EXPLANATORY NOTE

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 (1) prescribed the rights and duties of a warehouseman, (2) regulated the relationship between the warehouseman and the depositor of goods or the holder of a warehouse receipt for the goods, (3) made the title to, and right of possession over, the property stored in a warehouse more easily convertible, and (4) protected those who, in good faith and for value, acquired warehouse receipts by negotiation.

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 an Electronic Warehouse Receipt which s/he can easily trade, barter, or sell in order to obtain the necessary credit. With the use of a reliable and secure central electronic Registry, banks and other financial institutions will not be reluctant to accept these Warehouse Receipts in exchange for loans as they can easily check the veracity of the Warehouse Receipts, as well as the presence and quality of the corresponding goods and products in the Warehouse.

The proposed 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 interests therein.

The strong support of the Members of Congress is earnestly sought for the approval of this measure.

XAVIER JESUS D. ROMUALDO
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 4413

INTRODUCED BY REPRESENTATIVE XAVIER JESUS D. 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 1 – 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. – In this Act, unless the content or subject matter otherwise requires:

(1) “Action” includes counterclaim, set-off, and suits in equity as provided by law.

(2) “Delivery” means voluntary transfer of control from one person to another.

(3) “Deposit” means the act of transferring actual possession of goods to a Warehouse Operator.

(4) “Goods” means chattels or merchandise in storage or which has been or is about to be stored.
(5) "Good Faith" means when a thing is done honestly, whether it be done negligently or not.

(6) "Holder" of a receipt means a person who has both constructive possession of such receipt and a right of property therein.

(7) "Order" means and order by indorsement on the receipt.

(8) "Owner" does not include mortgagee.

(9) "Person" includes both natural and juridical persons.

(10) "Purchase" includes to take as a mortgagee or as a pledgee.

(11) "Receipt" means an Electronic Warehouse Receipt.

(12) "Registry" refers to the Electronic Warehouse Receipts Registry.

(13) "Release Order" means a written instrument issued by the Owner of a Receipt directing a Warehouse Operator to release his goods to a specific person.

(14) "Value" is any consideration sufficient to support a simple contract. An antecedent or pre-existing obligation, whether for money or not, constitutes value where a Receipt is taken either in satisfaction thereof or as security therefor.

(15) "Warehouse" a place that houses goods intended to be used for trading or financing within the territory of The Philippines operated and maintained by a Warehouse Operator.

(16) "Warehouse Operator" means a person lawfully engaged in the business of housing goods intended to be used for trading or financing and duly authorized under this Act.

(17) "Writing" for the purpose of this Act includes electronic records.

SEC. 4. Persons who may issue Receipts. – Warehouse Receipts may only be issued by a Duly Authorized Warehouse Operator.

SEC. 5. Form of Receipts. – Every Warehouse Receipt must contain:

(1) The location of the warehouse where the goods are stored;
(2) The date of the issue of the receipt;

(3) The consecutive number of the receipt;

(4) A statement whether the goods received will be delivered to the bearer, to a specified person or to a specified person or his order;

(5) The rate of storage charges;

(6) A description of the goods or of the packages containing them;

(7) The signature of the Warehouse Operator which may be made by his authorized agent;

(8) 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

(9) A 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, unknown to the Warehouse Operator or to his agent who issues it, a statement of the fact that advances have been made or liabilities incurred and the purpose thereof is sufficient.

A Warehouse Operator shall be liable to any person injured thereby for all damages caused by the omission from a Warehouse Receipt of any of the terms herein required.

SEC. 6. Permissible Insertions. – A Warehouse Operator may insert in a receipt issued by him any other terms and conditions provided that such terms and conditions shall not:

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

(2) In any wise impair his obligation to exercise that degree of care in the safe-keeping of the goods entrusted to him which is reasonably careful man would exercise in regard to similar goods of his own.
SEC. 7. Definition of Non-Negotiable Receipt. – A receipt in which it is stated that the goods received will be delivered to the depositor or to any other specified person, is a non-negotiable receipt.

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

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

SEC. 9. Failure to mark "non-negotiable". – A non-negotiable receipt shall have plainly placed upon its face by the Warehouse Operator issuing it "non-negotiable," or "not negotiable." In case of the Warehouse Operator's failure so to do, a holder of the receipt who purchased it for value supposing it to be negotiable, may, at his option, treat such receipt as imposing upon the Warehouse Operator the same liabilities he would have incurred had the receipt been negotiable.

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

II — ELECTRONIC WAREHOUSE RECEIPTS REGISTRY

SEC. 10. Electronic Warehouse Receipts Registry. – The Securities and Exchange Commission (SEC) is hereby tasked with creating and maintaining an 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. 10. Local Sub-Registry. – 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. 11. Transferability of Receipts. – Transferability of Receipts. All Warehouse Receipts, regardless of what is stated upon their face, are transferable at the option of the Holder."

III — OBLIGATIONS AND RIGHTS OF WAREHOUSE OPERATORS UPON THEIR RECEIPTS

SEC. 12. Obligation of a Warehouse Operator to Deliver. – A Warehouse Operator, in the absence of some lawful excuse 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:

(1) An offer to satisfy the Warehouse Operator’s lien, if applicable;

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

(3) A readiness and willingness to sign, when the goods are delivered, an acknowledgment that they have been delivered, if such signature is requested by the Warehouse Operator.

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

SEC. 13. Justification of Warehouse Operator in Delivering. – A warehouseman is justified in delivering the goods, subject to the provisions of the three following sections, 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. 14. Warehouse Operator’s Liability for Misdelivery. – 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 subdivisions (b) and (c) of the preceding section, and though he delivered the goods as authorized by said subdivisions, 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. 15. 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.
SEC. 16. Negotiable Receipts must be Cancelled or Marked when part of Goods Delivered. — Except as otherwise provided in this Act, where a Warehouse Operator delivers part of the goods for which he had issued a negotiable receipt and fails to either amend or cancel such receipt to reflect the partial delivery, he shall be liable to anyone who purchases for value in good faith such receipt, for failure to deliver all the goods specified in the receipt, whether such purchaser acquired title to the receipt before or after the delivery of any portion of the goods by the Warehouse Operator.

SEC. 17. Altered Receipts. — The alteration of a receipt shall not excuse the Warehouse Operator who issued it from any liability if such alteration was:

(1) Immaterial;
(2) Authorized; or
(3) Made without fraudulent intent.

If the alteration was authorized, the Warehouse Operator shall be liable according to the terms of the receipt as altered. If the alteration was unauthorized but made without fraudulent intent, the Warehouse Operator shall be liable according to the terms of the receipt as they were before alteration.

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

SEC. 18. Warehouse Operator cannot set Title in Himself. — No title or right to the possession of the goods, on the part of the Warehouse Operator, unless such title or right is derived directly or indirectly from a transfer made by the depositor at the time of or subsequent to the deposit for storage, or from the Warehouse Operator’s lien, shall excuse the Warehouse Operator from liability for refusing to deliver the goods according to the terms of the receipt.
SEC. 19. Interpleader of Adverse Claimants. — If more than one person claims the title or possession of the goods, the Warehouse Operator may, either as a defense to an action brought against him for non-delivery of the goods or as an original suit, whichever is appropriate, require all known claimants to interplead.

SEC. 20. Warehouse Operator has Reasonable Time to Determine Validity of Claims. — If someone other than the depositor or person claiming under him has a claim to the title or possession of goods, and the Warehouse Operator has information of such claim, the Warehouse Operator shall be excused from liability for refusing to deliver the goods, either to the depositor or person claiming under him or to the adverse claimant until the Warehouse Operator has had a reasonable time to ascertain the validity of the adverse claim or to bring legal proceedings to compel claimants to interplead.

SEC. 21. Adverse Title is No Defense Except as Provided in this Act. — Except as provided in this Act, no right or title of a third person shall be a defense to an action brought by the depositor or person claiming under him against the Warehouse Operator for failure to deliver the goods according to the terms of the receipt.

SEC. 22. Liability for Non-Existence or Misdescription of Goods. — A Warehouse Operator shall be liable to the holder of a receipt for damages caused by the non-existence of the goods or by the failure of the goods to correspond with the description thereof in the receipt at the time of its issue. If, however, the goods are described in a receipt merely by a statement of marks or labels upon them or upon packages containing them or by a statement that the goods are said to be goods of a certain kind or that the packages containing the goods are said to contain goods of a certain kind or by words of like purport, such statements, if true, shall not make liable the Warehouse Operator issuing the receipt, although the goods are not of the kind which the marks or labels upon them indicate or of the kind they were said to be by the depositor.
SEC. 23. **Liability for Care of Goods.** — A Warehouse Operator shall be liable for any loss or injury to the goods caused by his failure to exercise such care in regard to them as reasonably careful owner of similar goods would exercise, but he shall not be liable, in the absence of an agreement to the contrary, for any loss or injury to the goods which could not have been avoided by the exercise of such care.

SEC. 24. **Goods must be kept separate.** — Except as provided in the following section, a Warehouse Operator shall keep the goods so far separate from goods of other depositors and from other goods of the same depositor for which a separate receipt has been issued, as to permit at all times the identification and redelivery of the goods deposited.

SEC. 25. **Fungible Goods may be commingled if Warehouse Operator Authorized.** — If authorized by agreement or by custom, a Warehouse Operator may mingle fungible goods with other goods of the same kind and grade. In such case, the various depositors of the mingled goods shall own the entire mass in common and each depositor shall be entitled to such portion thereof as the amount deposited by him bears to the whole.

SEC. 26. **Liability of Warehouse Operator to Depositors of commingled goods.** — The Warehouse Operator shall be severally liable to each depositor for the care and redelivery of his share of such mass to the same extent and under the same circumstances as if the goods had been kept separate.

SEC. 27. **Attachment or Levy upon goods for which a Negotiable Receipt has been issued.** — If goods are delivered to a Warehouse Operator by the owner or by a person whose act in conveying the title to them to a purchaser in good faith for value would bind the owner, and a negotiable receipt is issued for them, they cannot thereafter, while in the possession of the Warehouse Operator, be attached by garnishment or otherwise, or be levied upon under an execution unless the receipt be first surrendered to the Warehouse Operator or its negotiation
enjoined. The Warehouse Operator shall in no case be compelled to deliver up the actual
possession of the goods until the receipt is surrendered to him or impounded by the court.

SEC. 28. Creditor's Remedies to reach Negotiable Receipts. — A creditor whose debtor is
the owner of a negotiable receipt shall be entitled to such aid from courts of appropriate
jurisdiction, by injunction and otherwise, in attaching such receipt or in satisfying the claim by
means thereof as is allowed at law or in equity within the jurisdiction of the Philippines in
regard to property which cannot readily be attached or levied upon by ordinary legal process.

SEC. 29. What Claims are included in the Warehouse Operator’s Lien. — Subject to the
provisions of this Act, a Warehouse Operator shall have a lien on goods deposited or on the
proceeds thereof in his hands, for all lawful charges for storage and preservation of the goods;
also for all lawful claims for money advanced, interest, insurance, transportation, labor,
weighing, coopering and other charges and expenses in relation to such goods, also for all
reasonable charges and expenses for notice, and advertisements of sale, and for sale of the
goods where default had been made in satisfying the Warehouse Operator’s lien.

SEC. 30. Against What Property the Warehouse Operator’s Lien may be enforced. —
Subject to the provisions of this Act, a Warehouse Operator’s lien may be enforced:

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

(2) Against all goods belonging to others which have been deposited at any time by the
person who is liable as debtor for the claims in regard to which the lien is asserted if
such person had been so entrusted with the possession of goods that a pledge of the
same by him at the time of the deposit to one who took the goods in good faith for
value would have been valid.
SEC. 31. How Warehouse Operator's Lien may be lost. — A Warehouse Operator loses
his lien upon goods:

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

SEC. 32. Negotiable Receipts must state charges for which the lien is claimed. — If a
negotiable receipt is issued for goods, the Warehouse Operator shall have no lien thereon
except for charges for storage of goods subsequent to the date of the receipt unless the receipt
expressly enumerated other charges for which a lien is claimed. In such case, there shall be a
lien for the charges enumerated so far as they are within the terms of section twenty-seven
although the amount of the charges so enumerated is not stated in the receipt.

SEC. 33. Warehouse Operator need not deliver until lien is satisfied. — A Warehouse
Operator having a lien valid against the person demanding the goods may refuse to deliver the
goods to him until the lien is satisfied.

SEC. 34. Warehouse Operator's lien does not preclude other remedies. — Whether a
Warehouse Operator has or has not a lien upon the goods, he is entitled to all remedies
allowed by law to a creditor against a debtor for the collection from the depositor of all charges
and advances which the depositor has expressly or impliedly contracted with the
warehouseman to pay.

SEC. 35. Satisfaction of lien by sale. — A Warehouse Operator's lien for a claim which
has become due may be satisfied as follows:

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

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

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

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

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

SEC. 36. Perishable and Hazardous Goods. — If goods are of a perishable nature, or by
keeping will deteriorate greatly in value, or, by their order, leakage, inflammability, or explosive
nature, will be liable to injure other property, the warehouseman may give such notice to the
owner or to the person in whose names the goods are stored, as is reasonable and possible
under the circumstances, to satisfy the lien upon such goods and to remove them from the
warehouse and in the event of the failure of such person to satisfy the lien and to receive the
goods within the time so specified, the Warehouse Operator may sell the goods at public or
private sale without advertising. If the Warehouse Operator, after a reasonable effort, is
unable to sell such goods, he may dispose of them in any lawful manner and shall incur no
liability by reason thereof.

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

SEC. 37. Other methods of enforcing lien. — The remedy for enforcing a lien herein
provided does not preclude any other remedies allowed by law for the enforcement of a lien
against personal property nor bar the right to recover so much of the Warehouse Operator's
claim as shall not be paid by the proceeds of the sale of the property.

SEC. 38. Effect of Sale. — After goods have been lawfully sold to satisfy a Warehouse
Operator's lien, or have been lawfully sold or disposed of because of their perishable or
hazardous nature, the Warehouse Operator shall not thereafter be liable for failure to deliver
the goods to the depositor or owner of the goods or to a holder of the receipt given for the goods when they were deposited, even if such receipt be negotiable.

IV — WAREHOUSE ACCREDITATION COUNCIL

SEC. 39. Establishment of the Warehousing Accreditation Council. — There is hereby established an accrediting body for Warehouse Operators and Warehouses to be known as the Warehousing Accreditation Council, herein referred to as the “Council”. The Council shall be composed of: four (4) permanent members and three (3) members who are experts on Warehousing.

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

(1) The Chairman of the SEC or his/her designated representative;

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

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

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

The Chairman of the SEC shall be the Chairperson and the Secretary of the Department of Agriculture shall be the Vice-Chairperson of the Council.

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

All members of the Council are entitled to one (1) vote each in the conduct of its business.
The Council shall be assisted by a secretariat to be lodged in the SEC, which shall
coordinate the activities involved in the accreditation process. (n)

SEC. 40. Functions and Responsibilities of the Warehousing Accreditation Council. — As
the accrediting entity, the Council shall have the following functions and responsibilities:

(1) 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;

(2) Issue 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;

(3) Monitor the performance of Warehouse Operators to ensure continuing compliance
with the provisions of this Act and its implementing rules and regulations;

(4) Place under probation, suspend or revoke any certificate of accreditation upon due
determination that a Warehouse Operator no longer meets the criteria for
accreditation;

(5) Require regular submission of reports by Warehouse Operators;

(6) Collect reasonable accreditation and monitoring fees from Warehouse Operators
which shall be used for the Council’s operational requirements;

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

(8) 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. 41. Warehousing Experts. — The Council is authorized to create rules and regulations in order to determine the persons who would qualify as Warehousing Experts. The 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. 42. 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 obtain accreditation with the Council. The Council is hereby ordered and authorized to create rules and regulations to facilitate the Accreditation of Warehouse Operators. All Warehouse Operators who are not Accredited with the Council are prohibited from issuing Warehouse Receipts.

SEC. 43. Screening Process for Warehouse Operators. — To ensure the credibility and integrity of the Warehouse Operators, the Council is hereby authorized to create a screening process for Warehouse Operators which may include the adoption of written examinations. The Council may coordinate with other governmental bodies in order to create a viable screening process for Warehouse Operators.

SEC. 44. Warehouse Operator’s Bond. — Prior to the operation of the Warehouse, a Warehouse Operator must post a bond to answer for any liabilities he may have in the operation of the Warehouse during the effectivity of his accreditation. The Council is hereby ordered and authorized to come up with rules and regulations concerning the Warehouse Operator’s bond.

V — NEGOTIATION AND TRANSFER OF RECEIPTS

SEC. 45. Negotiation of Negotiable Receipt by Indorsement. — A negotiable receipt may be negotiated by the indorsement of the person to whose order the goods are, by the terms of
the receipt, deliverable. Such indorsement may be in blank, to bearer or to a specified
person. If indorsed to a specified person, it may be again negotiated by the indorsement of
such person in blank, to bearer or to another specified person. Subsequent negotiation may be
made in like manner.

SEC. 46. Transfer of Receipt. — A receipt may be transferred by the holder to a purchaser
or donee.
A non-negotiable receipt cannot be negotiated, and the indorsement of such a receipt
gives the transferee no additional right.

SEC. 47. Who may negotiate a Receipt. — A negotiable receipt may be negotiated:
(1) By the owner thereof; or
(2) By any person to whom the constructive possession of the receipt has been
entrusted by the owner, if, by the terms of the receipt, the Warehouse Operator
undertakes to deliver the goods to the order of the person to whom the constructive
possession of the receipt has been entrusted.

SEC. 48. Rights of person to whom a Receipt has been negotiated. — A person to whom
a negotiable receipt has been duly negotiated acquires thereby:
(1) Such title to the goods as the person negotiating the receipt to him had or had
ability to convey to a purchaser in good faith for value, and also such title to the
goods as the depositor or person to whose order the goods were to be delivered by
the terms of the receipt had or had ability to convey to a purchaser in good faith for
value; and
(2) The direct obligation of the Warehouse Operator to hold possession of the goods for
him according to the terms of the receipt as fully as if the Warehouse Operator and
contracted directly with him.
SEC. 49. Rights of person to whom receipt has been transferred. – A person to whom a receipt has been transferred but not negotiated acquires thereby, as against the transferor, the title of the goods subject to the terms of any agreement with the transferor.

If the receipt is non-negotiable, such person also acquires the right to notify the Warehouse Operator of the transfer to him of such receipt and thereby to acquire the direct obligation of the Warehouse Operator to hold possession of the goods for him according to the terms of the receipt.

Prior to the notification of the Warehouse Operator by the transferor or transferee of a non-negotiable receipt, the title of the transferee to the goods and the right to acquire the obligation of the Warehouse Operator may be defeated by the levy of an attachment or execution upon the goods by a creditor of the transferor or by a notification to the Warehouse Operator by the transferor or a subsequent purchaser from the transferor of a subsequent sale of the goods by the transferor.

SEC. 50. Transfer of Negotiable Receipt without Indorsement. – Where a negotiable receipt is transferred for value and the indorsement of the transferor is essential for negotiation, the transferee acquires a right against the transferor to compel him to indorse the receipt unless a contrary intention appears. The negotiation shall take effect as of the time when the indorsement is actually made.

SEC. 51. Warranties of a sale of Receipt. – A person who, for value, negotiates or transfers a receipt by indorsement or delivery, including one who assigns for value a claim secured by a receipt, unless a contrary intention appears, warrants:

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

SEC. 52. Indorser not Guarantor. — The indorsement of a receipt shall not make the indorser liable for any failure on the part of the warehouseman or previous indorsers of the receipt to fulfill their respective obligations.

SEC. 53. No Warranty implied from accepting payment of a debt. — A mortgagee, pledgee, or holder for security of a receipt who, in good faith, demands or receives payment of the debt for which such receipt is security, whether from a party to a draft drawn for such debt or from any other person, shall not, by so doing, be deemed to represent or to warrant the genuineness of such receipt or the quantity or quality of the goods therein described.

SEC. 54. When negotiation not impaired by fraud, mistake, or duress. — The validity of the negotiation of a receipt is not impaired by the fact that such negotiation was a breach of duty on the part of the person making the negotiation or by the fact that the owner of the receipt was induced by fraud, mistake or duress or to entrust the constructive possession of the receipt to such person, if the person to whom the receipt was negotiated or a person to whom the receipt was subsequently negotiated paid value therefor, without notice of the breach of duty, or fraud, mistake or duress.

SEC. 55. Subsequent negotiation. — Where a person having sold, mortgaged, or pledged goods which are in warehouse and for which a negotiable receipt has been issued, or having sold, mortgaged, or pledged the negotiable receipt representing such goods, continues in constructive possession of the negotiable receipt, the subsequent negotiation thereof by the person under any sale or other disposition thereof to any person receiving the same in good
faith, for value and without notice of the previous sale, mortgage or pledge, shall have the
same effect as if the first purchaser of the goods or receipt had expressly authorized the
subsequent negotiation.

SEC. 56. Negotiation defeats vendor’s lien. — Where a negotiable receipt has been
issued for goods, no seller’s lien or right of stoppage in transitu shall defeat the rights of any
purchaser for value in good faith to whom such receipt has been negotiated, whether such
negotiation be prior or subsequent to the notification to the Warehouse Operator who issued
such receipt of the seller’s claim to a lien or right of stoppage in transitu. Nor shall the
Warehouse Operator be obliged to deliver or justified in delivering the goods to an unpaid
seller unless the receipt is first surrendered for cancellation.

VI — CRIMINAL OFFENSES

SEC. 57. Issuance of Receipt for Goods not Received. — A Warehouse Operator or his
agent, or an officer or staff of any Warehouse Operator who issues or aids in the issuance of a
Warehouse Receipt knowing that the goods mentioned therein are not actually in his custody
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. If the Warehouse Operator himself is
liable, his accreditation shall likewise be revoked.

SEC. 58. Issuance of Receipt containing False Statement. — A Warehouse Operator, or
any officer, agent or servant of a Warehouse Operator who fraudulently issues or aids in
fraudulent issuance of a Warehouse Receipt for goods knowing that it contains any false
statement, 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. If the Warehouse Operator
himself is liable, his accreditation shall likewise be revoked.
SEC. 59. Creation of fraudulent duplicate receipt. — A Warehouse Operator, or any officer, agent, or employee of a Warehouse Operator who issues or aids in issuing a second electronic Warehouse Receipt for goods knowing that there is an existing prior electronic Warehouse Receipt for the same goods or any part of them 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. If the Warehouse Operator himself is liable, his accreditation shall likewise be revoked. This provision shall not be applicable if the issuance of a subsequent Warehouse Receipt was made on the basis of an Order issued by a Court of competent jurisdiction.

SEC. 60. Issue for Warehouse Operator’s goods or receipts which do not state that fact. — Where goods are deposited with or held by a Warehouse Operator of which he is owner, either solely or jointly or in common with others, such Warehouse Operator, or any of his officers, agents, or servants who, knowing this ownership, issues or aids in issuing a negotiable receipt for such goods which does not state such ownership, 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. If the Warehouse Operator himself is liable, his accreditation shall likewise be revoked.

SEC. 61. Delivery of goods without obtaining negotiable receipt. — A Warehouse Operator, or any officer, agent, or servant of a Warehouse Operator, who delivers goods out of the possession of such Warehouse Operator, knowing that a negotiable receipt the negotiation of which would transfer the right to the possession of such goods is outstanding and uncanceled, without obtaining the constructive possession of such receipt at or before the time of such delivery, shall, except as provided in this Act, 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. If the Warehouse Operator himself is liable, his accreditation shall likewise be revoked.
SEC. 62. Negotiation of receipt for mortgaged goods. — Any person who deposits goods
to which he has no title, or upon which there is a lien or mortgage, and who takes for such
goods a negotiable receipt which he afterwards negotiates for value with intent to deceive and
without disclosing his want of title or the existence of the lien or mortgage, 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. If the Warehouse Operator himself is liable, his
accreditation shall likewise be revoked.

SEC. 63. Unlawful Release of Goods covered by Warehouse Receipt. — A Warehouse
Operator, or any officer, agent, or employee of a Warehouse Operator, who 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. If the Warehouse Operator himself is liable, his
accreditation shall likewise be revoked.

VII — FINAL PROVISIONS

SEC. 64. Role of the Securities and Exchange Commission ("SEC") and Coordination
with Other Agencies. — The SEC shall be the primary regulatory body in charge of all matters
related to Warehouse Receipts. While the SEC may consult with other regulatory bodies, as well
as other organizations representative of a particular sector, the SEC shall, at all times, be the
lead agency in ensuring the successful implementation of this Act except as otherwise provided
in this Act.

SEC. 65. Inter-Connected Registry Information. — Where feasible, the SEC is ordered
and authorized to engage in concerted activity with other government agencies for the linking
of the Registry provided under this Act with other Registries in order to be able to come up with
an inter-connected Registry.
SEC. 66. 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 and the Council are both ordered and authorized to create rules and regulations to facilitate the orderly and expedient access to such information by the public, in accordance with existing standards under Philippine law.

SEC. 67. 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. 68. Transition Period. — All existing Warehouse Operators must be compliant with the provisions of this Act relating to Accreditation within three years from the effectivity of this Act. All physical Warehouse Receipts must be converted to electronic Warehouse Receipts within three years of the opening of the system of Registry for Warehouse Receipts to be made by the SEC.

SEC. 69. Appropriations. — Appropriations — The amount necessary to carry out the initial implementation of this Act shall be included in the General Appropriations Act.

SEC. 70. Implementing Rules and Regulations. — Within ninety (90) days after the effectivity of this Act, the SEC, DTI, DOF, and DA shall jointly promulgate rules and regulations for the implementation of this Act.

SEC. 71. 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. 72. Application of this Act. — The provisions of this Act do not apply to receipts made and delivered prior to the taking effect hereof.

SEC. 73. Time when Act takes effect. — This Act shall take effect fifteen (15) days after its publication in the Official Gazette of the Philippines or in at least two (2) newspapers of general circulation.

Approved,