or constituted outside the Philippines, the name and address of the legal agent for the enterprise in the SBF accompanied with sworn proof of consent of the agent to serve as such;
- c. evidence of the physical location of the business enterprise within the SBF, such as certificate of title, tax declaration, property deed, lease agreement, and similar documents;
- d. if previously part of a larger business enterprise doing business elsewhere in the Philippines, evidence of restructuring to exclude all business operations taking place outside the boundaries of the SBF;
- e. list of assets and other properties owned by the business enterprise; and
- f. such other documents that the SBMA may require.

Sec. 30. Effect of not Acquiring SBF Registration. Any existing enterprise located within the SBF may elect not to register as an SBF Enterprise. In doing so, the enterprise shall not benefit from tax and other advantages accorded SBF Enterprises. Notwithstanding any such election, any enterprise located within the SBF shall still be subject to the Customs and other regulations and procedures applicable to the SBF.

Sec. 31 Requirements for Registration of Existing Filipino Residents. Current Filipino residents of the SBF may apply for a Certificate of Residency upon submission of an application in the form prescribed by the SBMA and presentation of the following:

- a. documentation of residence within the SBF, i.e. residence certificate;
- b. evidence of nationality;

- c. evidence of employment or other business operations within the SBF;
- d. if a spouse or child below 21 years of age of an SBF Resident, evidence of such relationship, i.e. marriage license, birth certificate, etc., accompanied by an affidavit of support by the SBF Resident; and
- e. such other documents that the SBMA may require.

For the purposes of these Rules, current Filipino residents of the SBF refer to all persons Filipino citizens residing within the SBF continuously for at least a period of two (2) years as of the date of the promulgation of these Rules.

Sec. 32. Foreign Nationals. Foreign nationals currently residing in the SBF continuously for at least a period of two (2) years as of the date of the promulgation of these Rules, and who have been accorded permanent residency status in the Philippines may apply for a Certificate of Residency in the SBF upon presentation of sufficient proof of such residency status. Foreign nationals currently residing in the SBF who have not yet been accorded residency status shall be eligible therefor subject to the Immigration and other provision of these Rules.

Sec. 33. Certificate of Residency. The SBMA shall issue a Certificate of Residency to all qualified current residents of the SBF within thirty (30) days from receipt of the required application, information and documentation. This certificate shall attest to the residency of the person within the SBF, and shall entitle and subject the resident to the benefits and obligations as defined in the Act, these Rules and other regulations that may be promulgated by the SBMA.

C. Registration of New Industrial, Commercial and Service Enterprises

Sec. 34. Filing of Application. Industrial, commercial and service enterprises applying to be an SBF Enterprise shall file an application in the form prescribed by the SBMA to be supported by the following:

- a. copies of relevant documentation of the legal status of the business enterprise (articles of incorporation, partnership agreement, SEC Registration, and similar documents) showing, among others, beneficial ownership;
- b. if there is foreign ownership, proof of inward foreign remittance and investment;
- c. evidence of the intended physical location of the enterprise within the SBF (such as certificate of title, deed of sale, lease agreement, commitment letter, and other similar documents) and the manner by which such location was secured (i.e., whether it was secured directly with the SBMA, from licensed facilities operator, or other property owner);
- d. if part of a larger business enterprise doing business elsewhere in the Philippines, evidence of corporate restructuring which excludes from the SBF Enterprise all business operations taking place outside the boundaries of the SBF;

- e. list of assets comprising the investment to be made; and
- f. such other documents that the SBMA may require.

D. Registration of Banks and Affiliates

Sec. 35. *Filing of Application.* Applications for licensing of Commercial and Offshore Banks or their branches or affiliates to be located within the SBF shall be filed with the SBMA. SBMA shall forward the applications to the Central Bank, which if warranted shall directly issue a license and other required documentation, in accordance with the provisions of Chapter VIII of these Rules. Should the applicant's license not be issued by the Central Bank within thirty (30) days from the complete submission of all requirements, the SBMA shall forthwith inform the bank concerned and extend the period for the issuance of the bank's Certificate of Registration.

Sec. 36. *Issuance of Certificates.* Upon approval of the application and its proper endorsement by the Central Bank to the SBMA, the latter shall issue the necessary Certificate of Registration to the bank under Chapters III and VIII of these Rules.

E. Registration of New Subic Bay Freeport Residents

Sec. 37. *Certificates of Residency for New SBF Filipino Residents.* A Certificate of Residency duly issued by the SBMA shall be required for all new Filipino residents of the SBF. Subject to the conditions of these Rules, such certificate shall be available to any Filipino actually residing within the SBF who is an employee or owner of an SBF Enterprise, and the immediate members of the family of such employee or owner, or who has leased or otherwise secured living quarters in SBF.

Sec. 38. *Foreign Nationals Residing Outside the SBF.* Foreign nationals accorded permanent residency status in the Philippines may apply for a Certificate of Residency in the SBF upon presentation of sufficient proof of such permanent residency status and employment or investment in the SBF. Foreign nationals without prior permanent residency status in the Philippines shall be subject to the Immigration and other pertinent provisions of these Rules.

CHAPTER IV. RIGHTS AND OBLIGATIONS OF SUBIC BAY FREEPORT ENTERPRISES AND RESIDENTS

A. Subic Bay Freeport Enterprises

Sec. 39. *Rights and Obligations.* SBF Enterprises shall have the following rights and obligations:

- a. To freely engage in any business, trade, manufacturing, financial or service activity, and to import and export freely all types of goods into and out of the

SBF, subject to the provision of the Act, these Rules and other regulations that may be promulgated by the SBMA;

- b. To Employ foreign nationals subject to evidence of the unavailability of comparably skilled Filipinos within the Philippines;
- c. To faithfully comply with the Act, these Rules and other regulations that may be promulgated by the SBMA;
- d. To report periodically to the SBMA any information on business activity which the latter may reasonably require; and
- e. To file periodically any information normally required by the Bureau of Internal Revenue.

Sec. 40. *Rights and Obligations of SBF Facilities Operators.* SBF facilities operators shall have the rights and responsibilities of other SBF Enterprises, plus the following:

- a. to maintain facilities on real property it owns, has acquired or has leased within the SBF;
- b. to lease out real property it owns or has leased within the SBF, and to acquire and leased land and sell or lease out facilities to SBF Enterprises, subject to overall property management guidelines approved by the SBMA and to the provisions of Section 12 hereof;
- c. to make improvements on, construct and maintain buildings, warehouses, factory shells, office and commercial buildings and other facilities, and develop all other infrastructure necessary or desirable to enhance the SBF's efficient operation, or grant contracts or concessions to provision of any of the said facilities, subject to the approval of the SBMA and other concerned agencies of the latter;
- d. to provide public or other services such as water, light and power, telecommunications, sewerage and any other public utilities or to contract or grant concessions to other individuals for the provision of such services to SBF Enterprises, subject to the approval of the SBMA;
- e. to install adequate environmental protection facilities and pollution control systems as the SBMA may deem necessary to protect the environment or otherwise conform to or observe environmental and pollution control standards of the SBMA;
- f. to maintain adequate security measures including adequate fencing, enclosures, lighting, alarm systems, fire fighting equipment and other similar devices to secure facility, subject to SBMA approval and in cooperation with SBMA security force;
- g. to charge and modify fees for any services or facilities it provides within the SBF, directly to those who use such services or facilities; and
- h. to adopt internal rules and regulations to promote the safe, efficient, and successful operation of the facility consistent with the provisions of these Rules and subject to the approval of the SBMA.

B. Subic Bay Freeport Residents

Sec. 41. *Rights of SBF Residents.* SBF Residents shall have the following rights within the SBF:

- a. to import directly, free of Customs, duties and control, foreign articles in non-commercial quantities subject to these Rules and other regulations that may be promulgated by the SBMMA; and
- b. to purchase, lease or otherwise acquire articles from other SBF Residents or Enterprises, and maintain, utilize or otherwise consume such goods within the SBF free of national internal revenue taxes and customs duties.

Sec. 42. *Obligations of SBF Residents.* Except as expressly provided for by exemptions in these Rules and other regulations of the SBMA, SBF Residents shall have the following obligations:

- a. to obey and observe all laws of the Philippines; and
- b. to pay income and other taxes levied on individuals in the Philippines.

CHAPTER V. SUBIC BAY FREEPORT TAXATION AND TRADE REGIME

A. Incentives and Exemptions

Sec. 43. *Tax Exemption.* SBF Enterprises shall be exempted from all national and local taxes, including but not limited to the following:

- a. Customs and import duties and national internal revenue taxes, such as VAT, excise and ad valorem taxes on foreign articles;
- b. Internal revenue taxes, such as VAT, ad valorem and excise taxes on their sales of goods and services for which they are directly liable;
- c. Income tax on all income from sources within the SBF and foreign countries, Export Processing Zones, Bonded Warehouses and other Special Economic Zones within the Philippines, as well as all other areas that may now or hereafter be considered to be outside the Customs Territory, whether or not payment of such income is actually received; made or collected within such areas; provided, that SBF Enterprises shall, as withholding agents for the National Government, withhold tax on compensation and income payments to persons or individuals subject to expanded withholding tax; and
- d. Franchise, common carrier or value added taxes and other percentage taxes on public and service utilities and enterprises within the SBF. In lieu of paying taxes, all SBF Enterprises shall pay a final tax of five (5%) percent of gross income earned in accordance to the breakdown specified and defined under Section 57 hereunder.

Sec. 44. Percentage of Income Allowable from Sources Within the Customs

Territory. SBF Enterprises may generate income from sources within the Customs Territory of up to Thirty Percent (30%) of its total income from all sources; *provided*, that should an SBF Enterprise's income from sources within the Custom Territory exceed Thirty Percent (30%) of its total income from all sources, then it shall be subject to the income tax laws of the Customs Territory; *provided*, further, that in any case, customs duties and taxes must be paid with the respect to income from sales of articles to the Customs Territory.

Sec. 45. Importation of Articles. In general, all articles may be imported by SBF Enterprises into the SBF free of customs and import duties and national internal revenue taxes, except those articles prohibited by the SBMA and those absolutely prohibited by law.

Sec. 46. Importation by SBF Residents. Articles may be imported by SBF Residents free of customs and import duties and national internal revenue taxes, except those articles prohibited by the SBMA and those absolutely prohibited by law; *provided*, that such articles are limited only for personal or household use or consumption within the SBF.

B. Transactions with the Customs Territory

Sec. 47. Articles Removed or Withdrawn from SBF. Notwithstanding the abovementioned tax and duty exemptions, foreign articles removed, withdrawn or otherwise disposed of from the SBF into the Customs Territory, shall be subject to the payment of customs duties and internal revenue taxes as ordinary importations in accordance with the provisions of Tariff and Customs Code of the Philippines, as amended, and the National Internal Revenue Code and other applicable laws.

Articles entered or introduced from the SBF into the Customs Territory will be presumed to be foreign unless there is sufficient evidence presented to satisfy customs officials that they are domestic articles as defined in these Rules.

Sec. 48. Articles admitted into the SBF from Customs Territory. Articles which are admitted to the SBF from Customs Territory under proper permit shall be considered exported for purposes of the laws and regulations of the Philippines, and shall be considered exported for purposes of the laws and regulations of the Philippines, and shall be considered to be zero-rated and thereby become eligible for drawback, relief from duties and taxes, and any other tax or duty benefit conferred by reason of exportation; *provided*, that articles which are returned to the Customs Territory from the SBF shall be considered imported for the purposes of the laws and regulations of the Philippines.

Sec. 49. Foreign Articles Used as Raw Materials. Foreign articles to be used in the production, manufacture, processing of finished products may be brought from the SBF to designated Special Economic Zones, Bonded Warehouses, Export Processing zones, or under other duty or tax-exempt treatment in the Customs Territory by accredited subcontractors, under bond acceptable to the SBMA and the Bureau of Customs to guarantee the return of the finished goods to the SBF, for export or for sale within the SBF.

Sec. 50. Foreign Articles Sold to SBF Residents. Foreign articles sold by SBF Enterprises to SBF Residents or to travelers, tourists, and/or investors under Section 12 (g) of the Act shall be exempt from duties and taxes; provided, that such articles are actually exported to a foreign country upon their departure, or are actually consumed within the SBF.

Sec. 51. Limit of Purchase of Foreign Articles. Subject to the higher limits allowed for balikbayans and returning residents, foreign articles purchased within the SBF and brought out of the SBF and entered into the Customs Territory for personal use shall not be subject to customs duties and taxes as ordinary importations; provided, that the value of such articles purchased shall not exceed TWO HUNDRED DOLLARS (U.S. \$200.00) per individual; provided, further, that this privilege shall be availed of only once a month.

Sec. 52. Seizure of Foreign Articles. Foreign articles withdrawn transported or taken in commercial quantities from the SBF to the Customs Territory without payment of duties and taxes, shall be subject to seizure and forfeiture proceedings pursuant to the pertinent provisions of the Tariff and Customs Code and the National Internal Revenue Code of the Philippines, without prejudice to any criminal and/or administrative actions that may be instituted against the person/persons liable/responsible therefor.

Sec. 53. Transshipment of Articles by Carriers. Carriers who undertake to transship articles from the SBF to a bonded warehouse to a Customs Territory shall be bonded in an amount to be determined by the SBMA which in no case shall be less than FIFTY THOUSAND PESOS (P50, 000.00), Philippine currency, conditioned that the carrier shall transport and deliver the articles, without delay, Customs at the port of destination or export. The provisions of the Tariff and Customs Code, as amended, and its implementing regulations, in respect of transshipment of articles from the ports in the Customs Territory to the SBF shall govern cases of transshipment.

Sec. 54. Articles Exported to Foreign Countries and Reexported Into Customs Territory. Articles which are manufactured in the SBF and exported there from to a foreign country shall, upon subsequent importation into the Customs Territory, be subject to the import laws applicable to like articles manufactured in a foreign country.

Sec. 55. Responsibility for Foreign Articles; Presumption on Missing Articles.

- a. SBF Enterprises shall be responsible for the safekeeping and accounting of all articles received by them in the SBF, and shall be relieved from responsibility for the articles upon removal under proper permit from the SBF, transfer to another SBF Enterprise or Resident, destruction in the SBF, or abandonment to the SBMA in the SBF.
- b. Articles which are missing or cannot be accounted for in the SBF shall be presumed to have been transferred to the Customs Territory without permit. Articles which are found in the SBF but cannot be accounted for in the records of an SBF Enterprise shall be treated as having been received in the SBF without permit.

Sec. 56. Customs Manual of Operations. The SBMA may issue or promulgate Customs or any other operations manual (s), compliance of the provisions of which shall be the responsibility of SBF Enterprises and Residents.

C. Taxes and Fiscal Obligations

Sec. 57. Obligations and Liabilities.

- a. Pursuant to Section 12 (c) of the Act., SBF Enterprises within the SBF shall, in lieu of paying local and national taxes, pay a five (5%) percent final tax on their gross income earned in the following percentages:
 - (1) To the National Government.....3%
 - (2) To the Local Government Units affected by the declaration of the Zone, to be distributed in the proportion to be determined by the Bureau of Internal Revenue..... 1%
 - (3) To the Special Development Fund to be utilized for the development of municipalities outside the City of Olongapo and the Municipality of Subic and other municipalities contiguous to the base area..... 1%
- b. "Gross Income Earned" for purposes of these Rules refers to gross sales or gross revenues derived from any business activity, net of returns, discounts and allowances, less costs of sales, cost of production or direct costs of services (depending on the nature of business) but before any deduction for administrative expenses and incidental losses during a given taxable period.

In arriving at the base for which the five (5%) percent final tax stated in the preceding section shall be applied, the following deductions shall be allowable/ unallowable:

1. *For Manufacturing, Trading and Infrastructure Development Enterprises:*

Allowable Deductions

- Direct salaries, wages or labor expense
- Production supervision salaries
- Raw Materials
- Intermediate goods
- Finished goods
- Supplies and Fuels used in production
- Depreciation, lease payments or other expenditures on buildings and equipment
- Financing charges associated with fixed assets
- Rent and utility charges associated with buildings and equipment, warehousing or handling of goods

Unallowable Deductions

- Administrative Salaries
- Corporate Management
- Marketing and sales salaries
- Interest and financial charges on working capital
- Loss/gain on foreign exchange translation
- Loss/gain on disposal of assets
- Advertising
- Insurance
- Miscellaneous supplies and expenses
- Entertainment expense

2. *For Services Enterprises*

Allowable Deductions

- Direct salaries, wages or labor expense
- Services supervision salaries
- Raw Materials, goods in process or finished goods used or resold
- Supplies and fuels used in rendering services
- Depreciation, lease payments or other expenditures on buildings and equipment
- Financing charges associated with fixed assets
- Rent and utility charges associated with buildings and equipment

Unallowable Deductions

- Administrative salaries
- Corporate Management salaries
- Marketing and sales salaries
- Interest and financial charges on working capital
- Loss/gain on foreign exchange translation
- Loss/gain on disposal of assets
- Insurance
- Advertising
- Miscellaneous supplies and expenses
- Entertainment expense

3. For Financial Enterprises

Allowable Deductions

- None

Unallowable Deductions

- Direct salaries
- Materials and Supplies used
- Depreciation
- Equipment lease payments
- Rent and utilities
- Advertising
- Interest paid
- Cost of securities
- Loan losses
- Marketing and sales salaries
- Equipment lease payments
- Interest and financial charges
- Loss/gain on foreign exchange translation
- Corporate management salaries
- Loss/gain on disposal of assets
- Insurance
- Miscellaneous supplies and expenses
- Entertainment expense

Provided, that, the SBMA may further review, revise, amend, supplement or otherwise alter the foregoing schedule of allowable and unallowable deductions after consultation with the SBF Enterprises that may be affected thereby.

Sec. 58. Returns and Payment of Tax.

Requirements- All SBF Enterprises subject to the (5%) tax on gross income earned prescribed in Section 12 © of the Act shall render in duplicate a true and accurate quarterly return and final or adjustment return with the provisions of Section 68 and 69, Chapter IX of the National Internal Revenue Code, as amended. The return shall be filed by the President, Vice President or other principal officer of the SBF Enterprise and shall be sworn to by the Treasurer or Assistant Treasurer.

Place of Filing- The quarterly return and the final or adjustment return required in the preceding paragraph shall be filed with the Revenue District Officer or the collection agent/accredited bank in the City of Olongapo, with a copy thereof to be furnished to the SBMA.

Payment of the Tax- The amount representing the five (5%) percent final tax of the gross income earned by the SBF Enterprise directly from the operation of its registered activity shall be paid at the same time the return is filed with the Revenue District Officer or the collecting agent/accredited bank in the City of Olongapo; provided, that (i) 1% of the above amount shall be allocated to the representative local government units affected by the declaration of the SBF in accordance with the formula set forth in Section 57 (a) of these Rules, and (ii) the other 1%, which is intended for the Special Development fund, shall be kept in trust.

Time for Filing the Returns / Payment of the Tax- The provisions of Sections 63 and 69 of the National Internal Revenue Code, as amended, and existing regulations regarding the time for filing quarterly and final or adjustment returns and payments of the tax imposed herein, as well as the requirement of withholding and remittances of the tax under Section 43 ©, Chapter V of these Rules shall apply to all SBF Enterprises.

Sec. 59. Bookkeeping and Reportorial Requirements. All SBF Enterprises shall keep regular and accurate records of their transactions, and maintain books of accounts and allied documents in accordance with the bookkeeping rules and regulations prescribed by the Bureau of Internal Revenue and/or the SBMA, which shall be open to inspection and verification by authorized officers of the SBMA or of the Bureau of Internal Revenue and the Bureau of Customs, upon prior notification and coordination with the SBMA. For this purpose, the SBMA at its instance, or jointly with the Bureau of Internal Revenue and/or the Bureau of Customs, is authorized to conduct at any time during office hours any audit, check, or inventory count for the verification and reconciliation of the records with the inventory of articles in the SBF.

For the effective implementation of the Act, the provisions of Title IX on the Requirements of Keeping Books of Accounts and Records, Title X on the Statutory Penalties and offenses, both of the National Internal Revenue Code, as amended, as well as their implementing rules and regulations, shall apply to all SBF Enterprises.

Sec. 60. Search, Arrest, and Seizure by Customs Officials. Persons, baggage, vehicles and cargo entering or leaving the SBF are subject to search by Customs officials as a condition to enter or leave the SBF. Customs officials are authorized to examine any merchandise held by the SBF Enterprises during regular business hours.

Customs officers may seize any article found during a Customs search upon entering or leaving the SBF to be in violation of any provision of the customs laws for which a seizure is authorized, and such seizure shall be disposed of according to the customs laws. Articles which are prohibited or excluded from the SBF under the rules and regulations of the SBMA which are found by the Customs officials during an audit, examination or check within the SBF may be seized by them and turned over to the SBMA for disposition.

The SBMA may secure the assistance of and/or coordinate with Customs officers to arrest persons in the SBF for violations of the customs laws for which arrest is authorized concerning articles in the Customs Territory destined to the SBF or articles which have been removed from the SBF to the Customs Territory.

Sec. 61. Tax Credits for Foreign Corporations. The taxes paid herein by foreign corporations that are registered as SBF Enterprises shall be considered as income taxes for purposes of application for tax credits by said foreign corporations in their respective countries.

CHAPTER VI. SUBIC BAY FREEPORT IMMIGRATION REGULATIONS

Sec. 62. General Provisions. Except as provided in the Act, these Rules and other rules of the SBMA, all laws of the Philippines concerning the entry and immigration of persons into the Philippines and their departure and emigration there from shall be applicable in the SBF to persons arriving directly in the SBF from a foreign country or departing directly from the SBF to a foreign country.

Sec 63. Responsibility and Authority. All laws of the Philippines, including the Act, these Rules, and the other rules of the SBMA concerning the entry, immigration, departure, or emigration of persons including their arrival directly in or departure directly from the SBF, shall be carried out within the SBF by personnel of the Bureau of Immigration in coordination with the SBMA.

Sec. 64. *Right to Allow No Visa Entry to Certain Foreign Nationals.* Notwithstanding the immediately preceding provision, the SBMA may allow the entry of foreign nationals, particularly Hong Kong Chinese with British Passports or Certificates of Identity and Taiwanese nationals with Republic of China Passports, with the exception of foreign nationals barred from entering the Philippines, into the SBF without visas for a maximum period of fourteen (14) days, unless extended by the National Government; provided, that such entry will be limited to tourism and business purposes only; provided, further, that should the foreign national desire to extend his/her visit or to enter the Customs Territory, he/she must secure the necessary authorization or visa from the Bureau of Immigration or the Department of Foreign Affairs, as the case may be.

Sec 65. *Application Outside Subic Bay Freeport.* The issuance of visas to, and control of the arrival or departure of, persons who seek to work or reside in the SBF under the Act and these Rules shall be applied outside the SBF by the Bureau of Immigration or the Department of Foreign Affairs to:

- Persons arriving in the Philippines from a foreign country destined for the SBF;
- Persons arriving in the Customs Territory from the SBF destined to foreign countries;
- Persons in the Customs Territory and whose work or residency visas were conferred by the SBMA under the authority of the Act, these Rules and other rules of the SBMA;
- Persons outside the Philippines who are seeking work or residency visas in the SBF; and
- Spouses and minor children of the foregoing.

Sec. 66. *Temporary Work and Residency Visas.* The SBMA is authorized to issue temporary work and residency visas to foreign nationals under the conditions and provisions of these Rules. Upon application by an SBF Enterprise, the SBMA may issue work visas which are valid for and renewable every two (2) years to foreign nationals who possess executive or highly technical skills which no Filipino citizen within the SBF possesses, as certified by the Department of Labor and Employment. The SBF Enterprise shall apply to the SBMA for renewal not less than thirty (30) days before the scheduled expiration date of the work visas, and shall inform the SBMA whenever any foreign national's employment is terminated by reason of contract expiration or termination, firing, redundancy or other removal. The temporary work visas will be automatically terminated upon:

- a. Nonrenewal of the visa, whether by reason of failure of the SBF Enterprise to apply for renewal or determination made by the SBMA;
- b. Expiration of the contract under which the foreign national is working;

- c. Discharge or other termination of the foreign national by the SBF Enterprise;
- d. Dissolution of the employing firm or revocation of its SBF registration;
- e. Acceptance of work for compensation outside the SBF without the approval of the SBMA;
- f. Death of the foreign national;
- g. Conviction, by a competent court, of an offense defined by the Revised Penal Code or special or other laws;
- h. Commission of acts inimical to national security, public interest, health, welfare and morals; or
- i. Determination of the SBMA of any other reason or circumstance by which the work of the foreign national is no longer needed in the SBF.

Sec. 67. Revocation of Temporary Work Visa. The SBMA may, after appropriate hearing, revoke a temporary work visa for any violation by the foreign national or his or her dependent(s) of (I) any Philippine law or regulation, including the Act, these Rules and other regulations of the SBMA, or (ii) the terms and conditions for the issuance of the visa.

Sec. 68. Temporary Residency Visas. Temporary residency visas may be issued by the SBMA to any foreign national to whom a work visa has been issued and to his or her spouse and dependent children under 21 years of age. The temporary residency visas of the foreign national, spouse, and children are valid for residence either inside the SBF or the Customs Territory during the period of validity of the work visa. The temporary residency visas shall be deemed terminated upon the termination or revocation of the work visa of the foreign national in accordance with Sections 66 and 67 of these Rules.

Sec. 69. Reportorial Requirements. The names of foreign nationals who are granted temporary work or residency visas, or whose work or residency visas are terminated or revoked, shall be reported by the SBMA to the Bureau of Immigration within thirty (30) days after issuance, termination or revocation.

Sec. 70. Permanent Residency Visas. The SBMA is authorized to issue permanent residency visas to foreign nationals under the conditions and provisions of these Rules.

Sec. 71. Permanent Residency Visas for Investors. The SBMA may issue a permanent residency visa within the SBF to any investor who has made and continues to maintain an investment of not less than TWO HUNDRED AND FIFTY THOUSAND DOLLARS (US\$250,000.00) within the SBF. This privilege may extend to the investor's spouse and dependent children under 21 years of age.

The visa will be provided upon application by the investor with evidence of the investment, made in conformance with the SBF's land use plan, which may be in form of:

- a. Establishment of an SBF Enterprise or other direct investment within the SBF;
- b. A cash grant or interest-free loan to the SBMA or to an SBF Enterprise for the purpose of making capital improvements by the recipient in the SBF;
- c. A purchase of real estate in the SBF or of an SBF Enterprise for the purpose of renovation, construction, or expansion of buildings, equipment, structures, or appurtenances for capital improvement purposes; or
- d. A donation in kind to the SBMA or an SBF Enterprise of an equipment or materials for capital improvement purposes.

Sec. 72. *Revocation or Termination of Permanent Residency Visa for Investor.* The permanent residency visas of the investor, spouse, and children automatically terminates when the investor, his spouse, children or any other individual or entity acting in his behalf, takes the investment out of the SBF through sale or receiving payment, in cash or in kind, for grants, donations, or interest-free loans other than the return of principal. The SBMA may also revoke summarily or after hearing the permanent residency visa of any investor, spouse, or child for the same grounds enumerated in Sections 66 and 67 of these Rules, as the case may be applicable.

Sec. 73. *Permanent Residency Visa for Retirees.* The SBMA may issue permanent residency visas to any foreign national who is a retired person and his or her spouse and dependent children under 21 years of age for residence in the SBF. A "retired person" is a person (i) over 60 years of age who can demonstrate to the satisfaction of the SBMA that he or she is of good moral character; (ii) has not been convicted of any crime involving moral turpitude; (iii) no longer employed or self-employed; and (iv) who receives a pension or passive income that is payable in the SBF and exceeds FIFTY THOUSAND DOLLARS (US\$50,000.00) per annum. "No longer employed or self-employed" means the applicant for the visa has worked for compensation fewer than seven hundred and fifty (750) hours during the year preceding the application for the visa.

Sec. 74. *Revocation or Termination of Permanent Residency Visa of Retiree.* The permanent residency visa of the retiree automatically terminates upon the taking of residence by the retired person outside the SBF, or the acceptance by the retired person or his or her spouse of work for compensation within the SBF or the Customs Territory without the approval of the SBMA.

The residency visa of the spouse of the retiree automatically terminates upon the death of the person to whom the residency visa was granted, or upon their divorce, unless he or she makes application for and receives a residency visa from SBMA. The SBMA may summarily or after hearing revoke the residency visa of any retiree, his/her spouse or child for the same grounds enumerated in Sections 66 and 67 of these Rules, as may be applicable.

Sec. 75. Reportorial Requirements. The names of foreign nationals who are granted permanent residency visas, or whose permanent residency visas are terminated or revoked by the SBMA shall be reported by the SBMA to the Bureau of Immigration within thirty (30) days after issuance, termination or revocation. The residency visa is valid only for the SBF and not for the Customs Territory. However, persons with residency visas may enter and leave the SBF without any special authorization of the Bureau of Immigration.

CHAPTER VII. SUBIC BAY FREEPORT QUARANTINE REGULATIONS

Sec. 76. Applicability of Philippine Laws Regarding Animal and Plant Health. The laws of the Philippines concerning animal and plant health and quarantine and the protection of animals and plants from disease and pestilence, shall be applied in the SBF, as well as to persons, baggage, carriers, and merchandise containing possible animal or plant disease carrying vectors arriving in the SBF directly from foreign countries.

Sec. 77. Applicability of Philippine Laws Regarding Protection from Disease and Pestilence. The laws of the Philippines concerning the public health and the protection of humans from diseases subject to International Health Regulations promulgated by the World Health Organization and dangerous communicable diseases and pestilence shall be applied in the SBF. Quarantine inspection of persons, baggage, carriers, and merchandise containing possible human disease carrying vectors arriving in the SBF directly from foreign countries will be conducted in accordance with the International Health Regulations promulgated by the World Health Organization. If the inspection of such vessels or aircraft is undertaken, it will be done before immigration and customs clearance except for those vessels and aircraft issued with radio pratique or controlled free pratique by the Director of Quarantine.

Sec. 78. Persons Responsible for Implementation. The laws of the Philippines concerning human, animal, and plant health and quarantine shall be carried out in the SBF by personnel of Philippine Government agencies responsible for administering those laws and regulations working under the supervision of the SBMA. The SBMA shall establish the rules and procedures necessary to carry out human, animal, plant health and quarantine laws and regulations within the SBF.

**CHAPTER VIII. SUBIC BAY FREEPORT RULES ON FOREIGN
EXCHANGE, BANKING AND OTHER FINANCIAL INSTITUTIONS**

A. Subic Bay Freeport Rules on Foreign Exchange

Sec. 79. *Foreign Exchange Accounts.* All SBF Enterprises and Residents shall be free to maintain foreign exchange accounts with any bank or any financial institution licensed to hold deposits in foreign exchange.

Sec. 80. *Philippine Currency Accounts.* All SBF Enterprises and Residents shall be free to maintain accounts in the currency of the Philippines with any bank or financial institution licensed to hold deposits in the currency of the Philippines.

Sec. 81. *Purchase of Foreign Exchange.* All SBF Enterprises and Residents shall be free to buy and sell foreign exchange outside the banking system.

Sec. 82. *Foreign Exchange In Business Transactions.* All SBF Enterprises and Residents shall be free to engage in business transactions the valuation and/or payments for which may be effected in foreign exchange. Foreign exchange receipts, acquisitions or earnings may be deposited in foreign exchange accounts in the Philippines or abroad, or brought out of the Philippines. Such receipts shall include, but not be limited to:

- a. sales of goods;
- b. receipts for services rendered;
- c. contracting of loans;
- d. income or proceeds from investments;
- e. transfer of capital to the SBF Enterprise; and
- f. any other transaction representing income or an increase in capital or assets to the SBF Enterprise.

Sec. 83. *Use of Foreign Exchange.* Foreign exchange may be freely used for any purpose not expressly forbidden by law, including but not limited to the following :

- a. purchases of goods;
- b. payment for services rendered;
- c. repayment of loans;
- d. transfer of profits earned by the SBF Enterprises;
- e. repatriation of capital resulting from liquidation or sale of assets;
- f. any other transaction representing expenses or a decrease in capital or assets to the enterprise.

Sec. 84. Registration of Foreign Exchange. The foreign investments registration process provided for under Central Bank Circular 1353 shall be incorporated into the SBMA regular registration procedures. Transfer to affiliates or shareholders of registered capital, and of profits up to the amount of cumulative profits declared net of remittances in prior years shall be effected fully.

Sec. 85. Philippine Currency Transactions. All SBF Enterprises and Residents shall be free to engage in business transactions the valuation and/or payments for which may be effected in the currency of the Philippines according to regulations in force issued by the Central Bank or other authorities of the National Government.

Sec. 86. Applicability of Central Bank Circular 1353. Unless specifically provided for in subsequent laws, these rules and other SBMA regulations, the provisions of Central Bank Circular 1353 "Further Liberalizing Foreign Exchange Regulations", shall apply to SBF Enterprises and Residents; provided, however, that for the foreign exchange proceeds of foreign loans, including loans contracted in the Philippines in foreign exchange, conversion into the currency of the Philippines shall not be required, if there is no intention in the future to service such loans by foreign exchange procured from the banking system; provided, further that in the case of foreign investments, the foreign exchange required for capital repatriation and remittance of dividends shall not be sourced from the domestic (Philippine) banking system.

B. Subic Bay Freeport Rules on Banking and Other Financial Institutions

Sec. 87. In general. Any bank or financial institution intending to operate within the SBF must first be licensed by the Central Bank.

Sec. 88. Offshore Banking Units. Any foreign bank registered as an Offshore Banking Unit (OBU) may accept deposits, make loans, and otherwise provide financial services in foreign exchange to SBF Enterprises and Residents, in accordance with Central Bank regulations governing OBU's.

Sec. 89. Foreign Currency Depository Units. Any bank registered as a Foreign Currency Depository Unit (FCDU) may accept deposits, make loans, and otherwise provide financial services in foreign exchange to SBF Enterprises and Residents, in accordance with Central Bank regulations governing FCDU's.

Sec. 90. Bank Licensed in the Philippines. Banks licensed in the Philippines may freely open branches within the SBF. Minimum bids shall not be required, and the number of banks opening branches within the SBF shall not be restricted. Banks applying to open branches shall be registered with the Central Bank provided that the bank has not violated Central Bank conditions governing safe and sound banking practices. Such branches may elect to be registered as SBF Enterprises with the SBMA, and shall be restricted to providing services or effecting transactions with SBF Enterprises and

Residents. If such branches do not elect to be registered as SBF Enterprises, they shall not enjoy the right and privileges under these Rules including the preferential tax treatment accorded SBF Enterprises as set forth in Chapter V of these Rules, and shall not be restricted to transactions with SBF Enterprises or Residents.

Sec 91. OBU Affiliates. Any foreign bank may apply with the Central Bank to establish (a) an extension office/branch of its existing OBU, if it has an existing OBU licensed to do business in the Philippines, or (b) an OBU within the SBF, if it has no existing OBU license, which shall exclusively engage in services to SBF Enterprises and nonresidents of the Philippines.

The Central Bank shall register such branch or SBF OBU's as licensed to operate exclusively in the SBF. Such branch or OBU's shall also be registered as an SBF Enterprise. If the foreign bank applies to operate within the SBF through a local affiliate bank, then such application shall be subject to prevailing laws on nationality of ownership of banking institutions.

Sec. 92. Tax Exemption Privileges of SBF Registered Banks and Affiliates. SBF OBU's, bank branches and affiliates which are registered as SBF Enterprises shall be exempt from any and all taxes otherwise levied on OBU's or banks and banking transactions under the existing laws and regulations, including but not limited to:

- a. withholding or other final taxes;
- b. remittance taxes;
- c. capital taxes;
- d. profits taxes;
- e. gross receipts taxes;
- f. documentary and science tax.

Sec. 93. Tax Liability of SBF Registered Banks and Affiliates. In lieu of all local and national taxes, SBF OBU's and SBF bank affiliates and branches shall pay five (5%) percent final tax of gross income earned annually to the Bureau of Internal Revenue as provided for in Section 57, and subject to the provisions of these Rules.

Sec. 94. Effect of Existing Central Bank Regulations on SBF Registered OBU's. Existing regulations governing OBU's shall apply to SBF OBU's, except as specifically provided in these Rules and other regulations of the SBMA. SBF OBU's shall pay annual registration or license fees normally required directly to the Central Bank.

CHAPTER IX. ENVIRONMENTAL REGULATIONS

Sec. 95. Principles. SBMA recognizes the importance of maintaining a high degree of environmental quality as a precursor to the sustainable economic development of the areas both under and adjacent to its jurisdiction. Specific regulations to protect and conserve environmental quality as may be promulgated by the SBMA shall conform to and not contradict those environmental policies and regulations established by the National Government.

Recognizing that the Department of Environment and Natural Resources and its predecessor agencies have established environmental quality and emission and effluent standards for air and water quality, the SBMA adopts those standards and incorporates them into the environmental quality standards and regulations to be adopted by the SBMA.

Sec. 96. Administration/Ecology Center. There is hereby created an Ecology Center that shall have responsibility for the protection of the environment and natural resources within the SBF and/or jurisdiction of the SBMA. The Ecology Center shall have the responsibility for the implementation of all environmental and natural resources conservation and protection programs adopted or assumed by the SBMA as a natural corporation and as a governmental entity.

The Ecology Center shall undertake the normal functions associated with environmental management, including, but not limited to, enforcement, monitoring, permitting, training and education, and contingency and emergency planning.

The Ecology Center shall seek to privatize services and infrastructure related to environmental management to the extent that it shall deem appropriate. This shall include such environmental services as water supply, wastewater treatment facilities, waste management facilities, waste transportation services, and environmental monitoring services as can be contracted to the private sector.

Sec. 97. Application of Philippine Environmental Laws. All Philippine environmental laws, particularly Presidential Decrees Nos. 984, 1151, 1152 and 1586, as well as Republic Acts No. 6969 and 7586, including the rules and regulations of the Department of Environment and Natural Resources and other government agencies concerning environmental pollution and pollution control insofar as these rules and regulations are not inconsistent with these Rules, are hereby adopted.

Sec 98. Coverage. The regulations for environmental and natural resources conservation and protection shall be applicable to all areas within the SBF and/or under the jurisdiction of the SBMA. All facilities existing outside the boundaries of the SBF and/or the jurisdiction of the SBMA shall be considered for the purposes of these Rules to be existing facilities. All facilities to be introduced within the confines of the SBF or the jurisdiction of the SBMA shall be considered new facilities for the purposes of these Rules.

The SBMA shall introduce a system of regulations that shall be applicable to all existing and new facilities within its jurisdiction and/or the SBF. This system of regulations shall incorporate existing DENR policies and regulations and shall provide for the permitting of all such facilities by the SBMA.

All facilities within the SBF and/or the jurisdiction of the SBMA shall possess a Permit to Operate issued by the SBMA. Any facility deemed to be covered under these Rules found to be without an appropriate permit shall be subject to immediate closure.

Sec. 99. Permits and Clearances. The SBMA shall be the entity responsible for the issuance of all permits and clearances related to environmental protection and conservation within the SBF, such permits and clearances to include, but not limited to Environmental Compliance Certificates, Authorities to Construct, Permits to Operate, and Water use Permits. The SBMA may, at its discretion, amend the requirements associated with such permits at any time and may introduce such other permits or clearances that it deems necessary to protect and conserve the environment.

Environmental Compliance Certificates. Unless otherwise exempted from doing so by the SBMA, no business enterprise shall be registered as an SBF Enterprise and allowed to do business or undertake any activity within the SBF unless it secures an Environmental Compliance Certificate from the SBMA. No SBF Enterprise shall be allowed to engage in any building and/or construction activity unless it similarly secures an Environmental Compliance Certificate. All business enterprises seeking registration as SBF Enterprises under these Rules shall submit an Environmental Report to the SBMA. Such Environmental Reports shall detail and describe the proposed undertaking, the short and long term environmental consequences of their business, establishment, construction project, or other activity; measures proposed to mitigate adverse environmental impacts; and unavoidable adverse impacts. Decisions by the SBMA on the issuance of the Environmental Compliance Certificate for the proposed undertaking shall be based on the Environmental Report submitted for its consideration.

All public agencies or corporations seeking to build or construct any structure or infrastructure for business or public purposes shall secure an Environmental Compliance Certificate prior to undertaking such activity.

Authority to Construct. Following the issuance of the Environmental Compliance Certificate, any proponent intending to engage in the construction of any structure or infrastructure shall secure an Authority to Construct. Such authority shall be based on the building and/or construction plans mentioned elsewhere in these Rules.

Permit to Operate. SBF Enterprises shall obtain Permits to Operate prior to the initiation of any operation of any activity subject to the requirement to obtain an Environmental Compliance Certificate and the determination that such activity may result in discharge to the environment. The Permit to Operate shall establish the monitoring and reporting requirements applicable to the SBF Enterprise and shall be renewed on an annual basis. Such SBF Enterprises shall designate a Pollution Control Officer who shall serve as the person responsible for ensuring compliance with monitoring and reporting requirements and for the environmental integrity of the enterprise and compliance with these Rules and such other regulations promulgated or to be promulgated by the SBMA, including but not limited to, effluent discharge and emission standards, waste management, and emergency and contingency plans.

Sec. 100. *Natural Resource Protection Areas.* The SBMA shall, in cooperation with the DENR, cause to be protected the forested area defined by DENR and shall manage that area in accordance with practices acceptable to DENR. This shall include the provision of forest guards, as defined by DENR, to ensure that the natural resources of the area are provided sufficient protection to insure their longevity.

The Natural Resource Protection Area agreed upon between SBMA and DENR shall include such area as necessary to provide for the protection of the watershed upon which SBMA is dependent for its water supply. This area shall include both virgin and residual forests as agreed upon with DENR.

Sec. 101. *Air Quality.* The SBMA shall not permit air quality to deteriorate within its jurisdiction and/or the SBF as a result of industrial development. To determine the existing air quality of the region, the SBMA shall implement a regional air quality monitoring program within its jurisdiction. All stationary sources of air pollution within the SBF and/or the jurisdiction of SBMA shall be subject to regulation and shall be required to obtain a Permit to Operate as a condition of their occupancy in the SBF and/or the regulatory area of the SBMA. All sources of air pollution must comply with the relevant regulations and standards applicable to air emission sources. As a condition of the Permit to Operate, owners/operator of stationary air pollution sources shall be required to conduct monitoring of the emissions from those sources and report the results of that monitoring to the SBMA. The frequency of monitoring and reporting shall be established by the SBMA in the Permit to Operate but shall be not less than annually.

Air quality in the SBF or the jurisdiction of the SBMA shall be maintained so as to achieve the national ambient air quality standards. These standards are those deemed necessary to protect public health and welfare and to reduce potential damage to property. To achieve these standards, the SBMA shall formulate an air quality management strategy for limiting emissions from both mobile and stationary sources. The following standards may not be exceeded more than once per year.

Sec. 102. *Water Quality.* The SBMA shall not permit water quality to deteriorate within its jurisdiction and/or the SBF as a result of industrial development. To determine the existing water quality of the region, the SBMA shall implement a regional water quality monitoring program within its jurisdiction. All sources of water pollution within the SBF and/or the jurisdiction of the SBMA shall be subject to regulation and shall be required to obtain a Permit to Operate as a condition of their occupancy in the regulatory area of the SBMA. All sources of water pollution must comply with the relevant regulations and standards applicable to water effluent sources.

Water quality in the SBF and/or the jurisdiction of the SBMA shall be maintained so as to meet national standards applicable for the highest and best use of the waterbody as established and determined by the SBMA in coordination with the DENR. In general, this is intended to promote and maintain water quality that is suitable for contact water recreation. All surface waterbodies, including marine and fresh waters, shall be included in this provision. To protect the waters within the SBF and/or the jurisdiction of the SBMA, the SBMA shall not allow the direct discharge of any wastewater, either industrial or domestic, that does not meet the effluent discharge standards established by the DENR and adopted by the SBMA. In the case of discharge wastewater treatment facilities by either industrial or domestic discharges, the acceptable standard for acceptance of those wastewater shall be determined by the owner/operator of those facilities. Discharges of effluent from wastewater treatment facilities shall meet the applicable discharge standards; compliance with such standards shall be the responsibility of the owner/operator of the facility.

All discharges of wastewater shall, as a condition of the Permit to Operate, conduct monitoring of the effluent subject to discharge and of the water quality of the receiving water and shall report the results of that monitoring to the SBMA. The frequency of the monitoring and reporting shall be established by the SBMA in the Permit to Operate but shall in no case be less than annually.

Sec 103. *Waste Management.* All solid and toxic and hazardous wastes shall be managed in the manner deemed appropriate by the SBMA. The SBMA shall define solid and hazardous and toxic wastes in a manner consistent with the definitions developed by the DENR under Republic Act 6969 and shall define the requirements for waste generators, transporters, and owners/operators of waste management facilities.

Solid Waste. All SBF Enterprises shall dispose of solid wastes in a manner approved by the SBMA. Such approval shall include the use of approved waste transporters and approved disposal facilities.

Waste Generators. Any SBF Enterprise deemed by the SBMA to be a waste generator shall be required to report the type, quantity and disposition of such wastes every quarter. Every firm deemed to be a generator of hazardous and toxic wastes and shall develop a plan for the proper management of those wastes and also develop an emergency and contingency plan for accidental releases of those wastes to the environment. Waste generators shall maintain a manifest inventory of the wastes generated and the disposition of such wastes.

Waste Management. Any firm(s) intending to engage in waste transport within the SBF shall obtain approval by the SBMA to engage in such activity. Such approval shall be predicated upon the demonstration of the firm(s) capability and competence to engage in such activity in a safe manner. Waste transporters shall maintain a manifest of the waste materials handled and/or transported by them and present such manifest upon the demand of the SBMA. No waste transporter shall dispose of, or deliver, wastes in any manner not approved or authorized by the SBMA to accept such materials.

Waste Management Facilities. All waste management facilities shall be subject to the approval and authorization of the SBMA prior to commencing operations. Such facilities shall be open to inspection by the SBMA at any time and shall maintain sufficient record as to allow the SBMA to determine the competence of their operation. No waste management facility may accept any waste delivered to them by a transporter not approved or authorized by the SBMA to engage in such activity. Waste management facilities shall include, but not be limited to, landfills, incinerators, physicochemical treatment facilities, and other facilities processing, recovering, or disposing of wastes. Enterprises engaged in the operation of waste management facilities on their premises shall be included in these Rules and other regulations promulgated and adopted, or to be promulgated and adopted, by the SBMA to regulate such facilities.

Toxic and Hazardous Waste Management. All toxic and hazardous wastes used by any all and all persons, businesses or other entities within the SBF and/or the jurisdiction of the SBMA shall comply with the provisions of Republic Act 6969 and these Rules, as well as other regulations promulgated, or to be promulgated, by the SBMA with respect to the management of those materials. This shall include the registration of chemicals employed, imported or otherwise utilized at any time in any manner.

Sec. 104. *Water Resources Planning.* The SBMA shall issue policies and objectives relative on water resources that will seek to ensure that sources of water supply within the SBF and/or the jurisdiction of the SBMA shall be protected and conserved, including marine waters, surface waters, and groundwater. While such policies and objectives shall be consistent with those established by the National Government, the policies and objectives shall recognize the development goals and objectives established for the SBF and/or jurisdiction of the SBMA, and be consonant with the availability of water resources. As such, the SBMA shall formulate a groundwater protection program to ensure the continued viability of groundwater resources. The SBMA shall also require new water resource developments to obtain a Water Use Permit prior to the development of any groundwater well or surface water abstraction. Such permit shall be reviewed and approved by the SBMA. Applicants for a Water Use Permit shall provide such information as the SBMA deems necessary to evaluate the development proposal.

Water Use Permits issued by the SBMA shall specify the allowable rate and quantity of water withdrawal. Permittees shall report to the SBMA the water consumption and quality on a quarterly basis.

Sec. 105. *Conservation Areas.* Recognizing that a healthy environment is essential to the attainment of the development goals of the SBMA jurisdiction and there are competing uses of environment, the SBMA shall designate such areas that it deems appropriate as Conservation Areas. These Areas may include those areas necessary for the protection of water supplies (such as groundwater aquifer recharge zones), or areas important to the protection and preservation of biodiversity (such as marine conservation and sanctuary areas and natural forest areas), or development that will be allowed in those areas, including the designation of areas as excluded from development. Those areas designated as Conservation Areas shall be included in any land use plan or zoning ordinance adopted by the SBMA.

Sec. 106. *Emergency and Contingency planning.* All entities operating with the SBF and/or the jurisdiction of the SBMA having potential to discharge oil, petroleum products, or other deleterious substances (including chemicals or their by products) of the environment shall prepare a plan for preventing such discharge to the environment (including the aquatic, marine or land environments) and detailing the measures to be employed in the event that such discharges occur. This plan shall be submitted to the SBMA and shall include the procedures to be followed during the handling of such materials and those to be followed in the event of their discharge. Such plans are to be prepared in conformance with the requirements of the Philippine Coast Guard and with the standards of practice for the industry.

CHAPTER X. OTHER PROVISIONS

A. Expropriation

Sec. 107. Power of Eminent Domain. The SBMA may exercise its power of eminent domain over any privately-owned property located within the SBF subject to the requirements of the Constitution and existing law.

Sec. 108. Effect of Expropriation on Lease Agreements. Any cancellation or early termination of a lease agreement between the SBMA and a lessee as a result of expropriation shall be governed by the terms of that lease agreement.

B. Security

Sec. 109. Function of SBMA Security force. SBMA security force agents shall police and maintain law and order within the boundaries of the SBF. Access into and departure from the SBF shall be fully controlled by SBMA security agents.

Sec 110. Responsibility for security of SBF: License to Carry Firearms. The security of the SBF and the maintenance of peace and order therein shall be the responsibility of the SBMA. SBF Facilities Operators and/or Enterprises shall provided and be responsible for the security of their respective facilities and extend support and cooperation to the SBMA security force/agents in the performance of the latter' s duties.

These security forces may be licensed to carry firearms within the premises of the particular enterprise, subject to approval from SBMA and compliance with these Rules.

Sec. 111. Request for Assistance. The SBF Facilities Operator or enterprise may, as necessary, request assistance from SBMA security forces/agents to enforce security for their facilities. Such security agents shall act in cooperation with the SBMA security forces and shall adhere to such rules and regulations as SBMA may promulgate.

Sec. 112. Search and Inspection of Persons and Vehicles. All persons and vehicles entering in and existing from the SBF shall be subject to search and inspection. They shall be required to register and/or secure appropriate SBF passes/clearances or permits from the SBMA. Their movements inside the SBF shall be governed by the security rules of the SBMA. No inspection or control initiated by other governmental agencies shall take place within an SBF Enterprise without prior coordination with the SBMA. Lawful warrants should first be presented to the administrative office of the SBF prior to entering the SBF and actual service of the warrant.

C. Labor Relations

Sec. 113. Objectives and Policy. One of the principal objectives of the SBMA is to create jobs through vibrant economic activity in order to address the needs of displaced former base workers, the people of the cities and municipalities surrounding the former Subic Naval Base, as well as the victims of Mt. Pinatubo disaster. The SBMA adopts a policy of industrial peace, harmony and productivity within the SBF giving due consideration to the new concept of the Freeport in order to establish a business and commercial atmosphere which encourages investments and simultaneously promotes and enhances the lives and dignity of all workers.

Sec 114. Applicability of Labor Laws. Unless otherwise provided by law, all Philippine labor and social security laws shall apply within the SBF. Pursuant to the abovestated policy, all laws on strikes and lockouts will be strictly enforced.

Sec. 115. Labor Center. A Labor Center shall be established within the SBMA. This Center shall be responsible for studying and amicably settling professional and labor relations and disputes, interpretation of employment contracts, and monitoring work, hygiene and safety standards within the SBF. The Labor Center shall comprise a Labor Office; an Industrial Health and Safety Office; and an Inspection and Disputes Office.

Sec. 116. Requirements for All Persons Seeking Employment Within the SBF. All persons seeking employment within the SBF must first register and secure clearance from the SBMA, through the Labor Office of the Labor Center. For this purpose, the applicant must provide the SBMA information on his/her educational/vocational background and/or work experience and skills, as well as other information as may be required by the SBMA. The applicant must likewise be generally aware of the policy objectives of the SBF as provided under the Act and these Rules, and proclamations of the National Government and the SBMA.

Sec. 117. Labor Disputes. Subject to existing labor laws or as may be specified in employment contracts or collective bargaining agreements, all labor disputes must be brought before the Inspection and Disputes Office of the Labor Center which will attempt to amicably settle the case. In case the SBMA cannot settle the dispute amicably, it will certify the dispute for mediation or arbitration before the proper office of the Department of Labor and Employment or the Secretary of Labor and Employment for compulsory arbitration or assumption of jurisdiction.

Sec. 118. Labor Skills Inventory; Identification Card. The Labor Office shall maintain a Labor Skills Inventory for the SBF which shall contain a list of employees already working in the SBF, former U.S. Base workers and residents of adjoining cities and municipalities surrounding the former U.S. Bases, and other employees based on their skills and experience, including those who were forced to go abroad due to the closure of the U.S. Bases.

All employees working in the SBF must secure identification cards from the SBMA pursuant to Section 24 hereof which will contain, among others, the specific skill(s), trade or occupation of the employee concerned.

Sec. 119. *Employment of Foreign Nationals.* SBF Enterprises desiring to employ foreign nationals must secure the prior approval of the SBMA show shall see to the enforcement of relevant Philippine laws and regulations.

Sec. 120. *Training Program for Understudies.* An SBF Enterprise employing foreign supervisory, technical and/or advisory personnel shall provide a training program for Filipinos to be conducted by said foreign nationals each in his own specialized field; *provided*, that every foreign nationals shall have at least one (1) Filipino understudies, and such training shall be done regularly during office hours; *provided*, further, that the SBF Enterprise shall submit its training program within thirty (30) calendar days from arrival of the foreign national or from the day he reports for duty or from the date of registration in case the foreign national was employed before registration; and , *provided*, finally, that it shall submit an annual progress report to the SBMA on such training program within the month of June every year containing the following data:

- a. Name of the foreign national and his field of specialization as prescribed in the program;
- b. Names and addresses of the Filipino understudies under him/her;
- c. Number of hours of actual training for each understudy and specific subject(s) covered; and
- d. Reasons why the Filipino understudies cannot yet take over the work of the foreign national, if such be the case.

Sec. 121. *Duration of Period of Employment.* Every foreign national employed by authority of the SBMA shall be granted a period of not exceeding five (5) years and extendible from year to year depending upon the needs of the SBF Enterprise; *provided*, that no extension of stay herein shall be recommended by the SBMA to the Bureau of Immigration and Deportation unless the training program required has been complied with satisfactorily; *provided*, further, that the request for extension shall be filed with the SBMA at least thirty (30) days before the expiry date of the authorized stay.

Sec. 122. *Spouses and Dependents of Foreign Nationals.* The spouses and unmarried children under twenty one (21) years of age of the foreign national employed under the preceding sections shall be permitted to enter as dependents of the foreign national employee and reside in the SBF during the period of employment of such foreign national in the SBF Enterprise.

Sec. 123. Registration with the SBMA. Every foreign national employed under the preceding sections shall register with the SBMA which shall issue to them Certificates of Residency in accordance with the pertinent provisions of these Rules.

Sec. 124. Apprenticeship Program. The SBMA shall establish an apprenticeship program similar to the apprenticeship program instituted and implemented by the former U.S. facilities.

Sec. 125. Quarterly Reports. The Labor Office of the SBMA shall publish quarterly reports on the labor situation in the SBF.

D. Sanitation, Garbage and Sewage

Sec. 126. In General. The SBMA shall, in accordance with the local government units that have concurred to be part of the SBF, provide for a system, garbage collection and disposal and sewage.

Sec. 127. Fees. The SBMA may impose and collect reasonable fees from SBF Enterprises and Residents for the implementation of a sanitation system, the collection and disposal of garbage and/or the installation and maintenance of a sewage system.

Sec. 128. Fines and Penalties. The SBMA may impose administrative fines and penalties against any SBF Enterprise or Resident for any violation of sanitation, garbage or sewage rules and regulations that the SBMA may enact or promulgate.

E. Educational and Medical Institutions

Sec. 129. Establishment of Private Institutions. The SBMA may authorize the establishment of private educational and medical institutions. These private educational and medical institutions may, if they so desire, apply to the SBF Enterprises, in which case, the pertinent provisions of these Rules shall apply.

Sec. 130. Applicability of National Laws. The SBMA shall adopt and implement rules and regulations to govern educational and medical institutions to be established within the SBF. Pending the issuance of such rules and regulations, all laws on educational and medical institutions, as well as the rules and regulations of the Department of Education, Sports and Culture and the Department of Health and other government agencies concerning educational and medical institutions are hereby adopted.

F. Building and Construction

Sec. 131. Building and Construction Plans. All private and public business enterprises or agencies desiring to build and/or construct any building, house,

warehouse, silo, private road or bridge and other similar structures and infrastructures must submit their building and/or construction plans for approval by the SBMA. These plans may be included and made a part of the Environmental Report mentioned in Section 99 of these Rules.

Sec. 132. *Need to Secure Environmental Compliance Certificate.* No building and/or construction project can be commenced unless the SBF Enterprise concerned secures Environmental Compliance Certificate from the SBMA as provided for in Section 99 of these Rules.

Sec. 133. *Applicability of National Laws.* The SBMA shall adopt and implement rules and regulations to govern building and/or construction of all structures and infrastructures. Pending the issuance of such rules and regulations, all laws on building and construction, as well as the rules and regulations of the Department of Public Works and Highways and other government agencies concerning building and construction are hereby adopted.

G. Subic Bay Freeport Headquarters Companies

Sec. 134. *Registration of Non-Resident Headquarters.* – Companies qualifying as non-resident headquarters companies may be domiciled in the SBF and registered with the SBMA. Such headquarters companies must meet the requirements of the Bureau of Internal Revenue.

Sec. 135. *Tax Privileges of NonResident Headquarters.* Nonresident headquarters companies domiciled in the SBF shall continue to be governed by provisions of the headquarters companies' laws which extend a complete exemption on income tax for qualifying companies.

Sec. 136. *Obligations of NonResident Headquarters.* Nonresident headquarters companies domiciled within the SBF must meet all requirements and obligations for such companies as established in law, decree, and other applicable rules and regulations.

H. Subic Bay Freeport Financial and Commodities Markets

Sec. 137. *Who are Eligible to Organized.* Organized markets, exchanges, clearing houses and other arrangements for effecting transactions in standardized financial instruments may be organized by SBF Enterprises, SBF OBU's, bank branches or their affiliates. Such markets may include transactions in securities, bonds, debt instruments as may be freely traded among parties.

Sec. 138. *Mode of Organization.* Such financial markets shall be organized according to principles and procedures established and agreed to by the member firms or each market or exchange, and registered with the SBMA.

I. Disputes and Litigation

Sec. 139. Amicable Settlement. In case of disputes between or among SBF Enterprises, the parties shall promptly meet and exert best efforts towards amicable settlement of the dispute in good faith. The SBMA may conciliate or mediate the disputes upon request of the parties.

Sec. 140. Arbitration or Litigation. Any dispute, which is not amicably settled, may be resolved by arbitration or judicial action before the competent courts in the Philippines having jurisdiction over such dispute.

J. Development Fund

Sec. 141. Establishment. There is hereby established a SBF Development Fund to be administered and managed by the SBMA, which will consist of one (1%) percent of the five (5%) percent final tax on gross income earned to be utilized for the development of the municipalities outside the City of Olongapo and the Municipality of Subic, and other municipalities contiguous to the base areas.

Sec. 142. Operating Procedures. The SBMA shall publish operating procedures for the administration and management of the SBF Development Fund which will specify, but not be limited to, the following:

- a. The appropriate use of the fund;
- b. The procedures for allocating or accessing fund resources;
- c. The manner of determining which municipalities are eligible to avail of the fund; and
- d. Reporting requirements for fund activities.

Sec. 143 Transfer of Funds. The Revenue District Officer or the accredited agent/collecting bank in the City of Olongapo shall transfer funds representing one (1%) percent of the five (5%) percent final tax on gross income earned, as herein defined, of all SBF Enterprises to the SBF Development Fund. Such transfers shall be made in accordance with standard procedures for internal revenue allotments to local government units.

K. Miscellaneous and Transitory Provisions

Sec. 144. Bankruptcy or Liquidation. The bankruptcy or liquidation of SBF Enterprises shall be carried out in accordance with the laws and regulations relating to liquidation in force in the Philippines.

Sec. 145. Lien on Property of SBF Enterprise. Any unpaid sums of money owed by an SBF Enterprise to the SBMA, or any unpaid duties, taxes, penalties or charges owed to the Bureau of Internal Revenue, or the Bureau of Custom shall constitute a lien against the property of the SBF Enterprises concerned.

Sec. 146. Liability for Damages. SBF Enterprises or Residents shall be liable for damages arising from violations of the Act, these Rules and other regulations of the SBMA.

Sec. 147. General Authority to Dispose of Abandoned, Foreclosed, Forfeited or Unclaimed Articles. The SBMA has the authority, consistent with the Constitution and existing laws., to sell, destroy, or convert to its own use articles and merchandise that have been abandoned, left unclaimed, foreclosed, or forfeited to the SBMA on the SBF, and to established procedures for sale, destruction, or conversion.

Sec. 148. Effect of Board action on Vested Rights. In no case shall any Board action impair the obligation of contracts or vested rights that may have arisen by virtue of the contractual obligations of SBF Enterprises.

Sec. 149. Issuance of Memoranda and Circulars. The SBMA shall, from time to time, issue memoranda and circulars to amend, later, modify, supplement, amplify or implement the provisions of these Rules, including but not limited to the imposition of administrative penalties or fines.

Sec. 150. Rules of Procedure for Investigations. The SBMA shall promulgate rules of procedure governing the conduct of investigations and hearings involving violations of the provisions of the Act and these Rules, the corresponding implementing memoranda or circulars and the terms and conditions of the registration agreement between the SBMA and the SBF Enterprise. Pending the promulgation of said rules of procedure, the SBMA may continue to conduct said investigations and hearings provided that the basic requirements of due process of law are met.

L. Amendments, Separability and Effectivity

Sec. 151. Power to Amend Rules. The SBMA may amend, alter, supplement, suspend, modify or revoke these Rules or any portion thereof as may be necessary; provided, however, that SBF Enterprises directly affected thereby shall have been properly notified and given the opportunity to present their views in a public hearing called for the purpose.

Sec. 152. Separability Clause. If any clause, sentence, provision or section of these Rules, including any appendices thereto, shall be held invalid or unconstitutional, the remaining parts thereof shall not be affected thereby.

Sec. 153. Effectivity Clause. These Rules shall take effect immediately upon its publication in a newspaper of general circulation.

APPROVED by the Board of Directors of the Subic Bay Metropolitan Authority at its Board Meeting on 3 November 1992.

(Sgd.) Richard J. Gordon
Chairman and Administrator

(Sgd.) Rogelio L. Singson
Director

(Sgd.) Teresita L. de Castro
Director

(Sgd.) Donato S. Cruz
Director

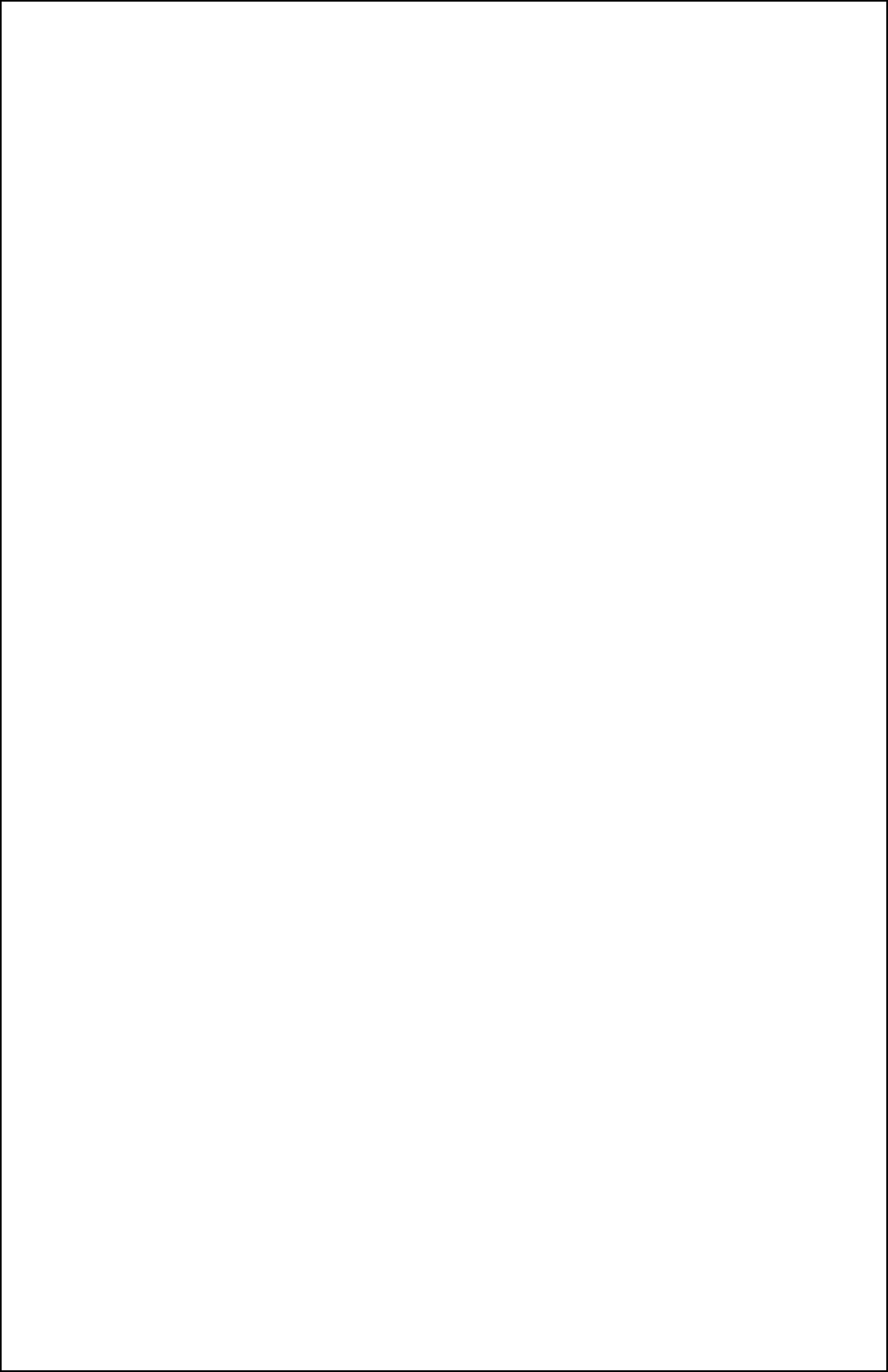
(Sgd.) Eugenio S. dela Cruz
Director

(Sgd.) Andres Dacayanan, Jr.
Director

(Sgd.) Francisco S. Legaspi
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(Sgd.) Rosalinda S. Ligsay
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