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SENATE

S.B. No. 2049

REC'D



Introduced by SEN. WIN GATCHALIAN

**AN ACT
STRENGTHENING AND MODERNIZING THE WAREHOUSE RECEIPTS
SYSTEM, REPEALING ACT NO. 2137 OR THE "WAREHOUSE RECEIPTS LAW
OF 1912", AND OTHER RELATED PURPOSES**

EXPLANATORY NOTE

In 2019, the agricultural sector accounts for 9% of the country's GDP. However, it constitutes only less than 1% of total credit. Clearly, the struggle of farmers and MSMEs to access credit and the lack of confidence of banks to lend to them under a risky environment remain to be a major problem for the agriculture sector.

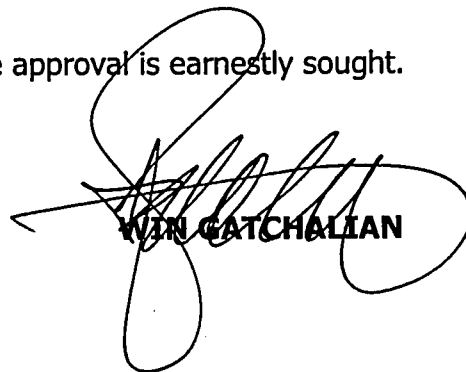
Act No. 2137 or the Warehouse Receipts Law of 1912 was supposed to help our farmers access credit by providing a simple means to store goods in the warehouse and trade or encumber the warehouse receipt. However, the same law has not been updated since its enactment a century ago and remains to be inadequate to support commercial transactions today. Thus, there is clearly a need to review, revise and update its contents to make it responsive to the present needs of the agricultural sector and 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.

Accordingly, this bill seeks to strengthen and modernize the country's warehouse receipts system by establishing a central electronic Registry for all Warehouse Receipts, to be made readily available online, which shall be managed by the Securities and Exchange Commission, and by providing for the accreditation of warehouses engaged in the issuance of warehouse receipts.

With the use of a centralized IT system that serves as a repository of all issued warehouse receipts and the accreditation of participating warehouses, banks and other financial institutions will be more confident on the integrity and the use of warehouse receipts as collateral by our farmers and MSMEs since it complements the banks' risk management tools in doing its due diligence. On one hand, such system will also provide the basis for cheaper access to credit and will allow farmers to sell their crops at a time when they can maximize their profit and to protect their crops from natural calamities. Moreover, the centralized repository system of issued warehouse receipts will provide market information needed for strategic policy decisions concerning food security.

The bill also provides for the requirement of bonds and insurance for warehouse operators and a guarantee mechanism through the Philippine Guarantee Corporation in providing guarantee for all loans backed by warehouse receipts as collateral.

For the foregoing reasons, its immediate approval is earnestly sought.



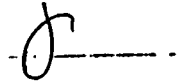
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**AN ACT
STRENGTHENING AND MODERNIZING THE WAREHOUSE RECEIPTS LAW
OF THE PHILIPPINES, REPEALING ACT NO. 2137 OR THE "WAREHOUSE
RECEIPTS LAW", AND OTHER RELATED PURPOSES**

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

CHAPTER I

GENERAL PROVISIONS

1
2
3 **SECTION 1. *Title.*** – This Act shall be known as the "Revised Warehouse
4 Receipts Law of the Philippines."
5

6 **SEC. 2. *Declaration of Policy.*** – It is the policy of the State to promote
7 economic activity by increasing access, particularly for entities engaged in agricultural
8 businesses such as farming, to least cost credit by establishing a simplified, unified,
9 and modern framework for the storage of goods in warehouses and the subsequent
10 trading of interests therein.
11

12 **SEC. 3. *Definition of Terms.*** – As used in this Act, the following terms are
13 defined as follows:

- 1 (1) **"Action"** includes counterclaim, set-off, and suits in equity as provided
2 by law.
- 3 (2) **"Delivery"** means voluntary transfer of control from one person to
4 another.
- 5 (3) **"Deposit"** means the act of transferring actual possession of goods to
6 a warehouse operator.
- 7 (4) **"Goods"** means chattels or merchandise in storage or which has been
8 or is about to be stored.
- 9 (5) **"Good Faith"** means when a thing is done honestly, whether it be done
10 negligently or not.
- 11 (6) **"Guarantee"** specifically refers to a guarantee issued by the Philippine
12 Guarantee Corporation;
- 13 (7) **"Holder"** of a receipt means a person who has both constructive
14 possession of such receipt and a right of property therein.
- 15 (8) **"Insurance"** shall mean any form of insurance, whether obtained from
16 a public or private entity, within the meaning of the Insurance Code of
17 the Philippines;
- 18 (9) **"Modern"** shall refer to the adaptation and utilization of modern
19 technology, including Blockchain technology;
- 20 (10) **"Order"** means and order by indorsement on the receipt.
- 21 (11) **"Owner"** does not include mortgagee.
- 22 (12) **"Person"** includes both natural and juridical persons.
- 23 (13) **"Purchase"** includes to take as mortgagee or as pledgee.
- 24 (14) **"Receipt"** means an Electronic Warehouse Receipt.
- 25 (15) **"Registry"** refers to the Electronic Warehouse Receipts Registry.
- 26 (16) **"Release Order"** means a written instrument issued by the owner of a
27 receipt directing a warehouse operator to release his goods to a specific
28 person.
- 29 (17) **"Value"** means any consideration sufficient to support a simple contract.
30 An antecedent or pre-existing obligation, whether for money or not,

1 constitutes value where a receipt is taken either in satisfaction thereof
2 or as security therefor.

3 (18) **"Warehouse"** means a place that houses goods intended to be used
4 for trading or financing within the territory of the Philippines operated
5 and maintained by a warehouse operator.

6 (19) **"Warehouse operator"** means a person lawfully engaged in the
7 business of housing goods intended to be used for trading or financing
8 and duly authorized under this Act.

9 (20) **"Writing"** for the purpose of this Act includes electronic records.

10
11 **SEC. 4. *Persons Who May Issue Receipts.*** – Warehouse receipts may only
12 be issued by a duly authorized warehouse operator.

13
14 **SEC. 5. *Form of Receipts.*** – Every warehouse receipt must contain:

- 15 (1) The location of the warehouse where the goods are stored;
16 (2) The date of the issue of the receipt;
17 (3) The consecutive number of the receipt;
18 (4) A statement whether the goods received will be delivered to the bearer,
19 to a specified person or to a specified person or his order;
20 (5) The amount up to which the goods covered by the receipt are insured,
21 and the name of the insuring entity;
22 (6) The rate of storage charges;
23 (7) A description of the goods or of the packages containing them;
24
25 (8) The signature of the warehouse operator which may be made by his
26 authorized agent;
27 (9) If the receipt is issued for goods of which the warehouse operator is
28 owner, either solely or jointly or in common with others, the fact of such
29 ownership; and
30 (10) A statement of the amount of advances made and of liabilities incurred
31 for which the warehouse operator claims a lien. If the precise amount
32 of such advances made or of such liabilities incurred is, at the time of

1 the issue of, unknown to the warehouse operator or to his agent who
2 issues it, a statement of the fact that advances have been made or
3 liabilities incurred and the purpose thereof is sufficient.

4 A warehouse operator shall be liable to any person injured thereby for all
5 damages caused by the omission from a warehouse receipt of any of the terms herein
6 required.

7
8 **SEC. 6. *Permissible Insertions.*** – A warehouse operator may insert in a
9 receipt issued by him any other terms and conditions provided that such terms and
10 conditions shall not:

- 11 (1) Be contrary to the provisions of this Act; or
12 (2) In any way impair his obligation to exercise that degree of care in the
13 safe-keeping of the goods entrusted to him which a reasonably careful
14 man would exercise in regard to similar goods of his own.

15
16 **SEC. 7. *Definition of Non-Negotiable Receipt.*** – A receipt in which it is
17 stated that the goods received will be delivered to the depositor or to any other
18 specified person is a non-negotiable receipt.

19
20 **SEC. 8. *Definition of Negotiable Receipt.*** – A receipt in which it is stated
21 that the goods received will be delivered to the bearer or to the order of any person
22 named in such receipt is a negotiable receipt.

23 No provision shall be inserted in a negotiable receipt that it is non-
24 negotiable. Such provision, if inserted, shall be void.

25
26 **SEC. 9. *Failure to Mark "Non-Negotiable".*** – A non-negotiable receipt shall
27 have plainly placed upon its face by the warehouse operator issuing it "non-
28 negotiable," or "not negotiable." In case of the warehouse operator's failure so to do,
29 a holder of the receipt who purchased it for value supposing it to be negotiable, may,
30 at his option, treat such receipt as imposing upon the warehouse operator the same
31 liabilities he would have incurred had the receipt been negotiable.

1 This Section shall not apply, however, to letters, memoranda, or written
2 acknowledgment of an informal character.

3
4 **CHAPTER II**

5 **ELECTRONIC WAREHOUSE RECEIPTS REGISTRY**

6 **SEC. 10. *Electronic Warehouse Receipts Registry.*** – The Securities and
7 Exchange Commission (SEC) is hereby tasked with creating and maintaining a modern,
8 online, centralized, and nationwide Registry where all electronic warehouse receipts
9 can be registered and accessed, as well as rules and regulations pertaining specifically
10 to registration and cancellation of electronic warehouse receipts. The SEC is likewise
11 authorized to engage the services of third parties in creating and maintaining the
12 Registry.

13
14 **SEC. 11. *Local Sub-Registry.*** – In addition to the Registry created and
15 maintained by the SEC, all warehouses must establish and maintain a Sub-Registry
16 specifically for goods deposited therein. Failure of a warehouse to keep a Sub-Registry
17 in the warehouse, as well as any fraud committed thereon, shall be grounds for the
18 revocation of a warehouse's accreditation.

19
20 **SEC. 12. *Transferability of Receipts.*** – All warehouse receipts, regardless
21 of what is stated upon their face, are transferable at the option of the holder.

22
23 **SEC. 13. *Collateralization of Receipts.*** – All warehouse receipts, regardless
24 of what is stated upon their face, may be collateralized in accordance with Republic
25 Act No. 11057, otherwise known as the 'Personal Property Security Act'.

26
27 **SEC. 14. *Guarantee on All Warehouse Receipts Securing Financial***
28 ***Obligations.*** – Upon the establishment and operationalization of the Registry, the
29 Philippine Guarantee Corporation (PHILGUARANTEE), in accordance with its
30 consolidated mandate under Executive Order No. 58, Series of 2018, and to the extent
31 allowed by enabling provisions of applicable laws, may provide guarantee on eligible
32 loans secured by warehouse receipts or the goods evidenced thereby.

1
2 **CHAPTER III**
3 **ACCREDITATION**

4 **SEC. 15. Role of the SEC.** – The SEC shall be the primary regulatory body in
5 charge of all matters related to warehouse receipts, including accreditation. While the
6 SEC may consult with other regulatory bodies including but not limited to the
7 Department of Trade and Industry, the Department of Finance, and the Department
8 of Agriculture, warehousing experts, and other organizations representative of a
9 particular sector, the SEC shall, at all times, be the lead agency in ensuring the
10 successful implementation of this Act; *Provided,* That the regulatory bodies,
11 warehousing experts, and other organizations representative of a particular sector
12 shall only be consulted on goods, crops, and practices they are familiar with.
13

14 **SEC. 16. Warehousing Experts.** – The SEC is authorized to create rules and
15 regulations in order to determine the persons who would qualify as warehousing
16 experts. The warehousing experts must be persons knowledgeable, and with actual
17 experience, in operating and maintaining warehouses in accordance with globally
18 accepted best practices in warehousing.
19

20 **SEC. 17. Functions and Responsibilities of the SEC as Accrediting**
21 **Agency** – As the accrediting entity, the SEC shall have the following functions and
22 responsibilities:

- 23 (1) Institute and operationalize a system of accreditation for warehouse
24 operators; *Provided,* That the criteria for accreditation shall include
25 sound and measurable standards relating to the ability and capacity to
26 handle the storage of goods and the maintenance of the Sub-Registry;
27 (2) Issue certificate of accreditation to qualified warehouse operators and
28 warehouses upon determination that the requirements and criteria set
29 for this purpose have been fully satisfied; *Provided,* That the certificate
30 of accreditation shall be valid only for such period as may be prescribed
31 under the implementing rules and regulations of this Act;

- 1 (3) Monitor the performance of warehouse operators to ensure continuing
2 compliance with the provisions of this Act and its implementing rules and
3 regulations;
- 4 (4) Place under probation, suspend or revoke any certificate of accreditation
5 upon due determination that a warehouse operator no longer meets the
6 criteria for accreditation;
- 7 (5) Require regular submission of reports by warehouse operators;
- 8 (6) Collect reasonable accreditation and monitoring fees from warehouse
9 operators which shall be used for operational requirements;
- 10 (7) Submit an annual report to the President of the Philippines and the
11 concerned committees of both Houses of Congress;
- 12 (8) Perform such other functions as may be necessary to accomplish the
13 purposes and objectives of this Act in relation to warehouse operators
14 and warehouses.

15

16 **SEC. 18. *Accreditation of Warehouse Operators.*** – All warehouse
17 operators issuing warehouse receipts to be used for purposes other than mere storage
18 and facilitation of logistics are hereby required to obtain accreditation with the SEC.
19 The SEC is hereby ordered and authorized to create rules and regulations to facilitate
20 the accreditation of warehouse operators. All warehouse operators who are not
21 accredited with the SEC are prohibited from issuing warehouse receipts.

22

23 **SEC. 19. *Screening Process for Warehouse Operators.*** – To ensure the
24 credibility and integrity of the warehouse operators, the SEC is hereby authorized to
25 create a screening process for warehouse operators which may include the adoption
26 of written examinations. The SEC shall coordinate with other governmental bodies in
27 order to create a viable screening process for warehouse operators.

28

29 **SEC. 20. *Warehouse Operator's Bond.*** – Prior to the operation of the
30 warehouse, a warehouse operator must post a bond to answer for any liabilities he
31 may have in the operation of the warehouse during the effectivity of his accreditation.

1 The SEC is hereby ordered and authorized to come up with rules and regulations
2 concerning the warehouse operator's bond.

3
4 **SEC. 21. *Mandatory Insurance.*** – No warehouse operator shall be granted
5 accreditation unless the warehouse operator and his warehouse are insured. The SEC
6 is hereby ordered and authorized to come up with rules and regulations concerning
7 the minimum insurance requirements for warehouses and warehouse operators;
8 *Provided,* That the minimum insurance requirements are in accordance with globally
9 accepted best practices in insurance for warehouse and warehouse operators.

10
11 **SEC. 22. *Effect of Lapse or Absence of Insurance.*** – The SEC may revoke
12 the accreditation of any warehouse operator who is found to be operating without
13 insurance or with lapsed insurance, or whose warehouses are found to be operating
14 without insurance or with lapsed insurance.

15 16 **CHAPTER IV**

17 **OBLIGATIONS AND RIGHTS OF WAREHOUSE OPERATORS**

18 **UPON THEIR RECEIPTS**

19 **SEC. 23. *Obligation of a Warehouse Operator to Deliver Goods.*** – A
20 warehouse operator, in the absence of some lawful excuse provided by this Act, is
21 bound to deliver the goods upon a demand made either by the holder of a receipt for
22 the goods or by the depositor; if such demand is accompanied with:

- 23 (1) An offer to satisfy the warehouse operator's lien, if applicable;
24 (2) A written offer to surrender control of the receipt and perform all actions
25 necessary to surrender said control;
26 (3) A readiness and willingness to sign, when the goods are delivered, an
27 acknowledgment that they have been delivered, if such signature is
28 requested by the warehouse operator.

29 In case the warehouse operator refuses or fails to deliver the goods in
30 compliance with a demand by the holder or depositor so accompanied, the burden
31 shall be upon the warehouse operator to establish the existence of a lawful excuse for
32 such refusal.

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SEC. 24. Justification of Warehouse Operator in Delivering Goods. – A warehouseman is justified in delivering the goods to one who is:

- (1) The person lawfully entitled to the possession of the goods, or his agent;
- (2) A person who is either himself entitled to delivery by the terms of a non-negotiable receipt issued for the goods, or who has written authority from the person so entitled; or
- (3) A person in control of a negotiable receipt by the terms of which the goods are deliverable to him or order, or which has been indorsed to him or in blank by the person to whom delivery was promised by the terms of the receipt or by his mediate or immediate indorser.

SEC. 25. Warehouse Operator's Liability for Misdelivery of Goods. – Where a warehouse operator delivers the goods to one who is not in fact lawfully entitled to the possession of them, the warehouse operator shall be liable as for conversion to all having a right of property or possession in the goods if he delivered the goods otherwise than as authorized by under Section 24 (2) and Section 24 (3) hereof, and though he delivered the goods as authorized by Section 24 (2) and Section 24 (3) hereof, he shall be so liable, if prior to such delivery he had either:

- (1) Been requested, by or on behalf of the person lawfully entitled to a right of property or possession in the goods, not to make such deliver; or
- (2) Had information that the delivery about to be made was to one not lawfully entitled to the possession of the goods.

SEC. 26. Negotiable Receipt Must be Cancelled When Goods Delivered. – Except as otherwise provided in this Act, where a warehouse operator delivers goods for which he had issued a negotiable receipt, the negotiation of which would transfer the right to the possession of the goods, and fails to take up and cancel the receipt, he shall be liable to any entity who purchases for value in good faith such receipt, for failure to deliver the goods to him, whether such purchaser acquired title to the receipt before or after the delivery of the goods by the warehouse operator.

1 **SEC. 27. Negotiable Receipts Must be Cancelled or Marked When Part**
2 **of Goods Delivered.** – Except as otherwise provided in this Act, where a warehouse
3 operator delivers part of the goods for which he had issued a negotiable receipt and
4 fails to either amend or cancel such receipt to reflect the partial delivery, he shall be
5 liable to anyone who purchases for value in good faith such receipt, for failure to
6 deliver all the goods specified in the receipt, whether such purchaser acquired title to
7 the receipt before or after the delivery of any portion of the goods by the warehouse
8 operator.

9
10 **SEC. 28. Altered Receipts.** – The alteration of a receipt shall not excuse the
11 warehouse operator who issued it from any liability if such alteration was:

- 12 (1) Immaterial;
13 (2) Authorized; or
14 (3) Made without fraudulent intent.

15 If the alteration was authorized, the warehouse operator shall be liable
16 according to the terms of the receipt as altered. If the alteration was unauthorized
17 but made without fraudulent intent, the warehouse operator shall be liable according
18 to the terms of the receipt as they were before alteration.

19 Material and fraudulent alteration of a receipt shall not excuse the warehouse
20 operator who issued it from liability to deliver, according to the terms of the receipt
21 as originally issued, the goods for which it was issued, but shall excuse him from any
22 other liability.

23
24 **SEC. 29. Warehouse Operator Cannot Set Title to Himself.** – No title or
25 right to the possession of the goods, on the part of the warehouse operator, unless
26 such title or right is derived directly or indirectly from a transfer made by the depositor
27 at the time of or subsequent to the deposit for storage, or from the warehouse
28 operator's lien, shall excuse the Warehouse operator from liability for refusing to
29 deliver the goods according to the terms of the receipt.

30
31 **SEC. 30. Interpleader of Adverse Claimants.** – If more than one person
32 claims the title or possession of the goods, the warehouse operator may, either as a

1 defense to an action brought against him for non-delivery of the goods or as an original
2 suit, whichever is appropriate, require all known claimants to interplead.

3
4 **SEC. 31. Warehouse Operator has Reasonable Time to Determine**
5 **Validity of Claims.** – If someone other than the depositor or person claiming under
6 him has a claim to the title or possession of goods, and the warehouse operator has
7 information of such claim, the warehouse operator shall be excused from liability for
8 refusing to deliver the goods, either to the depositor or person claiming under him or
9 to the adverse claimant until the warehouse operator has had a reasonable time to
10 ascertain the validity of the adverse claim or to bring legal proceedings to compel
11 claimants to interplead.

12
13 **SEC. 32. Adverse Title is No Defense Except As Provided in this Act.** –
14 Except as provided in this Act, no right or title of a third person shall be a defense to
15 an action brought by the depositor or person claiming under him against the
16 warehouse operator for failure to deliver the goods according to the terms of the
17 receipt.

18
19 **SEC. 33. Liability for Non-Existence or Misdescription of Goods** – A
20 warehouse operator shall be liable to the holder of a receipt for damages caused by
21 the non-existence of the goods or by the failure of the goods to correspond with the
22 description thereof in the receipt at the time of its issue. If, however, the goods are
23 described in a receipt merely by a statement of marks or labels upon them or upon
24 packages containing them or by a statement that the goods are said to be goods of a
25 certain kind or that the packages containing the goods are said to contain goods of a
26 certain kind or by words of like purport, such statements, if true, shall not make liable
27 the warehouse operator issuing the receipt, although the goods are not of the kind
28 which the marks or labels upon them indicate or of the kind they were said to be by
29 the depositor.

30
31 **SEC. 34. Liability for Care of Goods.** – A warehouse operator shall be liable
32 for any loss or injury to the goods caused by his failure to exercise such care in regard

1 to them as reasonably vigilant owner of similar goods would exercise, but he shall not
2 be liable, in the absence of an agreement to the contrary, for any loss or injury to the
3 goods which could not have been avoided by the exercise of such care.

4
5 **SEC. 35. Goods Must be Kept Separate.** – Except as provided in the
6 following section, a warehouse operator shall keep the goods so far separate from
7 goods of other depositors and from other goods of the same depositor for which a
8 separate receipt has been issued, as to permit at all times the identification and
9 redelivery of the goods deposited.

10
11 **SEC. 36. Fungible Goods May Be Commingled if Warehouse Operator**
12 **Authorized.** – If authorized by agreement or by custom, a warehouse operator may
13 mingle fungible goods with other goods of the same kind and grade. In such case,
14 the various depositors of the mingled goods shall own the entire mass in common and
15 each depositor shall be entitled to such portion thereof as the amount deposited by
16 him bears to the whole.

17
18 **SEC. 37. Liability of Warehouse Operator to Depositors of**
19 **Commingled Goods.** – The warehouse operator shall be severally liable to each
20 depositor for the care and redelivery of his share of such mass to the same extent and
21 under the same circumstances as if the goods had been kept separate.

22
23 **SEC. 38. Attachment or Levy upon Goods for which a Negotiable**
24 **Receipt Has Been Issued.** – If goods are delivered to a warehouse operator by the
25 owner or by a person whose act in conveying the title to them to a purchaser in good
26 faith for value would bind the owner, and a negotiable receipt is issued for them, they
27 cannot thereafter, while in the possession of the warehouse operator, be attached by
28 garnishment or otherwise, or be levied upon under an execution unless the receipt be
29 first surrendered to the warehouse operator or its negotiation enjoined. The
30 warehouse operator shall in no case be compelled to deliver up the actual possession
31 of the goods until the receipt is surrendered to him or impounded by the court.

1 **SEC. 39. *Creditor's Remedies to Reach Negotiable Receipts.*** – A creditor
2 whose debtor is the owner of a negotiable receipt shall be entitled to such aid from
3 courts of appropriate jurisdiction, by injunction and otherwise, in attaching such
4 receipt or in satisfying the claim by means thereof as is allowed at law or in equity
5 within the jurisdiction of the Philippines in regard to property which cannot readily be
6 attached or levied upon by ordinary legal process.

7 **SEC. 40. *What Claims are Included in the Warehouse operator's Lien.***
8 – Subject to the provisions of this Act, a warehouse operator shall have a lien on
9 goods deposited or on the proceeds thereof in his hands, for all lawful charges for
10 storage and preservation of the goods; also for all lawful claims for money advanced,
11 interest, insurance, transportation, labor, weighing, cooperating and other charges and
12 expenses in relation to such goods, also for all reasonable charges and expenses for
13 notice, and advertisements of sale, and for sale of the goods where default had been
14 made in satisfying the warehouse operator's lien.

15
16 **SEC. 41. *Against What Property the Warehouse Operator's Lien may***
17 ***be Enforced.*** – Subject to the provisions of this Act, a warehouse operator's lien may
18 be enforced:

- 19 (1) Against all goods, whenever deposited, belonging to the person who is
20 liable as debtor for the claims in regard to which the lien is asserted;
21 and
22 (2) Against all goods belonging to others which have been deposited at any
23 time by the person who is liable as debtor for the claims in regard to
24 which the lien is asserted if such person had been so entrusted with the
25 possession of goods that a pledge of the same by him at the time of the
26 deposit to one who took the goods in good faith for value would have
27 been valid.

28
29 **SEC. 42. *How Warehouse operator's Lien may be Lost.*** – A warehouse
30 operator loses his lien upon goods:

- 31 (1) By surrendering possession thereof; or

1 (2) By refusing to deliver the goods when a demand is made with which he
2 is bound to comply under the provisions of this Act.

3
4 **SEC. 43. *Negotiable Receipts Must State Charges for which the Lien is***
5 ***Claimed.*** – If a negotiable receipt is issued for goods, the warehouse operator shall
6 have no lien thereon except for charges for storage of goods subsequent to the date
7 of the receipt unless the receipt expressly enumerated other charges for which a lien
8 is claimed. In such case, there shall be a lien for the charges enumerated so far as
9 they are within the terms of section twenty-seven although the amount of the charges
10 so enumerated is not stated in the receipt.

11 **SEC. 44. *Warehouse Operator Need Not Deliver until Lien is Satisfied.***
12 – A warehouse operator having a lien valid against the person demanding the goods
13 may refuse to deliver the goods to him until the lien is satisfied.

14
15 **SEC. 45. *Warehouse Operator's Lien Does Not Preclude Other***
16 ***Remedies.*** – Whether a warehouse operator has or has not a lien upon the goods,
17 he is entitled to all remedies allowed by law to a creditor against a debtor for the
18 collection from the depositor of all charges and advances which the depositor has
19 expressly or impliedly contracted with the warehouseman to pay.

20
21 **SEC. 46. *Satisfaction of Lien by Sale.*** – A warehouse operator's lien for a
22 claim which has become due may be satisfied as follows:

- 23 (1) An itemized statement of the warehouseman's claim, showing the sum
24 due at the time of the notice and the date or dates when it becomes
25 due,
26 (2) A brief description of the goods against which the lien exists,
27 (3) A demand that the amount of the claim as stated in the notice of such
28 further claim as shall accrue, shall be paid on or before a day mentioned,
29 not less than ten days from the delivery of the notice if it is personally
30 delivered, or from the time when the notice shall reach its destination,
31 according to the due course of post, if the notice is sent by mail, and

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

4 In accordance with the terms of a notice so given, a sale of the goods by
5 auction may be had to satisfy any valid claim of the warehouse operator for which he
6 has a lien on the goods. The sale shall be had in the place where the lien was
7 acquired, or, if such place is manifestly unsuitable for the purpose of the claim
8 specified in the notice to the depositor has elapsed, and advertisement of the sale,
9 describing the goods to be sold, and stating the name of the owner or person on
10 whose account the goods are held, and the time and place of the sale, shall be
11 published once a week for two consecutive weeks in a newspaper published in the
12 place where such sale is to be held. The sale shall not be held less than fifteen days
13 (15) from the time of the first publication. If there is no newspaper published in such
14 place, the advertisement shall be posted at least ten (10) days before such sale in not
15 less than six (6) conspicuous places therein.

16 From the proceeds of such sale, the warehouse operator shall satisfy his lien
17 including the reasonable charges of notice, advertisement and sale. The balance, if
18 any, of such proceeds shall be held by the warehouse operator and delivered on
19 demand to the person to whom he would have been bound to deliver or justified in
20 delivering goods.

21 At any time before the goods are so sold, any person claiming a right of
22 property or possession therein may pay the warehouse operator the amount necessary
23 to satisfy his lien and to pay the reasonable expenses and liabilities incurred in serving
24 notices and advertising and preparing for the sale up to the time of such
25 payment. The warehouse operator shall deliver the goods to the person making
26 payment if he is a person entitled, under the provisions of this Act, to the possession
27 of the goods on payment of charges thereon. Otherwise, the warehouse operator
28 shall retain the possession of the goods according to the terms of the original contract
29 of deposit.

30
31 **SEC. 47. Perishable and Hazardous Goods.** – If goods are of a perishable
32 nature, or by keeping will deteriorate greatly in value, or, by their order, leakage,

1 inflammability, or explosive nature, will be liable to injure other property , the
2 warehouseman may give such notice to the owner or to the person in whose names
3 the goods are stored, as is reasonable and possible under the circumstances, to satisfy
4 the lien upon such goods and to remove them from the warehouse and in the event
5 of the failure of such person to satisfy the lien and to receive the goods within the
6 time so specified, the warehouse operator may sell the goods at public or private sale
7 without advertising. If the warehouse operator, after a reasonable effort, is unable to
8 sell such goods, he may dispose of them in any lawful manner and shall incur no
9 liability by reason thereof.

10 The proceeds of any sale made under the terms of this section shall be disposed
11 of in the same way as the proceeds of sales made under the terms of the preceding
12 section.

13
14 **SEC. 48. Other Methods of Enforcing Lien.** – The remedy for enforcing a
15 lien herein provided does not preclude any other remedies allowed by law for the
16 enforcement of a lien against personal property nor bar the right to recover so much
17 of the warehouse operator’s claim as shall not be paid by the proceeds of the sale of
18 the property.

19
20 **SEC. 49. Effect of Sale.** – After goods have been lawfully sold to satisfy a
21 warehouse operator’s lien, or have been lawfully sold or disposed of because of their
22 perishable or hazardous nature, the warehouse operator shall not thereafter be liable
23 for failure to deliver the goods to the depositor or owner of the goods or to a holder
24 of the receipt given for the goods when they were deposited, even if such receipt be
25 negotiable.

26 27 CHAPTER V

28 NEGOTIATION AND TRANSFER OF RECEIPTS

29 **SEC. 50. Negotiation of Negotiable Receipt by Indorsement.** – A
30 negotiable receipt may be negotiated by the indorsement of the person to whose order
31 the goods are, by the terms of the receipt, deliverable. Such indorsement may be in
32 blank, to bearer or to a specified person. If indorsed to a specified person, it may be

1 again negotiated by the indorsement of such person in blank, to bearer or to another
2 specified person. Subsequent negotiation may be made in like manner.

3
4 **SEC. 51. *Transfer of Receipt.*** – A receipt may be transferred by the holder
5 to a purchaser or donee.

6 A non-negotiable receipt cannot be negotiated, and the indorsement of such a
7 receipt gives the transferee no additional right.

8
9 **SEC. 52. *Who May Negotiate a Receipt.*** – A negotiable receipt may be
10 negotiated:

11 (1) By the owner thereof; or

12 (2) By any person to whom the constructive possession of the receipt has
13 been entrusted by the owner, if, by the terms of the receipt, the
14 warehouse operator undertakes to deliver the goods to the order of the
15 person to whom the constructive possession of the receipt has been
16 entrusted.

17
18 **SEC. 53. *Rights of Person To Whom a Receipt Has Been Negotiated.*** –
19 A person to whom a negotiable receipt has been duly negotiated acquires thereby:

20 (1) Such title to the goods as the person negotiating the receipt to him had
21 or had ability to convey to a purchaser in good faith for value, and also
22 such title to the goods as the depositor or person to whose order the
23 goods were to be delivered by the terms of the receipt had or had ability
24 to convey to a purchaser in good faith for value; and

25 (2) The direct obligation of the warehouse operator to hold possession of
26 the goods for him according to the terms of the receipt as fully as if the
27 warehouse operator and contracted directly with him.

28
29 **SEC. 54. *Rights of Person to Whom Receipt Has Been Transferred.*** – A
30 person to whom a receipt has been transferred but not negotiated acquires thereby,
31 as against the transferor, the title of the goods subject to the terms of any agreement
32 with the transferor.

1 If the receipt is non-negotiable, such person also acquires the right to notify
2 the warehouse operator of the transfer to him of such receipt and thereby to acquire
3 the direct obligation of the warehouse operator to hold possession of the goods for
4 him according to the terms of the receipt.

5 Prior to the notification of the warehouse operator by the transferor or
6 transferee of a non-negotiable receipt, the title of the transferee to the goods and the
7 right to acquire the obligation of the warehouse operator may be defeated by the levy
8 of an attachment or execution upon the goods by a creditor of the transferor or by a
9 notification to the warehouse operator by the transferor or a subsequent purchaser
10 from the transferor of a subsequent sale of the goods by the transferor.

11
12 **SEC. 55. *Transfer of Negotiable Receipt Without Indorsement.* –**

13 Where a negotiable receipt is transferred for value and the indorsement of the
14 transferor is essential for negotiation, the transferee acquires a right against the
15 transferor to compel him to indorse the receipt unless a contrary intention
16 appears. The negotiation shall take effect as of the time when the indorsement is
17 actually made.

18
19 **SEC. 56. *Warranties of a Sale of Receipt.* –** A person who, for value,

20 negotiates or transfers a receipt by indorsement or delivery, including one who assigns
21 for value a claim secured by a receipt, unless a contrary intention appears, warrants:

- 22 (1) That the receipt is genuine;
23 (2) That he has a legal right to negotiate or transfer it;
24 (3) That he has knowledge of no fact which would impair the validity or
25 worth of the receipt; and
26 (4) That he has a right to transfer the title to the goods and that the goods
27 are merchantable or fit for a particular purpose whenever such
28 warranties would have been implied, if the contract of the parties had
29 been to transfer without a receipt of the goods represented thereby.

1 **SEC. 57. Indorser not Guarantor.** – The indorsement of a receipt shall not
2 make the indorser liable for any failure on the part of the warehouseman or previous
3 indorsers of the receipt to fulfill their respective obligations.

4
5 **SEC. 58. No Warranty Implied from Accepting Payment of a Debt.** – A
6 mortgagee, pledgee, or holder for security of a receipt who, in good faith, demands
7 or receives payment of the debt for which such receipt is security, whether from a
8 party to a draft drawn for such debt or from any other person, shall not, by so doing,
9 be deemed to represent or to warrant the genuineness of such receipt or the quantity
10 or quality of the goods therein described.

11
12 **SEC. 59. When Negotiation Not Impaired By Fraud, Mistake, or**
13 **Duress.** – The validity of the negotiation of a receipt is not impaired by the fact that
14 such negotiation was a breach of duty on the part of the person making the negotiation
15 or by the fact that the owner of the receipt was induced by fraud, mistake or duress
16 or to entrust the constructive possession of the receipt to such person, if the person
17 to whom the receipt was negotiated or a person to whom the receipt was subsequently
18 negotiated paid value therefor, without notice of the breach of duty, or fraud, mistake
19 or duress.

20
21 **SEC. 60. Subsequent Negotiation.** – Where a person having sold,
22 mortgaged, or pledged goods which are in warehouse and for which a negotiable
23 receipt has been issued, or having sold, mortgaged, or pledged the negotiable receipt
24 representing such goods, continues in constructive possession of the negotiable
25 receipt, the subsequent negotiation thereof by the person under any sale or other
26 disposition thereof to any person receiving the same in good faith, for value and
27 without notice of the previous sale, mortgage or pledge, shall have the same effect as
28 if the first purchaser of the goods or receipt had expressly authorized the subsequent
29 negotiation.

30
31 **SEC. 61. Negotiation Defeats Vendor's Lien.** – Where a negotiable receipt
32 has been issued for goods, no seller's lien or right of stoppage in *transitu* shall defeat

1 the rights of any purchaser for value in good faith to whom such receipt has been
2 negotiated, whether such negotiation be prior or subsequent to the notification to the
3 warehouse operator who issued such receipt of the seller's claim to a lien or right of
4 stoppage in *transitu*. Nor shall the warehouse operator be obliged to deliver or
5 justified in delivering the goods to an unpaid seller unless the receipt is first
6 surrendered for cancellation.

7
8 **CHAPTER VI**
9 **CRIMINAL OFFENSES**

10 **SEC. 62. *Issuance of Receipt for Goods Not Received.*** – A warehouse
11 operator or his agent, or an officer or staff of any warehouse operator who issues or
12 aids in the issuance of a warehouse receipt knowing that the goods mentioned therein
13 are not actually in his custody shall be punished by imprisonment of ten (10) years,
14 or a fine equal to triple the value of the goods involved, or both, at the discretion of
15 the Court. If the warehouse operator himself is liable, his accreditation shall likewise
16 be revoked.

17
18 **SEC. 63. *Issuance of Receipt Containing False Statement.*** – A
19 warehouse operator, or any officer, agent or servant of a warehouse operator who
20 fraudulently issues or aids in fraudulent issuance of a warehouse receipt for goods
21 knowing that it contains any false statement, shall be punished by imprisonment of
22 ten (10) years, or a fine equal to triple the value of the goods involved, or both, at the
23 discretion of the Court. If the warehouse operator himself is liable, his accreditation
24 shall likewise be revoked.

25
26 **SEC. 64. *Creation of Fraudulent Duplicate Receipt.*** – A warehouse
27 operator, or any officer, agent, or employee of a warehouse operator who issues or
28 aids in issuing a second electronic warehouse receipt for goods knowing that there is
29 an existing prior electronic warehouse receipt for the same goods or any part of them
30 shall be punished by imprisonment of ten (10) years, or a fine equal to triple the value
31 of the goods involved, or both, at the discretion of the Court. If the warehouse
32 operator himself is liable, his accreditation shall likewise be revoked. This provision

1 shall not be applicable if the issuance of a subsequent warehouse receipt was made
2 on the basis of an Order issued by a Court of competent jurisdiction.

3
4 **SEC. 65. *Issue for Warehouse Operator's Goods or Receipts Which Do***
5 ***Not State That Fact.*** – Where goods are deposited with or held by a warehouse
6 operator of which he is owner, either solely or jointly or in common with others, such
7 warehouse operator, or any of his officers, agents, or servants who, knowing this
8 ownership, issues or aids in issuing a negotiable receipt for such goods which does
9 not state such ownership, shall be punished by imprisonment of ten (10) years, or a
10 fine equal to triple the value of the goods involved, or both, at the discretion of the
11 Court. If the warehouse operator himself is liable, his accreditation shall likewise be
12 revoked.

13
14 **SEC. 66. *Delivery of Goods Without Obtaining Negotiable Receipt.*** – A
15 warehouse operator, or any officer, agent, or servant of a warehouse operator, who
16 delivers goods out of the possession of such warehouse operator, knowing that a
17 negotiable receipt the negotiation of which would transfer the right to the possession
18 of such goods is outstanding and uncanceled, without obtaining the constructive
19 possession of such receipt at or before the time of such delivery, shall, except as
20 provided in this Act, be punished by imprisonment of ten (10) years, or a fine equal
21 to triple the value of the goods involved, or both, at the discretion of the Court. If the
22 warehouse operator himself is liable, his accreditation shall likewise be revoked.

23
24 **SEC. 67. *Negotiation of Receipt for Mortgaged Goods.*** – Any person who
25 deposits goods to which he has no title, or upon which there is a lien or mortgage,
26 and who takes for such goods a negotiable receipt which he afterwards negotiates for
27 value with intent to deceive and without disclosing his want of title or the existence of
28 the lien or mortgage, shall be punished by imprisonment of ten (10) years, or a fine
29 equal to triple the value of the goods involved, or both, at the discretion of the Court.
30 If the warehouse operator himself is liable, his accreditation shall likewise be revoked.

1 **SEC. 68. *Unlawful Release of Goods Covered by Warehouse Receipt.***

2 —A warehouse operator, or any officer, agent, or employee of a warehouse operator,
3 who releases without any legal basis any goods covered by an electronic warehouse
4 receipt shall be punished by imprisonment of ten (10) years, or a fine equal to triple
5 the value of the goods involved, or both, at the discretion of the Court. If the
6 warehouse operator himself is liable, his accreditation shall likewise be revoked.

7
8
9 **CHAPTER VII**

10 **FINAL PROVISIONS**

11 **SEC. 69. *Inter-Connected Registry Information.*** — Where feasible, the

12 SEC is ordered and authorized to engage in concerted activity with other government
13 agencies for the linking of the Registry provided under this Act with other registries in
14 order to be able to come up with an inter-connected Registry.

15
16 **SEC. 70. *Public Information.*** — All entries in the Registry of electronic

17 warehouse receipts shall be available to the public. Likewise, the list of accredited
18 warehouse operators, as well as the list of warehouse operators whose accreditation
19 have been revoked, shall be available to the public. The SEC is ordered and authorized
20 to create rules and regulations to facilitate the orderly and expedient access to such
21 information by the public, in accordance with existing standards under Philippine laws.

22
23 **SEC. 71. *Dispute Resolution.*** — Except in cases specifically placed under

24 the jurisdiction of the SEC under this Act, as well as cases where the electronic
25 warehouse receipt includes a valid arbitration clause, all actions arising from this Act
26 shall fall under the jurisdiction of the Regional Trial Courts.

27
28 **SEC. 72. *Appropriations.*** —The SEC may utilize its existing funds, including

29 its savings, for the initial implementation of this Act. For subsequent years, the
30 amounts necessary to carry out the implementation of this Act shall be included by
31 the SEC in its budgetary requirements in the General Appropriations Act.

1 **SEC. 73. *Implementing Rules and Regulations.*** — Within ninety (90) days
2 after the effectivity of this Act, the SEC shall promulgate rules and regulations for the
3 implementation of this Act.

4
5 **SEC. 74. *Cases Not Provided For in this Act.*** — Any case not provided for
6 in this Act shall be governed by the provisions of existing legislation, or in default
7 thereof, by the established rules of commerce.

8
9 **SEC. 75. *Application of this Act.*** — The provisions of this Act do not apply
10 to receipts made and delivered prior to the taking effect hereof.

11
12 **SEC. 76. *Separability Clause.*** — If any provision of this Act is declared invalid
13 or unconstitutional, other provisions hereof which are not affected thereby shall
14 continue to be in full force and effect.

15
16 **SEC. 77. *Repealing Clause.*** — Act No. 2137, otherwise known as the
17 Warehouse Receipts Law, is hereby repealed. Any law, presidential decree or issuance,
18 executive order, letter of instruction, administrative order, rule or regulation contrary
19 to or inconsistent with any provision of this Act is hereby repealed or modified
20 accordingly.

21
22 **SEC. 78. *Effectivity.*** — This Act shall take effect fifteen (15) days after its
23 publication in the Official Gazette of the Philippines or in at least two (2) newspapers
24 of general circulation.

25
26 *Approved,*