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REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )

SENATE

S. No. 1849



(In Substitution of Senate Bill Nos. 1594, 1596, and 1652, taking into consideration H.B. No. 6816)

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Prepared by the Committee on Banks, Financial Institutions and Currencies and the Committee on Ways and Means, with Senators Marcos, Lapid, Recto, and Poe as authors

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**AN ACT**

**ENSURING PHILIPPINE FINANCIAL INDUSTRY RESILIENCY AGAINST THE COVID-19 PANDEMIC**

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

1 Section 1. *Title.* – This Act shall be known as “Financial Institutions Strategic  
2 Transfer (FIST) Act.”

3 Sec. 2. *Declaration of Policy.* – The State recognizes the role of banks and  
4 other financial institutions as mobilizers of savings and investments and in providing  
5 the needed financial system liquidity to keep the economy afloat. Thus, it is essential  
6 that banks and other financial institutions are able to maintain their financial health  
7 in order to cushion the adverse economic impact of the COVID-19 pandemic. It is  
8 hereby declared the policy of the State:

- 9 a) to develop and maintain a sound financial sector for the country;  
10 b) to address the non-performing asset problems of the financial sector;  
11 c) to encourage private sector investments in non-performing assets;  
12 d) to eliminate existing barriers in the acquisition of non-performing assets;  
13 e) to help in the rehabilitation of distressed businesses with the end in view of  
14 their becoming economic value-added contributors; and

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

3 **Sec. 3. *Definition of Terms.* – As used in this Act:**

4 a) Approval Certificate means the Certificate of Permit to Sell or Offer for Sale  
5 Securities issued by the Commission in favor of Financial Institutions Strategic  
6 Transfer Corporation (FISTC) whose FISTC plan has been approved and  
7 rendered effective thereby authorizing the sale and distribution of Investment  
8 Unit Instruments (IUIs) pursuant to the provisions of this Act;

9 b) Approved Plan means a FISTC plan for which a Certificate of Permit to Sell or  
10 Offer for Sale Securities has been issued by the Securities and Exchange  
11 Commission (Commission);

12 c) Certificate of Eligibility (COE) refers to the certificate issued by the  
13 Appropriate Regulatory Authority as to the eligibility of the NPL or ROPOA for  
14 purposes of availing of the tax exemptions and privileges, pursuant to the  
15 provisions of the Act;

16 d) Data Package refers to the complete set of documents, as may be prescribed  
17 by the Commission, which must be prepared and made available by the  
18 Selling FIs in respect of the sale of NPAs or NPLs. The Data Package should  
19 contain, among others, scans of all pertinent documents and particulars of  
20 each property or loan account being sold and should be made electronically  
21 available to potential bidders;

22 e) Financial Institutions, or FIs means credit-granting Institutions which shall be  
23 limited to the following:

24 1. the Bangko Sentral ng Pilipinas (BSP);

25 2. a bank, as defined under Republic Act No. 8791, also known as "The  
26 General Banking Law of 2000";

27 3. a financing company, as defined under Republic Act No. 8556, also  
28 known as "The Financing Company Act of 1998";

29 4. an investment house, as defined in Presidential Decree No. 129, also  
30 known as "The Investment Houses Law";

31 5. a lending company, as defined under Republic Act No. 9474, also  
32 known as "Lending Company Regulation Act of 2007";

- 1 6. accredited microfinance nongovernment organizations (NGOs), as  
2 defined under Republic Act No. 10693, otherwise known as  
3 "Microfinance NGOs Act";
- 4 7. government financial institutions (GFIs), which for purposes of this Act,  
5 refer, but are not limited, to the Philippine Deposit Insurance  
6 Corporation (PDIC), Land Bank of the Philippines (LBP), and  
7 Development Bank of the Philippines (DBP);
- 8 8. government-owned-or-controlled-corporations (GOCCs), which for  
9 purposes of this Act, refers, but are not limited to the National Home  
10 Mortgage Finance Corporation (NHMFC), Philippine Guarantee  
11 Corporation (PGC), Home Development Mutual Fund (HDMF), Social  
12 Security System (SSS), Government Service Insurance System (GSIS),  
13 Small Business Corporation (SBC), and National Housing Authority  
14 (NHA); and
- 15 9. other institutions licensed by the BSP to perform (i) quasi-banking  
16 functions and (ii) credit-granting activities, including but not limited to,  
17 non-stock savings and loan associations, and non-bank credit card  
18 issuers;
- 19 f) FISTC Plan refers to the plan submitted to the Commission for its approval as  
20 pre- requisite to the issuance of an Investment Unit Instrument;
- 21 g) Investment Unit Instrument (IUI) refers to a participation certificate, debt  
22 instrument or similar instrument issued by the FISTC and subscribed by  
23 Permitted Investors as provided in Section 11 hereof, pursuant to an  
24 Approved Plan: *Provided*, That these shall not include the instruments to be  
25 issued by the FISTC to the selling FIs as full or partial settlement of the non-  
26 performing assets transferred to the said FISTC: *Provided, further*, That such  
27 issuances of the FISTC shall not be considered as deposit substitutes:  
28 *Provided, finally*, That these shall not form part of the capital stock of the  
29 FISTC;
- 30 h) Non-Performing Assets, or NPAs consist of the non-performing loans and real  
31 and other properties acquired by FIs;

- 1 i) Non-Performing Loans, or NPLs refer to secured or unsecured loans,  
2 receivables, and other financial assets of similar nature, including restructured  
3 loans, which are to be considered credit-impaired and defined as such in the  
4 rules and regulations to be issued to implement this Act;
- 5 j) Real and Other Properties Acquired (ROPAs) refer to real and other  
6 properties, acquired by an FI in settlement of loans and receivables, including  
7 real properties, shares of stocks, and personal properties which have been  
8 acquired by way of dation in payment (dacion en pago) or judicial or extra-  
9 judicial foreclosure or execution of judgment or enforcement of security  
10 interest;
- 11 k) True Sale refers to a sale wherein the selling FI transfers or sells its NPAs to a  
12 FISTC, without recourse to cash or property in exchange for the transfer or  
13 sale, and without prejudice to the FI and FISTC agreeing on sharing of profits  
14 and subject to the following results:
- 15 1. The transferor transfers full legal and beneficial title to and relinquishes  
16 effective control over the transferred NPAs; and
  - 17 2. The transferred NPAs are legally isolated and put beyond the reach of  
18 the transferor and its creditors:
- 19 *Provided*, That the transferring FI shall not have direct or indirect control of  
20 the transferee FISTC: *Provided, further*, That the selling FI does not have  
21 legal or beneficial ownership of more than ten percent 10% of the transferee  
22 FISTC.

## 23 **ARTICLE II**

### 24 **Financial Institutions Strategic Transfer Corporation**

25 *Sec. 4. Financial Institutions Strategic Transfer Corporation.* — A FISTC is a stock  
26 corporation organized in accordance with Republic Act No. 11232, otherwise known  
27 as "The Revised Corporation Code of the Philippines,": *Provided*, That a FISTC shall  
28 not be allowed to be incorporated as a one person corporation: *Provided, further*,  
29 That if the FISTC will acquire land, at least sixty percent (60%) of its outstanding  
30 capital stock shall be owned by Philippine nationals as defined under Republic Act  
31 No. 7042, as amended, otherwise known as the "Foreign Investments Act".

1           The Commission, in coordination with the Department of Justice (DOJ), shall  
2 have the power to investigate, motu proprio or upon verified complaint, possible  
3 violations of the anti-dummy law and the appropriate regulatory agencies shall  
4 ensure compliance by FISTC of this act and other applicable laws.

5           **Sec. 5. Powers of a FISTC.** – A FISTC shall have the following powers:

- 6           a) Invest in, or acquire NPAs of FIs;
- 7           b) Engage third parties to manage, operate, collect and dispose of NPAs  
8           acquired from an FI;
- 9           c) Rent, lease, hire, subject to security interest, mortgage, transfer, sell,  
10           exchange, usufruct, secure, securitize, collect rents and profits, and other  
11           similar acts concerning its NPAs acquired from an FI;
- 12           d) in case of NPLs, to restructure debt, condone debt and undertake other  
13           restructuring related activities. In restructuring debt, the FISTC may reduce  
14           the principal amount, interest earned, interest rates, and the period for  
15           calculating the interest, extend the time for debt repayment or relax the  
16           conditions for debt repayment, agree to the conversion of the borrower's debt  
17           to equity in the borrower's business, agree to a transfer of assets or claims  
18           from the borrower to repay the debt or dispose of some of the borrower's  
19           property or claims to third persons;
- 20           e) Buy or transfer shares issued by the borrower for the purpose of business  
21           reorganization or rehabilitation of the borrower, subject to the provisions of  
22           the Revised Corporation Code of the Philippines in respect to the rights of the  
23           shareholders of the borrower company, and apply other measures or  
24           restructuring techniques with the approval of the Commission;
- 25           f) Enter into dation in payment arrangements, foreclose judicially or extra-  
26           judicially and other forms of debt settlement involving NPLs;
- 27           g) Spend funds to renovate, improve, complete or alter its NPAs acquired from  
28           an FI;
- 29           h) Issue equity or participation certificates or other forms of IUIs for the purpose  
30           of acquiring, managing, improving and disposing of its NPAs acquired from an  
31           FI;

- 1        l) Borrow money and issue other instruments of indebtedness for the purpose of  
2        paying operational and administrative costs;
- 3        j) Guarantee credit, and accept, intervene or honor the bills of borrowers;
- 4        k) Require from selling FIs a data package which should contain, among others,  
5        scans of all pertinent documents and particulars of each property or loan  
6        account being sold;
- 7        l) Advance funds to borrowers as may be required for an acquired asset or any  
8        debt restructuring agreement pursuant thereto, or under any court order or  
9        rehabilitation plan; and
- 10       m) Engage the services of a third-party asset servicing company for the collection  
11       and receipt of the debt payments for debts under debt restructuring or  
12       business reorganization, management and disposition of assets of the FISTC  
13       in accordance with the rules, procedures and conditions prescribed by the  
14       Commission, or by the courts. Except in the case of ROPAs whose redemption  
15       periods have already expired, the FISTC shall notify the borrower and all  
16       persons holding prior encumbrances upon the properties, or a part thereof, or  
17       are actually holding the same adversely against the borrower, of the  
18       appointment of such third-party asset servicing company within fifteen (15)  
19       days from the date of the appointment.

20       *Sec. 6. Period for Filing of Applications.* – Applications for the establishment  
21       and registration of a FISTC shall be filed with the Commission within thirty six (36)  
22       months from the effectivity of this Act.

23       Entities created under Republic Act No. 9182, as amended, are qualified to  
24       avail of the privileges and incentives under this Act.

25       *Sec. 7. Capitalization of a FISTC.* – A FISTC shall have adequate minimum  
26       capitalization in such amount as may be prescribed by the Commission: *Provided,*  
27       That where land and foreign equity participation are concerned, the FISTC shall  
28       comply with the provisions of the Constitution and the minimum capital  
29       requirements in accordance with the Foreign Investments Act, otherwise known as  
30       Republic Act No. 7042, as amended.

31       *Sec. 8. Submission of FISTC Plan.* – Within the period prescribed by the  
32       Commission, reckoned from the establishment of a FISTC pursuant to Section 4

1 hereof, a FISTC Plan shall be submitted to the Commission for approval and shall  
2 include the following:

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

21 *Sec. 9. Approval, Rejection, Suspension or Revocation of FISTC Plan. –*

- 22 a) Approval – Upon approval of the FISTC Plan, the Commission shall issue an  
23 Approval Certificate stating that the FISTC plan has been rendered effective  
24 and the sale and distribution of IUIs covered by such plan has been  
25 authorized.
- 26 b) Amendments to Approved FISTC Plan – If a FISTC Plan becomes on its face  
27 incomplete or inaccurate in any material respect, upon the request of  
28 concerned parties or at its own determination, the Commission shall issue an  
29 order directing the amendment of the FISTC Plan. Upon compliance with such  
30 order, the amended FISTC Plan shall become effective upon approval of the  
31 Commission or appropriate regulatory authority pursuant to Section 4 of this  
32 Act.

1 c) Rejection, Suspension or Revocation – The Commission may reject a  
2 submitted FISTC Plan if on its face it was not in compliance with the  
3 requirements of this Act or the rules and regulations issued to implement it. It  
4 is also authorized to suspend or revoke the effectivity of an approved plan  
5 after due notice and hearing by issuing an order to such effect setting forth  
6 its findings in respect thereto, if it finds that:

7 1. The FISTC has violated any of the provisions of this Act or any order of  
8 the Commission which the FISTC has notice of in connection with the  
9 offering of IUIs for which a FISTC Plan has been filed;

10 2. The FISTC has been, or is engaged, or is about to engage in fraudulent  
11 transactions;

12 3. The FISTC has made any false or misleading representation of material  
13 facts in any approved plan concerning the FISTC or its IUIs;

14 4. The FISTC has failed to comply with any requirement that the  
15 Commission may impose as a condition for the issuance of IUI for  
16 which a FISTC Plan has been filed; or

17 5. The FISTC Plan is, on its face, incomplete or inaccurate in any material  
18 respect, or includes any untrue statement of a material fact, or omits  
19 to state a material fact required to be stated, or one which is necessary  
20 to obviate any misappreciation of the statements therein.

21 **Sec. 10. Issuance of IUIs.** – The FISTC may be allowed to issue IUIs subject  
22 to the rules and regulations the Commission is herein mandated to promulgate.

23 **Sec. 11. Permitted Investors.** – Any qualified buyer, as defined in Section 10.1  
24 (I) of Republic Act No. 8799, may acquire or hold IUIs in a FISTC in the minimum  
25 amount of Ten million pesos (P10,000,000.00): *Provided*, That a FISTC shall not be  
26 authorized to acquire the IUIs of another FISTC: *Provided, further*, That the parent,  
27 subsidiaries, affiliates or stockholders, directors, officers or any related interest of  
28 the selling FI or the parent’s subsidiaries, affiliates or stockholders, directors, officers  
29 or any related interest shall not acquire or hold, directly or indirectly, the IUIs of the  
30 FISTC that acquired the NPAs of the FI.

31 **ARTICLE III**

32 **Transfer of Assets to FISTC**



1           **Sec. 12. Notice and Manner of Transfer of Assets. –**

- 2           a) No transfer of NPLs to a FISTC shall take effect unless the FI concerned shall  
3           give prior notice to the borrowers of the NPLs and all persons holding prior  
4           encumbrances upon the assets mortgaged or subject to security interest.  
5           Such notice shall be in writing and made in accordance with the 2019 Rules of  
6           Civil Procedure, as amended, at their last known address or their email  
7           address registered and on file with the FI. The borrower shall be given a  
8           period of at most ninety (90) days upon receipt of notice from the FI to  
9           restructure or renegotiate the loan under such terms and conditions as may  
10          be agreed upon by the borrower and the FI concerned.
- 11          b) The transfer of NPAs from an FI to a FISTC shall be subject to prior  
12          Certification of Eligibility as NPA by the appropriate regulatory authority  
13          having jurisdiction over its operations which shall issue its certification within  
14          twenty (20) working days from the date of application by the FI for eligibility:  
15          *Provided*, That nothing in this act shall be construed to prevent the transfer of  
16          NPAs under other applicable laws: *Provided, further*, That prior certification of  
17          eligibility is necessary to avail of the incentives and exemption privileges  
18          provided under Sections 15, 16, and 17 of this Act.
- 19          c) After the sale or transfer of the NPLs, the transferring FI shall inform the  
20          borrower in writing at the last known address of the fact of the sale or  
21          transfer of the NPLs. The re-acquisition of the NPA by the borrower or owner  
22          from the FISTC or subsequent transferee other than by the exercise of the  
23          right of redemption as provided for in Section 20 hereof shall be in  
24          accordance with the terms and conditions as may be agreed upon by them.
- 25          d) Prior to the execution of the definitive agreements for the transfer of NPAs  
26          from an FI to a FISTC, the appropriate regulatory agency shall consult with  
27          and take into account the inputs and comments of the Philippine Competition  
28          Commission on proposed transactions that breach the notification thresholds  
29          under Republic Act No. 10667, otherwise known as the Philippine Competition  
30          Act before the issuance of the certification of transfer.

31           **Sec. 13. Nature of Transfer. –** All sales or transfers of NPAs to a FISTC shall  
32          be in the nature of a true sale after proper notice in accordance with the procedure

1 as provided for in Section 12, without need for the borrower's consent: *Provided,*  
2 That in the transfer of the NPLs, the provisions on the right of the debtor to  
3 reimburse the assignee or transferee under Article 1634 of the New Civil Code shall  
4 not apply: *Provided, further,* That disposition of assets of a GFI and a GOCC shall be  
5 covered by special rules to be incorporated in the rules and regulations of this Act:  
6 *Provided, finally,* That after the sale, the FISTC shall assume all rights and  
7 obligations of the transferring FI.

8 In the transfer of NPAs, the parties shall exercise the requisite due diligence  
9 and any fraud, collusion and irregularity shall be subject to penalties in Sec. 24 of  
10 this Act, as well as other pertinent laws, rules and regulations.

11 **Sec. 14. *Issuance of Injunctive Relief Against Transfer of Assets.*** – No court,  
12 other than the Court of Appeals and the Supreme Court, shall issue any temporary  
13 restraining order, preliminary injunction, preliminary mandatory injunction, status  
14 quo order, stay order, commencement order, or any other issuance of injunctive  
15 relief against the transfer of NPAs from the FI to a FISTC, and from a FISTC to a  
16 third party, or dation in payment by the borrower or by a third party in favor of an FI  
17 or in favor of a FISTC, or judicial or extrajudicial foreclosure sales or execution sales  
18 of the FI or FISTC of collateral in settlement of NPLs.

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

22 The provisions of Rules of Court on injunctions insofar as these are applicable  
23 and not inconsistent with the provisions of this Act shall govern the issuance and  
24 dissolution of restraining orders, injunctions, status quo orders or stay orders against  
25 said transfers.

## 26 **ARTICLE IV**

### 27 **Incentives and Exemption Privileges**

28 **Sec. 15. *Tax Exemptions and Fee Privileges.*** – Any existing law to the  
29 contrary notwithstanding, the transfer of NPAs from the FI to a FISTC, and from a  
30 FISTC to a third party or dation in payment by the borrower or by a third party in  
31 favor of an FI or in favor of a FISTC shall be exempt from the following taxes:

- 1 a) Documentary stamp tax on the abovementioned transfer of NPAs and dation  
2 in payment as may be imposed under Title VII of the National Internal  
3 Revenue Code of 1997, as amended by Republic Act No. 10963, otherwise  
4 known as the Tax Reform for Acceleration and Inclusion (TRAIN) Act;
- 5 b) Capital gains tax imposed on the transfer of lands and/or other assets treated  
6 as capital assets as defined under Section 39(A)(1) of the National Internal  
7 Revenue Code of 1997, as amended;
- 8 c) Creditable withholding income taxes imposed on the transfer of land and/or  
9 buildings treated as ordinary assets pursuant to Bureau of Internal Revenue  
10 (BIR) Revenue Regulation No. 2-98, as amended;
- 11 d) Value-added tax on the transfer of NPAs as may be imposed under Title IV of  
12 the National Internal Revenue Code of 1997, as amended, or gross receipts  
13 tax under Title V of the same Code, whichever is applicable pursuant to  
14 regulations of the BIR.

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

- 17 a) Fifty percent (50%) of the applicable registration and transfer fees on the  
18 transfer of real estate mortgage and security interest to and from the FISTC,  
19 as imposed in accordance with the existing circulars of the Land Registration  
20 Authority (LRA);
- 21 b) Fifty percent (50%) of the filing fees for any foreclosure initiated by the  
22 FISTC in relation to any NPA acquired from an FI, as prescribed by the Rules  
23 of Court; and
- 24 c) Fifty percent (50%) of the land registration fees prescribed under the existing  
25 circulars of the LRA.

26 All sales or transfers of NPAs from the FIs to a FISTC or transfers by way of dation in  
27 payment by the borrower or by a third party to the FI shall be entitled to the  
28 privileges enumerated herein for a period of not more than two (2) years from the  
29 date of effectivity of this Act.

30 Transfers from a FISTC to a third party of NPAs acquired by the FISTC within  
31 such two-year period, or within such extended period, or transfers by way of dation  
32 in payment by a borrower or by a third party to the FISTC shall enjoy the privileges

1 enumerated herein for a period of not more than five (5) years from the date of  
2 acquisition by the FISTC: *Provided*, That properties acquired by a FISTC from GFIs  
3 or GOCCs which are devoted to socialized or low-cost housing shall not be converted  
4 to other uses.

5 The tax exemptions, incentives, and fee privileges given to FIs and FISTC at  
6 the various stages of the transactions under this Section shall likewise be extended  
7 to any individual: *Provided*, That:

- 8 i. the transaction is limited to a ROPA that is either a single family residential  
9 unit or an empty lot, or to NPL secured by a real estate mortgage on a  
10 residential unit or an empty lot;
- 11 ii. there shall only be one transaction consisting of one residential unit or empty  
12 lot per individual;
- 13 iii. the two-year transfer period, including its extension, and the five-year  
14 entitlement period granted to NPA shall also apply to said single family  
15 residential unit or empty lot.

16 To prevent inordinate delay in the grant of incentives and exemption  
17 privileges, the Certificate of Eligibility duly issued by the appropriate regulatory  
18 agency is sufficient proof of the entity's entitlement thereto.

19 *Sec. 16. Additional Tax Exemptions and Fee Privileges.* – To encourage the  
20 infusion of capital and financial assistance by the FISTC for the purpose of  
21 rehabilitating the borrower's business, the following additional tax exemptions and  
22 privileges shall be enjoyed:

- 23 a) The FISTC shall be exempt from income tax on net interest income,  
24 documentary stamp tax and mortgage registration fees on new loans in  
25 excess of existing loans extended to borrowers with NPLs which have been  
26 acquired by the FISTC;
- 27 b) In case of capital infusion by the FISTC to the borrower with NPLs, the FISTC  
28 shall also be exempt from the documentary stamp tax;

29 *Provided*, that the tax exemptions and fee privileges granted under this  
30 Section shall apply for a period of not more than five (5) years from the date of  
31 acquisition of NPLs by the FISTC.

32 *Sec. 17. Net Operating Loss Carry-Over (NOLCO) of Participating FIs.* –

- 1 a) Any loss that is incurred by an FI as a result of the transfer of an NPA within  
2 the two-year period from the effectivity of this Act, shall be treated as  
3 ordinary loss: *Provided*, That the accrued interest and penalties shall not be  
4 included as loss on said loss carry over from operations, subject to the  
5 provisions of the National Internal Revenue Code of 1997 on net operating  
6 loss carry-over (NOLCO). Such loss incurred by the FI from the transfer of  
7 NPAs within the two-year period from the effectivity of this Act may be carried  
8 over for a period of five (5) consecutive taxable years immediately following  
9 the year of such loss: *Provided, further*, That for purposes of corporate gain  
10 or loss, the carry-over shall be subject to pertinent laws: *Provided, finally*,  
11 That the tax savings derived by FIs from the NOLCO shall not be made  
12 available for dividend declaration but shall be retained as a form of capital  
13 build-up. The DOF, upon the recommendation of the BIR, shall issue the rules  
14 and regulations to effectively implement the provisions of this Section.
- 15 b) The regulatory authority concerned shall promulgate the necessary rules and  
16 regulations governing the treatment of any loss of the FIs in the books of  
17 account as a result of the transfer of the NPAs.
- 18 c) In the case of GFIs and GOCCs enumerated in Section 3 (d) hereof, the DOF,  
19 in consultation with the Commission on Audit (COA), shall promulgate the  
20 necessary rules and regulations governing the treatment of any loss in their  
21 books of accounts as a result of the transfer of their NPAs.

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

## 29 **ARTICLE V**

### 30 **Enforcement and Protection Provisions**

31 **Sec. 19. Financial Consumer Protection Mechanism.**– The FISTC shall set up  
32 an appropriate financial consumer protection mechanism taking into consideration

1 the provisions of existing laws, rules and regulations for the protection of borrowers:  
2 *Provided, however,* That the rights of borrowers under existing laws shall not be  
3 impaired nor diminished.

4 Financial consumer protection mechanism shall include standards of conduct  
5 on disclosure and transparency, conflicts of interest, protection of client information,  
6 fair treatment in terms of affordability and suitability of product or service,  
7 prevention of over-indebtedness, cooling-off period, and objectivity, effective  
8 recourse and exhaustion of all remedies, among others.

9 **Sec. 20. *Redemption Periods.*** – The provision on redemption under Section  
10 47 of “The General Banking Law of 2000”, Republic Act No. 3135, and the Rules of  
11 Court shall govern: *Provided,* That in case of conflict between provisions of these  
12 laws, Section 47 of the General Banking Law of 2000 shall prevail: *Provided, further,*  
13 That the provisions of Article 1634 of the Civil Code, as well as other redemption  
14 laws shall not apply.

## 15 **ARTICLE VI**

### 16 **Accounting and Reporting Provisions**

17 **Sec. 21. *Books of Accounts and Records.*** – The FISTC shall set and keep  
18 accurate accounts and internal financial controls and shall appoint an external  
19 auditor that is acceptable to the Commission. The Commission, the BSP, and the BIR  
20 may look into the books of accounts and records of the FISTC at reasonable hours  
21 on business days after due notice.

22 **Sec. 22. *Reports and Monitoring.*** – The Commission, the regulatory  
23 authorities, and the BIR shall prescribe the submission of reports from the FISTC  
24 and the FIs for the proper implementation of this Act. To guide in their market  
25 monitoring activities, a database of the sales and transfers consummated in  
26 accordance with Section 12 shall be submitted by FISTCs and FIs to the  
27 Commission, BIR, Philippine Competition Commission, and other relevant agencies,  
28 on a monthly basis: *Provided,* That the beneficiaries of the tax exemptions and fee  
29 privileges under this Act shall submit the data necessary for the DOF and the  
30 National Economic Development Authority (NEDA) to review and analyze the impact  
31 of the incentives availment.

## 32 **ARTICLE VII**

1 **Final Provisions**

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

7 *Sec. 24. Penalties and Administrative Sanctions.* – Any person who violates  
8 any of the provisions of this Act, or any person who, in a notice, certification or plan  
9 filed under this Act, makes any untruthful statement of a material fact or omits to  
10 state any material fact required to be stated therein, shall, upon conviction, suffer a  
11 fine of not less than One hundred thousand pesos (P100,000.00) nor more than Two  
12 million pesos (P2,000,000.00) or imprisonment of not less than six (6) years nor  
13 more than twelve (12) years, or both, at the discretion of the court, without  
14 prejudice to the penalties provided under Section 18 hereof, Section 37 of Republic  
15 Act No. 7653, as amended, and other applicable laws. If the offender is an alien, he  
16 shall, in addition to the penalties herein prescribed, be deported without further  
17 proceedings after serving the penalties herein prescribed. If the offender is a public  
18 official or employee, he shall, in addition to the penalties prescribed herein, suffer  
19 absolute or temporary disqualification from government or public office, as the case  
20 may be.

21 If the offender is a juridical person, the Commission may impose the  
22 administrative sanctions stated below upon the corporation and/or its officers.

23 If, after due notice and hearing, the Commission finds that: (a) there is a  
24 violation of this Act, its rules, or its orders; or (b) any FISTC or other person has, in  
25 a FISTC plan or in other reports, applications, accounts, records or documents  
26 required by law to be filed with the Commission, made any untrue statement of a  
27 material fact, or omitted to state any material fact required to be stated therein or  
28 necessary to make the statements therein not misleading, the Commission shall, in  
29 its discretion, impose any or all of the following sanctions as may be appropriate in  
30 light of the facts and circumstances:

- 31 i. Suspension, or revocation of any approved FISTC plan for the offering of  
32 IUIs;

1     ii. Fine of no less than Ten thousand pesos (P10,000.00) nor more than One  
2         million pesos (P1,000,000.00) plus not more than Two thousand pesos  
3         (P2,000.00) for each day of continuing violation, or in such amounts as may  
4         be prescribed by the Commission; and

5     iii. Other penalties within the power of the Commission to impose.

6         With respect to financial institutions, the administrative sanctions in the  
7         preceding paragraph shall be enforced, without prejudice to the administrative  
8         sanctions that may be imposed by the BSP and the SEC which are prescribed under  
9         the laws governing the financial institutions under their respective jurisdictions, and  
10        without further prejudice to the penalties as may be imposed by the courts.

11        **Sec. 25. *Applicability Clause.*** – The provisions of this Act shall be applicable to  
12        assets that have become non-performing as of December 31, 2021.

13        **Sec. 26. *Conscience Clause.*** – Nothing in this Act shall be construed to  
14        condone or exempt from any liability any person responsible for acts or omissions  
15        constituting unsound business practices or mismanagement.

16        **Sec. 27. *Oversight Committee.*** – There is hereby created a Joint  
17        Congressional Oversight Committee (JCOC) to oversee, monitor, and evaluate the  
18        implementation of this Act. The JCOC shall be composed of five (5) members each  
19        from the House of Representatives and from the Senate. The JCOC shall be co-  
20        chaired by the Chairpersons of the House Committee on Banks and Financial  
21        Intermediaries and the Senate Committee on Banks, Financial Institutions and  
22        Currencies. The Speaker and the Senate President shall designate the other four  
23        members of the JCOC of the House and the Senate from among the members of the  
24        House Committee on Banks and Financial Intermediaries and the Senate Committee  
25        on Banks, Financial Institutions, and Currencies, at least one member of which shall  
26        be from the minority.

27        **Sec. 28. *Use of Registration Fees.*** – To carry out the purposes of this Act, the  
28        Commission shall retain and use all fees paid to it relative to the establishment of a  
29        FISTC in addition to its annual budget and to what is provided for under Section 75,  
30        on partial use of income, of Republic Act No. 8799 or the Securities Regulation Code.

31        **Sec. 29. *Implementing Rules and Regulations.*** – Within thirty (30) days from  
32        the effectivity of this Act, the Commission, jointly with the BSP, the DOF, BIR and



1 the Land Registration Authority (LRA), shall promulgate the necessary rules and  
2 regulations for the effective and faithful implementation of this Act: *Provided*, That  
3 within thirty (30) days from the effectivity of this Act, the DOF, upon  
4 recommendation of the BIR, shall promulgate the revenue regulations implementing  
5 the fiscal incentives under this Act. All the issuances pursuant to this Act must  
6 strictly comply with Republic Act No. 11032 or the "Ease of Doing Business and  
7 Efficient Government Service Delivery Act of 2018".

8 The non-promulgation of the implementing rules and regulations shall not  
9 prevent the implementation of this Act upon its effectivity.

10 Sec. 30. *Separability Clause.* – If any provision of this Act is held  
11 unconstitutional or invalid, all other provisions not affected thereby shall remain  
12 valid.

13 Sec. 31. *Repealing Clause.* – Republic Act No. 9182, as amended by Republic  
14 Act No. 9343, otherwise known as "The Special Purpose Vehicle (SPV) Act of 2002,"  
15 is hereby repealed. All laws, decrees, executive orders, rules and regulations or parts  
16 thereof, which are inconsistent with this Act, are hereby repealed, amended or  
17 modified accordingly.

18 Sec. 32. *Effectivity.* – This Act shall take effect immediately upon its  
19 publication in the Official Gazette and in a newspaper of general circulation.

*Approved,*