



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 169

**STRENGTHENING THE FRANCHISING INDUSTRY FOR THE
PROTECTION OF MICRO, SMALL AND MEDIUM ENTERPRISES**

WHEREAS, Section 1, Chapter 1, Title X, Book IV of Executive Order (EO) No. 292 (s. 1987) or the "Administrative Code of 1987," provides for the protection of Filipino enterprises against unfair trade practices, and recognizes the importance of pursuing a trade policy that serves the general welfare, and utilizes all forms and arrangements of exchange on the basis of equality and reciprocity;

WHEREAS, Section 2, Chapter 1, Title X, Book IV of EO No. 292 mandates the Department of Trade and Industry (DTI) to formulate and implement policies, plans and programs relative to the development, expansion, promotion and regulation of trade, industry and investments;

WHEREAS, Section 2 of Republic Act (RA) No. 6977, as amended by RA No. 9501, or the "Magna Carta for Micro, Small and Medium Enterprises (MSMEs)," declares it a policy of the State to promote, support, strengthen and encourage the growth and development of MSMEs in all productive sectors of the economy;

WHEREAS, according to the Philippine Statistics Authority 2019 Update of the List of Establishments, 99.5% of businesses in the Philippines are MSMEs, 68% of which are into franchising;

WHEREAS, the franchising industry plays a crucial role in sustaining the country's economy by creating job opportunities, boosting consumption, and promoting tourism; and

WHEREAS, there is a need to intensify government efforts to strengthen the franchising industry to help businesses, especially MSMEs, by developing a transparent and business-friendly environment, and promoting fair and equitable practices;

NOW, THEREFORE, I, RODRIGO ROA DUTERTE, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

THE PRESIDENT OF THE PHILIPPINES

Section 1. Definition of Terms. For purposes of this Order, the following terms are hereby defined as follows:

- a. **"Franchise"** means a contract or agreement between a franchisor and a franchisee where: (i) the franchisor grants to the franchisee the right to operate a business according to the franchise system and during a term as determined by the franchisor; (ii) the franchisor grants the franchisee the right to use a mark, or a trade secret, or any confidential information or intellectual property owned by the franchisor or relating to the franchisor; (iii) the franchisor possesses the right to control the administration over the franchisee's business operation during the franchise in accordance with the franchise system; and (iv) in return for the grant of the above rights, the franchisee is required to pay a fee or other form of consideration;
- b. **"Franchise agreement"** means a written contract or agreement between a franchisor and a franchisee by which the former grants the latter the right to engage in the business of offering, selling or distributing goods or services under a marketing system, technology transfer arrangements included, for a certain consideration. Unless otherwise provided, said right includes the use of a trademark, service mark, trade name/business name, know-how, logo-type advertising or other commercial symbols associated with a particular business;
- c. **"Franchisee"** means a sole proprietorship, partnership, cooperative or corporation duly registered with, as applicable, the DTI, the Securities and Exchange Commission (SEC), or the Cooperative Development Authority (CDA);
- d. **"Franchisor"** means a sole proprietorship, partnership, cooperative or corporation duly registered with the DTI, SEC or CDA;
- e. **"MSME,"** in accordance with RA No. 6977, as amended, means micro, small and medium enterprise or any business activity or enterprise engaged in industry, agri-business and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:
 - i. micro: less than ₱50,000.00;
 - ii. cottage: ₱50,001.00 - ₱500,000.00;
 - iii. small: ₱500,001.00 - ₱5,000,000.00; and
 - iv. medium: ₱5,000,001.00 - ₱20,000,000.00;
- f. **"Person"** means a natural person, or a juridical entity such as a corporation, joint stock company, partnership, cooperative, association, firm, joint venture, or trust registered with the proper government agency.

Section 2. Prescribing the Minimum Terms and Conditions of Franchise Agreements. All franchise agreements entered into by and between a franchisor and an MSME franchisee within the Philippines shall be in writing, duly notarized, and shall include the following minimum terms and conditions:

- a. Name and description of the products or services under the franchise;
- b. Specific rights granted to the MSME franchisee, such as but not limited to the right to use the mark or any other intellectual property rights duly registered with the Intellectual Property Office of the Philippines (IPOPHL);
- c. Full disclosure of any pre-signing, initial or recurring fees, such as but not limited to, franchise fee, promotion fee, royalty fee or any related type of fee which may be imposed on the MSME franchisee;
- d. Detailed responsibilities of the franchisor, which shall include the enumeration of the types and particulars of assistance and the submission of the franchise agreement to the DTI;
- e. Detailed responsibilities of the MSME franchisee;
- f. Non-discrimination provisions;
- g. Duration of the franchise and the terms and conditions for renewal;
- h. Effects of and grounds for pre-termination, termination or expiration of the franchise agreement;
- i. Provision on "cooling off" period where the MSME is given the option to terminate the agreement;
- j. Mechanism for dispute resolution which shall include a stipulation that parties may seek voluntary mediation under RA No. 9285 or the "Alternative Dispute Resolution Act of 2004"; and
- k. Remedies of the parties in case of any violation of the terms and conditions of the franchise agreement.

For non-MSME franchisees, franchisors may consider the minimum terms and conditions provided herein as best practice, and incorporate the same in their respective franchise agreements.

Compliance with the inclusion of the foregoing minimum terms and conditions in the franchise agreement may entitle the franchisor to incentives or benefits to be provided by the National Government. For this purpose, the DTI is hereby directed to formulate and enact measures for the entitlement to incentives of qualified franchisors, subject to existing laws, policies and regulations.

Section 3. Registration of Franchise Agreements and Creation of a Franchise Registry. Franchisors shall be responsible for registering their franchise agreements with the DTI, provided, that franchisors that are members of duly registered franchise associations shall register with the DTI their Standard Franchise Agreement, and execute an undertaking that all future franchise agreements with MSME franchisees shall incorporate the minimum terms and conditions prescribed under Section 2 of this Order. Franchisors that are not members of any duly registered franchise associations shall register all franchise agreements entered into with MSME franchisees within thirty (30) days from execution thereof.

The DTI shall create an MSME Registry of Franchise Agreements entered into by and between a franchisor and an MSME franchisee. Only franchise agreements that incorporate the minimum terms and conditions prescribed under Section 2 of this Order may be registered therein.

Section 4. Encouraging Membership in Franchise Associations. Franchisors are hereby encouraged to join duly registered franchise associations,

while MSMEs intending to undertake the franchising business are encouraged to transact with franchisors belonging to a franchise association.

Section 5. Compliance by Franchisors with Existing Franchise Agreements. Franchisors with existing franchise agreements with MSMEs shall comply with the requirements prescribed in Sections 2 and 3 of this Order upon renewal of their respective franchise agreement with MSME franchisees.

Section 6. Implementing Guidelines. The DTI shall formulate and issue implementing guidelines within ninety (90) days from the effectivity of this Order.

Section 7. Funding. The necessary funding for the implementation of this Order shall be sourced from the regular appropriations of the DTI. Funding support for succeeding years shall be incorporated in the annual General Appropriations Act, subject to the usual budget process.

Section 8. Separability. If any part or provision of this Order is held unconstitutional or invalid, other parts not affected thereby shall continue to be in full force and effect.


Section 9. Repeal. All orders, rules, regulations and issuances or parts thereof, which are inconsistent with this Order, are hereby repealed or modified accordingly.

Section 10. Effectivity. This Order shall take effect immediately after its publication in the Official Gazette or a newspaper of general circulation.

DONE in the City of Manila, this 12th day of May, in the year of Our Lord, Two Thousand and Twenty Two.



By the President:



SALVADOR C. MEDIALDEA
Executive Secretary

