

SEVENTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
Third Regular Session



Office of the Secretary

19 JAN 23 A9:47

SENATE

RELEASER: [Signature]

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COMMITTEE REPORT NO. 565

Submitted jointly by the Committees on Trade, Commerce and Entrepreneurship; and Finance on JAN 23 2019, 2019

Re: Senate Bill No. 2171

Recommending its approval in substitution of Senate Bill No. 1908.

Sponsor: Senator Aquilino "Koko" Pimentel III

MR. PRESIDENT:

The Committee on Trade, Commerce and Entrepreneurship joint with the Committee on Finance to which were referred Senate Bill No. 1908 introduced by Senator Sherwin T. Gatchalian, entitled:

**"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"**

have considered the same and have the honor to report it back to the Senate with the recommendation that the attached Senate Bill No. 2171 prepared by the Committees, entitled:

**"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 approved in substitution of Senate Bill No. 1908 with Senators Gatchalian, and Pimentel III as authors thereof.

Respectfully submitted:

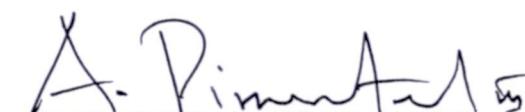
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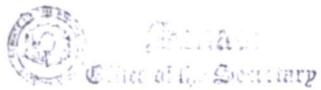
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Majority Leader

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President
Senate of the Philippines
Pasay City

SEVENTEENTH CONGRESS OF THE)
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SENATE

S.B. NO. 2171

RE 11

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(In Substitution of Senate Bill No. 1908)

Prepared by the Committees on Trade, Commerce and Entrepreneurship; and Finance, with Senators Gatchalian and Pimentel III as authors thereof

**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 the 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
2 Warehouse Receipts Act of 2019.” (n)

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

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

- (a) Buyer in Good Faith – a person who buys goods in good faith without personal knowledge of any defect in the title of the seller. (n)
 - (b) Default – the failure or refusal of a debtor to pay in accordance with, or otherwise perform an obligation under, a warehouse receipt.
 - (c) Deposit – the act of transferring actual possession of goods to a warehouse operator.
 - (d) Fungible Goods – goods of which any unit is, from its nature by mercantile custom, treated as the equivalent of any other unit.
 - (e) Goods – chattels or merchandise in storage or which has been or is about to be stored except those that are meant for direct import or export. Goods, as defined, shall not include any living objects.
 - (f) Holder – one who has both actual possession of a warehouse receipt and a right of property therein. (n)
 - (g) Issuer – in the case of a release order, the holder or his agent who issued the release order. An agent or employee of a holder may be considered an issuer provided he issued the release order with real or apparent authority, regardless if the goods were not actually released or wrongly described, or if he acted in violation of the holder's instructions. (n)
 - (h) Notice – a statement of information that is registered in the Registry relating to goods stored in a warehouse that are subject of a warehouse receipt.
 - (i) Person – includes both natural and juridical persons. (n)
 - (j) Person entitled under the document – the valid holder of the warehouse receipt, or the person to whom release of the goods is proper.
 - (k) Purchase – a voluntary transaction where one party obligates himself to transfer ownership over the warehouse receipt and the goods they cover in exchange for the other party paying a price certain in money or its equivalent. (n)

- 1 (l) Record – information that is inscribed on a tangible medium or that is
2 stored in an electronic or other medium and is retrievable in
3 perceivable form. (n)
- 4 (m) Registry – the electronic Warehouse Receipts Registry. (n)
- 5 (n) Register – For purposes of this Act, Register shall refer to registration
6 in the Warehouse Receipts Registry. (n)
- 7 (o) Release – means voluntary transfer of the warehouse operator of
8 actual possession of goods deposited in a warehouse to a person
9 entitled under a warehouse receipt.
- 10 (p) Release Order – means a record that contains an order directed to a
11 warehouse operator to release the goods to a specified person. (n)
- 12 (q) Sign – the intentional adoption or ratification of a record through a
13 tangible or electronic symbol associated with the party making the
14 sign. (n)
- 15 (r) Warehouse – a place for storing goods for profit within the territory of
16 The Philippines. (n)
- 17 (s) Warehouse Receipt – a receipt, whether electronic or otherwise, issued
18 by a warehouse operator, evidencing title over goods stored at a
19 warehouse. (n)
- 20 (t) Warehouse Operator – a person lawfully engaged in the business of
21 storing goods for profit. (n)

22 **CHAPTER 2 – WAREHOUSE RECEIPTS**

23 **SEC. 4. *Warehouse Receipts Registry.*** – The Securities and
24 Exchange Commission (SEC) is hereby tasked with creating an online and
25 uniform registry system where all electronic warehouse receipts can be
26 registered and accessed, as well as rules and regulations pertaining
27 specifically to registration procedures and procedures on how to update or
28 amend electronic warehouse receipts. The SEC is likewise authorized to
29 engage the services of third parties in creating and maintaining the Registry.

1
2 **SEC. 5. Local Sub-Registry.** – In addition to the Registry created
3 and maintained by the SEC, all warehouses must contain a Sub-Registry
4 specifically for goods deposited in their custody. Failure of a warehouse to
5 keep a Sub-Registry, as well as any fraud committed thereon, shall be
6 grounds for the revocation of a warehouse's license to operate.

7 **SEC. 6. Creation of Warehouse Receipts.** – Only a duly registered
8 and accredited warehouse operator operating a duly registered and
9 accredited warehouse may validly create an entry in the Registry for which an
10 electronic warehouse receipt shall be issued.

11 **SEC. 7. Nature of Warehouse Receipts.** – All warehouse receipts,
12 regardless of what is stated upon their face, are negotiable at the option of
13 the holder. (n)

14 **SEC. 8. Original Warehouse Receipts.** – The electronic copy of a
15 warehouse receipt shall be considered as the Original. Any physical copy of
16 the electronic warehouse receipt that is a certified true copy of the same shall
17 be valid. However, in case of any discrepancy between the electronic
18 warehouse receipt and a certified true copy of the same, the electronic
19 warehouse receipt shall be controlling.

20 A certified true copy of the electronic warehouse receipt is a
21 representation and warranty that such receipt is an accurate copy of an
22 original electronic warehouse receipt properly registered and not canceled at
23 the date of the issue of the copy.

24 **SEC. 9. Issuance of Certified True Copies of electronic**
25 **Receipts.** – The SEC is hereby authorized to create rules and regulations for
26 the orderly and expedient issuance of certified true copies of electronic
27 warehouse receipts.

28 **SEC. 10. Transactions involving Physical Copies of Warehouse**
29 **Receipts.** – All transactions involving certified true copies of warehouse
30 receipts are valid provided they comply with existing Philippine laws regarding

1 the form and substance of the mode of transfer. However, the transferee is
2 charged with the duty to have the electronic warehouse receipt amended to
3 reflect his interests therein. In case there are several contesting parties, the
4 buyer in good faith who had the electronic warehouse receipt amended in his
5 favor first shall be presumed to be the valid owner of the same.

6 **SEC. 11. Notification Requirement.** – Whenever an amendment to
7 the electronic warehouse receipt pursuant to a valid transaction is sought by
8 a party, whether he be the transferee or transferor, the other party to the
9 transaction must be notified of the impending amendment. Such notified
10 party shall be given three (3) working days from receipt of notification to
11 contest the amendment, otherwise it shall be ministerial on the part of the
12 warehouse operator to effect such amendment to the Registry. (n)

13 **SEC. 12. Required Contents of a Warehouse Receipt.** –
14 Warehouse receipts must contain the following:

- 15 (a) A description of the goods or packages containing them;
- 16 (b) The date and time when the goods or packages were deposited with
17 the warehouse operator;
- 18 (c) The location of the warehouse where the goods are stored;
- 19 (d) The date and time when the receipt was issued;
- 20 (e) The consecutive number of the receipt;
- 21 (f) The rate of storage charges;
- 22 (g) The signature of the warehouse operator which may be made by his
23 authorized agent;
- 24 (h) If the receipt is issued for goods of which the warehouse operator is
25 the owner, either solely or jointly or in common with others, the fact of
26 such ownership;
- 27 (i) A statement of the amount of advances made and of liabilities incurred
28 for which the warehouse operator claims a lien. If the precise amount
29 of such advances made or of such liabilities incurred is, at the time of
30 the issue of, unknown to the warehouse operator or to his agent who

1 issues it, a statement of the fact that advances have been made or
2 liabilities incurred and the purpose thereof is sufficient; and

3 (j) A statement of any interests on the warehouse receipt or goods
4 subject thereof, as well as the dates when such interests were
5 registered.

6 **SEC. 13. Required Contents of Certified True Copies of**
7 **Warehouse Receipts.** – All certified true copies of warehouse receipts must
8 contain all the required contents of an original warehouse receipt as well as:
9 (a) A marking or statement that the copy is a mere copy and that in case
10 of any discrepancy, the original shall be controlling; and
11 (b) The date and time when the copy was issued.

12 **SEC. 14. Arbitration Clause.** – If a holder so desires, and with the
13 express conformity of the warehouse operator, he may cause to be written
14 into the electronic warehouse receipt a clause which states that the civil
15 aspect of any liability arising from the warehouse receipt shall be subject to
16 arbitration.

17
18 **CHAPTER 3 – WAREHOUSING ACCREDITATION COUNCIL**

19
20 **SEC. 15. Establishment of the Warehousing Accreditation Council.** –
21 There is hereby established an accrediting body for warehouse operators and
22 warehouses to be known as the Warehousing Accreditation Council, herein
23 referred to as the "Council". The Council shall be composed of four (4)
24 permanent members and three (3) members who are experts on
25 Warehousing.

26
27 The permanent members of the Council shall be composed of the
28 following:
29 (a) The Chairman of the SEC or his/her designated representative;

- 1 (b) The Secretary of the Department of Trade and Industry (DTI) or
2 his/her designated representative;
3 (c) The Secretary of the Department of Finance (DOF) or his/her
4 designated representative; and
5 (d) The Secretary of the Department of Agriculture (DA) or his/her
6 designated representative.

7 The Chairman of the SEC shall be the Chairperson and the Secretary of
8 the Department of Agriculture shall be the Vice-Chairperson of the Council.

9 (n)

10 The three (3) members who are warehousing experts shall be
11 appointed by at least majority of the permanent members of the Council from
12 a list of nominees coming from the warehousing industry prepared by the
13 SEC. They shall serve for a term of one (1) year and shall not be disqualified
14 from being re-appointed by the permanent members of the Council.

15 All members of the Council are entitled to one (1) vote each in the
16 conduct of its business.

17 The Council shall be assisted by a secretariat to be lodged in the SEC,
18 which shall coordinate the activities involved in the accreditation process. (n)

19 **SEC. 16. Functions and Responsibilities of the Warehousing**
20 **Accreditation Council.** – As the accrediting entity, the Council shall have
21 the following functions and responsibilities:

- 22 (a) Institute and operationalize a system of accreditation for warehouse
23 operators; Provided, that the criteria for accreditation shall include
24 sound and measurable standards relating to the ability and capacity to
25 handle the storage of goods;
- 26 (b) Institute and operationalize a system of accreditation for
27 warehouses; Provided, that the criteria for accreditation shall include
28 sound and measurable standards relating to sanitation, storage, and
29 safety of goods stored in warehouses;

- 1 (c) Issue certificate of accreditation to qualified warehouse operators and
2 warehouses upon determination that the criteria set for this purpose
3 have been fully satisfied; Provided, that the certificate of accreditation
4 shall be valid only for such period as may be prescribed under the
5 implementing rules and regulations of this Act;
- 6 (d) Monitor the performance of warehouse operators and warehouses to
7 ensure continuing compliance with the provisions of this Act and its
8 implementing rules and regulations;
- 9 (e) Place under probation, suspend or revoke any certificate of
10 accreditation upon due determination that a warehouse operator or
11 warehouse no longer meets the criteria for accreditation;
- 12 (f) Require regular submission of reports by warehouse operators and
13 warehouses;
- 14 (g) Collect reasonable accreditation and monitoring fees from warehouse
15 operators and warehouses which shall be used for the accrediting
16 entity's operational requirements;
- 17 (h) Submit an annual report to the President of the Philippines and the
18 concerned committees of both Houses of Congress;
- 19 (i) License inspectors, graders, and weighers who shall assist in ensuring
20 the good quality of warehouses; and
- 21 (j) Perform such other functions as may be necessary to accomplish the
22 purposes and objectives of this Act in relation to warehouse operators
23 and warehouses.

24 **SEC. 17. *Warehousing Experts.*** — The Council is authorized to
25 create rules and regulations in order to determine which persons would
26 qualify as Warehousing Experts. The Warehousing Experts must be persons
27 actually knowledgeable on the running and maintenance of warehouses in
28 accordance with globally accepted best practices in Warehousing. (n)

1 **CHAPTER 4 – WAREHOUSE OPERATORS**

2 **SEC. 18. *Registration of Warehouse Operator.*** – All warehouse
3 operators using warehouse receipts are required to register and obtain
4 accreditation with the Council. The Council is hereby ordered and authorized
5 to create rules and regulations to facilitate the registration of warehouse
6 operators. All warehouse operators who are not registered and accredited
7 with the Council are prohibited from issuing warehouse receipts. (n)

8 **SEC 19. *Screening Process for Warehouse Operators.*** – To
9 ensure the quality of the warehouse operators, the Council is hereby
10 authorized to create a screening process for warehouse operators which may
11 include the adoption of written examinations. The Council may coordinate
12 with other governmental bodies in order to create a viable screening process
13 for warehouse operators. (n)

14 **SEC. 20. *Warehouse Operator's Bond.*** – Prior to operation, a
15 warehouse operator must post a bond to answer for any liabilities he may
16 incur during the effectivity of his license. The Council is hereby ordered and
17 authorized to come up with rules and regulations concerning the warehouse
18 operator 's bond.

19 **SEC. 21. *Duty of Warehouse Operators to Create Electronic
Warehouse Receipts.*** – When goods are deposited with the warehouse
20 operator, the warehouse operator has the duty to create an electronic
21 warehouse receipt in the Registry 'to reflect the deposit of such goods.
22 Likewise, a warehouse operator has the duty to cause the amendment of the
23 electronic warehouse receipt when he is informed by a valid holder of any
24 change in the details found on the electronic warehouse receipt, including but
25 not limited to changes in interest.

26 **SEC. 22. *Liability for Omission of Required Contents.*** – A
27 warehouse operator shall be liable to any person for all damages caused by
28 his omission from a warehouse receipt of any details required to be placed on
29 a warehouse receipt under this Act.

1 **SEC. 23. Permissible Insertions.** – A warehouse operator may
2 insert in a warehouse receipt issued by him any other terms and conditions
3 provided that such terms and conditions shall not:

- 4 (a) Be contrary to the provisions of this Act; and
5 (b) In any way impair his obligation to exercise that degree of care in the
6 safe-keeping of the goods entrusted to him which a reasonably careful
7 man would exercise in regard to similar goods of his own.

8 **SEC. 24. Obligation of Warehouse Operators to Release Goods.**
9 – A warehouse operator, in the absence of some lawful excuse provided by
10 this Act, is bound to release the goods upon a written demand from the party
11 registered under the electronic warehouse receipt provided that such demand
12 is accompanied with:

- 13 (a) An attached certified true copy of the electronic warehouse receipt
14 clearly showing that the demanding party is the registered owner of
15 the electronic receipt;
16 (b) An offer to satisfy the warehouse operator 's lien coupled with the
17 subsequent satisfaction thereof; and
18 (c) An offer to sign, when the goods are released, an acknowledgment
19 that the party causing the release is lawfully entitled to the goods, and
20 that such goods have been released to them.

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

26 **SEC. 25. Valid Excuses for Non-Release of Goods.** – A warehouse
27 operator can validly refuse to release the goods when:

- 28 (a) The party asking for the release of goods fails to deliver a valid written
29 demand as contemplated in this Act;
30 (b) There is a court order prohibiting him from releasing the goods;

- 1 (c) Despite the offer to satisfy the same, the warehouse operator's lien
2 was not fully satisfied; or
3 (d) The demanding party reneges on its offer to sign an acknowledgment
4 that the party causing the release is lawfully entitled to the goods, and
5 that such goods have been released to them.

6 **SEC. 26. *Release of Goods to Agent.*** – A warehouse operator is
7 justified in releasing the goods to an agent of a party entitled to the goods
8 under the electronic warehouse receipt provided that such agent had an
9 apparent or real authority from his principal to cause the release of the
10 goods. Where the warehouse operator released the goods to an agent absent
11 any showing of real or apparent authority from the principal, both the
12 warehouse operator and the agent shall be liable for all damages stemming
13 from the unlawful release.

14 **SEC. 27. *Obligation to Cancel Electronic Warehouse Receipt
upon Release.*** – A warehouse operator has the duty to cause the electronic
15 warehouse receipt to be marked "cancelled" once he has validly released the
16 goods, regardless if the release was in full or merely partial.

18 When a warehouse operator fails to have the electronic warehouse
19 receipt cancelled after releasing the goods, he shall be liable to anyone who
20 purchases in good faith and for value such warehouse receipt, on account of
21 his inability to release the goods to him, whether such purchaser acquired
22 title to the receipt before or after the release of the goods by the warehouse
23 operator.

24 **SEC. 28. *Effect of Partial Release of Goods.*** – If the party causing
25 the partial release of goods wishes to keep the remaining goods stored in the
26 same warehouse, he shall inform the warehouse operator of his intention and
27 have a new warehouse receipt created in his favor over the remaining goods.
28 Otherwise, it is incumbent upon the warehouse operator to remove such
29 goods no longer covered by a valid warehouse receipt from his warehouse.

1 **SEC. 29. *Fraudulent Alterations of Warehouse Receipt.*** – Any
2 fraudulent alteration made by the warehouse operator on the electronic
3 warehouse receipt or any copy thereof shall make him liable for all damages
4 stemming from the unlawful alteration. If the fraudulent alteration was
5 caused by any party other than the warehouse operator, and without the
6 warehouse operator's knowledge that the same was fraudulent, the
7 warehouse operator shall only be liable according to the tenor of warehouse
8 receipt prior to its fraudulent alteration.

9 **SEC. 30. *Innocent Purchaser of Fraudulently Altered***
10 ***Warehouse Receipt.*** – Any purchaser of the receipt for value who had no
11 knowledge that the same had been fraudulently altered by the warehouse
12 operator at the time of purchase shall acquire the same rights against the
13 warehouse operator which such purchaser would have acquired if the
14 warehouse receipt had not been altered at the time of purchase.

15 In the event the fraudulent alteration was caused by any party other
16 than the warehouse operator , and without the warehouse operator's
17 knowledge that the same was fraudulent, both the warehouse operator and
18 the party causing the alteration shall be held liable to the innocent purchaser
19 according to the tenor of the altered warehouse receipt, but the liability of the
20 warehouse operator shall not go beyond what he would have been liable for
21 according to the tenor of warehouse receipt prior to its fraudulent alteration.

22 **SEC. 31. *Irrecoverable Loss of Electronic Warehouse Receipts.***
23 – The SEC is hereby authorized to settle claims and disputes stemming from
24 the irrecoverable loss of electronic warehouse receipts in the Registry. In such
25 cases, the claimant must adequately show he had a valid and existing
26 electronic warehouse receipt in the Registry, and that such electronic
27 warehouse receipt was, in fact, lost, destroyed, or corrupted through no fault
28 of his. The ruling of the SEC shall be final and executory. (n)

29 **SEC. 32. *Liability for Non-Existence or False Description of***
30 ***Goods.*** – warehouse operator shall be liable to the holder of a warehouse

1 receipt for damages caused by the non-existence of the goods or by the
2 failure of the goods to correspond with the description thereof in the receipt
3 at the time of its issue.

4 If, however, the goods are described in a warehouse receipt merely by
5 marks or labels upon them or upon packages containing them, or by a
6 statement that the goods are said to be goods of a certain kind or that the
7 packages containing the goods are said to contain goods of a certain kind, or
8 by words of like purport on the goods themselves or on their packages or
9 containers, such statements, if true, shall not render liable the warehouse
10 operator issuing the warehouse receipt, even if the goods are not of the kind
11 which the marks or labels upon them indicate, or of the kind they were
12 claimed to be by the depositor.

13 **SEC. 33. *Liability for Damage or Loss to Goods.*** – A warehouse
14 operator shall be liable for any loss or injury to the goods caused by his
15 failure to exercise such care in regard to them as reasonably careful owner of
16 similar goods would exercise, but he shall not be liable, in the absence of an
17 agreement to the contrary, for any loss or injury to the goods which could not
18 have been avoided by the exercise of such care.

19 **SEC. 34. *General Prohibition on Co-Mingling of Goods.*** – Except
20 where expressly allowed by this Act, a warehouse operator shall keep the
21 goods under his care reasonably separated from the goods of other
22 depositors, and from other goods of the same depositor for which a separate
23 receipt has been created, as to permit at all times the identification and
24 redelivery of the goods deposited.

25 **SEC. 35. *When Co-Mingling of Goods Allowed.*** – If authorized by
26 agreement or by custom, a warehouse operator may mingle fungible goods
27 with other goods of the same kind and grade. In such case, the various
28 depositors of the mingled goods shall own the entire mass in common and
29 each depositor shall be entitled to such portion thereof as the amount
30 deposited by him bears to the whole.

1 **SEC. 36. Liability of Warehouse Operator for Unauthorized Co-**

2 **Mingling.** – The warehouse operator shall be severally liable to each
3 depositor for the care and redelivery of his share of such mass to the same
4 extent and under the same circumstances as if the goods had been kept
5 separate.

6

7 **CHAPTER 5 – WAREHOUSES**

8

9 **SEC. 37. Registration with the Council.** – All warehouses must be
10 registered with and accredited by the Council. The Council is hereby ordered
11 and authorized to create a system for registering accredited warehouses
12 which may be accessed by the public. The Council is likewise authorized to
13 create rules and regulations governing the registration of accredited
14 warehouses. (n)

15 **SEC. 38. Prohibition of Non-Accredited and Non-Registered**
16 **Warehouses.** – All warehouses that are not registered with and accredited
17 by the Council are prohibited from being used by warehouse operators in
18 storing goods covered by warehouse receipts. (n)

19 **SEC. 39. Insurance.** – All warehouses must be insured in accordance
20 with the value and types of goods kept in them. The Council is hereby
21 empowered to close down any warehouse that stores goods covered by
22 warehouse receipts despite not having the necessary insurance until the same
23 becomes compliant.

24 **SEC. 40. Initiative to Examine Warehouses.** – The SEC, or any
25 permanent member of the Council, may request the Council to examine the
26 operations of warehouses for the purpose of determining that the warehouses
27 are not engaged in unauthorized undertaking or activities which are subject to
28 their respective jurisdictions. In case of a finding by the Council that an
29 accredited warehouse is engaged in an unauthorized undertaking or activities
30 subject to their said respective regulations, it shall place on probation,

1 suspend or revoke the accreditation of the warehouse based on such ground,
2 as may be appropriate under the circumstances.

3

4 **CHAPTER 6 – RIGHTS OF HOLDERS AND CLAIMANTS**

5

6 **SEC. 41. Rights of Persons to Whom a Warehouse Receipt has
7 been Transferred.** – A person to whom a warehouse receipt has been
8 validly transferred acquires thereby:

- 9 (a) Such title to the goods as the person transferring the warehouse
10 receipt to him had or had the ability to convey to a purchaser in good
11 faith for value;
- 12 (b) The right to have the electronic warehouse receipt amended to reflect
13 his ownership over the goods; and
- 14 (c) The direct obligation of the warehouse operator to hold possession of
15 the goods for him according to the terms of the receipt as fully as if
16 the warehouse operator and contracted directly with him.

17 **SEC. 42. Warranties of a Transferor.** – A person who, for value,
18 transfers a warehouse receipt, unless a contrary intention appears, warrants:

- 19 (a) That the receipt is genuine;
- 20 (b) That he has a legal right to transfer it; and
- 21 (c) That he has knowledge of no fact which would impair the validity or
22 worth of the receipt.

23 **SEC. 43. Transferor not a Guarantor.** – The transferor shall not be
24 liable for any failure on the part of the warehouse operator or previous
25 transferors of the receipt to fulfill their respective obligations.

26 **SEC. 44. When Transfer Not Impaired by Fraud, Mistake or
27 Duress.** – The validity of the transfer of a warehouse receipt is not impaired
28 by the fact that such transfer was a breach of duty on the part of the person
29 making the transfer, or by the fact that the owner of the receipt was induced
30 by fraud, mistake, or duress to entrust the possession or custody of the

1 receipt to such person, if the person to whom the receipt was transferred, or
2 a person to whom the receipt was subsequently transferred, paid value
3 therefor, without notice of the breach of duty, or fraud, mistake or duress.

4 ***SEC. 45. Enforcement of Security Interest of Secured***
5 ***Creditor's for Transfers where the Warehouse Receipt is a Security.***

6 – In any transaction where the warehouse receipt or the goods evidenced
7 thereby are treated as security to the transaction, the same shall be governed
8 by the Personal Property Security Act of 2018.

9 ***SEC. 46. Attachment or Levy upon Goods Covered by an***
10 ***Electronic Warehouse Receipt.*** – If goods are delivered to a warehouse
11 operator by the owner, or by a person whose act in conveying the title over
12 the goods to a purchaser in good faith for value would bind the owner, and a
13 warehouse receipt was issued for them, such goods cannot thereafter, while
14 in the possession of the warehouse operator, be attached by garnishment or
15 otherwise, or be levied upon under an execution, unless the receipt be first
16 cancelled. The warehouse operator shall in no case be compelled to deliver up
17 the actual possession of the goods until the receipt is cancelled or he is
18 otherwise ordered by the court.

19 ***SEC. 47. Creditor's Remedies to Reach Warehouse Receipts.*** –
20 A creditor whose debtor is the registered owner of an electronic warehouse
21 receipt shall be entitled to such aid from courts of appropriate jurisdiction, by
22 injunction and otherwise, in attaching such receipt or in satisfying the claim
23 by means thereof as is allowed by law.

24 ***SEC. 48. Conflicting Claims Over Warehouse Receipts.*** – The
25 SEC is hereby empowered to settle any conflicts relating to title and
26 ownership over warehouse receipts. The decision of the SEC shall be
27 appealable to the Court of Appeals under Rules 43.

28
29

1 **CHAPTER 7 – WAREHOUSE RECEIPTS ASSURANCE FUND**

2

3 ***SEC. 49. Establishment of Warehouse Receipts Assurance***

4 **Fund.** – A warehouse Receipts Assurance Fund is hereby established to cover
5 for losses involving warehouse receipts stemming from Registry based failures
6 including but not limited to the irretrievable destruction of the Registry or any
7 entries therein. The SEC shall be in charge of the warehouse Receipts
8 Assurance Fund and is hereby ordered and authorized to create rules and
9 regulations for the creation, management, and disbursement thereof. The
10 SEC is likewise authorized to seek third party assistance for the creation and
11 maintenance of the Assurance Fund. (n)

12 **SEC. 50. Contribution to Assurance Fund.** – Upon the issuance or
13 amendment of an electronic warehouse receipt, as well as the issuance of a
14 certified true copy of the electronic warehouse receipt, there shall be paid to
15 the SEC one-fourth of one per cent of the assessed value of the goods
16 covered by the warehouse receipt, as contribution to the Assurance Fund.
17 The SEC is hereby ordered to coordinate with the DTI), as well as other
18 government agents, to come up with a proper and just valuation for any and
19 all goods that may be covered by a warehouse receipt.

20 Nothing in this section shall in any way preclude the court from
21 increasing or decreasing the valuation of the goods should it appear during
22 the hearing that the value stated is either too small or too large. (n)

23 **SEC. 51. Recovery of Losses from Fund.** – A person who, without
24 negligence on his part, sustains loss or damage, or is deprived of any goods
25 covered by an electronic warehouse receipt or any interest therein as a
26 consequence of Registry based failures shall file a claim before the SEC. The
27 SEC is hereby authorized to settle claims and disputes involving a party's right
28 to recover from the Fund. The SEC is likewise ordered and authorized to
29 create rules and regulations regarding the procedure that must be followed by

1 parties seeking to claim against the Fund. Any decision by the SEC involving
2 such matter shall be appealable to the Court of Appeals under Rules 43.. (n)

3

4 **SEC. 52. Maximum Recoverable Claim.** – A party may only claim a
5 maximum of five hundred thousand pesos for every electronic warehouse
6 receipt. In case the damage suffered by the claimant was caused by fraud,
7 the claimant is not precluded from pursuing a claim for damages against such
8 liable persons for the amount of the goods covered by the electronic
9 warehouse receipt less any amounts recovered from the Fund.

10 **SEC. 53. Losses not Recoverable.** – The Assurance Fund shall not
11 be liable for any loss, damage or deprivation that is not caused or occasioned
12 by a Registry based failure. Any losses stemming from Sub-Registry based
13 failures are not recoverable from the Fund. (n)

14 **SEC. 54. Release of Funds.** – Any money obtained by the SEC in
15 relation to the Assurance Fund shall be placed in a special fund and shall be
16 treated as part of the savings of the SEC which shall be deposited with the
17 National Treasury. Once the SEC makes a request from the National Treasury
18 or the Department of Budget and Management (DBM) for the release of such
19 funds in relation to a lawful purpose primarily related to the Assurance Fund,
20 the release of the funds is immediate and ministerial.

21

22 **CHAPTER 8 – WAREHOUSE OPERATOR’S LIEN**

23

24 **SEC. 55. Claims Included in the Warehouse Operator’s Lien.** –
25 Subject to the provisions of this Act, a warehouse operator shall have a lien
26 on goods deposited, or on the proceeds thereof, in his hands, for all lawful
27 charges for storage and preservation of the goods; also for all lawful claims
28 for money advanced, interest, insurance, transportation, labor, weighing,
29 cooping and other charges and expenses in relation to such goods, also for
30 all reasonable charges and expenses for notice, and advertisements of sale,

1 and for sale of the goods where default had been made in satisfying the
2 warehouse operator's lien.

3 **SEC. 56. Against What Property the Lien may be Enforced.** —A
4 warehouse operator's lien may be enforced against any and all goods stored
5 in his Warehouse and covered by a valid warehouse receipt.

6 **SEC. 57. Warehouse Receipt to State Charges for which the**
7 **Lien is Claimed.** — The warehouse operator shall have no lien on a
8 warehouse receipt except for charges for storage of goods subsequent to the
9 date of the receipt unless the receipt expressly enumerated other charges for
10 which a lien is claimed. In such case, there shall be a lien for the charges
11 enumerated so far as they are consistent with this Act provided the amount
12 or rate of the charges so enumerated is stated in the receipt.

13 **SEC. 58. Warehouse Operator Need Not Release Until Lien is**
14 **Satisfied.** — A warehouse operator having a lien valid against the person
15 demanding the goods may refuse to release the goods to him until the lien is
16 satisfied.

17 A warehouse operator who voluntarily releases the goods despite his
18 lien not being fully satisfied waives his lien over the same.

19 **SEC. 59. Warehouse Operator's Lien does not Preclude Other**
20 **Remedies.** — Whether a warehouse operator has or has not a lien upon the
21 goods, he is entitled to all remedies allowed by law to a creditor against a
22 debtor for the collection from the depositor of all charges and advances which
23 the depositor has expressly or impliedly contracted with the warehouse
24 operator to pay.

25 **SEC. 60. Notice of Warehouse Operator's Lien.** — Following a
26 valid offer to satisfy the warehouse operator's lien, he must provide the
27 following notices to the person who validly offered to satisfy his lien:

- 1 (a) An itemized statement of the warehouse operator 's claim, showing the
2 sum due at the time of the notice and the date or dates when it
3 becomes due;
- 4 (b) A brief description of the goods against which the lien exists;
- 5 (c) A demand that the amount of the claim shall be paid on or before a
6 day mentioned, not less than ten days from the delivery of the notice if
7 it is personally delivered, or from the time when the notice shall reach
8 its destination, according to the due course of post, if the notice is sent
9 by mail; and
- 10 (d) A statement that unless the claim is paid within the time specified, the
11 goods will be advertised for sale and sold by auction at a specified time
12 and place.

13 **SEC. 61. *Procedure for Auction Sale to Satisfy Warehouse***
14 ***Operator's Lien.*** – In relation to the aforementioned provision, if the
15 warehouse operator's lien is not satisfied within the time specified, he may
16 satisfy his lien over the goods by selling the same through auction. The
17 auction sale shall be had in the place where the lien was acquired, or, if such
18 place is manifestly unsuitable for such purpose, in the nearest city or
19 municipality where such a sale is may be suitably conducted.

20 Prior to the auction sale, the warehouse operator must advertise the
21 sale, describing the goods to be sold, and stating the name of the owner or
22 person on whose account the goods are held, and the time and place of the
23 sale. Such advertisement shall be published once a week for two consecutive
24 weeks in a newspaper published in the place where such sale is to be
25 held. The sale shall not be held less than fifteen days from the time of the
26 first publication. If there is no newspaper published in such place, the
27 advertisement shall be posted at least ten days before such sale in not less
28 than six conspicuous places therein, including the City or Municipal Hall where
29 the warehouse is located.

1 From the proceeds of such sale, the warehouse operator shall satisfy
2 his lien including the reasonable charges of notice, advertisement and
3 sale. The balance, if any, of such proceeds shall be held by the warehouse
4 operator and delivered on demand to the person to whom he would have
5 been bound to release or justified in releasing goods.

6 At any time before the goods are so sold, the registered owner may
7 pay the warehouse operator the amount necessary to satisfy his lien and to
8 pay the reasonable expenses and liabilities incurred in serving notices and
9 advertising and preparing for the sale up to the time of such payment. Once
10 the registered owner has satisfied the warehouse operator's lien, he must
11 release the goods absent any lawful cause as provided under this Act.

12 **SEC. 62. *Perishable and Hazardous Goods.*** – If goods are of a
13 perishable nature, or by keeping will deteriorate greatly in value, or, by their
14 order, leakage, inflammability, or explosive nature, will be liable to injure
15 other property, the warehouse operator may give such notice to the owner or
16 to the person in whose names the goods are stored, as is reasonable and
17 possible under the circumstances, to satisfy the lien upon such goods and to
18 remove them from the warehouse. In the event of the failure of such person
19 to satisfy the lien and to remove the goods within the time so specified, the
20 warehouse operator may sell the goods at public or private sale without
21 advertising. If the warehouse operator, after a reasonable effort, is unable to
22 sell such goods, he may dispose of them in any lawful manner and shall incur
23 no liability by reason thereof.

24 The proceeds of any sale made under the terms of this section shall be
25 disposed of in the same way as the proceeds of sales made under the terms
26 of the preceding section.

27 **SEC. 63. *Other Methods of Lien Enforcement.*** – The remedy for
28 enforcing a lien herein provided does not preclude any other remedies
29 allowed by law for the enforcement of a lien against personal property nor

1 bar the right to recover so much of the warehouse operator's claim as shall
2 not be paid by the proceeds of the sale of the property.

SEC. 64. *Effect of Sale.* — After goods have been lawfully sold to satisfy a warehouse operator's lien, or have been lawfully sold or disposed of because of their perishable or hazardous nature, the warehouse operator shall not thereafter be liable for failure to deliver the goods to the registered owner of the goods.

CHAPTER 9 – PENALTIES

SEC. 65. *Issuance of Warehouse Receipt for Goods Not Received.* — A warehouse operator, or an officer, agent, or servant of a warehouse operator who issues or aids in issuing a receipt knowing that the goods for which such receipt is issued have not been actually received by such warehouse operator, or are not under his actual control at the time of issuing such warehouse receipt, shall be guilty of a crime, and, upon conviction, shall be punished by imprisonment of ten (10) years, or a fine equal to triple the value of the goods involved, or both. If the warehouse operator himself is liable, his license shall likewise be revoked.

SEC. 66. *Issuance of Warehouse Receipt Containing False Statement.* – A warehouse operator, or any officer, agent or servant of a warehouse operator who fraudulently issues or aids in fraudulently issuing a warehouse 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 (10) years, or a fine equal to triple the value of the goods involved, or both. If the warehouse operator himself is liable, his license shall likewise be revoked.

SEC. 67. *Issuance of Fraudulent Duplicate Warehouse Receipt.*

1 for goods knowing that there is an existing prior electronic warehouse receipt
2 for the same goods or any part of them, except in the case of a court order
3 following an irretrievably lost receipt as provided for in this Act, shall be guilty
4 of a crime, and upon conviction, shall be punished by imprisonment of ten
5 (10) years, or a fine equal to triple the value of the goods involved, or both. If
6 the warehouse operator himself is liable, his license shall likewise be revoked.

7 **SEC. 68. *Unlawful Release of Goods Covered by Warehouse***

8 **Receipt.** – A warehouse operator, or any officer, agent, or servant of a
9 warehouse operator, who releases without any legal basis any goods covered
10 by an electronic warehouse receipt shall be guilty of a crime, and upon
11 conviction, be punished by imprisonment of ten years, or a fine equal to triple
12 the value of the goods involved, or both. If the warehouse operator himself is
13 liable, his license shall likewise be revoked.

14 **SEC. 69. *Fraudulent Deposit of Goods.*** – Any person who, with

15 fraud, deposits goods to which he has no title, or upon which there is a lien or
16 mortgage, and who obtains an electronic warehouse receipt for the same,
17 shall be guilty of a crime, and upon conviction, be punished by imprisonment
18 of ten years, or a fine equal to triple the value of the goods involved, or both.

19 Any warehouse operator or his agent who knowingly facilitates the
20 issuance of an electronic warehouse receipt for such goods shall be guilty of a
21 crime, and upon conviction, be punished by imprisonment of ten years, or a
22 fine equal to triple the value of the goods involved, or both. If the warehouse
23 operator himself is liable, his license shall likewise be revoked.

24 **SEC. 70. *Issuance of Warehouse Receipts by Unregistered***

25 **Warehouse Operator.** – Any warehouse operator who issues a warehouse
26 receipt despite not being registered with the SEC shall be guilty of a crime,
27 and upon conviction, be punished by imprisonment of ten years, or a fine
28 equal to triple the value of the goods involved, or both. (n)

29 **SEC. 71. *Willful Operation of an Unregistered or Un-Accredited***

30 **Warehouse.** – Any warehouse operator who issues a warehouse receipt for

1 goods stored in a warehouse that is not registered with the SEC, or not
2 accredited by the Warehouse Accreditation Council, or whose registration or
3 accreditation has been revoked or suspended under the provisions of this Act
4 shall be guilty of a crime, and upon conviction, be punished by imprisonment
5 of ten years, or a fine equal to triple the value of the goods involved, or both.
6 (n)

7

8 CHAPTER 10 – TRANSITORY PROVISIONS

9

10 **SEC. 72. *Role of the Securities and Exchange Commission and***
11 ***Coordination with Other Agencies.*** – The SEC shall be the primary
12 regulatory body in charge of all matters related to warehouse receipts. While
13 the SEC may consult with other regulatory bodies, as well as other
14 organizations representative of a particular sector, the SEC shall, at all times,
15 be the lead agency in ensuring the successful implementation of this Act
16 except as otherwise provided in this Act. (n)

17 **SEC. 73. *Inter-Connected Registry Information.*** – Where
18 feasible, the SEC is ordered and authorized to engage in concerted activity
19 with other government agencies for the linking of the Registry provided under
20 this Act with other registries in order to be able to come up with an inter-
21 connected registry. (n)

22 **SEC. 74. *Public Information.*** – All entries in the Registry of
23 electronic warehouse receipts shall be available to the public. Likewise, the
24 list of licensed warehouse operators and warehouses, as well as the list of
25 warehouse operator and warehouses whose licenses have been revoked, shall
26 be available to the public. The SEC and the Council are both ordered and
27 authorized to create rules and regulations to facilitate the orderly and
28 expedient access to such information by the public, in accordance with
29 existing standards under Philippine law. (n)

1 **SEC. 75. Dispute Resolution.** – Except in cases specifically placed
2 under the jurisdiction of the SEC under this Act, as well as cases where the
3 electronic warehouse receipt includes a valid Arbitration Clause, all actions
4 arising from this Act shall fall under the jurisdiction of the Regional Trial
5 Courts. (n)

6 **SEC. 76. Transition Period.** – All existing warehouse operators and
7 warehouses must be compliant with the provisions of this Act relating to
8 registration and licensing within three years from the effectivity of this Act. All
9 physical warehouse receipts must be converted to electronic warehouse
10 receipts within three years of the opening of the system of registry for
11 warehouse receipts to be made by the SEC.

12 **SEC. 77. Appropriations.** – The amount necessary to carry out the
13 initial implementation of this Act shall be included in the General
14 Appropriations Act.

15 **SEC. 78. Implementing Rules and Regulations.** – Within ninety
16 (90) days after the effectivity of this Act, the SEC, in coordination with the
17 DTI, the DOF, the DA, and other relevant organizations, shall promulgate
18 rules and regulations for the implementation of this Act and/or for the public
19 interest or for the protection of warehouse operators and warehouses
20 accredited or regulated pursuant to the authority granted under this Act. (n)

21 **SEC. 79. Repealing Clause.** – All acts and laws and parts thereof
22 inconsistent with this Act are hereby repealed.

23 **SEC. 80. Effectivity.** – This Act shall take effect fifteen (15) days
24 after its publication in the Official Gazette of the Philippines or in at least two
25 (2) newspapers of general circulation.

26 **Approved,**