

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. 6310



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

I. Context

Agriculture remains to be an important component of the Philippine Economy. Based on statistics provided by the Philippine Statistics Authority, the total share of Agriculture in the GDP of the Philippines was at 9% in 2015.¹ Based on those same statistics, 11,290,000 (eleven million two hundred ninety thousand) persons were employed in the Agricultural sector in 2015, giving the sector a 29% share in the total amount of employment in the Philippines.²

Despite its contributions to the GDP and its employment of millions of Filipinos, the Philippines Statistic Authority has reported that the Agricultural sector declined by 1.1% in 2016.³ This worrying decline, if not countered, may lead to long-term problems not only for the Agricultural sector, but for other important facets of the economy such as food security, employment, the price of agricultural commodities.

II. Access to Finance for Agricultural Sector

One key reason for the decline of the Agricultural sector is a lack of available funds. While there have been laudable attempts by Congress, as well as the Bangko Sentral ng Pilipinas, to provide credit to the Agricultural sector – specifically through R.A. 10000 or the Agri-Agra Reform Credit Act of 2009 and BSP Circular No. 736 s. 2011 – there is still room for improvement. While members of the Agricultural sector in good financial standing may be able to obtain credit

¹ Philippine Statistics Authority. *Philippine Agriculture in Figures, 2015*. Last Accessed on August 20, 2017. (Available at <http://countrystat.psa.gov.ph/?cont=3>).

² Philippine Statistics Authority. *Philippine Agriculture in Figures, 2015*. Last Accessed on August 20, 2017. (Available at <http://countrystat.psa.gov.ph/?cont=3>).

³ Philippine Statistics Authority. *Philippine Economy Posts 6.6 Percent GDP Growth in the Fourth Quarter of 2016; 6.8 Percent in 2016*. Last Accessed on August 20, 2017. (Available at <https://psa.gov.ph/content/philippine-economy-posts-66-percent-gdp-growth-fourth-quarter-2016-68-percent-2016>).

from banks and other institutions under R.A. 10000, the reality is that most of those in need may not be able to obtain the good financial standing necessary to obtain the funding they require.

III. Current Legal Regime

Under the current legal regime, a simple way by which members of the Agricultural sector can obtain credit is by storing their goods in a warehouse and trading or encumbering the warehouse receipt. This much has been provided for under Act No. 2137 of the Warehouse Receipts Law which was enacted in 1912. However, this law is mainly outdated and fails to take advantage of modern technological advances in order to prevent against fraud. By using a system largely reliant on the issuance of paper receipts which are left to individual warehousemen to issue, larger financial institutions such as banks would justifiably be hesitant to provide credit in exchange for these paper receipts. Clearly, the system needs to be revised to promote transparency, security, and ease of doing business.

IV. The Proposed Warehouse Receipts Law of 2018

Given advances in technology, the new Warehouse Receipts Law proposes to have a central Registry for all Warehouse Receipts whose data shall be readily available online. This Registry shall be managed by the Securities and Exchange Commission, who shall act in consultation with other regulatory agencies in order to ensure the success of the system. Likewise, a system for registering and accrediting both Warehousemen and Warehouses shall be put in place in order to ensure that only qualified Warehousemen and Warehouses are allowed to store and handle the goods within the auspices of the proposed Law.

Likewise, in order to deter fraud, stricter penalties have been put in place for those who engage in prohibited activities such as the issuance of fake warehouse receipts, and the making of false entries in a warehouse receipt.

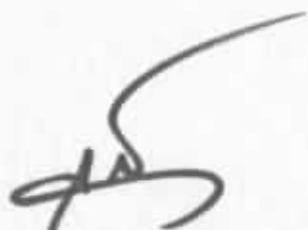
Ultimately, a system as simple as that of a bag check counter is envisioned, wherein a party can simply drop off his wares in the Warehouse – assured that his goods shall be taken care off – in exchange for a Warehouse Receipt which he can easily trade, or barter, or sell in order to obtain the necessary credit. Furthermore, given the simplicity of the system and the use of secure methods such as the electronic Registry, financial institutions would be enticed to accept such Receipts in exchange for funds since they can easily verify the legitimacy of the Warehouse Receipt, as well as the presence and quality of goods in the Warehouses.

V. Benefits of the New Warehouse Receipts Law

Together with the proposed Secured Transactions Bill that is pending in Congress, the Warehouse Receipts Law of 2018 seeks to provide access to credit to those who need credit the most. By helping our fellow countrymen utilize not only their crops but other movable items they may choose to store in Warehouses, we give them a fast and reliable way to obtain credit from established lending institutions such as banks. Likewise, by creating a Registry where parties check the veracity of what is stated in the Warehouse Receipt, we enable parties to transact knowing that they are not being victimized by any scam or scheme.

By enabling a faster way by which those in the agricultural sector, as well as all other sectors, can convert their wares into credit, we would be able to facilitate a quicker circulation of money through spending, which would translate to a better economy, and a brighter future.

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

A handwritten signature in black ink, appearing to be 'A. Yap', with a long, sweeping flourish extending upwards and to the right.

Hon. ARTHUR C. YAP
Representative

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

House Bill No. 6310

INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

AN ACT
STRENGTHENING AND MODERNIZING THE WAREHOUSE RECEIPTS LAW OF THE
PHILIPPINES IN ORDER TO PROVIDE A LEGAL FRAMEWORK IN THE PHILIPPINES THAT
SHALL FACILITATE TRADE, COMMERCE, AND OTHER RELATED PURPOSES

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

CHAPTER 1 – GENERAL PROVISIONS

1 **SECTION 1. Title.** – This Act shall be known as the “Philippine Warehouse Receipts
2 Act of 2018.” (n)

3 **SEC. 2. Declaration of Policy.** – It is the policy of the State to promote economic
4 activity by increasing access, particularly for entities engaged in agricultural businesses
5 such as farming, to least cost credit by establishing a simplified, unified, and modern
6 framework for the storage of goods in warehouses and the subsequent trading of
7 interests therein.

8
9 **SEC. 3. Definition of Terms.** – As used in this Act, the following terms shall mean:

- 10 (a) Buyer in Good Faith – a person that buys goods in good faith without personal
11 knowledge of any defect in the title of the seller
12 (b) Default – the failure or refusal of a debtor to pay in accordance with, or
13 otherwise perform an obligation under, a warehouse receipt.
14 (c) Deposit – the act of transferring actual possession of goods to a
15 warehouseman.
16 (d) Fungible Goods – goods of which any unit is, from its nature by mercantile
17 custom, treated as the equivalent of any other unit.
18 (e) Goods – chattels or merchandise in storage or which has been or is about to
19 be stored except those that are meant for direct import or export. Goods, as
20 defined, shall not include any living objects.
21 (f) Holder – one who has both actual possession of a warehouse receipt and a
22 right of property therein.
23 (g) Issuer – in the case of a release order, the holder or his agent who issued the
24 release order. An agent or employee of a holder may be considered an issuer
25 provided he issued the release order with real or apparent authority,

- 1 regardless if the goods were not actually released or wrongly described, or if
2 he acted in violation of the holder's instructions.
- 3 (h) Notice – a statement of information that is registered in the Registry relating
4 to goods stored in a warehouse that are subject of a warehouse receipt.
- 5 (i) Person – includes both natural and juridical persons.
- 6 (j) Person entitled under the document – the valid holder of the warehouse
7 receipt, or the person to whom release of the goods is proper.
- 8 (k) Purchase – a voluntary transaction where one party obligates himself to
9 transfer ownership over the warehouse receipt and the goods they cover in
10 exchange for the other party paying a price certain in money or its equivalent.
- 11 (l) Receipt – a warehouse receipt.
- 12 (m) Record – information that is inscribed on a tangible medium or that is stored
13 in an electronic or other medium and is retrievable in perceivable form.
- 14 (n) Registry – the electronic Warehouse Receipts Registry.
- 15 (o) Release – means voluntary transfer of the warehouseman of actual
16 possession of goods deposited in a warehouse to a person entitled under a
17 warehouse receipt.
- 18 (p) Release Order – means a record that contains an order directed to a
19 warehouseman to release the goods to a specified person.
- 20 (q) Sign – the intentional adoption or ratification of a record through a tangible
21 or electronic symbol associated with the party making the sign.
- 22 (r) Warehouse – a place for storing goods for profit within the territory of The
23 Philippines.
- 24 (s) Warehouse receipt – a receipt, whether electronic or otherwise, issued by a
25 warehouseman, evidencing title over goods stored at a warehouse.
- 26 (t) Warehouseman – a person lawfully engaged in the business of storing goods
27 for profit.

28 CHAPTER 2 – WAREHOUSE RECEIPTS

30 SEC. 4. Creation of Uniform Registry System for Electronic Warehouse Receipts

31 – The Securities and Exchange Commission is hereby tasked with creating an online and
32 uniform Registry where all electronic Warehouse Receipts can be kept and accessed, as
33 well as rules and regulations pertaining specifically to registration procedures and
34 procedures on how to update or amend electronic Warehouse Receipts. The Securities
35 and Exchange Commission is likewise authorized to engage the services of third parties in
36 creating and maintaining the Registry.

37
38 **SEC. 5. Local Sub-Registry** – In addition to the Registry created and maintained by
39 the Securities and Exchange Commission, all warehouses must contain a sub-Registry
40 specifically for goods contained in them. Failure of a warehouse to keep a sub-Registry,
41 as well as any fraud committed thereon, shall be grounds for the revocation of a
42 warehouse's license to operate.

43
44 **SEC. 6. Creation of Warehouse Receipts** – Only a duly registered and accredited
45 Warehouseman operating a duly registered and accredited Warehouse may validly create
46 an entry in the Registry for which an electronic Warehouse Receipt shall be issued.

47
48 **SEC. 7. Nature of Warehouse Receipts** – All Warehouse Receipts, regardless of
49 what is stated upon their face, are negotiable at the option of the holder.

50

1 **SEC. 8. Original Warehouse Receipts** – The electronic copy of a Warehouse
2 Receipt shall be considered as the Original. Any physical copy of the electronic Warehouse
3 Receipt that is a Certified True Copy of the same shall be valid. However, in case of any
4 discrepancy between the electronic Warehouse Receipt and a Certified True Copy of the
5 same, the electronic Warehouse Receipt shall be controlling.

6
7 A Certified True Copy of the electronic Warehouse Receipt is a representation and
8 warranty that such receipt is an accurate copy of an original electronic Warehouse Receipt
9 properly registered and un-canceled at the date of the issue of the copy.

10
11 **SEC. 9. Issuance of Certified True Copies of electronic Receipts** – The Securities
12 and Exchange Commission is hereby authorized to create rules and regulations for the
13 orderly and expedient issuance of Certified True Copies of electronic Receipts.

14
15 **SEC. 10. Transactions involving Physical Copies of Warehouse Receipts** – All
16 transactions involving Certified True Copies of Warehouse Receipts are valid provided
17 they comply with existing Philippine Laws regarding the form and substance of the mode
18 of transfer. However, the transferee is charged with the duty to have the electronic
19 Warehouse Receipt amended to reflect his interests therein. In case there are several
20 contesting parties, the buyer in good faith who had the electronic Warehouse Receipt
21 amended in his favor first shall be the valid owner of the same.

22
23 **SEC. 11. Notification Requirement** – Whenever an amendment to the electronic
24 Warehouse Receipt pursuant to a valid transaction is sought by a party, whether he be
25 the transferee or transferor, the other party to the transaction must be notified of the
26 impending amendment. Such notified party shall be given three (3) working days from
27 receipt of notification to contest the amendment, otherwise it shall be ministerial on the
28 part of the Warehouseman to effect such amendment to the Registry.

29
30 **SEC. 12. Required Contents of a Warehouse Receipt** – Warehouse Receipts must
31 contain the following:

- 32 (a) A description of the goods or packages containing them,
33 (b) The date and time when the goods or packages were deposited with the
34 Warehouseman,
35 (c) The location of the Warehouse where the goods are stored,
36 (d) The date and time when the Receipt was issued,
37 (e) The consecutive number of the Receipt,
38 (f) The rate of storage charges,
39 (g) The signature of the Warehouseman which may be made by his authorized
40 agent,
41 (h) If the receipt is issued for goods of which the warehouseman is owner, either
42 solely or jointly or in common with others, the fact of such ownership, and
43 (i) A statement of the amount of advances made and of liabilities incurred for
44 which the warehouseman claims a lien. If the precise amount of such
45 advances made or of such liabilities incurred is, at the time of the issue of,
46 unknown to the warehouseman or to his agent who issues it, a statement of
47 the fact that advances have been made or liabilities incurred and the purpose
48 thereof is sufficient.
49 (j) A statement of any interests on the Warehouse Receipt or goods subject
50 thereof, as well as the dates when such interests were registered

1 (b) In any wise impair his obligation to exercise that degree of care in the safe-
2 keeping of the goods entrusted to him which a reasonably careful man would
3 exercise in regard to similar goods of his own.
4

5 **SEC. 21. Obligation of Warehousemen to Release Goods** — A Warehouseman, in
6 the absence of some lawful excuse provided by this Act, is bound to release the goods
7 upon a written demand from the party registered under the electronic Warehouse
8 Receipt provided that such demand is accompanied with:
9

- 10 (a) An attached Certified True Copy of the electronic Warehouse Receipt clearly
11 showing that the demanding party is the registered owner of the electronic
12 Receipt;
13 (b) An offer to satisfy the warehouseman's lien coupled with the subsequent
14 satisfaction thereof; and
15 (c) An offer to sign, when the goods are released, an acknowledgment that the party
16 causing the release is lawfully entitled to the goods, and that such goods have
17 been released to them.
18

19 When the Warehouseman receives a valid written demand, it is ministerial upon him
20 to release the goods absent the existence of a lawful excuse for such refusal as found in
21 this Act. Failing to establish such lawful excuse, the Warehouseman shall be liable for all
22 damages stemming from his failure or refusal to release the goods
23

24 **SEC. 22. Valid Excuses for Non-Release of Goods** — A Warehouseman can validly
25 refuse to release the goods when:
26

- 27 (a) The party asking for the release of goods fails to deliver a valid written demand
28 as contemplated in this Act;
29 (b) There is a Court Order prohibiting him from releasing the goods;
30 (c) Despite the offer to satisfy the same, the Warehouseman's lien was not fully
31 satisfied;
32 (d) The demanding party reneges on its offer to sign an acknowledgment that the
33 party causing the release is lawfully entitled to the goods, and that such goods
34 have been released to them.
35

36 **SEC. 23. Release of Goods to Agent** — A Warehouseman is justified in releasing
37 the goods to an agent of a party entitled to the goods under the electronic Warehouse
38 Receipt provided that such agent had an apparent or real authority from his principal to
39 cause the release of the goods. Where the Warehouseman released the goods to an agent
40 absent any showing of real or apparent authority from the principal, both the
41 Warehouseman and the Agent shall be liable for all damages stemming from the unlawful
42 release.
43

44 **SEC. 24. Obligation to Cancel Electronic Warehouse Receipt upon Release** — A
45 Warehouseman has the duty to cause the electronic Warehouse Receipt to be marked
46 "cancelled" once he has validly released the goods, regardless if the release was in full or
47 merely partial.
48

1 When a Warehouseman fails to have the electronic Warehouse Receipt cancelled
2 after releasing the goods, he shall be liable to anyone who purchases in good faith and
3 for value such receipt, on account of his inability to release the goods to him, whether
4 such purchaser acquired title to the receipt before or after the release of the goods by
5 the Warehouseman.

6
7 **SEC. 25. Effect of Partial Release of Goods** – If the party causing the partial release
8 of goods wishes to keep the remaining goods stored in the same Warehouse, he shall
9 inform the Warehouseman of his intention and have a new Warehouse Receipt created
10 in his favor over the remaining goods. Otherwise, it is incumbent upon the
11 Warehouseman to remove such goods no longer covered by a valid Warehouse Receipt
12 from his Warehouse.

13
14 **SEC. 26. Fraudulent Alterations of Receipt** – Any fraudulent alteration made by
15 the Warehouseman on the electronic Warehouse Receipt or any copy thereof shall make
16 him liable for all damages stemming from the unlawful alteration. If the fraudulent
17 alteration was caused by any party other than the Warehouseman, and without the
18 Warehouseman's knowledge that the same was fraudulent, the Warehouseman shall
19 only be liable according to the tenor of Warehouse Receipt prior to its fraudulent
20 alteration.

21
22 **SEC. 27. Innocent Purchaser of Fraudulently Altered Receipt** – Any purchaser of
23 the receipt for value who had no knowledge that the same had been fraudulently altered
24 by the Warehouseman at the time of purchase shall acquire the same rights against the
25 Warehouseman which such purchaser would have acquired if the receipt had not been
26 altered at the time of purchase.

27
28 In the event the fraudulent alteration was caused by any party other than the
29 Warehouseman, and without the Warehouseman's knowledge that the same was
30 fraudulent, both the Warehouseman and the party causing the alteration shall be held
31 liable to the innocent purchaser according to the tenor of the altered Receipt, but the
32 liability of the Warehouseman shall not go beyond what he would have been liable for
33 according to the tenor of Warehouse Receipt prior to its fraudulent alteration.

34
35 **SEC. 28. Irretrievable Loss of Electronic Receipts** – The Securities and Exchange
36 Commission is hereby authorized to settle claims and disputes stemming from the
37 irretrievable loss of electronic Warehouse Receipts in the Registry. In such cases, the
38 claimant must adequately show he had a valid and existing electronic Warehouse Receipt
39 in the Registry, and that such electronic Warehouse Receipt was, in fact, lost, destroyed,
40 or corrupted through no fault of his own. The ruling of the Securities and Exchange
41 Commission shall be final and executory.

42
43 **SEC. 29. Liability for Non-Existence or False Description of Goods** –
44 Warehouseman shall be liable to the holder of a receipt for damages caused by the non-
45 existence of the goods or by the failure of the goods to correspond with the description
46 thereof in the receipt at the time of its issue.

47
48 If, however, the goods are described in a receipt merely by marks or labels upon
49 them or upon packages containing them, or by a statement that the goods are said to be
50 goods of a certain kind or that the packages containing the goods are said to contain

1 goods of a certain kind, or by words of like purport on the goods themselves or on their
2 packages or containers, such statements, if true, shall not render liable the
3 Warehouseman issuing the receipt, even if the goods are not of the kind which the marks
4 or labels upon them indicate, or of the kind they were claimed to be by the depositor.

5
6 **SEC. 30. Liability for Damage or Loss to Goods** – A Warehouseman shall be liable
7 for any loss or injury to the goods caused by his failure to exercise such care in regard to
8 them as reasonably careful owner of similar goods would exercise, but he shall not be
9 liable, in the absence of an agreement to the contrary, for any loss or injury to the goods
10 which could not have been avoided by the exercise of such care.

11
12 **SEC. 31. General Prohibition on Co-Mingling of Goods** – Except where expressly
13 allowed by this Act, a Warehouseman shall keep the goods under his care reasonably
14 separated from the goods of other depositors, and from other goods of the same
15 depositor for which a separate receipt has been created, as to permit at all times the
16 identification and redelivery of the goods deposited.

17
18 **SEC. 32. When Co-Mingling of Goods Allowed** – If authorized by agreement or by
19 custom, a Warehouseman may mingle fungible goods with other goods of the same kind
20 and grade. In such case, the various depositors of the mingled goods shall own the entire
21 mass in common and each depositor shall be entitled to such portion thereof as the
22 amount deposited by him bears to the whole.

23
24 **SEC. 33. Liability of Warehouseman for Unauthorized Co-Mingling** – The
25 Warehouseman shall be severally liable to each depositor for the care and redelivery of
26 his share of such mass to the same extent and under the same circumstances as if the
27 goods had been kept separate.

28 29 **CHAPTER 4 – WAREHOUSES**

30
31 **SEC. 34. Establishment of the Warehouse Accreditation Council.** – The Securities
32 and Exchange Commission shall establish an accrediting body for Warehouses to be
33 known as the Warehouse Accreditation Council, herein referred to as the "Council". The
34 Council shall be composed of: four (4) permanent members and three (3) members who
35 are experts on Warehouses.

36
37 The permanent members of the Council shall be composed of the following:

- 38
39 (a) The Chairman of the Securities and Exchange Commission or designated
40 representative as the Chairperson of the Council;
41 (b) The Secretary of the Department of Trade and Industry (DTI) or designated
42 representative;
43 (c) The Secretary of the Department of Finance (DOF) or designated
44 representative; and
45 (d) The Secretary of the Department of Agriculture (DA) or designated
46 representative.

47
48 The three (3) members who are Warehouse experts shall be chosen by at least majority
49 of the permanent members of the Council from a list of nominees prepared by the SEC.
50 They shall serve for a term of one (1) year and shall not be disqualified from being re-
51 chosen by the permanent members of the Council.

1
2 Once the full membership of the Council is obtained, all members of the Council are
3 entitled to one (1) vote each in the conduct of its business.

4
5 The Council shall be assisted by a secretariat to be lodged in the SEC, which shall
6 coordinate the activities involved in the accreditation process.

7
8 **SEC. 35. Functions and Responsibilities of the Warehouse Accreditation Council**

9 – As the accrediting entity, the Council shall have the following functions and
10 responsibilities:

11
12 (a) Institute and operationalize a system of accreditation for
13 Warehouses: Provided, that the criteria for accreditation shall include sound and
14 measurable standards relating to sanitation, storage, and safety of goods stored
15 in Warehouses;

16
17 (b) Issue certificate of accreditation to qualified Warehouses upon determination
18 that the criteria set for this purpose have been fully satisfied: Provided, That the
19 certificate of accreditation shall be valid only for such period as may be prescribed
20 under the implementing rules and regulations of this Act;

21
22 (c) Monitor the performance of Warehouses to ensure continuing compliance
23 with the provisions of this Act and its implementing rules and regulations;

24
25 (d) Place under probation, suspend or revoke any certificate of accreditation upon
26 due determination that a Warehouse no longer meets the criteria for
27 accreditation;

28
29 (e) Require regular submission of reports by Warehouses;

30
31 (f) Collect reasonable accreditation and monitoring fees from a Warehouse which
32 shall be used for the accrediting entity's operational requirements;

33
34 (g) Submit an annual report to the President of the Philippines and the concerned
35 committees of both Houses of Congress; and

36
37 (h) License inspectors, graders, and weighers who shall assist in ensuring the good
38 quality of warehouses.
39

1 (i) Perform such other functions as may be necessary to accomplish the purposes
2 and objectives of this Act in relation to Warehouses.
3

4 **SEC. 36. Warehouse Experts** – The Council is authorized to create rules and
5 regulations in order to determine which persons would qualify as Warehouse Experts.
6 The Warehouse Experts must be persons actually knowledgeable on the running and
7 maintenance of Warehouses in accordance with globally accepted best practices in
8 Warehousing.
9

10 **SEC. 37. Registration with Securities and Exchange Commission** – All accredited
11 Warehouses must be registered with the Securities and Exchange Commission. The
12 Securities and Exchange Commission is hereby ordered and authorized to create a system
13 for registering accredited Warehouses which may be accessed by the public. The
14 Securities and Exchange Commission is likewise authorized to create rules and regulations
15 governing the registration of accredited Warehouses.
16

17 **SEC. 38. Prohibition of Non-Accredited and Non-Registered Warehouses** – All
18 warehouses that are not accredited by the Council and not registered with the Securities
19 and Exchange Commission are prohibited from being used by Warehousemen in storing
20 goods covered by Warehouse Receipts.
21

22 **SEC. 39. Insurance** – All warehouses must be insured in accordance with the value
23 and types of goods kept in them. The Securities and Exchange Commission is hereby
24 empowered to close down any warehouse that stores goods covered by Warehouse
25 Receipts despite not having the necessary insurance until the same becomes compliant.
26

27 **SEC. 40. Initiative to Examine Warehouses** – The Insurance Commission, or any
28 permanent member of the Council, may request the Council to examine the operations
29 of Warehouses for the purpose of determining that the Warehouses are not engaged in
30 unauthorized undertaking or activities which are subject to their respective jurisdictions.
31 In case of a finding by the Council that an accredited Warehouse is engaged in an
32 unauthorized undertaking or activities subject to their said respective regulations, it shall
33 place on probation, suspend or revoke the accreditation of the Warehouse based on such
34 ground, as may be appropriate under the circumstances.
35

36 **CHAPTER 5 – RIGHTS OF HOLDERS AND CLAIMANTS**

37

38 **SEC. 41. Rights of Persons to whom a Receipt has been transferred** – A person to
39 whom a receipt has been validly transferred acquires thereby:
40

- 41 (a) Such title to the goods as the person transferring the receipt to him had or had
42 ability to convey to a purchaser in good faith for value,
43 (b) The right to have the electronic Warehouse Receipt amended to reflect his
44 ownership over the goods, and
45 (c) The direct obligation of the Warehouseman to hold possession of the goods for
46 him according to the terms of the receipt as fully as if the Warehouseman and
47 contracted directly with him.
48

49 **SEC. 42. Warranties of a Transferor** – A person who, for value, transfers a receipt,
50 unless a contrary intention appears, warrants:
51

- 1 (a) That the receipt is genuine,
2 (b) That he has a legal right to transfer it,
3 (c) That he has knowledge of no fact which would impair the validity or worth of
4 the receipt.
5

6 **SEC. 43. Transferor not a Guarantor** – The transferor shall not be liable for any
7 failure on the part of the Warehouseman or previous transferors of the receipt to fulfill
8 their respective obligations.
9

10 **SEC. 44. When transfer not impaired by fraud, mistake or duress.** — The validity
11 of the transfer of a receipt is not impaired by the fact that such transfer was a breach of
12 duty on the part of the person making the transfer, or by the fact that the owner of the
13 receipt was induced by fraud, mistake, or duress to entrust the possession or custody of
14 the receipt to such person, if the person to whom the receipt was transferred, or a person
15 to whom the receipt was subsequently transferred, paid value therefor, without notice of
16 the breach of duty, or fraud, mistake or duress.
17

18 **SEC. 45. Enforcement of Security Interest of Secured Creditor's for Transfers**
19 **where the Receipt is a Security** – In any transaction where the Warehouse Receipt or the
20 goods evidenced thereby are treated as security to the transaction, the same shall be
21 governed by the Personal Property Security Act of 2018.
22

23 **SEC. 46. Attachment or Levy upon Goods covered by an electronic Warehouse**
24 **Receipt.** — If goods are delivered to a Warehouseman by the owner, or by a person whose
25 act in conveying the title over the goods to a purchaser in good faith for value would bind
26 the owner, and a receipt was created for them, such goods cannot thereafter, while in
27 the possession of the Warehouseman, be attached by garnishment or otherwise, or be
28 levied upon under an execution, unless the receipt be first cancelled. The Warehouseman
29 shall in no case be compelled to deliver up the actual possession of the goods until the
30 receipt is cancelled or he is otherwise ordered by the court.
31

32 **SEC. 47. Creditor's Remedies to reach Warehouse Receipts.** — A creditor whose
33 debtor is the registered owner of an electronic Warehouse Receipt shall be entitled to
34 such aid from courts of appropriate jurisdiction, by injunction and otherwise, in attaching
35 such receipt or in satisfying the claim by means thereof as is allowed at law or in equity in
36 these islands in regard to property which cannot readily be attached or levied upon by
37 ordinary legal process.
38

39 **SEC. 48. Conflicting Claims over Warehouse Receipts.** – The Securities and
40 Exchange Commission is hereby empowered to settle any conflicts relating to title and
41 ownership over Warehouse Receipts. The decision of the Securities and Exchange
42 Commission shall be final and executory.
43
44

45 **CHAPTER 6 – WAREHOUSE RECEIPTS ASSURANCE FUND** 46

47 **SEC. 49. Establishment of Warehouse Receipts Assurance Fund** – A Warehouse
48 Receipts Assurance Fund is hereby established to cover for losses involving Warehouse
49 Receipts stemming from Registry based failures including but not limited to the
50 irretrievable destruction of the Registry or any entries therein. The Securities and
51 Exchange Commission shall be in charge of the Warehouse Receipts Assurance Fund and

1 is hereby ordered and authorized to create rules and regulations for the creation,
2 management, and disbursement thereof. The Securities and Exchange Commission is
3 likewise authorized to seek third party assistance for the creation and maintenance of the
4 Assurance Fund.
5

6 **SEC. 50. Contribution to Assurance Fund** – Upon the issuance or amendment of
7 an electronic Warehouse Receipt, as well as the issuance of a Certified True Copy of the
8 electronic Warehouse Receipt, there shall be paid to the Securities and Exchange
9 Commission one-fourth of one per cent of the assessed value of the goods covered by the
10 Warehouse Receipt, as contribution to the Assurance Fund. The Securities and Exchange
11 Commission is hereby ordered to coordinate with the Department of Trade and Industry,
12 as well as other government agents, to come up with a proper and just valuation for any
13 and all goods that may be covered by a Warehouse Receipt.
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15 Nothing in this section shall in any way preclude the court from increasing or
16 decreasing the valuation of the goods should it appear during the hearing that the value
17 stated is either too small or too large.
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19 **SEC. 51. Recovery of Losses from Fund** – A person who, without negligence on his
20 part, sustains loss or damage, or is deprived of any goods covered by an electronic
21 Warehouse Receipt or any interest therein as a consequence of Registry based failures
22 shall file a claim before the Securities and Exchange Commission. The Securities and
23 Exchange Commission is hereby authorized to settle claims and disputes involving a
24 party's right to recover from the Fund. The Securities and Exchange Commission is
25 likewise ordered and authorized to create rules and regulations regarding the procedure
26 that must be followed by parties seeking to claim against the Fund. Any decision by the
27 Securities and Exchange Commission involving such matter shall be final and executory.
28

29 **SEC. 52. Maximum Recoverable Claim** – A party may only claim a maximum of
30 five hundred thousand pesos for every electronic Warehouse Receipt. In case the damage
31 suffered by the claimant was caused by fraud, the claimant is not precluded from pursuing
32 a claim for damages against such liable persons for the amount of the goods covered by
33 the electronic Warehouse Receipt less any amounts recovered from the Fund.
34

35 **SEC. 53. Losses not recoverable** – The Assurance Fund shall not be liable for any
36 loss, damage or deprivation that is not caused or occasioned by a Registry based failure.
37 Any losses stemming from Sub-Registry based failures are not recoverable from the Fund.
38

39 **SEC. 54. Release of Funds** – Any money obtained by the Securities and Exchange
40 Commission in relation to the Assurance Fund shall be placed in a special fund and shall
41 be treated as part of the savings of the Securities and Exchange Commission which shall
42 be deposited with the National Treasury. Once the Securities and Exchange Commission
43 makes a request from the National Treasury or the Department of Budget and
44 Management for the release of such funds in relation to a lawful purpose primarily related
45 to the Assurance Fund, the release of the funds is immediate and ministerial.
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1 The auction sale shall be had in the place where the lien was acquired, or, if such place is
2 manifestly unsuitable for such purpose, in the nearest city or municipality where such a
3 sale is may be suitably conducted.
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5 Prior to the auction sale, the Warehouseman must advertise the sale, describing
6 the goods to be sold, and stating the name of the owner or person on whose account the
7 goods are held, and the time and place of the sale. Such advertisement shall be published
8 once a week for two consecutive weeks in a newspaper published in the place where such
9 sale is to be held. The sale shall not be held less than fifteen days from the time of the
10 first publication. If there is no newspaper published in such place, the advertisement shall
11 be posted at least ten days before such sale in not less than six conspicuous places therein.
12

13 From the proceeds of such sale, the Warehouseman shall satisfy his lien including
14 the reasonable charges of notice, advertisement and sale. The balance, if any, of such
15 proceeds shall be held by the Warehouseman and delivered on demand to the person to
16 whom he would have been bound to release or justified in releasing goods.
17

18 At any time before the goods are so sold, the registered owner may pay the
19 Warehouseman the amount necessary to satisfy his lien and to pay the reasonable
20 expenses and liabilities incurred in serving notices and advertising and preparing for the
21 sale up to the time of such payment. Once the registered owner has satisfied the
22 Warehouseman's lien, he must release the goods absent any lawful cause as provided
23 under this Act.
24

25 **SEC. 62. Perishable and hazardous goods.** — If goods are of a perishable nature,
26 or by keeping will deteriorate greatly in value, or, by their order, leakage, inflammability,
27 or explosive nature, will be liable to injure other property, the Warehouseman may give
28 such notice to the owner or to the person in whose names the goods are stored, as is
29 reasonable and possible under the circumstances, to satisfy the lien upon such goods and
30 to remove them from the warehouse and in the event of the failure of such person to
31 satisfy the lien and to receive the goods within the time so specified, the Warehouseman
32 may sell the goods at public or private sale without advertising. If the Warehouseman,
33 after a reasonable effort, is unable to sell such goods, he may dispose of them in any
34 lawful manner and shall incur no liability by reason thereof.
35

36 The proceeds of any sale made under the terms of this section shall be disposed
37 of in the same way as the proceeds of sales made under the terms of the preceding
38 section.
39

40 **SEC. 63. Other methods of enforcing lien.** — The remedy for enforcing a lien
41 herein provided does not preclude any other remedies allowed by law for the
42 enforcement of a lien against personal property nor bar the right to recover so much of
43 the Warehouseman's claim as shall not be paid by the proceeds of the sale of the
44 property.
45

46 **SEC. 64. Effect of sale.** — After goods have been lawfully sold to satisfy a
47 Warehouseman's lien, or have been lawfully sold or disposed of because of their
48 perishable or hazardous nature, the Warehouseman shall not thereafter be liable for
49 failure to deliver the goods to the registered owner of the goods.
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CHAPTER 8 – PENALTIES

SEC. 65. Creation of Receipt for Goods not Received — A Warehouseman, or an officer, agent, or servant of a Warehouseman who creates or aids in creating a Receipt knowing that the goods for which such Receipt is created have not been actually received by such Warehouseman, or are not under his actual control at the time of creating such receipt, shall be guilty of a crime, and, upon conviction, shall be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 66. Creation of Receipt containing False Statement — A Warehouseman, or any officer, agent or servant of a warehouseman who fraudulently creates or aids in fraudulently creating a Receipt for goods knowing that it contains any false statement, shall be guilty of a crime, and upon conviction, shall be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 67. Creation of fraudulent duplicate receipt — A Warehouseman, or any officer, agent, or servant of a Warehouseman who creates or aids in creating a second electronic Warehouse Receipt for goods knowing that there is an existing prior electronic Warehouse Receipt for the same goods or any part of them, except in the case of a Court order following an irretrievably lost receipt as provided for in this Act, shall be guilty of a crime, and upon conviction, shall be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 68. Unlawful Release of Goods covered by Warehouse Receipt — A Warehouseman, or any officer, agent, or servant of a Warehouseman, who releases without any legal basis any goods covered by an electronic Warehouse Receipt shall be guilty of a crime, and upon conviction, be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 69. Fraudulent Deposit of Goods. — Any person who, with fraud, deposits goods to which he has no title, or upon which there is a lien or mortgage, and who obtains an electronic Warehouse Receipt for the same, shall be guilty of a crime, and upon conviction, be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both.

Any Warehouseman or his agent who knowingly facilitates the creation of an electronic Warehouse Receipt for such goods shall be guilty of a crime, and upon conviction, be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 70. Issuance of Warehouse Receipts by Unregistered Warehouseman. — Any Warehouseman who issues a Warehouse Receipt despite not being registered with the Securities and Exchange Commission shall be guilty of a crime, and upon conviction, be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both.

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SEC. 79. Repeals. — All acts and laws and parts thereof inconsistent with this Act are hereby repealed.

SEC. 80. Time when Act takes effect. — This Act shall take effect fifteen days after its publication in the Official Gazette of the Philippines shall have been completed.

Approved,