

CONGRESS OF THE PHILIPPINES  
EIGHTEENTH CONGRESS  
*Second Regular Session*

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**Certified by the President  
for its  
Immediate Enactment  
on October 16, 2020**

**As Approved  
on 3<sup>rd</sup> Reading  
on November 10, 2020**

## SENATE

S. No. 1849

(In Substitution of S. Nos. 1594, 1596, and 1652 taking  
into consideration H. 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, POE AND VILLANUEVA 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  
2           “Financial Institutions Strategic Transfer (FIST) Act”.

3           SEC. 2. *Declaration of Policy.* – The State recognizes  
4           the role of banks and other financial institutions as  
5           mobilizers of savings and investments and in providing the

1 needed financial system liquidity to keep the economy  
2 afloat. Thus, it is essential that banks and other financial  
3 institutions are able to maintain their financial health in  
4 order to cushion the adverse economic impact of the  
5 COVID-19 pandemic. It is hereby declared the policy of the  
6 State:

7 (a) To develop and maintain a sound financial sector  
8 for the country;

9 (b) To address the non-performing asset problems of  
10 the financial sector;

11 (c) To encourage private sector investments in non-  
12 performing assets;

13 (d) To eliminate existing barriers in the acquisition  
14 of non-performing assets;

15 (e) To help in the rehabilitation of distressed  
16 businesses with the end in view of their becoming economic  
17 value-added contributors; and

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

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

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

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

12           (c) Certificate of Eligibility (COE) refers to the  
13 certificate issued by the appropriate regulatory authority  
14 as to the eligibility of the Non-Performing Loans (NPL) or  
15 Real and Other Properties Acquired (ROPAs) for purposes  
16 of availing of the tax exemptions and privileges, pursuant  
17 to the provisions of this Act;

18           (d) Data Package refers to the complete set of  
19 documents, as may be prescribed by the Commission,  
20 which must be prepared and made available by the selling

1 Financial Institutions (FIs) in respect of the sale of Non-  
2 Performing Assets (NPAs) or NPLs. The Data Package  
3 should contain, among others, scans of all pertinent  
4 documents and particulars of each property or loan account  
5 being sold and should be made electronically available to  
6 potential bidders;

7 (e) FIs means credit-granting institutions which  
8 shall be limited to the following:

9 (1) The Bangko Sentral ng Pilipinas (BSP);

10 (2) A bank, as defined under Republic Act No. 8791,  
11 also known as “The General Banking Law of 2000”;

12 (3) A financing company, as defined under Republic  
13 Act No. 8556, also known as “The Financing Company Act  
14 of 1998”;

15 (4) An investment house, as defined in Presidential  
16 Decree No. 129, also known as “The Investment Houses  
17 Law”;

18 (5) A lending company, as defined under Republic  
19 Act No. 9474, also known as “Lending Company Regulation  
20 Act of 2007”;

1           (6) Accredited microfinance nongovernment  
2 organizations (NGOs), as defined under Republic Act No.  
3 10693, otherwise known as “Microfinance NGOs Act”;

4           (7) An insurance company as defined under  
5 Presidential Decree No. 612, also known as the “Insurance  
6 Code”, as amended;

7           (8) Government financial institutions (GFIs), which  
8 for purposes of this Act, refers, but are not limited, to the  
9 Philippine Deposit Insurance Corporation (PDIC), Land  
10 Bank of the Philippines (LBP), and Development Bank of  
11 the Philippines (DBP);

12           (9) Government-owned or -controlled corporations  
13 (GOCCs), which for purposes of this Act, refers, but are not  
14 limited to, the National Home Mortgage Finance  
15 Corporation (NHMFC), Philippine Guarantee Corporation  
16 (PGC), Home Development Mutual Fund (HDMF), Social  
17 Security System (SSS), Government Service Insurance  
18 System (GSIS), Small Business Corporation (SBC), and  
19 National Housing Authority (NHA); and

1           (10) Other institutions licensed by the BSP to  
2 perform (i) quasi-banking functions and (ii) credit-granting  
3 activities, including but not limited to, non-stock savings  
4 and loan associations, and non-bank credit card issuers;

5           (f) FISTC Plan refers to the Plan submitted to the  
6 Commission for its approval as pre-requisite to the  
7 issuance of an IUI;

8           (g) IUI refers to a participation certificate, debt  
9 instrument or similar instrument issued by the FISTC and  
10 subscribed by Permitted Investors as provided in Section  
11 11 hereof, pursuant to an Approved Plan: *Provided*, That  
12 these shall not include the instruments to be issued by the  
13 FISTC to the selling FIs as full or partial settlement of the  
14 NPAs transferred to the said FISTC: *Provided, further*,  
15 That such issuances of the FISTC shall not be considered  
16 as deposit substitutes: *Provided, finally*, That these shall  
17 not form part of the capital stock of the FISTC;

18           (h) NPAs consist of the non-performing loans and  
19 real and other properties acquired by FIs;

1           (i) NPLs refer to secured or unsecured loans,  
2           receivables, and other financial assets of similar nature,  
3           including restructured loans, whose principal and/or  
4           interest have remained unpaid for at least one hundred  
5           and eighty (180) days after they have become past due or  
6           any of the events of default under the loan agreement has  
7           occurred;

8           (j) ROPAs refer to real and other properties,  
9           acquired by an FI in settlement of loans and receivables,  
10          including real properties, shares of stocks, and personal  
11          properties which have been acquired by way of dation in  
12          payment (*dacion en pago*) or judicial or extra-judicial  
13          foreclosure or execution of judgment or enforcement of  
14          security interest;

15          (k) True Sale refers to a sale wherein the selling FI  
16          transfers or sells its NPAs to a FISTC, without recourse to  
17          cash or property in exchange for the transfer or sale, and  
18          without prejudice to the FI and FISTC agreeing on sharing  
19          of profits and subject to the following results:





1 percent (60%) of its outstanding capital stock shall be  
2 owned by Philippine nationals as defined under Republic  
3 Act No. 7042, as amended, otherwise known as the  
4 “Foreign Investments Act”.

5 The Commission, in coordination with the  
6 Department of Justice (DOJ), shall have the power to  
7 investigate, *motu proprio* or upon verified complaint,  
8 possible violations of the Anti-Dummy Law and the  
9 appropriate regulatory agencies shall ensure compliance by  
10 FISTC of this Act and other applicable laws.

11 SEC. 5. *Powers of a FISTC.* – A FISTC shall have the  
12 following powers:

13 (a) Invest in, or acquire NPAs of FIs;

14 (b) Engage third parties to manage, operate, collect  
15 and dispose of NPAs acquired from an FI;

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

1           (d) In case of NPLs, to restructure debt, condone  
2 debt and undertake other restructuring related activities.  
3 In restructuring debt, the FISTC may reduce the principal  
4 amount, interest earned, interest rates, and the period for  
5 calculating the interest, extend the time for debt  
6 repayment or relax the conditions for debt repayment,  
7 agree to the conversion of the borrower's debt to equity in  
8 the borrower's business, agree to a transfer of assets or  
9 claims from the borrower to repay the debt or dispose of  
10 some of the borrower's property or claims to third persons;

11           (e) Buy or transfer shares issued by the borrower for  
12 the purpose of business reorganization or rehabilitation of  
13 the borrower, subject to the provisions of the Revised  
14 Corporation Code of the Philippines in respect to the rights  
15 of the shareholders of the borrower company, and apply  
16 other measures or restructuring techniques with the  
17 approval of the Commission;

18           (f) Enter into dation in payment arrangements,  
19 foreclose judicially or extra-judicially and other forms of  
20 debt settlement involving NPLs;

1 (g) Spend funds to renovate, improve, complete or  
2 alter its NPAs acquired from an FI;

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

6 (i) Borrow money and issue other instruments of  
7 indebtedness for the purpose of paying operational and  
8 administrative costs;

9 (j) Guarantee credit, and accept, intervene or honor  
10 the bills of borrowers;

11 (k) Require from selling FIs a data package which  
12 should contain, among others, scans of all pertinent  
13 documents and particulars of each property or loan account  
14 being sold;

15 (l) Advance funds to borrowers as may be required  
16 for an acquired asset or any debt restructuring agreement  
17 pursuant thereto, or under any court order or  
18 rehabilitation plan; and

19 (m) Engage the services of a third-party asset  
20 servicing company for the collection and receipt of the debt

1 payments for debts under debt restructuring or business  
2 reorganization, management and disposition of assets of  
3 the FISTC in accordance with the rules, procedures and  
4 conditions prescribed by the Commission, or by the courts.  
5 Except in the case of ROPAs whose redemption periods  
6 have already expired, the FISTC shall notify the borrower  
7 and all persons holding prior encumbrances upon the  
8 properties, or a part thereof, or are actually holding the  
9 same adversely against the borrower, of the appointment  
10 of such third-party asset servicing company within fifteen  
11 (15) days from the date of the appointment.

12 SEC. 6. *Period for Filing of Applications.* –  
13 Applications for the establishment and registration of a  
14 FISTC shall be filed with the Commission within thirty-six  
15 (36) months from the effectivity of this Act.

16 Entities created under Republic Act No. 9182, as  
17 amended, otherwise known as “The Special Purpose  
18 Vehicle (SPV) Act of 2002”, are qualified to avail of the  
19 privileges and incentives under this Act.

1           SEC. 7. *Capitalization of a FISTC.* – A FISTC shall  
2 have a minimum authorized capital stock of Five hundred  
3 million pesos (P500,000,000.00), with a minimum  
4 subscribed capital stock of One hundred twenty-five  
5 million pesos (P125,000,000.00), and a minimum of paid-up  
6 capital of Thirty-one million two hundred fifty thousand  
7 pesos (P31,250,000.00). Where land and foreign equity  
8 participation are concerned, the FISTC shall comply with  
9 the provisions of the Constitution and the minimum  
10 capital requirements in accordance with Republic Act No.  
11 7042, as amended, otherwise known as “The Foreign  
12 Investments Act”.

13           SEC. 8. *Submission of FISTC Plan.* – Within the  
14 period prescribed by the Commission, reckoned from the  
15 establishment of a FISTC pursuant to Section 4 hereof, a  
16 FISTC Plan shall be submitted to the Commission for  
17 approval and shall include the following:

- 18           (a) Investment policies of the FISTC;  
19           (b) Contribution plan including the amounts and  
20 draft of subscription documents;

- 1 (c) Features of the IUIs, including the specific  
2 amounts issued and to be issued;
- 3 (d) Rights of the holders of the IUIs;
- 4 (e) Draft agreements for the appointment of trustees  
5 and agents with respect to the IUIs and the NPLs acquired  
6 from an FI;
- 7 (f) Name of the external auditor of the FISTC;
- 8 (g) Roles and responsibilities of the trustees,  
9 advisors, loan servicers and property managers;
- 10 (h) Draft form of financial reports of the FISTC;
- 11 (i) Details of distribution policies;
- 12 (j) Methods for the increase and decrease of future  
13 fund contribution;
- 14 (k) Methods for the alteration or modification of the  
15 approved FISTC Plan;
- 16 (l) Methods for the liquidation and distribution of  
17 assets to the holders of IUIs;
- 18 (m) Details of credit enhancements like guarantees  
19 or standby letters of credit or advances that may be

1 extended to the FISTC by an entity which shall not be the  
2 selling FI, its parent, subsidiaries or affiliates; and

3 (n) Such other documents or information as may be  
4 required by the Commission.

5 SEC. 9. *Approval, Rejection, Suspension or Revocation*  
6 *of FISTC Plan.* –

7 (a) Approval – Upon approval of the FISTC Plan, the  
8 Commission shall issue an Approval Certificate stating  
9 that the FISTC Plan has been rendered effective and the  
10 sale and distribution of IUIs covered by such plan has been  
11 authorized.

12 (b) Amendments to Approved FISTC Plan – If a  
13 FISTC Plan becomes on its face incomplete or inaccurate in  
14 any material respect, upon the request of concerned parties  
15 or at its own determination, the Commission shall issue an  
16 order directing the amendment of the FISTC Plan. Upon  
17 compliance with such order, the amended FISTC Plan  
18 shall become effective upon approval of the Commission or  
19 appropriate regulatory authority pursuant to Section 4 of  
20 this Act.

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

9           (1) The FISTC has violated any of the provisions of  
10 this Act or any order of the Commission which the FISTC  
11 has notice of in connection with the offering of IUIs for  
12 which a FISTC Plan has been filed;

13           (2) The FISTC has been, or is engaged, or is about to  
14 engage in fraudulent transactions;

15           (3) The FISTC has made any false or misleading  
16 representation of material facts in any Approved Plan  
17 concerning the FISTC or its IUIs;

18           (4) The FISTC has failed to comply with any  
19 requirement that the Commission may impose as a



1 condition for the issuance of IUI for which a FISTC Plan  
2 has been filed; or

3 (5) The FISTC Plan is, on its face, incomplete or  
4 inaccurate in any material respect, or includes any untrue  
5 statement of a material fact, or omits to state a material  
6 fact required to be stated, or one which is necessary to  
7 obviate any misappreciation of the statements therein.

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

11 SEC. 11. *Permitted Investors.* – Any qualified buyer,  
12 as defined in Section 10.1 (l) of Republic Act No. 8799,  
13 otherwise known as “The Securities Regulation Code”, may  
14 acquire or hold IUIs in a FISTC in the minimum amount of  
15 Ten million pesos (P10,000,000.00): *Provided*, That a  
16 FISTC shall not be authorized to acquire the IUIs of  
17 another FISTC: *Provided, further*, That the parent,  
18 subsidiaries, affiliates or stockholders, directors, officers or  
19 any related interest of the selling FI or the parent’s  
20 subsidiaries, affiliates or stockholders, directors, officers or

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

#### 4 ARTICLE III

##### 5 TRANSFER OF ASSETS TO FISTC

6 SEC. 12. *Notice and Manner of Transfer of Assets.* –

7 (a) No transfer of NPLs to a FISTC shall take effect  
8 unless the FI concerned shall give prior notice to the  
9 borrowers of the NPLs and all persons holding prior  
10 encumbrances upon the assets mortgaged or subject to  
11 security interest. Such notice shall be in writing and made  
12 in accordance with the 2019 Rules of Civil Procedure, as  
13 amended, at their last known address or their email  
14 address registered and on file with the FI. The borrower  
15 shall be given a period of at most ninety (90) days upon  
16 receipt of notice from the FI to restructure or renegotiate  
17 the loan under such terms and conditions as may be agreed  
18 upon by the borrower and the FI concerned.

19 (b) The transfer of NPAs from an FI to a FISTC  
20 shall be subject to prior COE as NPA by the appropriate

1 regulatory authority having jurisdiction over its operations  
2 which shall issue its certification within twenty (20)  
3 working days from the date of application by the FI for  
4 eligibility: *Provided*, That nothing in this Act shall be  
5 construed to prevent the transfer of NPAs under other  
6 applicable laws: *Provided, further*, That prior COE is  
7 necessary to avail of the incentives and exemption  
8 privileges provided under Sections 15, 16, and 17 of this  
9 Act.

10 (c) After the sale or transfer of the NPLs, the  
11 transferring FI shall inform the borrower in writing at the  
12 last known address of the fact of the sale or transfer of the  
13 NPLs. The re-acquisition of the NPA by the borrower or  
14 owner from the FISTC or subsequent transferee other than  
15 by the exercise of the right of redemption as provided for in  
16 Section 20 hereof shall be in accordance with the terms  
17 and conditions as may be agreed upon by them.

18 (d) Prior to the execution of the definitive  
19 agreements for the transfer of NPAs from an FI to a  
20 FISTC, the appropriate regulatory agency shall consult

1 with and take into account the inputs and comments of the  
2 Philippine Competition Commission on proposed  
3 transactions that breach the notification thresholds under  
4 Republic Act No. 10667, otherwise known as the  
5 “Philippine Competition Act” before the issuance of the  
6 Certification of Transfer.

7       SEC. 13. *Nature of Transfer.* – All sales or transfers of  
8 NPAs to a FISTC shall be in the nature of a true sale after  
9 proper notice in accordance with the procedure as provided  
10 for in Section 12, without need for the borrower’s consent:  
11 *Provided,* That in the transfer of the NPLs, the provisions  
12 on the right of the debtor to reimburse the assignee or  
13 transferee under Article 1634 of the New Civil Code shall  
14 not apply: *Provided, further,* That disposition of assets of a  
15 GFI and a GOCC shall be covered by special rules to be  
16 incorporated in the rules and regulations of this Act:  
17 *Provided, finally,* That after the sale, the FISTC shall  
18 assume all rights and obligations of the transferring FI.

19       In the transfer of NPAs, the parties shall exercise the  
20 requisite due diligence and any fraud, collusion and

1 irregularity shall be subject to penalties in Sec. 24 of this  
2 Act, as well as other pertinent laws, rules and regulations.

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

15       Any restraining order, injunction, status quo order,  
16 stay order, commencement order, or any other issuance of  
17 injunctive relief issued in violation of this section is void  
18 and of no force and effect.

19       The provisions of Rules of Court on injunctions  
20 insofar as these are applicable and not inconsistent with

1 the provisions of this Act shall govern the issuance and  
2 dissolution of restraining orders, injunctions, status quo  
3 orders or stay orders against said transfers.

#### 4 ARTICLE IV

##### 5 INCENTIVES AND EXEMPTION PRIVILEGES

6 SEC. 15. *Tax Exemptions and Fee Privileges.* – Any  
7 existing law to the contrary notwithstanding, the transfer  
8 of NPAs from the FI to a FISTC, and from a FISTC to a  
9 third party or dation in payment by the borrower or by a  
10 third party in favor of an FI or in favor of a FISTC shall be  
11 exempt from the following taxes:

12 (a) Documentary stamp tax on the abovementioned  
13 transfer of NPAs and dation in payment as may be  
14 imposed under Title VII of the National Internal Revenue  
15 Code of 1997, as amended by Republic Act No. 10963,  
16 otherwise known as the “Tax Reform for Acceleration and  
17 Inclusion (TRAIN) Act”;

18 (b) Capital gains tax imposed on the transfer of  
19 lands and/or other assets treated as capital assets as

1 defined under Section 39(A)(1) of the National Internal  
2 Revenue Code of 1997, as amended;

3 (c) Creditable withholding income taxes imposed on  
4 the transfer of land and/or buildings treated as ordinary  
5 assets pursuant to Bureau of Internal Revenue (BIR)  
6 Revenue Regulation No. 2-98, as amended;

7 (d) Value-added tax on the transfer of NPAs as may  
8 be imposed under Title IV of the National Internal  
9 Revenue Code of 1997, as amended, or gross receipts tax  
10 under Title V of the same Code, whichever is applicable  
11 pursuant to regulations of the BIR.

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

14 (a) Fifty percent (50%) of the applicable registration  
15 and transfer fees on the transfer of real estate mortgage  
16 and security interest to and from the FISTC, as imposed in  
17 accordance with the existing circulars of the Land  
18 Registration Authority (LRA);

19 (b) Fifty percent (50%) of the filing fees for any  
20 foreclosure initiated by the FISTC in relation to any NPA

1 acquired from an FI, as prescribed by the Rules of Court;  
2 and

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

5 All sales or transfers of NPAs from the FIs to a  
6 FISTC or transfers by way of dation in payment by the  
7 borrower or by a third party to the FI shall be entitled to  
8 the privileges enumerated herein for a period of not more  
9 than two (2) years from the approval of its FISTC Plan.

10 Transfers from a FISTC to a third party of NPAs  
11 acquired by the FISTC within such two (2)-year period, or  
12 within such extended period, or transfers by way of dation  
13 in payment by a borrower or by a third party to the FISTC  
14 shall enjoy the privileges enumerated herein for a period of  
15 not more than five (5) years from the date of acquisition by  
16 the FISTC: *Provided*, That properties acquired by a FISTC  
17 from GFIs or GOCCs which are devoted to socialized or  
18 low-cost housing shall not be converted to other uses.

19 The tax exemptions, incentives, and fee privileges  
20 given to FIs and FISTC at the various stages of the



1 transactions under this Section shall likewise be extended  
2 to any individual: *Provided*, That:

3 (a) The transaction is limited to a ROPA that is either  
4 a single family residential unit or an empty lot, or to NPL  
5 secured by a real estate mortgage on a residential unit or  
6 an empty lot;

7 (b) There shall only be one transaction consisting of  
8 one residential unit or empty lot per individual;

9 (c) The two (2)-year transfer period, including its  
10 extension, and the five (5)-year entitlement period granted  
11 to NPA shall also apply to said single family residential  
12 unit or empty lot.

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

17 Sec. 16. *Additional Tax Exemptions and Fee*  
18 *Privileges.* – To encourage the infusion of capital and  
19 financial assistance by the FISTC for the purpose of

1 rehabilitating the borrower's business, the following  
2 additional tax exemptions and privileges shall be enjoyed:

3 (a) The FISTC shall be exempt from income tax on  
4 net interest income, documentary stamp tax and mortgage  
5 registration fees on new loans in excess of existing loans  
6 extended to borrowers with NPLs which have been  
7 acquired by the FISTC;

8 (b) In case of capital infusion by the FISTC to the  
9 borrower with NPLs, the FISTC shall also be exempt from  
10 the documentary stamp tax:

11 *Provided*, That the tax exemptions and fee privileges  
12 granted under this section shall apply for a period of not  
13 more than five (5) years from the date of acquisition of  
14 NPLs by the FISTC.

15 SEC. 17. *Net Operating Loss Carry-Over (NOLCO) of*  
16 *Participating FIs.* –

17 (a) Any loss that is incurred by an FI as a result of  
18 the transfer of an NPA within the two (2)-year period from  
19 the effectivity of this Act, shall be treated as ordinary loss:

20 *Provided*, That the accrued interest and penalties shall not

1 be included as loss on said loss carry over from operations,  
2 subject to the provisions of the National Internal Revenue  
3 Code of 1997 on NOLCO. Such loss incurred by the FI from  
4 the transfer of NPAs within the two (2)-year period from  
5 the effectivity of this Act may be carried over for a period of  
6 five (5) consecutive taxable years immediately following  
7 the year of such loss: *Provided, further,* That for purposes  
8 of corporate gain or loss, the carry-over shall be subject to  
9 pertinent laws: *Provided, finally,* That the tax savings  
10 derived by FIs from the NOLCO shall not be made  
11 available for dividend declaration but shall be retained as  
12 a form of capital build-up. The Department of Finance  
13 (DOF), upon the recommendation of the BIR, shall issue  
14 the rules and regulations to effectively implement the  
15 provisions of this section.

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

1 (c) In the case of GFIs and GOCCs enumerated in  
 2 Section 3(e) hereof, the DOF, in consultation with the  
 3 Commission on Audit (COA), shall promulgate the  
 4 necessary rules and regulations governing the treatment of  
 5 any loss in their books of accounts as a result of the  
 6 transfer of their NPAs.

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

## 16 ARTICLE V

### 17 ENFORCEMENT AND PROTECTION PROVISIONS

18 SEC. 19. *Financial Consumer Protection Mechanism.*  
 19 – The FISTC shall set up an appropriate financial  
 20 consumer protection mechanism taking into consideration

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

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

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

20

## ARTICLE VI

## ACCOUNTING AND REPORTING PROVISIONS

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2  
3       SEC. 21. *Books of Accounts and Records.* – The FISTC  
4 shall set and keep accurate accounts and internal financial  
5 controls and shall appoint an external auditor that is  
6 acceptable to the Commission. The Commission, the BSP,  
7 and the BIR may look into the books of accounts and  
8 records of the FISTC at reasonable hours on business days  
9 after due notice.

10       SEC. 22. *Reports and Monitoring.* – The Commission,  
11 the regulatory authorities, and the BIR shall prescribe the  
12 submission of reports from the FISTC and the FIs for the  
13 proper implementation of this Act. To guide in their  
14 market monitoring activities, a database of the sales and  
15 transfers consummated in accordance with Section 12 shall  
16 be submitted by FISTCs and FIs to the Commission, BIR,  
17 Philippine Competition Commission, and other relevant  
18 agencies, on a monthly basis: *Provided,* That the  
19 beneficiaries of the tax exemptions and fee privileges under  
20 this Act shall submit the data necessary for the DOF and

1 the National Economic Development Authority (NEDA) to  
2 review and analyze the impact of the incentives availment.

3 ARTICLE VII

4 FINAL PROVISIONS

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

12 SEC. 24. *Penalties and Administrative Sanctions.* –  
13 Any person who violates any of the provisions of this Act,  
14 or any person who, in a notice, certification or plan filed  
15 under this Act, makes any untruthful statement of a  
16 material fact or omits to state any material fact required to  
17 be stated therein, shall, upon conviction, suffer a fine of not  
18 less than One hundred thousand pesos (P100,000.00) nor  
19 more than Two million pesos (P2,000,000.00) or  
20 imprisonment of not less than six (6) years nor more than

1 twelve (12) years, or both, at the discretion of the court,  
2 without prejudice to the penalties provided under Section  
3 18 hereof, Section 37 of Republic Act No. 7653, as  
4 amended, otherwise known as “The New Central Bank  
5 Act”, and other applicable laws. If the offender is an alien,  
6 he/she shall, in addition to the penalties herein prescribed,  
7 be deported without further proceedings after serving the  
8 penalties herein prescribed. If the offender is a public  
9 official or employee, he/she shall, in addition to the  
10 penalties prescribed herein, suffer absolute or temporary  
11 disqualification from government or public office, as the  
12 case may be.

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

16 If, after due notice and hearing, the Commission finds  
17 that: (a) there is a violation of this Act, its rules, or its  
18 orders; or (b) any FISTC or other person has, in a FISTC  
19 Plan or in other reports, applications, accounts, records or  
20 documents required by law to be filed with the



1 Commission, made any untrue statement of a material  
2 fact, or omitted to state any material fact required to be  
3 stated therein or necessary to make the statements therein  
4 not misleading, the Commission shall, in its discretion,  
5 impose any or all of the following sanctions as may be  
6 appropriate in light of the facts and circumstances:

7 (1) Suspension, or revocation of any approved FISTC  
8 Plan for the offering of IUIs;

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

14 (3) Other penalties within the power of the  
15 Commission to impose.

16 With respect to FIs, the administrative sanctions in  
17 the preceding paragraph shall be enforced, without  
18 prejudice to the administrative sanctions that may be  
19 imposed by the BSP and the Commission which are  
20 prescribed under the laws governing the FIs under their

1    respective jurisdictions, and without further prejudice to  
2    the penalties as may be imposed by the courts.

3           SEC. 25. *Applicability Clause.* – The provisions of this  
4    Act shall be applicable to assets that have become non-  
5    performing before December 31, 2022.

6           SEC. 26. *Conscience Clause.* – Nothing in this Act  
7    shall be construed to condone or exempt from any liability  
8    any person responsible for acts or omissions constituting  
9    unsound business practices or mismanagement.

10          SEC. 27. *Oversight Committee.* – There is hereby  
11    created a Joint Congressional Oversight Committee  
12    (JCOC) to oversee, monitor, and evaluate the  
13    implementation of this Act. The JCOC shall be composed of  
14    five (5) members each from the House of Representatives  
15    and from the Senate. The JCOC shall be co-chaired by the  
16    Chairpersons of the House Committee on Banks and  
17    Financial Intermediaries and the Senate Committee on  
18    Banks, Financial Institutions and Currencies. The Speaker  
19    and the Senate President shall designate the other four (4)  
20    members of the JCOC of the House and the Senate from

1 among the members of the House Committee on Banks and  
2 Financial Intermediaries and the Senate Committee on  
3 Banks, Financial Institutions, and Currencies, at least one  
4 (1) member of which shall be from the minority.

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

11       SEC. 29. *Implementing Rules and Regulations.* —  
12 Within thirty (30) days from the effectivity of this Act, the  
13 Commission, jointly with the BSP, the DOF, BIR and the  
14 Land Registration Authority (LRA), shall promulgate the  
15 necessary rules and regulations for the effective and  
16 faithful implementation of this Act: *Provided*, That within  
17 thirty (30) days from the effectivity of this Act, the DOF,  
18 upon recommendation of the BIR, shall promulgate the  
19 revenue regulations implementing the fiscal incentives  
20 under this Act. All the issuances pursuant to this Act must

1 strictly comply with Republic Act No. 11032 or the “Ease of  
2 Doing Business and Efficient Government Service Delivery  
3 Act of 2018”.

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

7 SEC. 30. *Separability Clause.* – If any provision of this  
8 Act is held unconstitutional or invalid, all other provisions  
9 not affected thereby shall remain valid.

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

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

Approved,