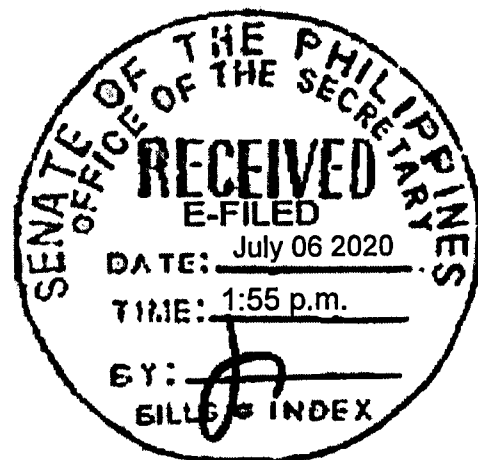


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



SENATE

S. No. 1652

Introduced by Senator Ralph G. Recto

AN ACT
GRANTING TAX EXEMPTIONS AND FEE PRIVILEGES TO SPECIAL PURPOSE
VEHICLES WHICH ACQUIRE OR INVEST IN NON-PERFORMING ASSETS,
SETTING THE REGULATORY FRAMEWORK THEREFOR, AND FOR OTHER
PURPOSES

EXPLANATORY NOTE

COVID-19 pandemic is wreaking havoc not only on humanity, but also on the global economy. Undoubtedly, the great majority of the world population will be saved from the deadly effects of this virus, but many of them may also succumb to extreme poverty and hunger due to the adverse effects of the pandemic to the economy.

Economic experts are now predicting an economic recession in many jurisdictions brought about by the enforcement of lockdowns to control the spread of the virus. Also, a post-pandemic adoption of the "new normal" may dramatically change the economic and social landscape of every country.

In the Philippines, our economic managers and both houses of Congress are working on an economic stimulus package to jumpstart the economy and help the micro, small and medium enterprises (MSMEs) and those critically-impacted businesses.

During the enhanced community quarantine (ECQ), only 21,691 firms were open but suffered loss of on the average 74.3% of their total sales, while 135,438

firms were closed.¹ Also, it is expected that many of these firms will be closed this year for an average of three (3) to nine (9) months.² Almost all sectors are affected by the COVID-19 crisis, but the hardest hit are those in the arts, entertainment, and recreation; tourism; education; construction; finance and insurance activities; and real estate.³ This temporary shutdown of business operations would greatly affect their financial capacity to meet both short-term and long-term liabilities including loans from banks and other financial institutions.

Citing its latest report on the Philippine financial system, the Bangko Sentral ng Pilipinas (BSP) said that the country's entire financial system, with banking sector at the core, remains strong and stable to withstand external vulnerabilities such as the COVID-19 pandemic.⁴ However, it remains uncertain how long this health crisis may last, thus making the future of our economy unpredictable.

The economic uncertainty brought about by the pandemic may soon take a hit on every balance sheet of businesses and enterprises that may result in their inability to pay bank loans, thereby causing the rise in non-performing loans (NPLs) of the entire banking industry. As of April 2020, the NPL ratio stood at 2.3% of the banks' total loan portfolio.⁵

In anticipation of the increase in bad loans to an unprecedented level and to help maintain stability in the financial system, this bill seeks to provide a legal framework for the establishment of asset management companies (AMCs) such as the special purpose vehicle (SPV) for the purpose of acquiring or investing in non-performing assets (NPAs) of the banks and other financial institutions. This is similar to the Special Purpose Vehicle Act of 2002 which was enacted to help cushion the impact of the 1997 Asian financial crisis to the entire Philippine financial system.

¹ DOF MSME Survey, April 4-8, 2020

² DOF MSME Survey, April 4-8, 2020

³ DOF MSME Survey, April 4-8, 2020

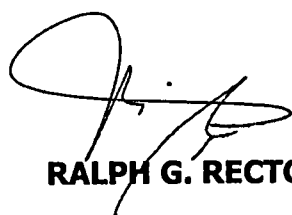
⁴ Report on the Philippine Financial System, 2nd Semester 2019

⁵ <http://www.bsp.gov.ph/statistics/stataqapbs.asp>

SPVs are private sector-owned AMCs established primarily to acquire and dispose bad assets of the banks. In general, AMCs are effective means to expeditiously solve NPL problems.⁶ The usual procedure is that banks unload nonperforming assets to an AMC, clean up their books, and continue on with its primary role of financial intermediation.⁷ The AMCs, either government- or private-owned, then take care of disposing the acquired assets through a variety of means such as public auction, resale of assets to original borrowers, joint ventures, securitization, or even running the acquired business themselves.⁸ Typically, the special character of AMCs makes them more flexible than banks to carry out certain activities that help maximize asset values.⁹

The establishment of SPVs is beneficial both to the banks and the private sector-led AMCs. This will improve the liquidity condition of the banks and other financial institutions. On the other hand, the SPVs will be afforded an opportunity to reap profits from the subsequent disposition of valuable NPAs which are usually acquired at a discounted price. Furthermore, to encourage the private sector to establish SPVs, this bill seeks to grant certain tax exemptions and fee privileges on the sale or transfer of NPAs.

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



RALPH G. RECTO

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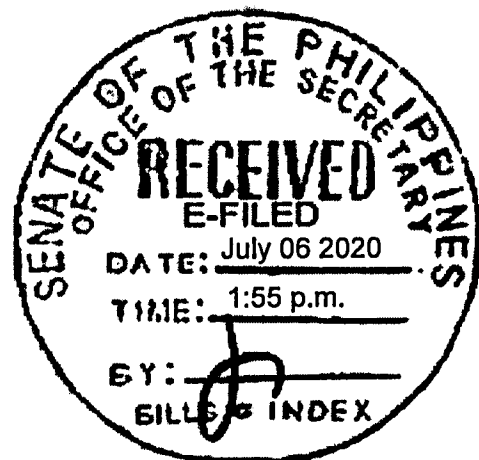
⁶ Gloria O. Pasadilla, PIDS Discussion Paper Series No. 2005-06, March 2005

⁷ Gloria O. Pasadilla, PIDS Discussion Paper Series No. 2005-06, March 2005

⁸ Gloria O. Pasadilla, PIDS Discussion Paper Series No. 2005-06, March 2005

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PURPOSES

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

ARTICLE I

General Provisions

Section 1. *Title.* – This Act shall be known as “The Special Purpose Vehicle (SPV) Act of 2020”.

Sec. 2. *Declaration of Policy.* – It is hereby declared the policy of the State:

- (a) To develop and maintain a sound financial sector for the country;
- (b) To address the problems on non-performing assets of the financial sector;
- (c) To encourage private sector investments in non-performing assets;
- (d) To eliminate existing barriers in the acquisition of non-performing assets;
- (e) To help in the rehabilitation of distressed businesses for the purpose of contributing to economic value added; and

(f) To improve the liquidity of the financial system which can be harnessed to propel economic growth and maintain financial stability.

Sec. 3. *Definition of Terms.* – For purposes of this Act, the term:

(a) *Approval Certificate* means the certificate of approval or authority issued by the Commission to an application by an SPV to issue Investment Unit Instruments (IUIs), pursuant to the provisions of this Act;

1 (b) *Approved Plan* means an SPV Plan for which an Approval Certificate has
2 been issued by the Commission.

3 (c) *Commission* refers to the Securities and Exchange Commission.

4 (d) *Financial Institutions (FIs)* mean credit-granting institutions which shall be
5 limited to the following:

6 (1) the *Bangko Sentral ng Pilipinas* (BSP);

7 (2) a bank, as defined under Republic Act No. 8791, also known as "The
8 General Banking Law of 2000";

9 (3) a financing company, as defined under Republic Act No. 8556, also known
10 as "The Financing Company Act of 1998";

11 (4) an investment house, as defined under Presidential Decree No. 129, as
12 amended, also known as "The Investment Houses Law";

13 (5) a lending company, as defined under Republic Act No. 9474, also known
14 as "Lending Company Regulation Act of 2007";

15 (6) government financial institutions (GFIs), which for purposes of this Act,
16 refer to the Philippine Deposit Insurance Corporation (PDIC), Land Bank of the
17 Philippines (LBP), and Development Bank of the Philippines (DBP), and such other
18 GFIs as may be included by the Secretary of Finance;

19 (7) government-owned-or-controlled-corporations (GOCCs), which for
20 purposes of this Act, refer to the National Home Mortgage Finance Corporation
21 (NHMFC), Philippine Guarantee Corporation (PGC), Home Development Mutual Fund
22 (HDMF), Social Security System (SSS), Government Service Insurance System
23 (GSIS), Small Business Corporation (SBC), National Housing Authority (NHA), and
24 such other GOCCs as may be included by the Secretary of Finance; and

25 (8) other institutions licensed by the BSP to perform (i) quasi-banking
26 functions and (ii) credit-granting activities, including non-stock savings and loan
27 associations, pawnshops, and non-bank credit card issuers.

28 (e) *Investment Unit Instrument (IUI)* refers to a participation certificate, debt
29 instrument or similar instrument issued by the SPV and subscribed by Permitted
30 Investors as provided in Section 11 hereof, pursuant to an Approved Plan: *Provided*,
31 That these shall not include the instruments to be issued by the SPV to the selling
32 FIs as full or partial settlement of the non-performing assets transferred to the said
33 SPV: *Provided, further*, That such issuances of the SPV shall not be considered as

1 deposit substitutes: *Provided, finally*, That these shall not form part of the capital
2 stock of the SPV.

3 (f) *Non-Performing Assets or NPAs* consist of the non-performing loans and
4 real and other properties acquired by FIs.

5 (g) *Non-Performing Loans or NPLs* refer to secured or unsecured loans,
6 receivables, and other financial assets of similar nature, including restructured loans,
7 which are to be considered credit-impaired and defined as such in the Implementing
8 Rules and Regulations (IRR).

9 (h) *Real and Other Properties Acquired (ROPAs)* refer to real and other
10 properties, other than those used for operating purposes or held for investment,
11 acquired by an FI in settlement of loans and receivables, including real properties,
12 shares of stocks, and security interest which have been acquired by way of dation in
13 payment (*dacion en pago*) or judicial or extra-judicial foreclosure or execution of
14 judgment or enforcement of security interest.

15 (i) *SPV* means the Special Purpose Vehicle created pursuant to the provisions
16 of this Act.

17 (j) *SPV Plan* refers to the plan submitted to and approved by the Commission
18 as pre-requisite to the issuance of an IUI.

19 (k) *True Sale* refers to a sale wherein the selling FI transfers or sells its NPAs
20 to an SPV, without recourse to cash or property in exchange for the transfer or sale,
21 and without prejudice to the FI and SPV agreeing on sharing of profits in accordance
22 with the conditions prescribed in the IRR, and subject to the following results:

23 (1) The transferor transfers full legal and beneficial title to and relinquishes
24 effective control over the transferred NPAs; and

25 (2) The transferred NPAs are legally isolated and put beyond the reach of the
26 transferor and its creditors:

27 *Provided*, That the transferring FI shall not have direct or indirect control of
28 the transferee SPV: *Provided, further*, That the selling FI shall not have legal or
29 beneficial ownership of more than ten percent (10%) of the transferee SPV.

30 ARTICLE II

31 Special Purpose Vehicle

32 Sec. 4. *Special Purpose Vehicle*. – An SPV shall be organized as a stock
33 corporation in accordance with Republic Act No. 11232, otherwise known as "The

1 Revised Corporation Code of the Philippines” and the rules and regulations
2 promulgated by the Commission for purposes of registering the SPV: *Provided, That*
3 if the SPV will acquire land, at least sixty percent (60%) of its outstanding capital
4 stock shall be owned by Philippine nationals pursuant to Republic Act No. 7042, as
5 amended, otherwise known as the “Foreign Investments Act.” The BSP, GFIs and
6 GOCCs may create an SPV subject to their respective charters and the approval of
7 the Governance Commission for Government Owned or Controlled Corporations
8 (GCG): *Provided, further, That* the limitations under Section 3 (k) of this Act shall not
9 apply to BSP and such GFIs or GOCCs.

10 Sec. 5. *Powers of an SPV.* – An SPV shall have the following powers:

11 (a) To invest in, or acquire NPAs of FIs;

12 (b) To engage third parties to manage, operate, collect and dispose of NPAs
13 acquired from an FI;

14 (c) To rent, lease, hire, subject to security interest, mortgage, transfer, sell,
15 exchange, usufruct, secure, securitize, collect rents and profits, and other similar
16 acts concerning its NPAs acquired from an FI;

17 (d) In case of NPLs, to restructure debt, condone debt and undertake other
18 restructuring related activities. In restructuring debt, the SPV may reduce the
19 principal amount, interest earned, interest rates, and the period for calculating the
20 interest, extend the time for debt repayment or relax the conditions for debt
21 repayment, agree to the conversion of the borrower’s debt to equity in the
22 borrower’s business, agree to a transfer of assets or claims from the borrower to
23 repay the debt or dispose of some of the borrower’s property or claims to third
24 persons;

25 (e) To take, buy or transfer shares issued by the borrower for the purpose of
26 business reorganization or rehabilitation of the borrower, subject to the provisions of
27 the Revised Corporation Code of the Philippines in respect to the rights of the
28 shareholders of the borrower company, and apply any other measures or
29 restructuring techniques with the approval of the Commission;

30 (f) To enter into dation in payment (*dacion en pago*) arrangements, foreclose
31 judicially or extra-judicially and other forms of debt settlement involving NPLs;

32 (g) To spend funds to renovate, improve, complete or alter its NPAs acquired
33 from an FI;

1 (h) To issue equity or participation certificates or other forms of IUIs for the
2 purpose of acquiring, managing, improving and disposing of its NPAs acquired from
3 an FI;

4 (i) To borrow money and issue other instruments of indebtedness for the
5 purpose of paying operational and administrative costs;

6 (j) To guarantee credit, and accept or intervene for honor the bills of
7 borrowers;

8 (k) To advance funds to borrowers as may be required for an acquired asset
9 or any debt restructuring agreement pursuant thereto, or under any court order or
10 rehabilitation plan; and

11 (l) To engage the services of a third-party asset servicing company for the
12 collection and receipt of the payments for debts under debt restructuring or business
13 reorganization, management and disposition of assets of the SPV in accordance with
14 the rules, procedures and conditions prescribed by the Commission or by the courts.
15 Except in the case of ROPAs whose redemption periods have already expired, the
16 SPV shall notify the borrower and all persons holding prior encumbrances upon the
17 properties, or a part thereof, or are actually holding the same adversely against the
18 borrower, of the appointment of such third-party asset servicing company within
19 fifteen (15) days from the date of the appointment.

20 *Sec. 6. Period for Filing of Applications.* – Applications for the establishment
21 and registration of an SPV shall be filed with the Commission within twenty-four (24)
22 months beginning from the date of effectivity of the IRR promulgated pursuant to
23 this Act: *Provided*, That the President upon the recommendation of the Secretary of
24 Finance may extend the period by a maximum of twenty-four (24) months.

25 Entities created under Republic Act No. 9182, as amended, are qualified to
26 avail of the privileges and incentives under this Act, subject to compliance with the
27 requirements prescribed in the IRR.

28 *Sec. 7. Capitalization of an SPV.* – An SPV shall have an adequate minimum
29 capitalization in such amount as may be prescribed by the Commission or by the
30 appropriate regulatory agency of the SPV.

31 *Sec. 8. Submission of SPV Plan.* – After the establishment of an SPV pursuant
32 to Section 4 hereof, an SPV Plan shall be submitted to the Commission for approval
33 and shall include the following:

- 1 (a) Investment policies of the SPV;
- 2 (b) Contribution plan including the amounts and draft of subscription
- 3 documents;
- 4 (c) Features of the IUIs including the specific amounts issued and to be
- 5 issued;
- 6 (d) Rights of the holders of the IUIs;
- 7 (e) Draft agreements for the appointment of trustees and agents with respect
- 8 to the IUIs and the NPLs acquired from an FI;
- 9 (f) Name of the external auditor of the SPV;
- 10 (g) Roles and responsibilities of the trustees, advisors, loan servicers and
- 11 property managers;
- 12 (h) Draft form of financial reports of the SPV;
- 13 (i) Details of distribution policies;
- 14 (j) Methods for the increase and decrease of future fund contribution;
- 15 (k) Methods for the alteration or modification of the approved SPV Plan;
- 16 (l) Methods for the liquidation and distribution of assets to the holders of
- 17 IUIs;
- 18 (m) Details of credit enhancements like guarantees or standby letters of credit
- 19 or advances that may be extended to the SPV by an entity which shall not be the
- 20 selling FI, its parent, subsidiaries or affiliates; and
- 21 (n) Such other documents or information as may be required by the
- 22 Commission.

23 *Sec. 9. Approval of SPV Plan.* – Upon approval of the SPV Plan, the

24 Commission shall issue an Approval Certificate stating that the application has been

25 approved and that the IUIs may be issued.

26 *Sec. 10. Issuance of IUIs.* – The SPV may be allowed to issue IUIs subject to

27 the rules and regulations the Commission is herein mandated to promulgate.

28 *Sec. 11. Permitted Investors.* – Any qualified buyer, as defined in Section 10

29 (l) of Republic Act No. 8799, may acquire or hold IUIs in an SPV in the minimum

30 amount of Ten million pesos (P10,000,000.00): *Provided*, That an SPV shall not be

31 authorized to acquire the IUIs of another SPV: *Provided, further*, That the parent,

32 subsidiaries, affiliates or stockholders, directors, officers or any related interest of

33 the selling FI or the parent's subsidiaries, affiliates or stockholders, directors, officers

1 or any related interest shall not acquire or hold, directly or indirectly, the IUIs of the
2 SPV that acquired the NPAs of the FI.

3 ARTICLE III

4 Transfer of Assets to SPV

5 Sec. 12. *Notice and Manner of Transfer of Assets.* – (a) No transfer of NPLs to
6 an SPV shall take effect unless the FI concerned shall give prior notice to the
7 borrowers of the NPLs and all persons holding prior encumbrances upon the assets
8 mortgaged or subject to security interest. Such notice shall be in writing and made
9 in accordance with the 1997 Rules of Procedure, as amended, and the IRR, at their
10 last known address or their email address registered and on file with the FIs. The
11 borrower and the FI shall be given a period of at most ninety (90) days upon receipt
12 of notice to restructure or renegotiate the loan under such terms and conditions as
13 may be agreed upon by the borrower and the FI concerned.

14 (b) The transfer of NPAs from an FI to an SPV shall be subject to prior
15 certification of eligibility as NPA by the appropriate regulatory authority having
16 jurisdiction over its operations which shall issue its certification within forty-five (45)
17 days from the date of application by the FI for eligibility.

18 (c) After the sale or transfer of the NPLs, the transferring FI shall inform the
19 borrower in writing at the last known address or email address of the fact of the sale
20 or transfer of the NPLs.

21 Sec. 13. *Nature of Transfer.* – All sales or transfers of NPAs to an SPV shall be
22 in the nature of a true sale after proper notice in accordance with the procedure as
23 provided for in Section 12: *Provided*, That disposition of assets of a GFI and a GOCC
24 shall be covered by special rules to be incorporated in the IRR: *Provided, further*,
25 That in the transfer of the NPLs, the provisions on subrogation and assignment of
26 credits under the New Civil Code shall apply: *Provided, finally*, That after the sale,
27 the SPV shall assume all rights and obligations of the transferring FI.

28 In the transfer of NPAs, the parties shall exercise the requisite due diligence
29 and any fraud, collusion or irregularity shall be subject to Section 24 of this Act, as
30 well as other pertinent laws, rules and regulations.

31 Sec. 14. *Issuance of Injunctive Relief Against Transfer of Assets.* – No court,
32 other than the Court of Appeals and the Supreme Court, shall issue any temporary
33 restraining order, preliminary injunction, preliminary mandatory injunction, status

1 quo order, stay order, commencement order, or any other issuance of injunctive
2 relief against the transfer of NPAs from the FI to an SPV, and from an SPV to a third
3 party, or dation in payment (*dacion en pago*) by the borrower or by a third party in
4 favor of an FI or in favor of an SPV, or judicial or extrajudicial foreclosure sales or
5 execution sales of the FI or SPV of collateral in settlement of NPLs.

6 Any restraining order, injunction, status quo order, stay order,
7 commencement order, or any other issuance of injunctive relief issued in violation of
8 this Section is void and of no force and effect.

9 The pertinent provisions of the Rules of Court on injunctions insofar as these
10 are applicable and not inconsistent with the provisions of this Act, shall govern the
11 issuance and dissolution of restraining orders, injunctions, status quo orders or stay
12 orders against said transfers.

13 ARTICLE IV

14 Incentives and Exemption Privileges

15 Sec. 15. *Tax Exemptions and Fee Privileges.* – Any existing law to the
16 contrary notwithstanding, the transfer of NPAs from the FI to an SPV, and from an
17 SPV to a third party or dation in payment (*dacion en pago*) by the borrower or by a
18 third party in favor of an FI or in favor of an SPV shall be exempt from the following
19 taxes:

20 (a) Documentary stamp tax on the abovementioned transfer of NPAs and
21 dation in payment (*dacion en pago*) as may be imposed under Title VII of the
22 National Internal Revenue Code of 1997, as amended;

23 (b) Capital gains tax imposed on the transfer of lands and/or other assets
24 treated as capital assets as defined under Section 39(A)(1) of the National Internal
25 Revenue Code of 1997, as amended;

26 (c) Income tax on the transfer of land, buildings and/or other assets treated
27 as ordinary assets as may be imposed under Title II of the National Internal
28 Revenue Code of 1997, as amended;

29 (d) Value-added tax on the transfer of NPAs as may be imposed under Title
30 IV of the National Internal Revenue Code of 1997, as amended, or gross receipts tax
31 under Title V of the same Code, whichever is applicable.

32 The abovementioned transfers shall also be subject to the following, in lieu of
33 the applicable fees:

1 (a) Fifty percent (50%) of the applicable registration and transfer fees on the
2 transfer of real estate mortgage and security interest to and from the SPV, as
3 imposed in accordance with the existing circulars of the Land Registration Authority
4 (LRA);

5 (b) Fifty percent (50%) of the filing fees for any foreclosure initiated by the
6 SPV in relation to any NPA acquired from an FI, as prescribed by the Rules of Court;
7 and

8 (c) Fifty percent (50%) of the land registration fees prescribed under the
9 existing circulars of the LRA.

10 All sales or transfers of NPAs from the FIs to an SPV or transfers by way of
11 dation in payment (*dacion en pago*) by the borrower or by a third party to the FI
12 shall be entitled to the privileges enumerated herein for a period of not more than
13 two (2) years from the date of effectivity of the IRR: *Provided*, That the President
14 upon the recommendation of the Secretary of Finance may extend such period by a
15 maximum of two (2) years.

16 Transfers from an SPV to a third party of NPAs acquired by the SPV within
17 such two (2)-year period, or within such extended period, or transfers by way of
18 dation in payment (*dacion en pago*) by a borrower or by a third party to the SPV
19 shall enjoy the privileges enumerated herein for a period of not more than five (5)
20 years from the date of acquisition by the SPV: *Provided*, That the President upon the
21 recommendation of the Secretary of Finance may extend such five (5)-year period
22 by a maximum of five (5) years: *Provided, further*, That properties acquired by an
23 SPV from GFIs or GOCCs which are devoted to socialized or low-cost housing shall
24 not be converted to other uses.

25 The tax exemptions, incentives, and fee privileges given to FIs and SPV at the
26 various stages of the transactions under this Section shall likewise be extended to
27 any individual subject to the conditions prescribed in the IRR: *Provided*, That:

28 (i) the transaction is limited to a ROPA that is either a single family residential
29 unit or an empty lot, or to NPL secured by real estate mortgage on a residential unit
30 or an empty lot;

31 (ii) there shall only be one transaction consisting of one residential unit or
32 empty lot per individual; and

1 (iii) the two (2)-year transfer period, including its extension, and the five (5)-
2 year entitlement period granted to NPA, as may be extended by the President upon
3 recommendation of the Secretary of Finance, shall also apply to said single family
4 residential unit or empty lot.

5 *Sec. 16. Additional Tax Exemptions and Fee Privileges.* – To encourage the
6 infusion of capital and/or financial assistance by the SPV for the purpose of
7 rehabilitating the borrower's business, the following additional tax exemptions and
8 privileges shall be enjoyed:

9 (a) The SPV shall be exempt from income tax on net interest income,
10 documentary stamp tax and mortgage registration fees on new loans in excess of
11 existing loans extended to borrowers with NPLs which have been acquired by the
12 SPV.

13 (b) In case of capital infusion by the SPV to the borrower with NPLs, the SPV
14 shall also be exempt from the documentary stamp tax.

15 *Provided,* That the tax exemptions and fee privileges under this Section shall
16 apply for a period of not more than five (5) years from the date of acquisition of
17 NPLs by the SPV: *Provided, further,* That the President upon the recommendation of
18 the Secretary of Finance may extend the period for the enjoyment of such tax
19 exemptions and fee privileges by a maximum of five (5) years: *Provided, finally,*
20 That distressed businesses which are indispensable to the national interest or
21 security shall be given priority in the capital infusion by the SPV.

22 *Sec. 17. Net Operating Loss Carry-Over (NOLCO) of Participating FIs.* – (a)
23 Any loss that is incurred by an FI as a result of the transfer of an NPA within the two
24 (2)-year period from the effectivity of the IRR shall be treated as ordinary
25 loss: *Provided,* That the accrued interest and penalties shall not be included as loss
26 on said loss carry over from operations, subject to the provisions of the National
27 Internal Revenue Code of 1997, as amended, on net operating loss carry-over
28 (NOLCO). Such loss incurred by the FI from the transfer of NPAs within the two (2)-
29 year period from the effectivity of the IRR may be carried over for a period of five
30 (5) consecutive taxable years immediately following the year of such loss: *Provided,*
31 *further,* That for purposes of corporate gain or loss, the carry-over shall be subject
32 to pertinent laws: *Provided, finally,* That the tax savings derived by FIs from the
33 NOLCO shall not be made available for dividend declaration but shall be retained as

1 a form of capital build-up. The Department of Finance (DOF), upon the
2 recommendation of the Bureau of Internal Revenue (BIR), shall issue the rules and
3 regulations to effectively implement the provisions of this Section.

4 (b) The regulatory authority concerned shall promulgate the necessary rules
5 and regulations governing the treatment of any loss of the FIs in the books of
6 account as a result of the transfer of the NPAs.

7 (c) In the case of non-bank GFIs and GOCCs enumerated in Section 3 hereof,
8 the DOF, in consultation with the Commission on Audit (COA), shall promulgate the
9 necessary rules and regulations governing the treatment of any loss in their books of
10 account as a result of the transfer of their NPAs.

11 *Sec. 18. Abuse of Tax Exemptions and Privileges.* – Any person, natural or
12 juridical, who benefits from the tax exemptions and privileges herein granted, when
13 such person is not entitled thereto, shall be subject to the penalties provided in
14 Section 24 hereof. In addition, the offender shall refund to the government double
15 the amount of the tax exemptions and privileges availed of under this Act, plus
16 interest of twelve percent (12%) per year from the date prescribed for its payment
17 until the full payment thereof.

18 ARTICLE V

19 Enforcement and Protection Provisions

20 *Sec. 19. Consumer Protection Mechanism.* – The SPV shall set up an
21 appropriate consumer protection mechanism as may be prescribed in the IRR or
22 rules and regulations to be issued by the appropriate regulatory authority.

23 *Sec. 20. Redemption Periods.* – The redemption periods allowed to borrowers
24 under Section 47 of Republic Act No. 8791, also known as "The General Banking Law
25 of 2000", the Rules of Court, as well as other relevant laws for non-bank borrowers
26 shall be applicable.

27 ARTICLE VI

28 Reporting Provisions

29 *Sec. 21. Books of Accounts and Records.* – The SPV shall set and keep
30 accurate accounts and internal financial controls and shall appoint an external
31 auditor that is acceptable to the Commission. The Commission, the BSP, and the BIR
32 may look into the books of accounts and records of the SPV at any time during office
33 hours after due notice.

Sec. 22. Reports. – The Commission, the regulatory authorities, and the BIR shall prescribe the submission of reports from the SPV and the FIs for the proper implementation of this Act.

ARTICLE VII

Final Provisions

Sec. 23. *Primary Implementing Agency.* – The Commission shall be the primary implementing agency of this Act. It shall have the authority to enlist the assistance of any branch, department, bureau, office, agency or instrumentality of the government, including GOCCs and GFIs which may include the use and transfer of its personnel, facilities and resources.

Sec. 24. Penalties. – Any person who violates any of the provisions of this Act, or the rules and regulations promulgated thereunder, or any person who, in a notice, certification or plan filed under this Act, makes any untruthful statement of a material fact or omits to state any material fact required to be stated therein, shall, upon conviction, suffer a fine of not less than One hundred thousand pesos (P100,000.00) nor more than Two million pesos (P2,000,000.00) or imprisonment of not less than six (6) years nor more than twelve (12) years, or both, at the discretion of the court, without prejudice to the penalties provided under Section 18 hereof, Section 37 of Republic Act No. 7653, as amended, and other applicable laws. If the offender is a corporation, association, partnership or any juridical person, the penalty shall be imposed upon the responsible officers, as the case may be, who participated in the commission of the crime or who shall have knowingly permitted or failed to prevent its commission. If the offender is a juridical person, other than a bank or financial institution supervised by the BSP, the court may order the suspension or revocation of its license. If the offender is an alien, the offender shall, in addition to the penalties herein prescribed, be deported without further proceedings after serving the penalties herein prescribed. If the offender is a public official or employee, the offender shall, in addition to the penalties prescribed herein, suffer absolute or temporary disqualification from government or public office, as the case may be.

Sec. 25. *Applicability Clause.* – The provisions of this Act shall be applicable to assets that have become non-performing as of December 31, 2020: *Provided, That*

1 the President upon the recommendation of the Secretary of Finance may extend the
2 said period by a maximum of two (2) years.

3 Sec. 26. *Conscience Clause.* – Nothing in this Act shall be construed in such a
4 manner that condones or exempts from any liability any person responsible for acts
5 or omissions constituting unsound business practices or mismanagement.

6 Sec. 27. *Oversight Committee.* – There is hereby created a Joint
7 Congressional Oversight Committee to oversee, monitor, and evaluate the
8 implementation of this Act. It shall be composed of the chairpersons of the Senate
9 Committee on Banks, Financial Institutions and Currencies, and the House of
10 Representatives Committee on Banks and Financial Intermediaries, and additional
11 four (4) members, at least one member of which shall be from the minority, from
12 the same committees of each house to be designated by the Senate President and
13 the Speaker of the House of Representatives, respectively.

14 Sec. 28. *Use of Registration Fees.* – To carry out the purposes of this Act, the
15 Commission shall retain and use all fees paid to it relative to the establishment of an
16 SPV in addition to its annual budget and to what is provided for under Section 75 of
17 Republic Act No. 8799 or the Securities Regulation Code.

18 Sec. 29. *Implementing Rules and Regulations.* – Within thirty (30) days from
19 the effectivity of this Act, the Commission, jointly with the BSP, the DOF, and the
20 BIR, shall promulgate the necessary IRR for the effective implementation of this
21 Act: *Provided*, That within thirty (30) days from the effectivity of this Act, the DOF,
22 upon the recommendation of the BIR, shall promulgate the revenue regulations
23 implementing the tax exemptions under this Act: *Provided, further*, That the
24 Commission, BSP, DOF and BIR may issue separate rules and regulations that will
25 apply exclusively to the institutions under their respective jurisdiction, which shall
26 not be inconsistent with the IRR to be issued by the Commission.

27 Sec. 30. *Separability Clause.* – If any provision or part hereof is declared
28 unconstitutional, the remainder of this Act or any provision not affected shall remain
29 in full force and effect.

30 Sec. 31. *Repealing Clause.* – Republic Act No. 9182, as amended, otherwise
31 known as the "Special Purpose Vehicle Act of 2002," is hereby repealed. All laws,
32 acts, decrees, executive orders, issuances, and rules and regulations or parts thereof

1 which are contrary to and inconsistent with this Act are hereby repealed, amended
2 or modified accordingly.

3 Sec. 32. *Effectivity.* – This Act shall take effect fifteen (15) days after its
4 complete publication in the *Official Gazette* or in at least two (2) newspapers of
5 general circulation.

Approved,