

SENATE



Senate
Office of the Secretary

Senate Bill No. 632

'19 JUL 22 A9:02

Introduced by Senator FRANCIS N. PANGILINAN

AN ACT
MODERNIZING THE WAREHOUSE RECEIPTS LAW IN ORDER TO PROVIDE A
LEGAL FRAMEWORK THAT SHALL FACILITATE TRADE AND COMMERCE,
CREATING THE WAREHOUSE ACCREDITATION COUNCIL, APPROPRIATING
FUNDS THEREFOR, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

A warehouse receipt is a commercial document evidencing ownership or possession of goods stored in a warehouse. Warehouse receipts were intended to be instruments to facilitate trade and business, especially in the agricultural sector. Ideally, farmers may use warehouse receipts covering their harvest as collateral for securing credit from banks and other financial institutions. However, these banks refuse to allow farmers' harvest as collateral because they have no way to verify the quantity and quality of goods covered by warehouse receipts.

The law governing warehouse receipts, Act No. 2137 or the Warehouse Receipts Law, is over one hundred years old. It does not account for modern advances in technology that may promote transparency and efficiency. With a view to boosting trade and business, including farmer productivity, this bill seeks to modernize the warehouse receipts framework in order to promote the use of warehouse receipts as reliable commercial and financial instruments.

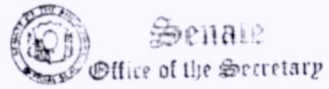
This bill proposes to establish an online warehouse receipts registry containing relevant information on warehouse receipts, warehouse operators, and warehouses. Through such registry, the public, especially banks and other financial institutions, may easily verify the quantity and quality of goods covered by each warehouse receipt. As warehouse receipts become more reliable, farmers may now use their harvests, evidenced by warehouse receipts, as collateral for securing loans.

This bill also seeks to establish safeguards to the warehouse receipts framework by creating: (a) the Warehousing Accreditation Council to ensure competency and reliability of warehouses and warehouse operators; and (b) a warehouse receipts assurance fund to cover losses involving registry-based failures.

In view of the foregoing, the passage of this measure is earnestly sought.

FRANCIS N. PANGILINAN

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FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

CHAPTER I

GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the “Warehouse Receipts Act
of 2019.”

SEC. 2. *Declaration of Policy.* – It is the policy of the State to promote economic
activity by increasing access, particularly for entities engaged in agricultural businesses,
to low cost credit by establishing a simplified, unified, and modern framework for the
storage of goods in warehouses and the transacting of interests therein.

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

(a) “*Buyer in Good Faith*” shall refer to a person who buys goods in good faith
without personal knowledge of any defect in the title of the seller.

(b) “*Default*” shall refer to the failure or refusal of a debtor to pay in accordance
with or perform an obligation under a warehouse receipt.

(c) “*Deposit*” shall refer to the act of transferring actual possession of goods to a
warehouse operator.

1 (d) "*Fungible Goods*" shall refer to goods of which any unit is, from its nature by
2 mercantile custom, treated as the equivalent of any other unit.

3 (e) "*Goods*" shall refer to chattel or merchandise in storage or are about to be stored,
4 except those that are meant for direct import or export. The term shall not include living
5 objects.

6 (f) "*Holder*" shall refer to a person who has both actual possession of a warehouse
7 receipt and a right over the goods covered by such warehouse receipt.

8 (g) "*Issuer*" shall refer to the holder or his agent who issued the release order. An
9 agent or employee of the holder may be considered an issuer provided he issued the
10 release order with real or apparent authority, regardless if the goods were not actually
11 released or wrongly described, or if he acted in violation of the holder's instructions.

12 (h) "*Notice*" shall refer to a statement of information that is registered in the
13 Registry relating to goods stored in a warehouse covered by a warehouse receipt.

14 (i) "*Person*" shall refer to both natural and juridical persons.

15 (j) "*Person entitled under a warehouse receipt*" shall refer to the valid holder of the
16 warehouse receipt or the person to whom the release of goods is proper.

17 (k) "*Purchase*" shall refer to a voluntary transaction where one party obligates
18 himself to transfer ownership over the warehouse receipt, including the goods it covers,
19 to another party in exchange a price certain in money or its equivalent.

20 (l) "*Record*" shall refer to information inscribed on a tangible medium or stored in
21 an electronic or other platform, which is retrievable in perceivable form.

22 (m) "*Registry*" shall refer to the electronic Warehouse Receipts Registry.

23 (n) "*Register*" shall refer to the act of registration in the Registry.

24 (o) "*Release*" shall refer to the warehouse operator's voluntary transfer of actual
25 possession of goods deposited in a warehouse to a person entitled under a warehouse
26 receipt.

1 (p) "*Release Order*" shall refer to a record containing an order directing a warehouse
2 operator to release the goods covered by a warehouse receipt to a specified person.

3 (q) "*Sign*" shall refer to the intentional adoption or ratification of a record through
4 a tangible or electronic symbol associated with the party making the sign.

5 (r) "*Sub-Registry*" shall refer to registry maintained by a warehouse containing
6 information on goods deposited in its custody.

7 (s) "*Transferee*" shall refer to a person to whom a warehouse receipt has been
8 transferred for value.

9 (t) "*Transferor*" shall refer to a person transferring a warehouse receipt to another
10 for value.

11 (u) "*Warehouse*" shall refer to a place for storing goods for profit within the territory
12 of the Philippines.

13 (v) "*Warehouse Receipt*" shall refer to a receipt, whether electronic or otherwise,
14 issued by a warehouse operator, evidencing title over goods stored at a warehouse.

15 (w) "*Warehouse Operator*" shall refer to a person lawfully engaged in the business of
16 storing goods for profit.

17 CHAPTER II

18 WAREHOUSE RECEIPTS

19 **SEC. 4. *Warehouse Receipts Registry.*** – The Securities and Exchange Commission
20 (SEC) is hereby tasked with creating an online and uniform Registry where all electronic
21 warehouse receipts can be registered and accessed. The SEC is authorized to engage the
22 services of third parties in creating and maintaining the Registry.

23 **SEC. 5. *Local Sub-Registry.*** – In addition to the Registry, all warehouses must
24 maintain a Sub-Registry specifically for goods deposited in their custody. Failure of a
25 warehouse to keep a Sub-Registry, as well as any fraud committed thereon, shall be
26 grounds for revocation of a warehouse's accreditation.

1 **SEC. 6. *Creation of Warehouse Receipts.*** – Only duly registered and accredited
2 warehouse operators operating duly registered and accredited warehouses may validly
3 create an entry in the Registry for which an electronic warehouse receipt shall be issued.

4 **SEC. 7. *Nature of Warehouse Receipts.*** – All warehouse receipts, regardless of what
5 is stated upon their face, are negotiable at the option of the holder.

6 **SEC. 8. *Original Warehouse Receipts.*** – The electronic copy of a warehouse receipt
7 shall be considered as an original. Any physical copy of the electronic warehouse receipt
8 that is a certified true copy of the same shall be valid. However, in case of discrepancy
9 between the electronic warehouse receipt and a certified true copy of the same, the
10 electronic warehouse receipt shall be controlling.

11 A certified true copy of the electronic warehouse receipt is a representation and
12 warranty that such receipt is an accurate copy of an original electronic warehouse receipt
13 properly registered and not cancelled at the date of the issue of the copy.

14 **SEC. 9. *Transactions Involving Physical Copies of Receipts.*** – All transactions
15 involving certified true copies of warehouse receipts are valid provided they comply with
16 existing Philippine laws regarding the form and substance of the mode of transfer. The
17 transferee is charged with the duty to have the electronic warehouse receipt amended to
18 reflect his interests therein. In case there are several contesting parties, the buyer in good
19 faith who had the electronic warehouse receipt amended in his favor first shall be
20 presumed to be the valid owner of the same.

21 **SEC. 10. *Notification Requirement.*** – Whenever an amendment to the electronic
22 warehouse receipt is sought by a party, the other party to the transaction must be notified
23 of the impending amendment. Such notified party shall be given three (3) working days
24 from receipt of the notification to contest the amendment, otherwise it shall be ministerial
25 on the part of the warehouse operator to effect such amendment to the Registry.

26 **SEC. 11. *Required Content of a Warehouse Receipt.*** – Warehouse receipts must
27 contain the following information:

- 1 (a) A description of the goods covered by the warehouse receipt;
- 2 (b) The date and time when such goods were deposited with the warehouse
- 3 operator;
- 4 (c) The location of the warehouse where such goods are stored;
- 5 (d) The date and time when the warehouse receipt was issued;
- 6 (e) The consecutive warehouse receipt number;
- 7 (f) The rate of storage charges;
- 8 (g) The signature of the warehouse operator which may be made by his authorized
- 9 agent;
- 10 (h) If the receipt was issued for goods of which the warehouse operator is the
- 11 owner, either solely or jointly or in common with others, the fact of such ownership;
- 12 (i) A statement of the amount of advances made and of liabilities incurred for
- 13 which the warehouse operator claims a lien. If such amount was unknown at the time of
- 14 issuance, a statement of the fact that advances have been made or liabilities incurred, and
- 15 the purpose thereof is sufficient; and
- 16 (j) A statement of any interests on the warehouse receipt or goods covered thereof,
- 17 as well as the dates when such interests were registered.

18 **SEC. 12. Required Content of Certified True Copies of Warehouse Receipts.** – In
19 addition to the information mentioned in the immediately preceding section, all certified
20 true copies of warehouse receipts must contain the following:

- 21 (a) A statement that the copy is a mere copy and that in case of any discrepancy,
- 22 the original shall be controlling; and
- 23 (b) The date and time when the copy was issued.

24 **SEC. 13. Arbitration Clause.** – With the express conformity of the warehouse
25 operator, the holder may cause to be written into the electronic warehouse receipt a clause
26 which states that the civil aspect of any liability arising from the warehouse receipt shall
27 be subject to arbitration.

1 CHAPTER III

2 WAREHOUSE ACCREDITATION COUNCIL

3 SEC. 14. *Establishment of the Warehousing Accreditation Council.* - There is
4 hereby established an accrediting body for warehouses and warehouse operators to be
5 known as the Warehousing Accreditation Council, hereinafter referred to as the
6 "Council". The Council shall be composed of four (4) permanent members and three (3)
7 members who are experts on warehousing.

8 The permanent members of the Council shall be composed of the following:

9 (a) The Chairperson of the SEC or his/her designated representative;

10 (b) The Secretary of the Department of Trade and Industry (DTI) or his/her
11 designated representative;

12 (c) The Secretary of the Department of Finance (DOF) or his/her designated
13 representative; and

14 (d) The Secretary of the Department of Agriculture (DA) or his/her designated
15 representative.

16 The Chairperson of the SEC and the Secretary of the DA shall be the Chairperson
17 and the Vice-Chairperson of the Council, respectively.

18 The three (3) members who are warehousing experts shall be appointed by at least
19 majority of the permanent members of the Council from a list of nominees coming from
20 the warehousing industry prepared by the SEC. They shall serve one (1) year terms and
21 shall not be disqualified from being re-appointed by the permanent members of the
22 Council.

23 All members of the Council are entitled to one (1) vote each in the conduct of its
24 business.

25 The Council shall be assisted by a secretariat to be lodged in the SEC which shall
26 coordinate the activities involved in the accreditation process.

1 **SEC. 15. *Functions and Responsibilities of the Council.*** – As the accrediting entity,
2 the Council shall have the following functions and responsibilities:

3 (a) Institute and operationalize a system of accreditation and registration for
4 warehouse operators; *Provided*, that the criteria for accreditation shall include sound and
5 measurable standards relating to the ability and capacity to handle the storage of goods;

6 (b) Institute and operationalize a system of accreditation and registration for
7 warehouses; *Provided*, that the criteria for accreditation shall include sound and
8 measurable standards relating to sanitation, storage, and safety of goods stored in
9 warehouses;

10 (c) Issue certificates of accreditation to qualified warehouse operators and
11 warehouses; *Provided*, that the certificates of accreditation shall be valid only for such
12 period as may be prescribed under the implementing rules and regulations of this Act;

13 (d) Promulgate rules and regulations for the orderly and expedient issuance of
14 certified true copies of electronic warehouse receipts.

15 (e) Promulgate rules and regulations concerning warehouse operator bonds;

16 (f) Monitor the performance of warehouse operators and warehouses to ensure
17 continuing compliance with the provisions of this Act and its implementing rules and
18 regulations;

19 (g) Place under probation, suspend, or revoke any certificate of accreditation upon
20 due determination that a warehouse operator or warehouse no longer meets the criteria
21 for accreditation;

22 (h) Require regular submission of reports by warehouse operators and warehouses;

23 (i) Collect reasonable accreditation and monitoring fees from warehouse operators
24 and warehouses which shall be used for the accrediting entity's operational
25 requirements;

26 (j) Submit an annual report to the President of the Philippines and the concerned
27 committees of both houses of Congress;

(k) Facilitate the orderly and expedient access to information regarding warehouse operators and warehouses by the public, in accordance with existing standards under Philippine law;

(l) Grant licenses to inspectors, graders, and weighers who shall assist in ensuring the good quality of warehouses; and

(m) Perform such other functions as may be necessary to accomplish the purposes and objectives of this Act in relation to warehouse operators and warehouses.

SEC. 16. *Warehousing Experts.* – Warehousing experts must be persons actually knowledgeable in running and maintaining warehouses in accordance with globally accepted best practices in warehousing.

CHAPTER IV

WAREHOUSE OPERATORS

SEC. 17. *Registration of Warehouse Operators.* – All warehouse operators using warehouse receipts are required to register and obtain accreditation with the Council. All warehouse operators who are not registered and accredited with the Council are prohibited from issuing warehouse receipts.

SEC. 18. *Screening Process for Warehouse Operators.* – To ensure the quality of warehouse operators, the Council is hereby authorized to create a screening process for warehouse operators which may include the adoption of written examinations. The Council may coordinate with other governmental bodies in order to create a viable screening process for warehouse operators.

SEC. 19. *Warehouse Operator's Bond.* – Prior to its operation, a warehouse operator must post a bond to answer for any liabilities he may incur during the effectivity of his accreditation.

SEC. 20. *Duty to Create Electronic Warehouse Receipts.* – When goods are deposited with the warehouse operator, the warehouse operator has the duty to create an electronic warehouse receipt in the Registry to reflect the deposit of such goods.

1 Likewise, a warehouse operator has the duty to cause the amendment of the electronic
2 warehouse receipt when he is informed by a valid holder of any change in the details
3 found on the electronic warehouse receipt, including but not limited to changes in
4 interest.

5 **SEC. 21. *Liability for Omission of Required Content.*** – A warehouse operator shall
6 be liable for all damages caused by his omission of any details required to be placed on a
7 warehouse receipt under this Act.

8 **SEC. 22. *Permissible Insertions.*** – A warehouse operator may insert in a warehouse
9 receipt issued by him any other terms and conditions provided that such terms and
10 conditions shall not be contrary to the provisions of this Act, and shall not in any way
11 impair his obligation to exercise that degree of care in the safe-keeping of the goods
12 entrusted to him which a reasonable careful man would exercise in regard to similar
13 goods of his own.

14 **SEC. 23. *Obligation of Warehouse Operators to Release Goods.*** – A warehouse
15 operator, in the absence of some lawful excuse provided by this Act, is bound to release
16 the goods upon a written demand from the party registered under the electronic
17 warehouse receipt; *Provided*, that such demand is accompanied with:

18 (a) An attached certified true copy of the electronic warehouse receipt clearly
19 showing that the demanding party is the registered owner of the electronic receipt;

20 (b) An offer to satisfy the warehouse operator's lien coupled with the subsequent
21 satisfaction thereof; and

22 (c) An offer to sign, when the goods are released, an acknowledgement that the
23 party causing the release is lawfully entitled to the goods, and that such goods have been
24 released to them.

25 When the warehouse operator receives a valid written demand, it is ministerial
26 upon him to release the goods absent the existence of a lawful excuse for such refusal as

1 found in this Act. The warehouse operator shall be liable for all damages stemming from
2 his failure or refusal to release the goods.

3 **SEC. 24. *Valid Excuses for Non-Release of Goods.*** – A warehouse operator can
4 validly refuse to release goods when:

5 (a) The party asking for the release of goods fails to deliver a valid written demand,
6 as contemplated in this Act;

7 (b) There is a court order prohibiting him from releasing the goods;

8 (c) Despite the offer to satisfy the same, the warehouse operator's lien was not fully
9 satisfied; or

10 (d) The demanding party reneges on its offer to sign an acknowledgement that the
11 party causing the release is lawfully entitled to the goods, and that such goods have been
12 released to them.

13 **SEC. 25. *Release of Goods to Agent.*** – A warehouse operator may release the goods
14 to an agent of a party entitled to the goods under the electronic warehouse receipt only if
15 such agent had apparent or real authority from his principal to cause the release of the
16 goods. Where the warehouse operator released the goods to an agent absent any showing
17 of real or apparent authority from the principal, both the warehouse operator and the
18 agent shall be liable for all damages stemming from such unlawful release.

19 **SEC. 26. *Obligation to Cancel Electronic Warehouse Receipt upon Release.*** – A
20 warehouse operator has the duty to mark the electronic warehouse receipt "cancelled"
21 once he has validly released the goods, regardless if the release was in full or merely
22 partial.

23 When a warehouse operator fails to have the electronic warehouse receipt cancelled
24 after releasing the goods, he shall be liable to anyone who purchases in good faith and
25 for value such warehouse receipt, on account of his inability to release the goods to him,
26 whether such purchaser acquired title to the receipt before or after the release of the goods
27 by the warehouse operator.

1 **SEC. 27. *Effect of Partial Release of Goods.*** – If the party causing the partial release
2 of goods wishes to keep the remaining goods stored in the same warehouse, he shall
3 inform the warehouse operator of his intention and have a new warehouse receipt created
4 in his favor over the remaining goods. Otherwise, it is incumbent upon the warehouse
5 operator to remove goods which are no longer covered by a valid warehouse receipt from
6 his warehouse.

7 **SEC. 28. *Fraudulent Alterations of Warehouse Receipts.*** – Any fraudulent alteration
8 made by the warehouse operator on the electronic warehouse receipt or any copy thereof
9 shall make him liable for all damages stemming from such unlawful alteration. If the
10 fraudulent alteration was caused by any party other than the warehouse operator, and
11 without the warehouse operator's knowledge that the same was fraudulent, the
12 warehouse operator shall only be liable according to the tenor of the warehouse receipt
13 prior to its fraudulent alteration.

14 **SEC. 29. *Innocent Purchaser of Fraudulently Altered Warehouse Receipt.*** – Any
15 purchaser of the receipt for value who had no knowledge that the same had been
16 fraudulently altered by the warehouse operator at the time of purchase shall acquire the
17 same rights against the warehouse operator which such purchaser would have acquired
18 if the warehouse receipt had not been altered at the time of purchase.

19 In the event the fraudulent alteration was caused by any party other than the
20 warehouse operator, and without the warehouse operator's knowledge that the same was
21 fraudulent, both the warehouse operator and the party causing the alteration shall be
22 held liable to the innocent purchaser according to the tenor of the altered warehouse
23 receipt, but the liability of the warehouse operator shall not go beyond what he would
24 have been liable for according to the tenor of the warehouse receipt prior to its fraudulent
25 alteration.

26 **SEC. 30. *Irretrievable Loss of Electronic Warehouse Receipts.*** – The SEC is hereby
27 authorized to settle claims and disputes stemming from the irretrievable loss of electronic

1 warehouse receipts in the Registry. In such cases, the claimant must adequately show he
2 had a valid and existing electronic warehouse receipt in the Registry, and that such
3 electronic warehouse receipt was, in fact, lost, destroyed, or corrupted through no fault
4 of his. The ruling of the SEC shall be appealable to the Court of Appeals under Rule 43
5 of the Revised Rules of Court.

6 **SEC. 31. *Liability for Non-Existence or False Description of Goods.*** – A warehouse
7 operator shall be liable to the holder of a warehouse receipt for damages caused by the
8 non-existence of the goods or by the failure of the goods to correspond with the
9 description thereof in the receipt at the time of its issue.

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

18 **SEC. 32. *Liability for Damage or Loss to Goods.*** – A warehouse operator shall be
19 liable for any loss or damage to the goods caused by his failure to exercise such care in
20 regard to them as reasonably careful owner of similar goods would exercise, but he shall
21 not be liable, in the absence of an agreement to the contrary, for any loss or injury to the
22 goods which could not have been avoided by the exercise of such care.

23 **SEC. 33. *General Prohibition on Co-Mingling of Goods.*** – Except where expressly
24 allowed by this Act, a warehouse operator shall keep the goods under his care reasonably
25 separated from the goods of other depositors, and from other goods of the same depositor
26 for which a separate receipt has been created, as to permit at all times the identification
27 and redelivery of the goods deposited.

SEC. 34. *When Co-Mingling of Goods Allowed.* – If authorized by agreement or by custom, a warehouse operator may mingle fungible goods with other goods of the same kind and grade. In such case, the various depositors of the mingled goods shall own the entire mass in common and each depositor shall be entitled to such portion thereof as the amount deposited by him bears to the whole.

SEC. 35. *Liability of Warehouse Operator for Unauthorized Co-Mingling.* – The warehouse operator shall be severally liable to each depositor for the care and redelivery of his share of such mass to the same extent and under the same circumstances as if the goods had been kept separate.

CHAPTER V

WAREHOUSES

SEC. 36. *Registration with the Council.* – All warehouses must be registered with and accredited by the Council. Warehouses that are not registered with and accredited by the Council are prohibited from being used by warehouse operators in storing goods covered by warehouse receipts.

SEC. 37. *Insurance.* – All warehouses must be insured in accordance with the value and types of goods kept in them. The Council is hereby empowered to close down any warehouse that stores goods covered by warehouse receipts which were not insured.

SEC. 38. *Initiative to Examine Warehouses.* – The SEC, or any permanent member of the Council, may request the Council to examine the operations of warehouses for the purpose of determining that such warehouses are not engaged in unauthorized activities. In case of a finding that an accredited warehouse is engaged in unauthorized activities, the Council may place the subject warehouse on probation, suspend or revoke its accreditation based on such ground, as may be appropriate under the circumstances.

CHAPTER VI

RIGHTS OF HOLDERS AND CLAIMANTS

SEC. 39. *Rights of a Transferee.* – A transferee acquires thereby:

1 (a) Such title to the goods as the transferor had or had the ability to convey to a
2 purchaser in good faith for value;

3 (b) The right to have the electronic warehouse receipt amended to reflect his
4 ownership over the goods;

5 (c) The direct obligation of the warehouse operator to hold possession of the goods
6 for him according to the terms of the receipt as if the warehouse operator contracted
7 directly with him.

8 **SEC. 40. *Warranties of a Transferor.*** – Unless a contrary intention appears, a
9 transferor warrants that:

10 (a) The warehouse receipt is genuine;

11 (b) He has a legal right to transfer the warehouse receipt; and

12 (c) He does not have knowledge of any fact which would impair the validity or
13 worth of the warehouse receipt.

14 **SEC. 41. *Transferor Not a Guarantor.*** – The transferor shall not be liable for any
15 failure on the part of the warehouse operator or previous transferors of the receipt to
16 fulfill their respective obligations.

17 **SEC. 42. *When Transfer Not Impaired by Fraud, Mistake, or Duress.*** – The validity
18 of the transfer of a warehouse receipt is not impaired by the fact that such transfer was a
19 breach of duty on the part of the transferor, or by the fact that the owner of the receipt
20 was induced by fraud, mistake, or duress to entrust the possession or custody of the
21 receipt to such person, if the transferee or subsequent transferees paid value therefor,
22 without notice of the breach of duty, fraud, mistake, or duress.

23 **SEC. 43. *Enforcement of Security Interest.*** – In any transaction where the warehouse
24 receipt or the goods covered thereby are treated as security to a transaction, the same
25 shall be governed by the Personal Property Security Act of 2018.

26 **SEC. 44. *Attachment or Levy.*** – If goods are delivered to a warehouse operator by
27 the owner, or by a person whose act in conveying the title over the goods to a purchaser

1 in good faith for value would bind the owner, and a warehouse receipt was issued for
2 them, such goods cannot thereafter, while in the possession of the warehouse operator,
3 be attached by garnishment or otherwise, or be levied upon under an execution, unless
4 the receipt be first cancelled. The warehouse operator shall in no case be compelled to
5 deliver up the actual possession of the goods until the receipt is cancelled or he is
6 otherwise ordered by the court.

7 **SEC. 45. *Creditor's Remedies.*** – A creditor whose debtor is the registered owner of
8 an electronic warehouse receipt shall be entitled to such aid from courts of appropriate
9 jurisdiction, by injunction and otherwise, in attaching such receipt or in satisfying the
10 claim by means thereof as is allowed by law.

11 **SEC. 46. *Conflicting Claims Over Warehouse Receipts.*** – The SEC is hereby
12 empowered to settle any conflicts relating to title and ownership over warehouse
13 receipts. The decision of the SEC shall be appealable to the Court of Appeals under Rule
14 43 of the Revised Rules of Court.

15 CHAPTER VII

16 WAREHOUSE RECEIPTS ASSURANCE FUND

17 **SEC. 47. *Establishment of a Warehouse Receipts Assurance Fund.*** – A Warehouse
18 Receipts Assurance Fund, hereinafter referred to as the “Fund”, is hereby established to
19 cover for losses involving warehouse receipts stemming from Registry based failures
20 including but not limited to the irretrievable destruction of the Registry or any of the
21 entries therein. The SEC shall be in charge of the Fund and is hereby ordered and
22 authorized to create rules and regulations for the creation, management, and
23 disbursement thereof. The SEC is likewise authorized to seek third party assistance for
24 the creation and maintenance of the Fund

25 **SEC. 48. *Contribution to the Fund.*** – Upon the issuance or amendment of an
26 electronic warehouse receipt, as well as the issuance of a certified true copy of an
27 electronic warehouse receipt, there shall be paid to the SEC one-fourth of one percent of

1 the assessed value of the goods covered by the warehouse receipt, as contribution to the
2 Fund. The SEC shall coordinate with the DTI, as well as other government agencies, to
3 come up with a proper and just valuation for any and all goods that may be covered by
4 a warehouse receipt.

5 Nothing in this section shall in any way preclude the court from increasing or
6 decreasing the valuation of the goods should it appear during the hearing that the value
7 stated is either too small or too large.

8 **SEC. 49. *Recovery of Losses from Fund.*** – A person who, without negligence on his
9 part, sustains loss or damage, or is deprived of any goods covered by an electronic
10 warehouse receipt or any interest therein as a consequence of Registry based failures shall
11 file a claim before the SEC. The SEC is hereby authorized to settle claims and disputes
12 involving a party's right to recover from the Fund. The SEC is likewise ordered and
13 authorized to create rules and regulations regarding the procedure that must be followed
14 by parties seeking to claim against the Fund. Any decision by the SEC involving such
15 matter shall be appealable to the Court of Appeals under Rule 43 of the Revised Rules of
16 Court.

17 **SEC. 50. *Maximum Recoverable Claim.*** – A party may only claim a maximum of
18 Five Hundred Thousand Pesos (P500,000.00) for every electronic warehouse receipt. In
19 case the damage was caused by fraud, the claimant is not precluded from pursuing a
20 claim for damages against such liable persons for the amount of the goods covered by the
21 electronic warehouse receipt less any amount recovered from the Fund.

22 **SEC. 51. *Losses Not Recoverable.*** – The Fund shall not be liable for any loss,
23 damage, or deprivation that is not caused by a Registry based failure. Any losses
24 stemming from Sub-Registry based failures are not recoverable from the Fund.

25 **SEC. 52. *Release of Funds.*** – Any money obtained by the SEC in relation to the Fund
26 shall be placed in a special fund and shall be treated as part of the savings of the SEC
27 which shall be deposited with the National Treasury. Once the SEC makes a request from

1 the National Treasury or the Department of Budget and Management (DBM) for the
2 release of such funds in relation to a lawful purpose primarily related to the Fund, the
3 release of the funds is immediate and ministerial.

4 CHAPTER VIII

5 WAREHOUSE OPERATOR'S LIEN

6 SEC. 53. *Claims Included in the Warehouse Operator's Lien.* – Subject to the
7 provisions of this Act, a warehouse operator shall have a lien on the goods deposited, or
8 on the proceeds thereof, in his hands, for the following: (a) lawful charges for storage and
9 preservation of the goods; (b) lawful claims for money advanced, interest, insurance,
10 transportation, labor, weighing, cooperating, and other charges and expenses in relation to
11 such goods; and (c) reasonable charges and expenses for notice, and advertisements of
12 sale and for sale of the goods where default had been made in satisfying the warehouse
13 operator's lien.

14 SEC. 54. *Enforcement of the Lien.* – A warehouse operator's lien may be enforced
15 against any and all goods stored in his warehouse and covered by a valid warehouse
16 receipt.

17 SEC. 55. *Statement of Charges for which the Lien is Claimed.* – The warehouse
18 operator shall have no lien on a warehouse receipt except for charges for storage of goods
19 subsequent to the date of the receipt, unless the receipt expressly enumerated other
20 charges for which a lien is claimed. In such cases, there shall be a lien for the charges
21 enumerated so far as they are consistent with this Act provided the amount or rate of the
22 charges so enumerated is stated in the receipt.

23 SEC. 56. *Release Goods Only After Lien is Satisfied.* – A warehouse operator having
24 a lien valid against the person demanding the goods may refuse to release the goods to
25 him until the lien is satisfied.

26 A warehouse operator who voluntarily releases the goods despite his lien not being
27 fully satisfied waives his lien over the same.

1 **SEC. 57. *Other Remedies Not Precluded.*** – A warehouse operator is entitled to all
2 remedies allowed by law to a creditor against a debtor for the collection from the
3 depositor of all charges and advances which the depositor has expressly or impliedly
4 contracted with the warehouse operator to pay.

5 **SEC. 58. *Notice of Warehouse Operator's Lien.*** – The warehouse operator must
6 provide the following notices to the person who validly offered to satisfy his lien:

7 (a) An itemized statement of the warehouse operator's claim, showing the sum due
8 at the time of the notice and the date or dates when it becomes due;

9 (b) A brief description of the goods against which the lien exists;

10 (c) A demand that the amount of the claim shall be paid on or before a day
11 mentioned, not less than ten days from the delivery of the notice if it is personally
12 delivered, or from the time when the notice shall reach its destination, according to the
13 due course of post, if the notice is sent by mail; and

14 (d) A statement that unless the claim is paid within the time specified, the goods
15 will be advertised for sale and sold by auction at a specified time and place.

16 **SEC. 59. *Procedure for Auction Sale to Satisfy Warehouse Operator's Lien.*** – In
17 relation to the immediately preceding provision, if the warehouse operator's lien is not
18 satisfied within the time specified, he may satisfy his lien over the goods by selling the
19 same through auction. The auction sale shall be had in the place where the lien was
20 acquired, or, if such place is manifestly unsuitable for such purpose, in the nearest city or
21 municipality where such a sale may be suitably conducted.

22 Prior to the auction sale, the warehouse operator must advertise the sale, describing
23 the goods to be sold, and stating the name of the owner or person on whose account the
24 goods are held, and time and place of the sale. Such advertisement shall be published
25 once a week for two consecutive weeks in a newspaper published in the place where such
26 sale is to be held. The sale shall not be held less than fifteen days from the time of the
27 first publication. If there is no newspaper published in such place, the advertisement

1 shall be posted at least ten days before such sale in not less than six conspicuous places
2 therein, including the city or municipal hall where the warehouse is located.

3 From the proceeds of such sale, the warehouse operator shall satisfy his lien
4 including the reasonable charges of notice, advertisement, and sale. The balance, if any,
5 of such proceeds shall be held by the warehouse operator and delivered on demand to
6 the person to whom he would have been bound to release or justified in releasing goods.

7 At any time before the goods are so sold, the registered owner may pay the
8 warehouse operator the amount necessary to satisfy his lien and to pay the reasonable
9 expenses and liabilities incurred in serving notices and advertising and preparing for the
10 sale up to the time of such payment. Once the registered owner has satisfied the
11 warehouse operator's lien, he must release the goods absent any lawful cause as provided
12 under this Act.

13 **SEC. 60. *Perishable and Hazardous Goods.*** – If goods are of a perishable nature, or
14 by keeping them will deteriorate greatly in value, or, by their order, leakage,
15 inflammability, or explosive nature, will be liable to injure other property, the warehouse
16 operator may give such notice to the owner or to the person in whose names the goods
17 are stored, as is reasonable and possible under the circumstances, to satisfy the lien upon
18 such goods and to remove them from the warehouse. In the event of the failure of such
19 person to satisfy the lien and to remove the goods within the time so specified, the
20 warehouse operator may sell the goods at public or private sale without advertising. If
21 the warehouse operator, after a reasonable effort, is unable to sell such goods, he may
22 dispose of them in any lawful manner and shall incur no liability by reason thereof.

23 The proceeds of any sale made under the terms of this section shall be disposed of
24 in the same way as the proceeds of the sales made under the terms of the preceding
25 section.

26 **SEC. 61. *Other Methods of Lien Enforcement.*** – The remedy for enforcing a lien
27 herein provided does not preclude any other remedy allowed by law for the enforcement

1 of a lien against personal property nor bar the right to recover so much of the warehouse
2 operator's claim as shall not be paid by the proceeds of the sale of the property.

3 **SEC. 62. *Effect of Sale.*** – After goods have been lawfully sold to satisfy a warehouse
4 operator's lien, or have been lawfully sold or disposed of because of their perishable or
5 hazardous nature, the warehouse operator shall not thereafter be liable for failure to
6 deliver the goods to the registered owner of the goods.

7 CHAPTER IX

8 PENALTIES

9 **SEC. 63. *Issuance of Warehouse Receipt for Goods Not Received.*** – A warehouse
10 operator, or an officer, agent, or employee of a warehouse operator who issues or aids in
11 issuing a receipt knowing that the goods for which such receipt is issued have not been
12 actually received by such warehouse operator, or are not under his actual control at the
13 time of issuing such warehouse receipt, shall be subject to imprisonment of ten (10) years,
14 or a fine equal to triple the value of the goods involved, or both. If the warehouse
15 operator himself is liable, his accreditation shall likewise be revoked.

16 **SEC. 64. *Issuance of Warehouse Receipt Containing False Statement.*** – A
17 warehouse operator, or any officer, agent, or employee of a warehouse operator who
18 fraudulently issues or aids in fraudulently issuing a warehouse receipt for goods
19 knowing that it contains any false statement, shall be subject to imprisonment of ten (10)
20 years, or a fine equal to triple the value of the goods involved, or both. If the warehouse
21 operator himself is liable, his accreditation shall likewise be revoked.

22 **SEC. 65. *Issuance of Fraudulent Duplicate Warehouse Receipt.*** – A warehouse
23 operator, or any officer, agent, or employee of a warehouse operator who issues or aids
24 in issuing a second electronic warehouse receipt for goods knowing that there is an
25 existing prior electronic warehouse receipt for the same goods or any part of them, except
26 in the case of a court order following an irretrievably lost receipt as provided for in this
27 Act, shall be subject to imprisonment of ten (10) years, or a fine equal to triple the value

1 of the goods involved, or both. If the warehouse operator himself is liable, his
2 accreditation shall likewise be revoked.

3 **SEC. 66. *Unlawful Release of Goods Covered by Warehouse Receipt.*** – A warehouse
4 operator, or any officer, agent, or employee of a warehouse operator, who releases goods
5 covered by an electronic warehouse receipt without any legal basis shall be subject to
6 imprisonment of ten (10) years, or a fine equal to triple the value of the goods involved,
7 or both. If the warehouse operator himself is liable, his accreditation shall likewise be
8 revoked.

9 **SEC. 67. *Fraudulent Deposit of Goods.*** – Any person who, with fraud, deposits
10 goods to which he has no title, or upon which there is a lien or mortgage, and who obtains
11 an electronic warehouse receipt for the same, shall be subject to imprisonment of ten (10)
12 years, or a fine equal to triple the value of the goods involved, or both.

13 Any warehouse operator or his agent who knowingly facilitates the issuance of an
14 electronic warehouse receipt for such goods shall be subject to imprisonment of ten (10)
15 years, or a fine equal to triple the value of the goods involved, or both.

16 **SEC. 68. *Issuance of Warehouse Receipts by Unregistered Warehouse Operator.*** –
17 Any warehouse operator who issues a warehouse receipt despite not being registered
18 with the Council shall be subject to imprisonment of ten (10) years, or a fine equal to triple
19 the value of the goods involved, or both.

20 **SEC. 69. *Willful Operation of an Unregistered or Un-Accredited Warehouse.*** – Any
21 warehouse operator who issues a warehouse receipt for goods stored in a warehouse that
22 is not registered or accredited by the Council, or whose registration or accreditation has
23 been revoked or suspended under the provisions of this Act shall be subject to
24 imprisonment of ten (10) years, or a fine equal to triple the value of the goods involved,
25 or both.

26 **CHAPTER X**

27 **TRANSITORY PROVISIONS**

1 **SEC. 70. *Role of the SEC and Other Agencies.*** – The SEC shall be the primary
2 regulatory body in charge of all matters related to warehouse receipts. While the SEC
3 may consult with other regulatory bodies, as well as other organizations representative
4 of a particular sector, the SEC shall, at all times, be the lead agency in ensuring the
5 successful implementation of this Act except as otherwise provided in this Act.

6 **SEC. 71. *Inter-Connected Registry Information.*** – Where feasible, the SEC is
7 ordered and authorized to engage in concerted activity with other government agencies
8 for the linking of the Registry provided under this Act with other registries in order to be
9 able to come up with an inter-connected registry.

10 **SEC. 72. *Public Information.*** – All entries in the Registry of electronic warehouse
11 receipts shall be available to the public. Likewise, the list of accredited warehouse
12 operators and warehouses, as well as the list of warehouse operators and warehouses
13 whose accreditation have been revoked, shall be available to the public.

14 **SEC. 73. *Dispute Resolution.*** – Except in cases specifically placed under the
15 jurisdiction of the SEC under this Act, as well as cases where the electronic warehouse
16 receipt includes a valid arbitration clause, all actions arising from this Act shall fall under
17 the jurisdiction of the Regional Trial Courts.

18 **SEC. 74. *Transition Period.*** – All existing warehouse operators and warehouses
19 must be compliant with the provisions of this Act relating to registration and
20 accreditation within three (3) years from the effectivity of this Act. All physical
21 warehouse receipts must be converted to electronic warehouse receipts within three (3)
22 years from the opening of the system of registry for warehouse receipts to be made by
23 the SEC.

24 **SEC. 75. *Appropriations.*** – The amount necessary to carry out the initial
25 implementation of this Act shall be included in the General Appropriations Act.

26 **SEC. 76. *Implementing Rules and Regulations.*** – Within ninety (90) days after the
27 effectivity of this Act, the SEC, in coordination with the DA, DTI, DOF, and other relevant

1 organizations, shall promulgate rules and regulations for the implementation of this Act
2 and/or for the public interest or for the protection of warehouse operators and
3 warehouses accredited or regulated pursuant to the authority granted under this Act.

4 **SEC. 77. *Separability Clause.*** – If any provision of this Act is declared invalid or
5 unconstitutional, the other provisions not affected by such declaration shall remain in full
6 force and effect.

7 **SEC. 78. *Repealing Clause.*** – All laws, executive orders, administrative orders, and
8 rules and regulations inconsistent with this Act are hereby repealed or amended
9 accordingly.

10 **SEC. 79. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after its
11 complete publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,