

H. No. 6907
S. No. 1459

Republic of the Philippines
Congress of the Philippines
Metro Manila
Seventeenth Congress
Second Regular Session

Begun and held in Metro Manila, on Monday, the twenty-fourth day of July, two thousand seventeen.

[REPUBLIC ACT NO. 11057]

AN ACT STRENGTHENING THE SECURED TRANSACTIONS LEGAL FRAMEWORK IN THE PHILIPPINES, WHICH SHALL PROVIDE FOR THE CREATION, PERFECTION, DETERMINATION OF PRIORITY, ESTABLISHMENT OF A CENTRALIZED NOTICE REGISTRY, AND ENFORCEMENT OF SECURITY INTERESTS IN PERSONAL PROPERTY, AND FOR OTHER PURPOSES

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

SECTION 1. *Title.* – This Act shall be known as the “Personal Property Security Act”.

SEC. 2. *Declaration of Policy.* – It is the policy of the State to promote economic activity by increasing access to least cost credit, particularly for micro, small, and medium enterprises (MSMEs), by establishing a unified and modern

legal framework for securing obligations with personal property.

CHAPTER 1
DEFINITIONS AND SCOPE

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

(a) *Commodity contract* – a commodity futures contract, an option on a commodity futures contract, a commodity option, or another contract if the contract or option is:

(1) Traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract; or

(2) Traded on a foreign commodity board of trade, exchange, or market, and is carried on the books of a commodity intermediary for a commodity customer;

(b) *Control agreement* –

(1) With respect to securities, means an agreement in writing among the issuer or the intermediary, the grantor and the secured creditor, according to which the issuer or the intermediary agrees to follow instructions from the secured creditor with respect to the security, without further consent from the grantor;

(2) With respect to rights to deposit account, means an agreement in writing among the deposit-taking institution, the grantor and the secured creditor, according to which the deposit-taking institution agrees to follow instructions from the secured creditor with respect to the payment of funds credited to the deposit account without further consent from the grantor;

(3) With respect to commodity contracts, means an agreement in writing among the grantor, secured creditor, and intermediary, according to which the commodity intermediary will apply any value distributed on account of the commodity contract as directed by the secured creditor without further consent by the commodity customer or grantor;

(c) *Grantor* –

(1) The person who grants a security interest in collateral to secure its own obligation or that of another person;

(2) A buyer or other transferee of a collateral that acquires its right subject to a security interest;

(3) A transferor in an outright transfer of an accounts receivable; or

(4) A lessee of goods;

(d) *Non-intermediated securities* – securities other than securities credited to a securities account and rights in securities resulting from the credit of securities to a securities account;

(e) *Notice* – a statement of information that is registered in the Registry relating to a security interest or lien. The term includes an initial notice, amendment notice, and termination notice;

(f) *Proceeds* – any property received upon sale, lease or other disposition of collateral, or whatever is collected on or distributed with respect to collateral, claims arising out of the loss or damage to the collateral, as well as a right to insurance payment or other compensation for loss or damage of the collateral;

(g) *Purchase money security interest* – a security interest in goods taken by the seller to secure the price or by a person who gives value to enable the grantor to acquire the goods to the extent that the credit is used for that purpose;

(h) *Registry* – the centralized and nationwide electronic registry established in the Land Registration Authority (LRA) where notice of a security interest and a lien in personal property may be registered;

(i) *Secured creditor* – a person that has a security interest. For the purposes of registration and priority only, it includes a buyer of account receivable and a lessor of goods under an operating lease for not less than one (1) year;