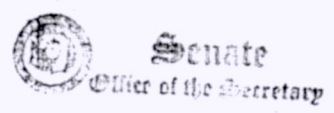


SEVENTEENTH CONGRESS OF THE]
REPUBLIC OF THE PHILIPPINES]
Third Regular Session]



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SENATE

S.B. No. 1908

RECEIVED J

Introduced by SEN. WIN GATCHALIAN

AN ACT
STRENGTHENING AND MODERNIZING THE WAREHOUSE RECEIPTS
LAW OF THE PHILIPPINES IN ORDER TO PROVIDE A LEGAL
FRAMEWORK IN THE PHILIPPINES THAT SHALL FACILITATE TRADE,
COMMERCE, AND OTHER RELATED PURPOSES

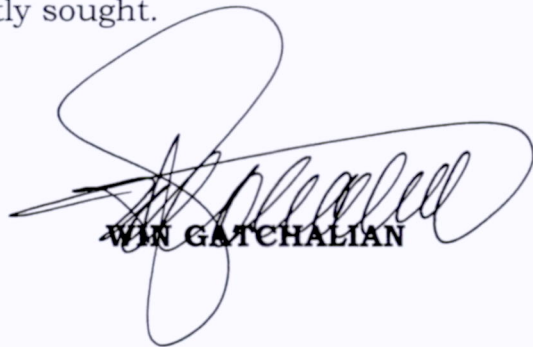
EXPLANATORY NOTE

This is a bill strengthening and modernizing Act No. 2137 or the Warehouse Receipts Law of 1912, as amended. The old law prescribed a relatively simple way by which farmers and other workers from the agricultural sector can obtain credit by storing their goods in a warehouse and trading or encumbering the warehouse receipt. It also (1) prescribed the rights and duties of a warehouseman, (2) regulated the relationship between the warehouseman and the depositor of goods or the holder of a warehouse receipt for the goods, (3) made the title to, and right of possession over, the property stored in a warehouse more easily convertible, and (4) protected those who, in good faith and for value, acquired warehouse receipts by negotiation.

Enacted over a century ago, the Warehouse Receipts Law of 1912 has failed to take advantage of modern technological advances that could be used to establish a system that is more secure, transparent, reliable and promotes ease of doing business. This Act proposes to establish a central electronic

Registry for all Warehouse Receipts, to be made readily available online, which shall be managed by a Warehousing Accreditation Council. A party will simply deposit his goods and products in the Warehouse – assured that his goods shall be taken care of – in exchange for a Warehouse Receipt which s/he can easily trade, barter or sell in order to obtain the necessary credit. With the use of a reliable and secure central electronic Registry, banks and other financial institutions will not be reluctant to accept these Warehouse Receipts in exchange for loans as they can easily check the veracity of the Warehouse Receipts, as well as the presence and quality of the corresponding goods and products in the Warehouse.

The proposed Philippine Warehouse Receipts Act of 2018 will enable the agricultural sector to “convert” goods and products into credit in a faster and simpler way, promote economic activity by increasing access, particularly for entities engaged in agricultural businesses such as farming, to least cost credit by establishing a simplified, unified, and modern framework for the storage of goods in warehouses and the subsequent trading of interests therein.¹ Its immediate approval is earnestly sought.



WIN GATCHALIAN

¹ Section 2 of the proposed Philippine Warehouse Receipts Act of 2018.

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SENATE

S.B. No. 1908

RECEIVED BY 

Introduced by SEN. WIN GATCHALIAN

AN ACT
STRENGTHENING AND MODERNIZING THE WAREHOUSE
RECEIPTS LAW OF THE PHILIPPINES IN ORDER TO PROVIDE A
LEGAL FRAMEWORK IN THE PHILIPPINES THAT SHALL
FACILITATE TRADE, COMMERCE, AND OTHER RELATED
PURPOSES

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

CHAPTER 1 – GENERAL PROVISIONS

1 **SECTION 1. Title.** – This Act shall be known as the “Philippine
2 Warehouse Receipts Act of 2018.” (n)

3 **SEC. 2. Declaration of Policy.** – It is the policy of the State to
4 promote economic activity by increasing access, particularly for entities
5 engaged in agricultural businesses such as farming, to least cost credit
6 by establishing a simplified, unified, and modern framework for the
7 storage of goods in warehouses and the subsequent trading of interests
8 therein.
9

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

12 (a) Buyer in Good Faith – a person that buys goods in good faith
13 without personal knowledge of any defect in the title of the
14 seller. (n)

- 1 (b) Default – the failure or refusal of a debtor to pay in accordance
2 with, or otherwise perform an obligation under, a warehouse
3 receipt.
- 4 (c) Deposit – the act of transferring actual possession of goods to
5 a warehouseman.
- 6 (d) Fungible Goods – goods of which any unit is, from its nature
7 by mercantile custom, treated as the equivalent of any other
8 unit.
- 9 (e) Goods – chattels or merchandise in storage or which has been
10 or is about to be stored except those that are meant for direct
11 import or export. Goods, as defined, shall not include any
12 living objects.
- 13 (f) Holder – one who has both actual possession of a warehouse
14 receipt and a right of property therein. (n)
- 15 (g) Issuer – in the case of a release order, the holder or his agent
16 who issued the release order. An agent or employee of a holder
17 may be considered an issuer provided he issued the release
18 order with real or apparent authority, regardless if the goods
19 were not actually released or wrongly described, or if he acted
20 in violation of the holder’s instructions. (n)
- 21 (h) Notice – a statement of information that is registered in the
22 Registry relating to goods stored in a warehouse that are
23 subject of a warehouse receipt.
- 24 (i) Person – includes both natural and juridical persons. (n)
- 25 (j) Person entitled under the document – the valid holder of the
26 warehouse receipt, or the person to whom release of the goods
27 is proper. (n)
- 28 (k) Purchase – a voluntary transaction where one party obligates
29 himself to transfer ownership over the warehouse receipt and
30 the goods they cover in exchange for the other party paying a
31 price certain in money or its equivalent. (n)
- 32 (l) Receipt – a warehouse receipt. (n)
- 33 (m) Record – information that is inscribed on a tangible medium
34 or that is stored in an electronic or other medium and is
35 retrievable in perceivable form. (n)
- 36 (n) Registry – the electronic Warehouse Receipts Registry. (n)
- 37 (o) Release – means voluntary transfer of the warehouseman of
38 actual possession of goods deposited in a warehouse to a
39 person entitled under a warehouse receipt.
- 40 (p) Release Order – means a record that contains an order
41 directed to a warehouseman to release the goods to a specified
42 person. (n)

- 1 (q) Sign – the intentional adoption or ratification of a record
2 through a tangible or electronic symbol associated with the
3 party making the sign. (n)
4 (r) Warehouse – a place for storing goods for profit within the
5 territory of The Philippines. (n)
6 (s) Warehouse receipt – a receipt, whether electronic or
7 otherwise, issued by a warehouseman, evidencing title over
8 goods stored at a warehouse. (n)
9 (t) Warehouseman – a person lawfully engaged in the business
10 of storing goods for profit. (n)

11 **CHAPTER 2 – WAREHOUSE RECEIPTS**
12

13 **SEC. 4. Creation of Uniform Registry System for Electronic**
14 **Warehouse Receipts.** – The Securities and Exchange Commission
15 (SEC) is hereby tasked with creating an online and uniform Registry
16 where all electronic Warehouse Receipts can be kept and accessed, as
17 well as rules and regulations pertaining specifically to registration
18 procedures and procedures on how to update or amend electronic
19 Warehouse Receipts. The SEC is likewise authorized to engage the
20 services of third parties in creating and maintaining the Registry.
21

22 **SEC. 5. Local Sub-Registry.** – In addition to the Registry created
23 and maintained by the SEC, all warehouses must contain a sub-
24 Registry specifically for goods contained in them. Failure of a warehouse
25 to keep a sub-Registry, as well as any fraud committed thereon, shall
26 be grounds for the revocation of a warehouse’s license to operate.
27

28 **SEC. 6. Creation of Warehouse Receipts.** – Only a duly
29 registered and accredited Warehouseman operating a duly registered
30 and accredited Warehouse may validly create an entry in the Registry
31 for which an electronic Warehouse Receipt shall be issued.
32

33 **SEC. 7. Nature of Warehouse Receipts.** – All Warehouse
34 Receipts, regardless of what is stated upon their face, are negotiable at
35 the option of the holder. (n)
36

37 **SEC. 8. Original Warehouse Receipts.** – The electronic copy of
38 a Warehouse Receipt shall be considered as the Original. Any physical
39 copy of the electronic Warehouse Receipt that is a Certified True Copy
40 of the same shall be valid. However, in case of any discrepancy between
41 the electronic Warehouse Receipt and a Certified True Copy of the same,
42 the electronic Warehouse Receipt shall be controlling.

1 A Certified True Copy of the electronic Warehouse Receipt is a
2 representation and warranty that such receipt is an accurate copy of
3 an original electronic Warehouse Receipt properly registered and un-
4 canceled at the date of the issue of the copy.
5

6 **SEC. 9. Issuance of Certified True Copies of electronic**
7 **Receipts.** – The SEC is hereby authorized to create rules and
8 regulations for the orderly and expedient issuance of Certified True
9 Copies of electronic Receipts.
10

11 **SEC. 10. Transactions involving Physical Copies of**
12 **Warehouse Receipts.** – All transactions involving Certified True Copies
13 of Warehouse Receipts are valid provided they comply with existing
14 Philippine Laws regarding the form and substance of the mode of
15 transfer. However, the transferee is charged with the duty to have the
16 electronic Warehouse Receipt amended to reflect his interests therein.
17 In case there are several contesting parties, the buyer in good faith who
18 had the electronic Warehouse Receipt amended in his favor first shall
19 be the valid owner of the same.
20

21 **SEC. 11. Notification Requirement.** – Whenever an amendment
22 to the electronic Warehouse Receipt pursuant to a valid transaction is
23 sought by a party, whether he be the transferee or transferor, the other
24 party to the transaction must be notified of the impending amendment.
25 Such notified party shall be given three (3) working days from receipt of
26 notification to contest the amendment, otherwise it shall be ministerial
27 on the part of the Warehouseman to effect such amendment to the
28 Registry. (n)
29

30 **SEC. 12. Required Contents of a Warehouse Receipt.** –
31 Warehouse Receipts must contain the following:
32

- 33 (a) A description of the goods or packages containing them;
- 34 (b) The date and time when the goods or packages were deposited
35 with the Warehouseman;
- 36 (c) The location of the Warehouse where the goods are stored;
- 37 (d) The date and time when the Receipt was issued;
- 38 (e) The consecutive number of the Receipt;
- 39 (f) The rate of storage charges;
- 40 (g) The signature of the Warehouseman which may be made by
41 his authorized agent;
- 42 (h) If the receipt is issued for goods of which the warehouseman
43 is owner, either solely or jointly or in common with others, the
44 fact of such ownership;

- 1 (i) A statement of the amount of advances made and of liabilities
2 incurred for which the warehouseman claims a lien. If the
3 precise amount of such advances made or of such liabilities
4 incurred is, at the time of the issue of, unknown to the
5 warehouseman or to his agent who issues it, a statement of
6 the fact that advances have been made or liabilities incurred
7 and the purpose thereof is sufficient; and
8 (j) A statement of any interests on the Warehouse Receipt or
9 goods subject thereof, as well as the dates when such interests
10 were registered.

11
12 **SEC. 13. Required Contents of Certified True Copies of**
13 **Warehouse Receipts.** - All Certified True Copies of Warehouse
14 Receipts must contain all the required contents of an Original
15 Warehouse Receipt as well as:

- 16
17 (a) A marking or statement that the copy is a mere copy and that
18 in case of any discrepancy, the original shall be controlling;
19 and
20 (b) The date and time when the copy was issued.

21
22 **SEC. 14. Arbitration Clause.** - If a holder so desires, and with
23 the express conformity of the Warehouseman, he may cause to be
24 written into the electronic Warehouse Receipt a clause which states that
25 the civil aspect of any liability arising from the Warehouse Receipt shall
26 be subject to Arbitration. In no instance shall an Arbitration clause
27 found in a Warehouse Receipt bind holders of the Receipt prior to its
28 inclusion.

29
30 **CHAPTER 3 - WAREHOUSING ACCREDITATION COUNCIL**

31
32 **SEC. 15. Establishment of the Warehousing Accreditation**
33 **Council.** - There is hereby established an accrediting body for
34 Warehousemen and Warehouses to be known as the Warehousing
35 Accreditation Council, herein referred to as the "Council". The Council
36 shall be composed of four (4) permanent members and three (3)
37 members who are experts on Warehousing.

38
39 The permanent members of the Council shall be composed of the
40 following:

- 41
42 (a) The Chairman of the SEC or designated representative as
43 the Chairperson of the Council;

1 (b) The Secretary of the Department of Trade and Industry
2 (DTI) or designated representative;

3 (c) The Secretary of the Department of Finance (DOF) or
4 designated representative; and

5 (d) The Secretary of the Department of Agriculture (DA) or
6 designated representative.
7

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

14 Once the full membership of the Council is obtained, all members of
15 the Council are entitled to one (1) vote each in the conduct of its
16 business.
17

18 The Council shall be assisted by a secretariat to be lodged in the SEC,
19 which shall coordinate the activities involved in the accreditation
20 process. (n)
21

22 **SEC. 16. Functions and Responsibilities of the Warehousing**
23 **Accreditation Council.** - As the accrediting entity, the Council shall
24 have the following functions and responsibilities:
25

26 (a) Institute and operationalize a system of accreditation for
27 Warehousemen: Provided, That the criteria for accreditation shall
28 include sound and measurable standards relating to the ability
29 and capacity to handle the storage of goods;
30

31 (b) Institute and operationalize a system of accreditation for
32 Warehouses: Provided, That the criteria for accreditation shall
33 include sound and measurable standards relating to sanitation,
34 storage, and safety of goods stored in Warehouses;
35

36 (c) Issue certificate of accreditation to qualified Warehousemen
37 and Warehouses upon determination that the criteria set for this
38 purpose have been fully satisfied: Provided, That the certificate of
39 accreditation shall be valid only for such period as may be
40 prescribed under the implementing rules and regulations of this
41 Act;
42

1 (d) Monitor the performance of Warehousemen and Warehouses
2 to ensure continuing compliance with the provisions of this Act
3 and its implementing rules and regulations;
4

5 (e) Place under probation, suspend or revoke any certificate of
6 accreditation upon due determination that a Warehouseman or
7 Warehouse no longer meets the criteria for accreditation;
8

9 (f) Require regular submission of reports by Warehousemen and
10 Warehouses;
11

12 (g) Collect reasonable accreditation and monitoring fees from
13 Warehousemen and Warehouses which shall be used for the
14 accrediting entity's operational requirements;
15

16 (h) Submit an annual report to the President of the Philippines
17 and the concerned committees of both Houses of Congress;
18

19 (i) License inspectors, graders, and weighers who shall assist in
20 ensuring the good quality of warehouses; and
21

22 (i) Perform such other functions as may be necessary to
23 accomplish the purposes and objectives of this Act in relation to
24 Warehousemen and Warehouses.
25

26 **SEC. 17. Warehousing Experts.** - The Council is authorized to
27 create rules and regulations in order to determine which persons would
28 qualify as Warehousing Experts. The Warehousing Experts must be
29 persons actually knowledgeable on the running and maintenance of
30 Warehouses in accordance with globally accepted best practices in
31 Warehousing. (n)
32

33 **CHAPTER 4 - WAREHOUSEMEN** 34

35 **SEC. 18. Registration of Warehouseman.** - All warehousemen
36 are required to register and obtain accreditation with the Council. The
37 Council is hereby ordered and authorized to create rules and
38 regulations to facilitate the registration of Warehousemen. All
39 Warehousemen who are not registered and accredited with the Council
40 are prohibited from creating warehouse receipts. (n)
41

42 **SEC 19. Screening Process for Warehousemen.** - To ensure
43 the quality of the Warehousemen, the Council is hereby authorized to
44 create a screening process for Warehousemen which may include the

1 adoption of written examinations. The Council may coordinate with
2 other governmental bodies in order to create a viable screening process
3 for Warehousemen. (n)
4

5 **SEC. 20. Warehouseman's Bond.** - Prior to operation, a
6 Warehouseman must post a bond to answer for any liabilities he may
7 have during the effectivity of his license. The Council is hereby ordered
8 and authorized to come up with rules and regulations concerning the
9 Warehouseman's bond.
10

11 **SEC. 21. Duty of Warehousemen to Create Electronic**
12 **Warehouse Receipts.** - When goods are deposited with the
13 Warehouseman, the Warehouseman has the duty to create an
14 electronic Warehouse Receipt in the Registry to reflect the deposit of
15 such goods. Likewise, a Warehouseman has the duty to cause the
16 amendment of the electronic Warehouse Receipt when he is informed
17 by a valid holder of any change in the details found on the electronic
18 Warehouse Receipt, including but not limited to changes in interest.
19

20 **SEC. 22. Liability for Omission of Required Contents.** - A
21 warehouseman shall be liable to any person for all damages caused by
22 his omission from a Warehouse Receipt of any details required to be
23 placed on a Warehouse Receipt under this Act.
24

25 **SEC. 23. Permissible Insertions.** - A warehouseman may insert
26 in a receipt issued by him any other terms and conditions provided that
27 such terms and conditions shall not:
28

- 29 (a) Be contrary to the provisions of this Act; and
- 30 (b) In any wise impair his obligation to exercise that degree of care
31 in the safe-keeping of the goods entrusted to him which a
32 reasonably careful man would exercise in regard to similar
33 goods of his own.
34

35 **SEC. 24. Obligation of Warehousemen to Release Goods.** - A
36 Warehouseman, in the absence of some lawful excuse provided by this
37 Act, is bound to release the goods upon a written demand from the party
38 registered under the electronic Warehouse Receipt provided that such
39 demand is accompanied with:
40

- 41 (a) An attached Certified True Copy of the electronic Warehouse
42 Receipt clearly showing that the demanding party is the
43 registered owner of the electronic Receipt;

- 1 (b) An offer to satisfy the warehouseman's lien coupled with the
2 subsequent satisfaction thereof; and
3 (c) An offer to sign, when the goods are released, an acknowledgment
4 that the party causing the release is lawfully entitled to the goods,
5 and that such goods have been released to them.
6

7 When the Warehouseman receives a valid written demand, it is
8 ministerial upon him to release the goods absent the existence of a
9 lawful excuse for such refusal as found in this Act. Failing to establish
10 such lawful excuse, the Warehouseman shall be liable for all damages
11 stemming from his failure or refusal to release the goods.
12

13 **SEC. 25. Valid Excuses for Non-Release of Goods.** – A
14 Warehouseman can validly refuse to release the goods when:
15

- 16 (a) The party asking for the release of goods fails to deliver a valid
17 written demand as contemplated in this Act;
18 (b) There is a Court Order prohibiting him from releasing the
19 goods;
20 (c) Despite the offer to satisfy the same, the Warehouseman's lien
21 was not fully satisfied; or
22 (d) The demanding party reneges on its offer to sign an
23 acknowledgment that the party causing the release is lawfully
24 entitled to the goods, and that such goods have been released
25 to them.
26

27 **SEC. 26. Release of Goods to Agent.** – A Warehouseman is
28 justified in releasing the goods to an agent of a party entitled to the
29 goods under the electronic Warehouse Receipt provided that such agent
30 had an apparent or real authority from his principal to cause the release
31 of the goods. Where the Warehouseman released the goods to an agent
32 absent any showing of real or apparent authority from the principal,
33 both the Warehouseman and the Agent shall be liable for all damages
34 stemming from the unlawful release.
35

36 **SEC. 27. Obligation to Cancel Electronic Warehouse Receipt**
37 **upon Release.** – A Warehouseman has the duty to cause the electronic
38 Warehouse Receipt to be marked “cancelled” once he has validly
39 released the goods, regardless if the release was in full or merely partial.
40

41 When a Warehouseman fails to have the electronic Warehouse
42 Receipt cancelled after releasing the goods, he shall be liable to anyone

1 who purchases in good faith and for value such receipt, on account of
2 his inability to release the goods to him, whether such purchaser
3 acquired title to the receipt before or after the release of the goods by
4 the Warehouseman.

5
6 **SEC. 28. *Effect of Partial Release of Goods.*** – If the party
7 causing the partial release of goods wishes to keep the remaining goods
8 stored in the same Warehouse, he shall inform the Warehouseman of
9 his intention and have a new Warehouse Receipt created in his favor
10 over the remaining goods. Otherwise, it is incumbent upon the
11 Warehouseman to remove such goods no longer covered by a valid
12 Warehouse Receipt from his Warehouse. (n)

13
14 **SEC. 29. *Fraudulent Alterations of Receipt.*** – Any fraudulent
15 alteration made by the Warehouseman on the electronic Warehouse
16 Receipt or any copy thereof shall make him liable for all damages
17 stemming from the unlawful alteration. If the fraudulent alteration was
18 caused by any party other than the Warehouseman, and without the
19 Warehouseman’s knowledge that the same was fraudulent, the
20 Warehouseman shall only be liable according to the tenor of Warehouse
21 Receipt prior to its fraudulent alteration.

22
23 **SEC. 30. *Innocent Purchaser of Fraudulently Altered***
24 ***Receipt.*** – Any purchaser of the receipt for value who had no knowledge
25 that the same had been fraudulently altered by the Warehouseman at
26 the time of purchase shall acquire the same rights against the
27 Warehouseman which such purchaser would have acquired if the
28 receipt had not been altered at the time of purchase.

29
30 In the event the fraudulent alteration was caused by any party
31 other than the Warehouseman, and without the Warehouseman’s
32 knowledge that the same was fraudulent, both the Warehouseman and
33 the party causing the alteration shall be held liable to the innocent
34 purchaser according to the tenor of the altered Receipt, but the liability
35 of the Warehouseman shall not go beyond what he would have been
36 liable for according to the tenor of Warehouse Receipt prior to its
37 fraudulent alteration.

38
39 **SEC. 31. *Irretrievable Loss of Electronic Receipts.*** – The SEC
40 is hereby authorized to settle claims and disputes stemming from the
41 irretrievable loss of electronic Warehouse Receipts in the Registry. In
42 such cases, the claimant must adequately show he had a valid and
43 existing electronic Warehouse Receipt in the Registry, and that such

1 electronic Warehouse Receipt was, in fact, lost, destroyed, or corrupted
2 through no fault of his own. The ruling of the SEC shall be final and
3 executory. (n)
4

5 **SEC. 32. Liability for Non-Existence or False Description of**
6 **Goods.** – Warehouseman shall be liable to the holder of a receipt for
7 damages caused by the non-existence of the goods or by the failure of
8 the goods to correspond with the description thereof in the receipt at
9 the time of its issue.
10

11 If, however, the goods are described in a receipt merely by marks
12 or labels upon them or upon packages containing them, or by a
13 statement that the goods are said to be goods of a certain kind or that
14 the packages containing the goods are said to contain goods of a certain
15 kind, or by words of like purport on the goods themselves or on their
16 packages or containers, such statements, if true, shall not render liable
17 the Warehouseman issuing the receipt, even if the goods are not of the
18 kind which the marks or labels upon them indicate, or of the kind they
19 were claimed to be by the depositor.
20

21 **SEC. 33. Liability for Damage or Loss to Goods.** – A
22 Warehouseman shall be liable for any loss or injury to the goods caused
23 by his failure to exercise such care in regard to them as reasonably
24 careful owner of similar goods would exercise, but he shall not be liable,
25 in the absence of an agreement to the contrary, for any loss or injury to
26 the goods which could not have been avoided by the exercise of such
27 care.
28

29 **SEC. 34. General Prohibition on Co-Mingling of Goods.** –
30 Except where expressly allowed by this Act, a Warehouseman shall keep
31 the goods under his care reasonably separated from the goods of other
32 depositors, and from other goods of the same depositor for which a
33 separate receipt has been created, as to permit at all times the
34 identification and redelivery of the goods deposited.
35

36 **SEC. 35. When Co-Mingling of Goods Allowed.** – If authorized
37 by agreement or by custom, a Warehouseman may mingle fungible
38 goods with other goods of the same kind and grade. In such case, the
39 various depositors of the mingled goods shall own the entire mass in
40 common and each depositor shall be entitled to such portion thereof as
41 the amount deposited by him bears to the whole.
42

43 **SEC. 36. Liability of Warehouseman for Unauthorized Co-**
44 **Mingling.** – The Warehouseman shall be severally liable to each

1 depositor for the care and redelivery of his share of such mass to the
2 same extent and under the same circumstances as if the goods had
3 been kept separate.

4 5 **CHAPTER 5 – WAREHOUSES** 6

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

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

19 **SEC. 39. *Insurance.*** – All Warehouses must be insured in
20 accordance with the value and types of goods kept in them. The Council
21 is hereby empowered to close down any warehouse that stores goods
22 covered by Warehouse Receipts despite not having the necessary
23 insurance until the same becomes compliant.
24

25 **SEC. 40. *Initiative to Examine Warehouses.*** – The Bangko
26 Sentral ng Pilipinas, or any permanent member of the Council, may
27 request the Council to examine the operations of Warehouses for the
28 purpose of determining that the Warehouses are not engaged in
29 unauthorized undertaking or activities which are subject to their
30 respective jurisdictions. In case of a finding by the Council that an
31 accredited Warehouse is engaged in an unauthorized undertaking or
32 activities subject to their said respective regulations, it shall place on
33 probation, suspend or revoke the accreditation of the Warehouse based
34 on such ground, as may be appropriate under the circumstances. (n)
35

36 **CHAPTER 6 – RIGHTS OF HOLDERS AND CLAIMANTS** 37

38 **SEC. 41. *Rights of Persons to whom a Receipt has been***
39 ***Transferred.*** – A person to whom a receipt has been validly transferred
40 acquires thereby:
41

- 42 (a) Such title to the goods as the person transferring the receipt to
43 him had or had ability to convey to a purchaser in good faith for
44 value;

- 1 (b) The right to have the electronic Warehouse Receipt amended to
2 reflect his ownership over the goods; and
3 (c) The direct obligation of the Warehouseman to hold possession of
4 the goods for him according to the terms of the receipt as fully as
5 if the Warehouseman and contracted directly with him.
6

7 **SEC. 42. Warranties of a Transferor.** – A person who, for value,
8 transfers a receipt, unless a contrary intention appears, warrants:
9

- 10 (a) That the receipt is genuine;
11 (b) That he has a legal right to transfer it; and
12 (c) That he has knowledge of no fact which would impair the
13 validity or worth of the receipt.
14

15 **SEC. 43. Transferor not a Guarantor.** – The transferor shall
16 not be liable for any failure on the part of the Warehouseman or
17 previous transferors of the receipt to fulfill their respective obligations.
18

19 **SEC. 44. When Transfer not Impaired by Fraud, Mistake or**
20 **Duress.** – The validity of the transfer of a receipt is not impaired by the
21 fact that such transfer was a breach of duty on the part of the person
22 making the transfer, or by the fact that the owner of the receipt was
23 induced by fraud, mistake, or duress to entrust the possession or
24 custody of the receipt to such person, if the person to whom the receipt
25 was transferred, or a person to whom the receipt was subsequently
26 transferred, paid value therefor, without notice of the breach of duty, or
27 fraud, mistake or duress.
28

29 **SEC. 45. Enforcement of Security Interest of Secured**
30 **Creditor's for Transfers where the Receipt is a Security.** – In any
31 transaction where the Warehouse Receipt or the goods evidenced
32 thereby are treated as security to the transaction, the same shall be
33 governed by the Personal Property Security Act of 2018.
34

35 **SEC. 46. Attachment or Levy upon Goods Covered by an**
36 **Electronic Warehouse Receipt.** – If goods are delivered to a
37 Warehouseman by the owner, or by a person whose act in conveying
38 the title over the goods to a purchaser in good faith for value would bind
39 the owner, and a receipt was created for them, such goods cannot
40 thereafter, while in the possession of the Warehouseman, be attached
41 by garnishment or otherwise, or be levied upon under an execution,
42 unless the receipt be first cancelled. The Warehouseman shall in no
43 case be compelled to deliver up the actual possession of the goods until
44 the receipt is cancelled or he is otherwise ordered by the court.

1
2 **SEC. 47. Creditor's Remedies to reach Warehouse Receipts. –**
3 A creditor whose debtor is the registered owner of an electronic
4 Warehouse Receipt shall be entitled to such aid from courts of
5 appropriate jurisdiction, by injunction and otherwise, in attaching such
6 receipt or in satisfying the claim by means thereof as is allowed at law
7 or in equity in these islands in regard to property which cannot readily
8 be attached or levied upon by ordinary legal process.
9

10 **SEC. 48. Conflicting Claims over Warehouse Receipts. –** The
11 SEC is hereby empowered to settle any conflicts relating to title and
12 ownership over Warehouse Receipts. The decision of the SEC shall be
13 final and executory. (n)
14

15 **CHAPTER 7 – WAREHOUSE RECEIPTS ASSURANCE FUND**
16

17 **SEC. 49. Establishment of Warehouse Receipts Assurance**
18 **Fund. –** A Warehouse Receipts Assurance Fund is hereby established
19 to cover for losses involving Warehouse Receipts stemming from
20 Registry based failures including but not limited to the irretrievable
21 destruction of the Registry or any entries therein. The SEC shall be in
22 charge of the Warehouse Receipts Assurance Fund and is hereby
23 ordered and authorized to create rules and regulations for the creation,
24 management, and disbursement thereof. The SEC is likewise
25 authorized to seek third party assistance for the creation and
26 maintenance of the Assurance Fund. (n)
27

28 **SEC. 50. Contribution to Assurance Fund. –** Upon the issuance
29 or amendment of an electronic Warehouse Receipt, as well as the
30 issuance of a Certified True Copy of the electronic Warehouse Receipt,
31 there shall be paid to the SEC one-fourth of one per cent of the assessed
32 value of the goods covered by the Warehouse Receipt, as contribution
33 to the Assurance Fund. The SEC is hereby ordered to coordinate with
34 the Department of Trade and Industry, as well as other government
35 agents, to come up with a proper and just valuation for any and all
36 goods that may be covered by a Warehouse Receipt.
37

38 Nothing in this section shall in any way preclude the court from
39 increasing or decreasing the valuation of the goods should it appear
40 during the hearing that the value stated is either too small or too large.
41 (n)
42

43 **SEC. 51. Recovery of Losses from Fund. –** A person who,
44 without negligence on his part, sustains loss or damage, or is deprived

1 of any goods covered by an electronic Warehouse Receipt or any interest
2 therein as a consequence of Registry based failures shall file a claim
3 before the SEC. The SEC is hereby authorized to settle claims and
4 disputes involving a party's right to recover from the Fund. The SEC is
5 likewise ordered and authorized to create rules and regulations
6 regarding the procedure that must be followed by parties seeking to
7 claim against the Fund. Any decision by the SEC involving such matter
8 shall be final and executory. (n)
9

10 **SEC. 52. *Maximum Recoverable Claim.*** – A party may only
11 claim a maximum of five hundred thousand pesos for every electronic
12 Warehouse Receipt. In case the damage suffered by the claimant was
13 caused by fraud, the claimant is not precluded from pursuing a claim
14 for damages against such liable persons for the amount of the goods
15 covered by the electronic Warehouse Receipt less any amounts
16 recovered from the Fund.
17

18 **SEC. 53. *Losses not Recoverable.*** – The Assurance Fund shall
19 not be liable for any loss, damage or deprivation that is not caused or
20 occasioned by a Registry based failure. Any losses stemming from Sub-
21 Registry based failures are not recoverable from the Fund. (n)
22

23 **SEC. 54. *Release of Funds.*** – Any money obtained by the SEC
24 in relation to the Assurance Fund shall be placed in a special fund and
25 shall be treated as part of the savings of the SEC which shall be
26 deposited with the National Treasury. Once the SEC makes a request
27 from the National Treasury or the Department of Budget and
28 Management for the release of such funds in relation to a lawful
29 purpose primarily related to the Assurance Fund, the release of the
30 funds is immediate and ministerial.
31

32 **CHAPTER 8 – WAREHOUSEMAN'S LIEN** 33

34 **SEC. 55. *Claims Included in the Warehouseman's Lien.*** –
35 Subject to the provisions of this Act, a Warehouseman shall have a lien
36 on goods deposited, or on the proceeds thereof, in his hands, for all
37 lawful charges for storage and preservation of the goods; also for all
38 lawful claims for money advanced, interest, insurance, transportation,
39 labor, weighing, cooperating and other charges and expenses in relation
40 to such goods, also for all reasonable charges and expenses for notice,
41 and advertisements of sale, and for sale of the goods where default had
42 been made in satisfying the warehouseman's lien.

1 **SEC. 56. Against What Property the Lien may be Enforced. –**
2 A Warehouseman's lien may be enforced against any and all goods
3 stored in his Warehouse and covered by a valid Warehouse Receipt.
4

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

13 **SEC. 58. Warehouseman Need not Release until Lien is**
14 **Satisfied. –** A Warehouseman having a lien valid against the person
15 demanding the goods may refuse to release the goods to him until the
16 lien is satisfied.
17

18 A Warehouseman who voluntarily releases the goods despite his
19 lien not being fully satisfied waives his lien over the same. (n)
20

21 **SEC. 59. Warehouseman's Lien does not Preclude other**
22 **Remedies. –** Whether a Warehouseman has or has not a lien upon the
23 goods, he is entitled to all remedies allowed by law to a creditor against
24 a debtor for the collection from the depositor of all charges and
25 advances which the depositor has expressly or impliedly contracted
26 with the Warehouseman to pay.
27

28 **SEC. 60. Notice of Warehouseman's Lien. –** Following a valid
29 offer to satisfy the Warehouseman's lien, he must provide the following
30 notices to the person who validly offered to satisfy his lien:
31

- 32 (a) An itemized statement of the Warehouseman's claim, showing
33 the sum due at the time of the notice and the date or dates
34 when it becomes due;
35 (b) A brief description of the goods against which the lien exists;
36 (c) A demand that the amount of the claim shall be paid on or
37 before a day mentioned, not less than ten days from the
38 delivery of the notice if it is personally delivered, or from the
39 time when the notice shall reach its destination, according to
40 the due course of post, if the notice is sent by mail; and
41 (d) A statement that unless the claim is paid within the time
42 specified, the goods will be advertised for sale and sold by
43 auction at a specified time and place.

1 **SEC. 61. Procedure for Auction Sale to Satisfy**
2 **Warehouseman's Lien.** – In relation to the aforementioned provision,
3 if the Warehouseman's lien is not satisfied within the time specified, he
4 may satisfy his lien over the goods by selling the same through auction.
5 The auction sale shall be had in the place where the lien was acquired,
6 or, if such place is manifestly unsuitable for such purpose, in the
7 nearest city or municipality where such a sale is may be suitably
8 conducted.

9
10 Prior to the auction sale, the Warehouseman must advertise the
11 sale, describing the goods to be sold, and stating the name of the owner
12 or person on whose account the goods are held, and the time and place
13 of the sale. Such advertisement shall be published once a week for two
14 consecutive weeks in a newspaper published in the place where such
15 sale is to be held. The sale shall not be held less than fifteen days from
16 the time of the first publication. If there is no newspaper published in
17 such place, the advertisement shall be posted at least ten days before
18 such sale in not less than six conspicuous places therein.

19
20 From the proceeds of such sale, the Warehouseman shall satisfy
21 his lien including the reasonable charges of notice, advertisement and
22 sale. The balance, if any, of such proceeds shall be held by the
23 Warehouseman and delivered on demand to the person to whom he
24 would have been bound to release or justified in releasing goods.

25
26 At any time before the goods are so sold, the registered owner
27 may pay the Warehouseman the amount necessary to satisfy his lien
28 and to pay the reasonable expenses and liabilities incurred in serving
29 notices and advertising and preparing for the sale up to the time of such
30 payment. Once the registered owner has satisfied the Warehouseman's
31 lien, he must release the goods absent any lawful cause as provided
32 under this Act.

33
34 **SEC. 62. Perishable and Hazardous Goods.** – If goods are of a
35 perishable nature, or by keeping will deteriorate greatly in value, or, by
36 their order, leakage, inflammability, or explosive nature, will be liable
37 to injure other property, the Warehouseman may give such notice to
38 the owner or to the person in whose names the goods are stored, as is
39 reasonable and possible under the circumstances, to satisfy the lien
40 upon such goods and to remove them from the warehouse and in the
41 event of the failure of such person to satisfy the lien and to receive the
42 goods within the time so specified, the Warehouseman may sell the
43 goods at public or private sale without advertising. If the
44 Warehouseman, after a reasonable effort, is unable to sell such goods,

1 he may dispose of them in any lawful manner and shall incur no liability
2 by reason thereof.

3
4 The proceeds of any sale made under the terms of this section
5 shall be disposed of in the same way as the proceeds of sales made
6 under the terms of the preceding section.

7
8 **SEC. 63. Other Methods of Lien Enforcement.** – The remedy
9 for enforcing a lien herein provided does not preclude any other
10 remedies allowed by law for the enforcement of a lien against personal
11 property nor bar the right to recover so much of the Warehouseman's
12 claim as shall not be paid by the proceeds of the sale of the property.

13
14 **SEC. 64. Effect of Sale.** – After goods have been lawfully sold to
15 satisfy a Warehouseman's lien, or have been lawfully sold or disposed
16 of because of their perishable or hazardous nature, the Warehouseman
17 shall not thereafter be liable for failure to deliver the goods to the
18 registered owner of the goods.

19 20 **CHAPTER 9 – PENALTIES**

21
22 **SEC. 65. Creation of Receipt for Goods not Received.** – A
23 Warehouseman, or an officer, agent, or servant of a Warehouseman who
24 creates or aids in creating a Receipt knowing that the goods for which
25 such Receipt is created have not been actually received by such
26 Warehouseman, or are not under his actual control at the time of
27 creating such receipt, shall be guilty of a crime, and, upon conviction,
28 shall be punished by imprisonment of ten years, or a fine equal to triple
29 the value of the goods involved, or both. If the Warehouseman himself
30 is liable, his license shall likewise be revoked.

31
32 **SEC. 66. Creation of Receipt Containing False Statement.** –
33 A Warehouseman, or any officer, agent or servant of a warehouseman
34 who fraudulently creates or aids in fraudulently creating a Receipt for
35 goods knowing that it contains any false statement, shall be guilty of a
36 crime, and upon conviction, shall be punished by imprisonment of ten
37 years, or a fine equal to triple the value of the goods involved, or both.
38 If the Warehouseman himself is liable, his license shall likewise be
39 revoked.

40
41 **SEC. 67. Creation of Fraudulent Duplicate Receipt.** – A
42 Warehouseman, or any officer, agent, or servant of a Warehouseman
43 who creates or aids in creating a second electronic Warehouse Receipt
44 for goods knowing that there is an existing prior electronic Warehouse

1 Receipt for the same goods or any part of them, except in the case of a
2 Court order following an irretrievably lost receipt as provided for in this
3 Act, shall be guilty of a crime, and upon conviction, shall be punished
4 by imprisonment of ten years, or a fine equal to triple the value of the
5 goods involved, or both. If the Warehouseman himself is liable, his
6 license shall likewise be revoked.

7
8 **SEC. 68. Unlawful Release of Goods Covered by Warehouse**
9 **Receipt.** – A Warehouseman, or any officer, agent, or servant of a
10 Warehouseman, who releases without any legal basis any goods covered
11 by an electronic Warehouse Receipt shall be guilty of a crime, and upon
12 conviction, be punished by imprisonment of ten years, or a fine equal
13 to triple the value of the goods involved, or both. If the Warehouseman
14 himself is liable, his license shall likewise be revoked.

15
16 **SEC. 69. Fraudulent Deposit of Goods.** – Any person who, with
17 fraud, deposits goods to which he has no title, or upon which there is a
18 lien or mortgage, and who obtains an electronic Warehouse Receipt for
19 the same, shall be guilty of a crime, and upon conviction, be punished
20 by imprisonment of ten years, or a fine equal to triple the value of the
21 goods involved, or both.

22
23 Any Warehouseman or his agent who knowingly facilitates the
24 creation of an electronic Warehouse Receipt for such goods shall be
25 guilty of a crime, and upon conviction, be punished by imprisonment
26 of ten years, or a fine equal to triple the value of the goods involved, or
27 both. If the Warehouseman himself is liable, his license shall likewise
28 be revoked.

29
30 **SEC. 70. Issuance of Warehouse Receipts by Unregistered**
31 **Warehouseman.** – Any Warehouseman who issues a Warehouse
32 Receipt despite not being registered with the Securities and Exchange
33 Commission shall be guilty of a crime, and upon conviction, be
34 punished by imprisonment of ten years, or a fine equal to triple the
35 value of the goods involved, or both. (n)

36
37 **SEC. 71. Willful Operation of an Unregistered or Un-**
38 **Accredited Warehouse.** – Any Warehouseman who issues a
39 Warehouse Receipt for goods stored in a Warehouse that is not
40 registered with the Securities and Exchange Commission, or not
41 accredited by the Warehouse Accreditation Council, or whose
42 registration or accreditation has been revoked or suspended under the
43 provisions of this Act shall be guilty of a crime, and upon conviction, be

1 punished by imprisonment of ten years, or a fine equal to triple the
2 value of the goods involved, or both. (n)

3 4 **CHAPTER 10 – TRANSITORY PROVISIONS**

5
6 **SEC. 72. *Role of the Securities and Exchange Commission***
7 ***and Coordination with Other Agencies.*** – The SEC shall be the
8 primary regulatory body in charge of all matters related to Warehouse
9 Receipts. While the SEC may consult with other regulatory bodies, as
10 well as other organizations representative of a particular sector, the
11 SEC shall, at all times, be the lead agency in ensuring the successful
12 implementation of this Act except as otherwise provided in this Act. (n)

13
14 **SEC. 73. *Inter-Connected Registry Information.*** – Where
15 feasible, the SEC is ordered and authorized to engage in concerted
16 activity with other government agencies for the linking of the Registry
17 provided under this Act with other Registries in order to be able to come
18 up with an inter-connected Registry. (n)

19
20 **SEC. 74. *Public Information.*** – All entries in the Registry of
21 electronic Warehouse Receipts shall be available to the public. Likewise,
22 the list of licensed Warehousemen and Warehouses, as well as the list
23 of Warehouseman and Warehouses whose licenses have been revoked,
24 shall be available to the public. The SEC and the Council are both
25 ordered and authorized to create rules and regulations to facilitate the
26 orderly and expedient access to such information by the public, in
27 accordance with existing standards under Philippine law. (n)

28
29 **SEC. 75. *Dispute Resolution.*** – Except in cases specifically
30 placed under the jurisdiction of the SEC under this Act, as well as cases
31 where the electronic Warehouse Receipt includes a valid Arbitration
32 Clause, all actions arising from this Act shall fall under the jurisdiction
33 of the Regional Trial Courts. (n)

34
35 **SEC. 76. *Transition Period.*** – All existing Warehousemen and
36 Warehouses must be compliant with the provisions of this Act relating
37 to registration and licensing within three years from the effectivity of
38 this Act. All physical Warehouse Receipts must be converted to
39 electronic Warehouse Receipts within three years of the opening of the
40 system of Registry for Warehouse Receipts to be made by the SEC.

41
42 **SEC. 77. *Appropriations.*** – The amount necessary to carry out
43 the initial implementation of this Act shall be included in the General
44 Appropriations Act.

1
2 **SEC. 78. *Implementing Rules and Regulations.*** – Within
3 ninety (90) days after the effectivity of this Act, the SEC, in coordination
4 with the DTI, the DOF, the DA, and other relevant organizations, shall
5 promulgate rules and regulations for the implementation of this Act
6 and/or for the public interest or for the protection of Warehousemen
7 and Warehouses accredited or regulated pursuant to the authority
8 granted under this Act. (n)
9

10 **SEC. 79. *Repeals.*** – All acts and laws and parts thereof
11 inconsistent with this Act are hereby repealed.
12

13 **SEC. 80. *Effectivity.*** – This Act shall take effect fifteen (15) days
14 after its publication in the Official Gazette of the Philippines or in at
15 least two (2) newspapers of general circulation.
16

17 ***Approved,***