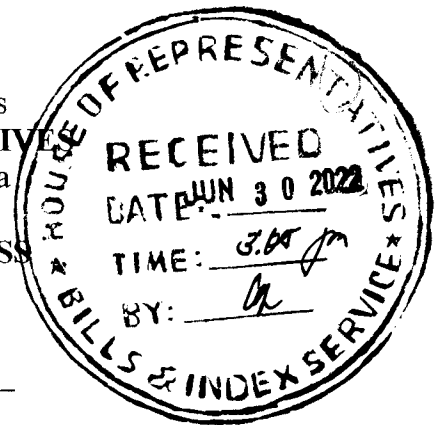


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 198



INTRODUCED BY REPRESENTATIVE JURDIN JESUS M. ROMUALDO

EXPLANATORY NOTE

This is a refiled bill of Hon. Xavier Jesus D. Romualdo of the Lone District of Camiguin last Congress wherein this was forwarded to the Senate for its appropriate action.

The explanatory note of the bill of Hon. Xavier Jesus D. Romualdo is reproduced here to form part of the explanation as to its refiling:

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

It is high time that we update and improve Act 2137 so it can be attuned to the needs of our Agricultural Sector. We need to take advantage of modern technological advances that could be used to establish a system that is more secure, transparent, reliable, and promotes ease of doing business.

This bill proposes to establish a central electronic Registry for all Warehouse Receipts, to be made readily available online, which shall be eventually integrated with other existing Registries. Thus a party can simply deposit his goods and products in the Warehouse – assured that his goods shall be taken care of in exchange for a Warehouse Receipt which can easily be trade, barter, or sell in order to obtain the necessary credit. With the use of a reliable and secure central electronic Registry, banks and other financial institutions will not be reluctant to accept these Warehouse Receipts in exchange for loans as they easily check the veracity of the Warehouse Receipts, as well as the presence and quality of the corresponding goods and products in the Warehouse.

The proposed Revised Warehouse Receipts Law of the Philippines will enable the agricultural sector to “convert” goods and products into credit in a faster and simpler way, promote economic activity by increasing access, particularly for entities engaged in agricultural businesses such as farming, to least cost credit by establishing

a simplified, unified, and modern framework for the storage of goods in warehouses and the subsequent trading of interest therein.”

Among the salient features of this bill:

1.) Warehouse receipts may only be issued by a duly authorized warehouse operator and that every warehouse receipt must contain the following features:

- a.) location of the warehouse where the goods are stored;
- b.) date of the issue of the receipt;
- c.) consecutive number of the receipt;
- d.) statement whether the goods received will be delivered to the bearer, to a specified person or his order;
- e.) amount up to which the goods covered by the receipt are insured, and the name of the insuring entity;
- f.) rate of storage charges;
- g.) description of the goods or of the packages containing them;
- h.) signature of the warehouse operator which may be made by the authorized agent;
- i.) fact of ownership if the receipt is issued for goods of which the warehouse operator is owner, either solely or jointly or in common with others, the fact of such ownership; and
- j.) statement of amount of advances made and of liabilities incurred for which the warehouse operator claims a lien.

2.) Directs the Securities and Exchange Commission (SEC) to create and maintain a modern, online, centralized, and nationwide Registry where all electronic warehouse receipts can be registered and accessed, as well as rules and regulations pertaining specifically to registration and cancellation of electronic warehouse receipts. The SEC is likewise authorized to engage the services of third party providers in creating and maintaining the Registry.

3.) SEC is designated as the primary regulatory agency in charge of all matters related to warehouse receipts, including accreditation of warehouse operators and warehouses. While the SEC may consult other regulatory agencies such as DTI, DOF, DA, warehouse experts and other related sectors.

4.) Defines and distinguish what a negotiable receipt and non-negotiable receipt.

5.) Requires that all entries in the Registry of electronic warehouse receipts shall be available to the public including list of accredited warehouse operators and status of accreditation.

With the foregoing, the strong support of the Members of Congress is earnestly sought for the prompt approval of this bill.


JURDIN JESUS M. ROMUALDO

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
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INTRODUCED BY REPRESENTATIVE JURDIN JESUS M. ROMUALDO

AN ACT
PROVIDING FOR THE REVISED WAREHOUSE RECEIPTS LAW OF THE PHILIPPINES

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

CHAPTER I
GENERAL PROVISIONS

SECTION 1. Title. – This Act shall be known as the “Revised Warehouse Receipts Law of the Philippines”.

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, such as farming, to least cost credit by establishing a simplified, unified, and modern framework for the storage of goods in warehouses and the subsequent trading of interests therein.

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

- (a) **Action** refers to a counterclaim, set-off, or suit in equity as provided by law;
- (b) **Delivery** refers to the voluntary transfer of control from one person to another;
- (c) **Deposit** refers to the act of transferring actual possession of goods to a warehouse operator;
- (d) **Electronic warehouse receipt** refers to a warehouse receipt in electronic or digital form;
- (e) **Goods** refer to chattel or merchandise in storage or which have been or are about to be stored;

- 1 (f) **Good faith** refers to an abstract or comprehensive term that encompasses a
2 sincere belief or motive without any malice or the desire to defraud others,
3 whether it be done negligently or not;
- 4 (g) **Guarantee** refers to a guarantee specifically issued by the Philippine Guarantee
5 Corporation;
- 6 (h) **Holder of a receipt** refers to a person who has both constructive possession of
7 such receipt and a right of property therein;
- 8 (i) **Insurance** refers to any form of insurance, whether obtained from a public or
9 private entity, within the meaning of the Insurance Code of the Philippines;
- 10 (j) **Modern** refers to the adaptation and utilization of modern technology, including
11 Blockchain technology;
- 12 (k) **Negotiable receipt** refers to a receipt in which it is stated that the goods received
13 will be delivered to the bearer or to the order of any person named in such
14 receipt;
- 15 (l) **Non-Negotiable Receipt** refers to a receipt in which it is stated that the goods
16 received will be delivered to the depositor or to any other specified person;
- 17 (m) **Order** refers to an order by indorsement on the receipt;
- 18 (n) **Owner** refers to one who has the right of possession of a warehouse receipt but
19 does not include a mortgagee;
- 20 (o) **Person** refers to both natural and juridical persons;
- 21 (p) **Purchase** refers to the act of acquiring a warehouse receipt in the form of
22 mortgage or pledge;
- 23 (q) **Registry** refers to the Electronic Warehouse Receipts Registry;
- 24 (r) **Release order** refers to a written instrument issued by the owner of a receipt
25 directing a warehouse operator to release his goods to a specific person;
- 26 (s) **Value** refers to any consideration sufficient to support a simple contract. An
27 antecedent or pre-existing obligation, whether for money or not, constitutes
28 value where a receipt is taken either in satisfaction thereof or as security
29 therefor;
- 30 (t) **Warehouse** refers to a place that houses goods intended to be used for trading or
31 financing within the territory of the Philippines operated and maintained by a
32 warehouse operator;

- 1 (u) **Warehouse operator** refers to a person lawfully engaged in the business of
2 housing goods intended to be used for trading or financing and duly authorized
3 under this Act;
4
5 (v) **Warehouse receipt or receipt** refers to a document issued by a warehouse
6 operator in accordance with Section 5 of this Act; and
7
8 (w) **Writing** refers to written documents or records, including electronic records.

8 **SEC. 4. Person Who May Issue Receipts.** – Warehouse receipts may only be
9 issued by a duly accredited warehouse operator.

10
11 **SEC. 5. Form of Receipts.** – Every warehouse receipt must contain the following
12 information:

- 13 (a) Location of the warehouse where the goods are stored;
14
15 (b) Date of the issue of the receipt;
16
17 (c) Consecutive number of the receipt;
18
19 (d) Statement whether the goods received will be delivered to the bearer, to a
20 specified person, or to a specified person or order;
21
22 (e) Amount up to which the goods covered by the receipt are insured, and the
23 name of the insuring entity;
24
25 (f) Rate of storage charges;
26
27 (g) Description of the goods or of the packages containing them;
28
29 (h) Signature of the warehouse operator, which may be made by an authorized
30 agent;
31
32 (i) Fact of ownership if the receipt is issued for goods of which the warehouse
operator is owner, either solely, jointly, or in common with others; and
33
34 (j) Statement of the amount of advances made and of liabilities incurred for
which the warehouse operator claims a lien. If the precise amount of such
advances made or of such liabilities incurred is, at the time of the issue of
receipt, unknown to the warehouse operator or to the agent who issues it, a
statement of the fact that advances have been made or liabilities incurred and
the purpose thereof is sufficient.

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

SEC. 6. *Permissible Insertions.* – A warehouse operator may insert in a receipt any other terms and conditions: *Provided*, That such terms and conditions shall not:

(a) Be contrary to the provisions of this Act; or

(b) In any way impair the obligation to exercise that degree of care in the safekeeping of the goods entrusted which a reasonably careful person would exercise in regard to similar goods one owns.

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

SEC. 7. *Failure to Mark “Non-Negotiable” or “Not Negotiable”.* – A warehouse operator shall clearly indicate or mark on the face of a non-negotiable receipt that it is “non-negotiable” or “not negotiable”. In the absence of such marking, the receipt shall be deemed negotiable.

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

CHAPTER II

ELECTRONIC WAREHOUSE RECEIPTS REGISTRY

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

SEC. 9. *Local Sub-Registry.* – In addition to the Registry created and maintained by the SEC, all warehouses must establish and maintain a Sub-Registry specifically for goods deposited therein. Failure of a warehouse to keep a Sub-Registry in the warehouse, as well as any fraud committed thereon, shall be grounds for the revocation of a warehouse’s accreditation.

SEC. 10. *Transferability of Receipts.* – All warehouse receipts, regardless of what is stated upon their face, are transferable at the option of the holder.

SEC. 11. *Collateralization of Receipts.* – All warehouse receipts, regardless of what is stated upon their face, may be collateralized in accordance with Republic Act No. 11057, otherwise known as the Personal Property Security Act.

SEC. 12. *Guarantee on All Warehouse Receipts Securing Financial Obligations.* – Upon the establishment and operationalization of the Registry, the Philippine Guarantee Corporation (PhilGuarantee), in accordance with its consolidated mandate under

Executive Order No. 58, Series of 2018, and to the extent allowed by the provisions of applicable laws, may provide guarantee on eligible loans secured by warehouse receipts or the goods evidenced thereby.

CHAPTER III ACCREDITATION

SEC. 13. Role of the SEC. – The SEC shall be the primary regulatory body in charge of all matters related to warehouse receipts, including accreditation of warehouse operators and warehouses. While the SEC may consult with other regulatory bodies including the Department of Trade and Industry, the Department of Finance, and the Department of Agriculture, warehousing experts, and other organizations that are representatives of a particular sector, the SEC shall, at all times, be the lead agency in ensuring the successful implementation of this Act: *Provided*, That the regulatory bodies, warehousing experts, and other organization representative of a particular sector shall only be consulted on goods, crops, and practices they are familiar with.

SEC. 14. Warehousing Experts. – The SEC is authorized to issue rules and regulations in order to determine who shall qualify as warehousing experts. Warehousing experts must be persons knowledgeable and with actual experience in operating and maintaining warehouses in accordance with globally accepted best practices in warehousing.

SEC. 15. Functions and Responsibilities of the SEC as Accrediting Agency. – As the accrediting entity, the SEC shall have the following functions and responsibilities:

- (a) Institute and operationalize a system of accreditation for warehouse operators: *Provided*, That the criteria for accreditation shall include sound and measurable standards relating to the ability and capacity to handle the storage of goods and the maintenance of the Sub-Registry;
- (b) Issue a certificate of accreditation to qualified warehouse operators and warehouses upon determination that the requirements and criteria set for this purpose have been fully satisfied: *Provided*, That the certificate of accreditation shall be valid only for such period as may be prescribed under the implementing rules and regulations of this Act;
- (c) Monitor the performance of warehouse operators to ensure continuing compliance with the provisions of this Act and its implementing rules and regulations;
- (d) Suspend or revoke any certificate of accreditation upon due determination that a warehouse operator no longer meets the criteria for accreditation;
- (e) Require regular submission of reports by warehouse operators;
- (f) Collect reasonable accreditation and monitoring fees from warehouse operators which shall be used for operational requirements;

(g) Submit an annual report to the President of the Philippines and the concerned committees of both Houses of Congress of the Philippines; and

(h) 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. Accreditation of Warehouse Operators. – All warehouse operators issuing warehouse receipts to be used for purposes other than mere storage and facilitation of logistics are hereby required to seek the accreditation of the SEC. The SEC shall create rules and regulations to facilitate the accreditation of warehouse operators. All warehouse operators who are not accredited with the SEC are prohibited from issuing warehouse receipts.

SEC. 17. Screening Process for Warehouse Operators. – To ensure the credibility and integrity of warehouse operators, the SEC is hereby authorized to create a screening process for warehouse operators, which may include the administration of written examinations. The SEC shall coordinate with other governmental bodies in order to create a viable screening process for warehouse operators.

SEC. 18. Warehouse Operator's Bond. – Prior to the operation of the warehouse, a warehouse operator must post a bond to answer for any liabilities the warehouse operator may have in the operation of the warehouse during the effectivity of its accreditation. The SEC is hereby ordered and authorized to come up with rules and regulations concerning the warehouse operator's bond.

SEC. 19. Mandatory Insurance. – A warehouse operator shall produce insurance coverage for his, her or its business and the warehouse or warehouses the warehouse operator shall operate. No warehouse operator shall be accredited by the SEC unless the warehouse operator is able to comply with this requirement. The SEC shall issue the appropriate guidelines for the mandatory insurance coverage requirement which shall include the minimum insurance requirements for warehouses and warehouse operators: *Provided*, That the minimum insurance requirements are in accordance with globally accepted best practices for warehouse and warehouse operators.

SEC. 20. Effect of Lapse or Absence of Insurance. – The SEC may revoke the accreditation of any warehouse operator that is found to be operating without appropriate insurance coverage or with lapsed insurance policy, or whose warehouses are found to be operating without a current insurance coverage.

CHAPTER IV OBLIGATIONS AND RIGHTS OF WAREHOUSE OPERATORS UPON THEIR RECEIPTS

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

(a) An offer to satisfy the warehouse operator's lien, if applicable;

1 (b) A written offer to surrender control of the receipt and perform all actions
2 necessary to surrender said control; and

3 (c) A readiness and willingness to sign an acknowledgement that the goods have
4 been delivered, if such signature is requested by the warehouse operator.

5 In case the warehouse operator refuses or fails to deliver the goods in
6 compliance with a demand by the holder or depositor, the burden shall be upon the
7 warehouse operator to establish the existence of a lawful defense for such refusal.

8 **SEC. 22. Justification of Warehouse Operator in Delivering Goods.** – A
9 warehouse operator is justified in delivering the goods to one who is:

10 (a) The person lawfully entitled to the possession of the goods, or one's agent;

11 (b) A person who is either entitled to delivery by the terms of a non-negotiable
12 receipt issued for the goods, or who has written authority from the person so
13 entitled; or

14 (c) A person in control of a negotiable receipt by the terms of which the goods are
15 deliverable, indorsed to, or in blank by the person to whom delivery was
16 promised by the terms of the receipt or by the immediate indorser.

17 **SEC. 23. Warehouse Operator's Liability for Misdelivery of Goods.** – Where a
18 warehouse operator delivers the goods to one who is not lawfully entitled to the
19 possession of them, the warehouse operator shall be liable to all persons having a right
20 of the property or possession of the goods, unless the warehouse operator had: (a) been
21 requested by, or on behalf of the person lawfully entitled to a right of property or
22 possession of goods, not to make such delivery; or (b) received verified information that
23 the delivery about to be made was to one who is not lawfully entitled to the possession
24 of the goods.

25 **SEC. 24. Negotiable Receipt Must be Cancelled for Complete Delivery of Goods.**
26 – Except as otherwise provided in this Act, a warehouse operator must cancel a
27 negotiable receipt once the goods are completely delivered. Failing to do so, the
28 warehouse operator shall be liable to any person who purchases in good faith such
29 receipt for failure to deliver the goods to the purchaser, whether the purchaser acquired
30 title to the receipt before or after the delivery of the goods by the warehouse operator.

31 **SEC. 25. Negotiable Receipts Must be Marked for Partial Delivery of Goods.** –
32 Except as otherwise provided in this Act, a warehouse operator must mark a negotiable
33 receipt when only a part of the goods are delivered. Failing to do so, the warehouse
34 operator shall be liable to anyone who purchases in good faith such receipt, whether
35 such purchaser acquired title to the receipt before or after the delivery of any portion of
36 the goods by the warehouse operator.

37 **SEC. 26. Altered Receipts.** – The alteration of a receipt shall not excuse the
38 warehouse operator who issued it from any liability if such alteration was:

1 (a) Immaterial;

2 (b) Authorized; or

3 (c) Made without fraudulent intent.

4 If the alteration was authorized, the warehouse operator shall be liable
5 according to the terms of the receipt as altered. If the alteration was unauthorized but
6 made without fraudulent intent, the warehouse operator shall be liable according to the
7 terms of the receipt as they were before alteration.

8 Material and fraudulent alteration of a receipt shall not excuse the warehouse
9 operator who issued it from liability to deliver, according to the terms of the receipt as
10 originally issued, the goods for which it was issued: *Provided, however,* That the
11 warehouse operator shall be excused from any other liability.

12 **SEC. 27. Warehouse Operator Cannot Have Title or Right to the Possession of**
13 **Goods.** – A warehouse operator shall have no title or right to the possession of goods,
14 unless such title or right is derived directly or indirectly from a transfer made by the
15 depositor at the time of, or subsequent to, the deposit for storage, or from the
16 warehouse operator's lien. A warehouse operator cannot be excused from liability for
17 refusing to deliver the goods according to the terms of the receipt.

18 **SEC. 28. Interpleader of Adverse Claimants.** – If more than one person claims
19 the title or possession of the goods, the warehouse operator may, either as a defense to
20 an action brought against him, her or it for non-delivery of the goods or as an original
21 suit, whichever is appropriate, require all known claimants to interplead.

22 **SEC. 29. Warehouse Operator Has Reasonable Time to Determine Validity of**
23 **Claims.** – If a person other than the depositor or person claiming under him, her or it
24 has a claim to the title or possession of goods, and the warehouse operator has
25 information of such claim, the warehouse operator shall be excused from liability for
26 refusing to deliver the goods, either to the depositor or person claiming under him, her
27 or it to the adverse claimant until the warehouse operator has had a reasonable time to
28 ascertain the validity of the adverse claim or to bring legal proceedings to compel
29 claimants to interplead.

30 **SEC. 30. Adverse Title is No Defense Except as Provided in This Act.** – Except as
31 provided in this Act, no right or title of a third person shall be a defense to an action
32 brought by the depositor or person claiming under him, her or it against the warehouse
33 operator for failure to deliver the goods according to the terms of the receipt.

34 **SEC. 31. Liability for Nonexistence or Misdescription of Goods** – A warehouse
35 operator shall be liable to the holder of a receipt for damages caused by the
36 nonexistence of the goods or by the failure of the goods to correspond with the
37 description thereof in the receipt at the time of its issue. If, however, the goods are
38 described in a receipt merely by a statement of marks or labels upon them or upon
39 packages containing them or by a statement that the goods are said to be goods of a

1 certain kind or that the packages containing the goods are said to contain goods of a
2 certain kind or by words of like purport, such statements, if true, shall not make liable
3 the warehouse operator issuing the receipt, although the goods are not of the kind
4 which the marks or labels upon them indicate or of the kind they were said to be by the
5 depositor.

6 **SEC. 32. *Liability for Care of Goods.*** – A warehouse operator shall be liable for
7 any loss or injury to the goods caused by his, her or its failure to exercise such care in
8 regard to them as reasonably vigilant owner of similar goods would exercise, but the
9 warehouse operator shall not be liable, in the absence of an agreement to the contrary,
10 for any loss or injury to the goods which could not have been avoided by the exercise of
11 such care.

12 **SEC. 33. *Goods Must be Kept Separate.*** – Except as provided in the following
13 section, a warehouse operator shall keep the goods so far separate from goods of other
14 depositors and from other goods of the same depositor for which a separate receipt has
15 been issued, as to permit at all times the identification and redelivery of the goods
16 deposited.

17 **SEC. 34. *Fungible Goods May Be Commingled if Warehouse Operator***
18 ***Authorized.*** – If authorized by agreement or by custom, a warehouse operator may
19 mingle fungible goods with other goods of the same kind and grade. In such case, the
20 various depositors of the mingled goods shall own the entire mass in common and each
21 depositor shall be entitled to such portion thereof as the amount deposited by him, her
22 or it bears to the whole.

23 **SEC. 35. *Liability of Warehouse Operator to Depositors of Commingled Goods.***
24 – The warehouse operator shall be severally liable to each depositor for the care and
25 redelivery of his, her or its share of such mass to the same extent and under the same
26 circumstances as if the goods had been kept separate.

27 **SEC. 36. *Attachment or Levy upon Goods for which a Negotiable Receipt Has***
28 ***Been Issued.*** – If goods are delivered to a warehouse operator by the owner or by a
29 person whose act in conveying the title to them to a purchaser in good faith for value
30 would bind the owner, and a negotiable receipt is issued for them, they cannot
31 thereafter, while in the possession of the warehouse operator, be attached by
32 garnishment or otherwise, or be levied upon under an execution unless the receipt be
33 first surrendered to the warehouse operator or its negotiation enjoined. The warehouse
34 operator shall, in no case, be compelled to deliver the actual possession of the goods
35 until the receipt is surrendered to the warehouse operator or impounded by the court.

36 **SEC. 37. *Creditor's Remedies to Reach Negotiable Receipts.*** – A creditor whose
37 debtor is the owner of a negotiable receipt shall be entitled to such aid from courts of
38 appropriate jurisdiction, by injunction and otherwise, in attaching such receipt or in
39 satisfying the claim by means thereof as is allowed by law or in equity within the
40 jurisdiction of the Philippines in regard to property which cannot readily be attached or
41 levied upon by ordinary legal process.

1 **SEC. 38. *What Claims Are Included in the Warehouse Operator's Lien.*** – Subject
2 to the provisions of this Act, a warehouse operator shall have a lien on goods deposited
3 or on the proceeds thereof in his, her or its hand; for all lawful charges for storage and
4 preservation of the goods; for all lawful claims for money advanced, interest, insurance,
5 transportation, labor, weighing, cooperating and other charges and expenses in relation to
6 such goods; for all reasonable charges and expenses for notice, and advertisements of
7 sale; and for sale of the goods where default had been made in satisfying the warehouse
8 operator's lien.

9 **SEC. 39. *Against What Property the Warehouse Operator's Lien May be***
10 ***Enforced.*** – Subject to the provisions of this Act, a warehouse operator's lien may be
11 enforced:

12 (a) Against all goods, whenever deposited, belonging to the person who is liable as
13 debtor for the claims in regard to which the lien is asserted; and

14 (b) Against all goods belonging to others which have been deposited at any time by
15 the person who is liable as debtor for the claims in regard to which the lien is
16 asserted if such person had been so entrusted with the possession of goods that
17 a pledge of the same by him, her or it at the time of the deposit to one who took
18 the goods in good faith for value would have been valid.

19 **SEC. 40. *How Warehouse Operator's Lien May be Lost.*** – A warehouse operator
20 loses his, her or its lien upon goods:

21 (a) By surrendering possession thereof; or

22 (b) By refusing to deliver the goods when a demand is made with which the
23 warehouse operator is bound to comply under the provisions of this Act.

24 **SEC. 41. *Negotiable Receipts Must State Charges for Which the Lien is Claimed.***
25 – If a negotiable receipt is issued for goods, the warehouse operator shall have no lien
26 thereon except for charges for storage of goods subsequent to the date of the receipt
27 unless the receipt expressly enumerated other charges for which a lien is claimed. In
28 such case, there shall be a lien for the charges enumerated so far as they are within the
29 terms of Section 25 although the amount of the charges so enumerated is not stated in
30 the receipt.

31 **SEC. 42. *Warehouse Operator Need Not Deliver until Lien is Satisfied.*** – A
32 warehouse operator having a lien valid against the person demanding the goods may
33 refuse to deliver the goods to him, her or it until the lien is satisfied.

34 **SEC. 43. *Warehouse Operator's Lien Does Not Preclude Other Remedies.*** –
35 Whether a warehouse operator has or has not a lien upon the goods, the warehouse
36 operator is entitled to all remedies allowed by law to a creditor against a debtor for the
37 collection from the depositor of all charges and advances which the depositor has
38 expressly or impliedly contracted with the warehouseman to pay.

1 **SEC. 44. Satisfaction of Lien by Sale.** – A warehouse operator’s lien for a claim
2 which has become due may be satisfied as follows:

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

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

6 (c) A demand that the amount of the claim as stated in the notice of such further
7 claim as shall accrue, shall be paid on or before a day mentioned, not less than
8 ten (10) days from the delivery of the notice if it is personally delivered, or from
9 the time when the notice shall reach its destination, according to the due course
10 of post, if the notice is sent by mail; and

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

13 In accordance with the terms of a notice so given, a sale of the goods by auction
14 may be had to satisfy any valid claim of the warehouse operator for which the
15 warehouse operator has a lien on the goods. The sale shall be had in the place where
16 the lien was acquired, or, if such place is manifestly unsuitable for the purpose of the
17 claim specified in the notice to the depositor has elapsed, and advertisement of the sale,
18 describing the goods to be sold, and stating the name of the owner or person on whose
19 account the goods are held, and the time and place of the sale, shall be published once a
20 week for two (2) consecutive weeks in a newspaper published in the place where such
21 sale is to be held. The sale shall not be held less than fifteen (15) days from the time of
22 the first publication. If there is no newspaper published in such place, the
23 advertisement shall be posted at least ten (10) days before such sale in not less than six
24 (6) conspicuous places therein.

25 From the proceeds of such sale, the warehouse operator shall satisfy his, her or
26 its lien including the reasonable charges of notice, advertisement and sale. The balance,
27 if any, of such proceeds shall be held by the warehouse operator and delivered on
28 demand to the person to whom the warehouse operator would have been bound to
29 deliver or justified in delivering goods.

30 At any time before the goods are so sold, any person claiming a right of property
31 or possession therein may pay the warehouse operator the amount necessary to satisfy
32 his, her or its lien and to pay the reasonable expenses and liabilities incurred in serving
33 notices and advertising and preparing for the sale up to the time of such payment. The
34 warehouse operator shall deliver the goods to the person making payment if the
35 warehouse operator is a person entitled, under the provisions of this Act, to the
36 possession of the goods on payment of charges thereon. Otherwise, the warehouse
37 operator shall retain the possession of the goods according to the terms of the original
38 contract of deposit.

39 **SEC. 45. Perishable and Hazardous Goods.** – If goods are of a perishable nature,
40 or by keeping will deteriorate greatly in value, or, by their order, leakage, inflammability,
41 or explosive nature, will be liable to injure other property, the warehouse operator may

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

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

12 **SEC. 46. Other Methods of Enforcing Lien.** – The remedy for enforcing a lien
13 herein provided does not preclude any other remedies allowed by law for the
14 enforcement of a lien against personal property nor bar the right to recover so much of
15 the warehouse operator's claim as shall not be paid by the proceeds of the sale of the
16 property.

17 **SEC. 47. Effect of Sale.** – After goods have been lawfully sold to satisfy a
18 warehouse operator's lien, or have been lawfully sold or disposed of because of their
19 perishable or hazardous nature, the warehouse operator shall not thereafter be liable
20 for failure to deliver the goods to the depositor or owner of the goods or to a holder of
21 the receipt given for the goods when they were deposited, even if such receipt be
22 negotiable.

23 **CHAPTER V**
24 **NEGOTIATION AND TRANSFER OF RECEIPTS**

25 **SEC. 48. Negotiation of Negotiable Receipt by Indorsement.** – A negotiable
26 receipt may be negotiated by the indorsement of the person to whose order the goods
27 are, by the terms of the receipt, deliverable. Such indorsement may be in blank, to
28 bearer or to a specified person. If indorsed to a specified person, it may be again
29 negotiated by the indorsement of such person in blank, to bearer or to another specified
30 person. Subsequent negotiation may be made in like manner.

31 **SEC. 49. Transfer of Receipt.** – A receipt may be transferred by the holder to a
32 purchaser or donee.

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

35 **SEC. 50. Who May Negotiate a Receipt.** – A negotiable receipt may be
36 negotiated:

37 (a) By the owner thereof; or

38 (b) By any person to whom the constructive possession of the receipt has been
39 entrusted by the owner, if, by the terms of the receipt, the warehouse operator

1 undertakes to deliver the goods to the order of the person to whom the
2 constructive possession of the receipt has been entrusted.

3 **SEC. 51. *Rights of a Person to Whom a Receipt Has Been Negotiated.*** – A person
4 to whom a negotiable receipt has been duly negotiated acquires thereby:

5 (a) Such title to the goods as the person negotiating the receipt to him, her or it had
6 or had ability to convey to a purchaser in good faith for value, and also such title
7 to the goods as the depositor or person to whose order the goods were to be
8 delivered by the terms of the receipt had or had ability to convey to a purchaser
9 in good faith for value; and

10 (b) The direct obligation of the warehouse operator to hold possession of the goods
11 for him, her or it according to the terms of the receipt as fully as if the
12 warehouse operator contracted directly with him, her or it.

13 **SEC. 52. *Rights of Person to Whom Receipt Has Been Transferred.*** – A person to
14 whom a receipt has been transferred but not negotiated acquires thereby, as against
15 the transferor, the title of the goods subject to the terms of any agreement with the
16 transferor.

17 If the receipt is non-negotiable, such person also acquires the right to notify the
18 warehouse operator of the transfer to him, her or it of such receipt and thereby to
19 acquire the direct obligation of the warehouse operator to hold possession of the goods
20 for him, her or it according to the terms of the receipt.

21 Prior to the notification of the warehouse operator by the transferor or
22 transferee of a non-negotiable receipt, the title of the transferee to the goods and the
23 right to acquire the obligation of the warehouse operator may be defeated by the levy
24 of an attachment or execution upon the goods by a creditor of the transferor or by a
25 notification to the warehouse operator by the transferor or a subsequent purchaser
26 from the transferor of a subsequent sale of the goods by the transferor.

27 **SEC. 53. *Transfer of Negotiable Receipt Without Indorsement.*** – Where a
28 negotiable receipt is transferred for value and the indorsement of the transferor is
29 essential for negotiation, the transferee acquires a right against the transferor to compel
30 him, her or it to indorse the receipt unless a contrary intention appears. The negotiation
31 shall take effect as of the time when the indorsement is actually made.

32 **SEC. 54. *Warranties of a Sale of Receipt.*** – A person who, for value, negotiates
33 or transfers a receipt by indorsement or delivery, including one who assigns for value a
34 claim secured by a receipt, unless a contrary intention appears, warrants:

35 (a) That the receipt is genuine;

36 (b) That the person has a legal right to negotiate or transfer it;

37 (c) That the person has knowledge of no fact which would impair the validity or
38 worth of the receipt; and

1 (d) That the person has a right to transfer the title to the goods and that the goods
2 are merchantable or fit for a particular purpose whenever such warranties would
3 have been implied, if the contract of the parties had been to transfer without a
4 receipt of the goods represented thereby.

5 **SEC. 55. Indorser not Guarantor.** – The indorsement of a receipt shall not make
6 the indorser liable for any failure on the part of the warehouseman or previous
7 indorsers of the receipt to fulfill their respective obligations.

8 **SEC. 56. No Warranty Implied from Accepting Payment of a Debt.** – A
9 mortgagee, pledgee, or holder for security of a receipt who, in good faith, demands or
10 receives payment of the debt for which such receipt is security, whether from a party to
11 a draft drawn for such debt or from any other person, shall not, by so doing, be deemed
12 to represent or to warrant the genuineness of such receipt or the quantity or quality of
13 the goods therein described.

14 **SEC. 57. When Negotiation Not Impaired by Fraud, Mistake, or Duress.** – The
15 validity of the negotiation of a receipt is not impaired by the fact that such negotiation
16 was a breach of duty on the part of the person making the negotiation or by the fact
17 that the owner of the receipt was induced by fraud, mistake or duress or to entrust the
18 constructive possession of the receipt to such person, if the person to whom the receipt
19 was negotiated or a person to whom the receipt was subsequently negotiated paid
20 value therefor, without notice of the breach of duty, or fraud, mistake or duress.

21 **SEC. 58. Subsequent Negotiation.** – Where a person having sold, mortgaged, or
22 pledged goods which are in warehouse and for which a negotiable receipt has been
23 issued, or having sold, mortgaged, or pledged the negotiable receipt representing such
24 goods, continues in constructive possession of the negotiable receipt, the subsequent
25 negotiation thereof by the person under any sale or other disposition thereof to any
26 person receiving the same in good faith, for value and without notice of the previous
27 sale, mortgage or pledge, shall have the same effect as if the first purchaser of the goods
28 or receipt had expressly authorized the subsequent negotiation.

29 **SEC. 59. Negotiation Defeats Vendor's Lien.** – Where a negotiable receipt has
30 been issued for goods, no seller's lien or right of stoppage in *transitu* shall defeat the
31 rights of any purchaser for value in good faith to whom such receipt has been
32 negotiated, whether such negotiation be prior or subsequent to the notification to the
33 warehouse operator who issued such receipt of the seller's claim to a lien or right of
34 stoppage in *transitu*. Nor shall the warehouse operator be obliged to deliver or justified
35 in delivering the goods to an unpaid seller unless the receipt is first surrendered for
36 cancellation.

37
38 **CHAPTER VI**
39 **CRIMINAL OFFENSES**

40 **SEC. 60. Issuance of Receipt for Goods Not Received.** – A warehouse operator or
41 his, her or its agent, officer, or employee who issues or aids in the issuance of a
42 warehouse receipt, knowing that the goods mentioned therein are not actually in his,

1 her or its custody, shall be punished by imprisonment of ten (10) years, or a fine equal
2 to triple the value of the goods involved, or both, at the discretion of the court, and the
3 accreditation of the warehouse operator shall likewise be revoked.

4 **SEC. 61. Issuance of Receipt Containing False Statement.** – A warehouse
5 operator or his, her or its agent, officer, or employee who fraudulently issues or aids in
6 fraudulent issuance of a warehouse receipt for goods, knowing that it contains a false
7 statement, shall be punished by imprisonment of ten (10) years, or a fine equal to triple
8 the value of the goods involved, or both, at the discretion of the court, and the
9 accreditation of the warehouse operator shall likewise be revoked.

10 **SEC. 62. Creation of Fraudulent Duplicate Receipt.** – A warehouse operator or
11 his, her or its agent, officer, or employee who issues or aids in issuing a second
12 electronic warehouse receipt for goods, knowing that there is an existing prior
13 electronic warehouse receipt for the same goods or any part of them, shall be punished
14 by imprisonment of ten (10) years, or a fine equal to triple the value of the goods
15 involved, or both, at the discretion of the court, and the accreditation of the warehouse
16 operator shall likewise be revoked. This provision shall not be applicable if the issuance
17 of a subsequent warehouse receipt was made on the basis of an order issued by a court
18 of competent jurisdiction.

19 **SEC. 63. Issue for Warehouse Operator's Goods or Receipts Which Do Not State**
20 **That Fact.** – Where goods are deposited with or held by a warehouse operator of which
21 the warehouse operator is owner, either solely or jointly or in common with others,
22 such warehouse operator, or any of his, her or its agents, officers, or employees who,
23 knowing this ownership, issues or aids in issuing a negotiable receipt for such goods
24 which does not state such ownership, shall be punished by imprisonment of ten (10)
25 years, or a fine equal to triple the value of the goods involved, or both, at the discretion
26 of the court, and the accreditation of the warehouse operator shall likewise be revoked.

27 **SEC. 64. Delivery of Goods Without Obtaining Negotiable Receipt.** – A
28 warehouse operator or his, her or its agent, officer, or employee that delivers goods out
29 of the possession of such warehouse operator, knowing that a negotiable receipt, the
30 negotiation of which would transfer the right to the possession of such goods is
31 outstanding and uncanceled, without obtaining the constructive possession of such
32 receipt at or before the time of such delivery, except as otherwise authorized in this Act,
33 shall be punished by imprisonment of ten (10) years, or a fine equal to triple the value of
34 the goods involved, or both, at the discretion of the court, and the accreditation of the
35 warehouse operator shall likewise be revoked.

36 **SEC. 65. Negotiation of Receipt for Mortgaged Goods.** – Any person who
37 deposits goods which the person has no title, or upon which there is a lien or mortgage,
38 and who takes for such goods a negotiable receipt which was afterwards negotiated for
39 value with intent to deceive and without disclosing the want of title or the existence of
40 the lien or mortgage, shall be punished by imprisonment of ten (10) years, or a fine
41 equal to triple the value of the goods involved, or both, at the discretion of the court.

42 **SEC. 66. Unlawful Release of Goods Covered by Warehouse Receipt.** – A
43 warehouse operator or his, her or its agent, officer, or employee that releases, without

any legal basis, any goods covered by an electronic warehouse receipt shall be punished by imprisonment of ten (10) years, or a fine equal to triple the value of the goods involved, or both, at the discretion of the court, and the accreditation of the warehouse operator shall likewise be revoked.

CHAPTER VII FINAL PROVISIONS

SEC. 67. *Inter-Connected Registry Information.* — Where feasible, the SEC shall coordinate with other government agencies in order to link up the Registry provided under this Act with other registries.

SEC. 68. *Public Information.* — All entries in the Registry of electronic warehouse receipts shall be available to the public. Likewise, the list of accredited warehouse operators, as well as the list of warehouse operators whose accreditation have been revoked, shall be available to the public. The SEC shall formulate the guidelines to facilitate the orderly and expedient access to such information by the public, in accordance with existing standards under Philippine laws.

SEC. 69. *Dispute Resolution.* — Except in cases specifically placed under the jurisdiction of the SEC under this Act, as well as cases where the electronic warehouse receipt includes a valid arbitration clause, all actions arising from this Act shall fall under the jurisdiction of the Regional Trial Courts.

SEC. 70. *Appropriations.* — The initial funding for the implementation of this Act shall be charged against the current operating budget of the SEC. Thereafter, the amount necessary for its continued implementation shall be included in the annual operating budget of the SEC.

SEC. 71. *Implementing Rules and Regulations.* — Within ninety (90) days after the effectivity of this Act, the SEC shall promulgate rules and regulations for the implementation of this Act.

SEC. 72. *Cases Not Provided For in this Act.* — Any case not provided for in this Act shall be governed by the provisions of existing legislation, or in default thereof, by the established rules of commerce.

SEC. 73. *Application of this Act.* — The provisions of this Act do not apply to receipts made and delivered prior to the taking effect hereof.

SEC. 74. *Separability Clause.* — If any provision of this Act is declared invalid or unconstitutional, the other provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC. 75. *Repealing Clause.* — Act No. 2137, otherwise known as the Warehouse Receipts Law, is hereby repealed. Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with any provision of this Act is hereby repealed or modified accordingly.

1 **SEC. 76. *Effectivity.*** — This Act shall take effect fifteen (15) days after its
2 publication in the Official Gazette or in a newspaper of general circulation.

3 Approved,