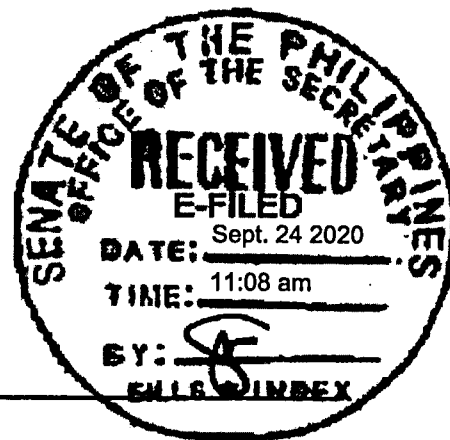


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

SENATE



COMMITTEE REPORT NO. 116

Submitted by the Committees on Banks, Financial Institutions and Currencies; and
Ways and Means on Sept. 24 2020.

Re: Senate Bill No. 1849.

Recommending its approval in substitution of Senate Bill Nos. 1594, 1596, 1652 and
taking into consideration House Bill No. 6816.

Sponsor: Senator Grace Poe

MR. PRESIDENT:

The Committee on Banks, Financial Institutions and Currencies, joint with the
Committee on Ways and Means, to which were referred **Senate Bill No. 1594**,
introduced by Senator Imee Marcos, entitled:

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

Senate Bill No. 1596, introduced by Senator Manuel "Lito" M. Lapid, entitled:

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

Senate Bill No. 1652, introduced by Senator Ralph G. Recto, entitled:

"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"

and taking into consideration **House Bill No. 6816**, introduced by Reps. Cua, Tiongco, Nolasco, Lusotan, Ong (J.), Maceda, Tan (A.S.), Campos, Ecleo, Romero, Gonzales (A.), Romualdo, Del Mar, Legarda, and Villafuerte, entitled:

"AN ACT ENSURING PHILIPPINE FINANCIAL INDUSTRY RESILIENCY AGAINST THE COVID-19 PANDEMIC"

have considered the same and have the honor to report back to the Senate with the recommendation that the attached bill, Senate Bill No. 1849, prepared by the Committees, entitled:

"AN ACT ENSURING PHILIPPINE FINANCIAL INDUSTRY RESILIENCY AGAINST THE COVID-19 PANDEMIC"

be approved in substitution of Senate Bill Nos. 1594, 1596, and 1652, taking into consideration House Bill No. 6816, with Senators Marcos, Lapid, Recto and Poe as authors thereof.

Respectfully submitted:

Chairpersons


GRACE POE


PIA S. CAYETANO

Vice Chairpersons



SONNY ANGARA
*Committee on Banks, Financial
Institutions and Currencies
Committee on Ways and Means*



WIN GATCHALIAN
*Committee on Banks, Financial
Institutions and Currencies
Member, Committee on Ways and
Means*

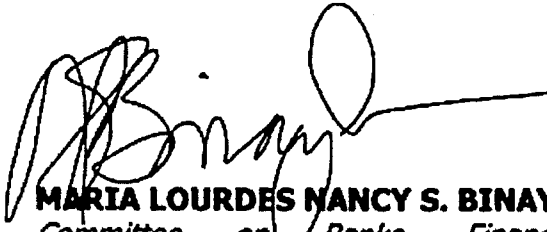
Members



PANFILO M. LACSON
*Committee on Banks, Financial
Institutions and Currencies
Committee on Ways and Means*



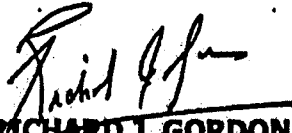
CHRISTOPHER BONG GO
*Committee on Banks, Financial
Institutions and Currencies
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MARIA LOURDES NANCY S. BINAY
*Committee on Banks, Financial
Institutions and Currencies*



MANUEL "LITO" M. LAPID
*Committee on Banks, Financial
Institutions and Currencies
Committee on Ways and Means*



RICHARD J. GORDON
Committee on Ways and Means



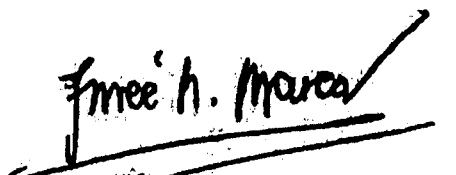
RONALD "BATO" DELA ROSA
Committee on Ways and Means





EMMANUEL D. PACQUIAO
Committee on Ways and Means

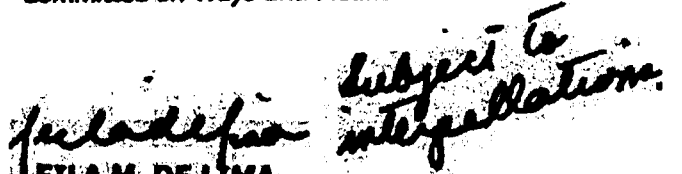


RAMON BONG REVILLA JR.
Committee on Ways and Means


IMEE R. MARCOS
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RISA HONTIVEROS
Committee on Banks, Financial Institutions and Currencies
Committee on Ways and Means


FRANCIS "TIKO" PANGILINAN
Committee on Banks, Financial Institutions and Currencies
Committee on Ways and Means

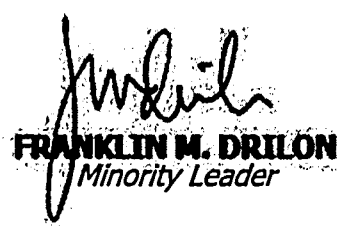

LEILA M. DE LIMA
Committee on Ways and Means

subject to interpellation

Ex Officio Members


RALPH G. RECTO
President Pro Tempore


JUAN MIGUEL F. ZUBIRI
Majority Leader


FRANKLIN M. DRILON
Minority Leader

VICENTE C. SOTTO III
Senate President

EIGHTEENTH CONGRESS OF THE)
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)

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

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,