

HOUSE OF REPRESENTATIVES

H. No. 6816

BY REPRESENTATIVES CUA, TIANGCO, NOLASCO, LUSOTAN, ONG (J.), MACEDA, TAN (A.S.),
CAMPOS, ECLEO, ROMERO, GONZALES (A.), ROMUALDO, DEL MAR, LEGARDA AND VILLAFUERTE,
PER COMMITTEE REPORT NO. 313

**AN ACT
ENSURING PHILIPPINE FINANCIAL INDUSTRY RESILIENCY
AGAINST THE COVID-19 PANDEMIC**

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

1 SECTION 1. *Title.* – This Act shall be known as “Financial Institutions Strategic
2 Transfer (FIST) Act.”
3

4 *Sec. 2. Declaration of Policy.* – The Coronavirus Disease 2019 (COVID-19) pandemic
5 has greatly affected nations worldwide, including the Philippines, and the measures adopted by
6 the government to contain the outbreak have unavoidably caused serious economic setbacks and
7 tremendous financial pressure on markets and industries. Because of the unpredictability of the
8 course and outcome of the health crisis, it is necessary to lay down the appropriate policies not
9 only to marshal available resources towards the most affected and vulnerable sectors but more
10 importantly, to strengthen the financial sector so that economic recovery can be achieved faster,
11 and with more lasting positive effects.
12

13 The State recognizes the role of banks and other financial institutions as mobilizers of
14 savings and investments and in providing the needed financial system liquidity to keep the
15 economy afloat. Thus, it is essential that banks and other financial institutions are able to
16 maintain their financial health in order to cushion the adverse economic impact of this pandemic.
17 It is hereby declared the policy of the State:
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- 19 (a) to develop and maintain a sound financial sector for the country;
20 (b) to address the non-performing asset problems of the financial sector;
21 (c) to encourage public and private sector investments in non-performing assets;
22 (d) to eliminate existing barriers in the acquisition of non-performing assets;

- 1 (e) to help in the rehabilitation of distressed businesses with the end in view of
2 their becoming economic value-added contributors; and
3 (f) to improve the liquidity of the financial system which can be harnessed to
4 propel economic growth and maintain financial stability.
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6 *Sec. 3. Definition of Terms.* – As used in this Act:
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8 (a) *Approval Certificate* means the certificate of approval or authority issued by the
9 Commission to an application by a Financial Institutions Strategic Transfer Corporation (FISTC)
10 to issue Investment Unit Instruments (IUIs), pursuant to the provisions of this Act;
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12 (b) *Approved Plan* means an FISTC Plan for which an Approval Certificate has been
13 issued by the Commission;
14

15 (c) *Commission* refers to the Securities and Exchange Commission.
16

17 (d) *Financial Institutions, or FIs* means credit-granting institutions which shall be limited
18 to the following:
19

20 (1) the Bangko Sentral ng Pilipinas (BSP);
21

22 (2) a bank, as defined under Republic Act No. 8791, also known as “The
23 General Banking Law of 2000”;
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25 (3) a financing company, as defined under Republic Act No. 8556, also
26 known as “The Financing Company Act of 1998”;
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28 (4) an investment house, as defined in Presidential Decree No. 129, also
29 known as “The Investment Houses Law”;
30

31 (5) a lending company, as defined under Republic Act No. 9474, also known
32 as “Lending Company Regulation Act of 2007”;
33

34 (6) government financial institutions (GFIs), which for purposes of this Act,
35 refer to the Philippine Deposit Insurance Corporation (PDIC), Land Bank of
36 the Philippines (LBP), and Development Bank of the Philippines (DBP), and
37 such other GFIs as may be included by the Secretary of Finance;
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39 (7) government-owned-or-controlled-corporations (GOCCs), which for
40 purposes of this Act, refers to the National Home Mortgage Finance
41 Corporation (NHMFC), Philippine Guarantee Corporation (PGC), Home
42 Development Mutual Fund (HDMF), Social Security System (SSS),
43 Government Service Insurance System (GSIS), Small Business Corporation
44 (SBC), National Housing Authority (NHA), and such other GOCCs as may be
45 included by the Secretary of Finance; and

1 (8) other institutions licensed by the BSP to perform (i) quasi-banking
2 functions and (ii) credit-granting activities, including non-stock savings and
3 loan associations, pawnshops, and non-bank credit card issuers.
4

5 (e) *FISTC Plan* refers to the plan submitted to the Securities and Exchange Commission
6 for its approval as pre-requisite to the issuance of an Investment Unit Instrument;
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8 (f) *Investment Unit Instrument (IUI)* refers to a participation certificate, debt instrument
9 or similar instrument issued by the FISTC and subscribed by Permitted Investors as provided in
10 Section 11 hereof, pursuant to an Approved Plan: *Provided*, That these shall not include the
11 instruments to be issued by the FISTC to the selling FIs as full or partial settlement of the non-
12 performing assets transferred to the said FISTC: *Provided, further*, That such issuances of the
13 FISTC shall not be considered as deposit substitutes: *Provided, finally*, That these shall not form
14 part of the capital stock of the FISTC.
15

16 (g) *Non-Performing Assets, or NPAs* consist of the non-performing loans and real and
17 other properties acquired by FIs;
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19 (h) *Non-Performing Loans, or NPLs* refer to secured or unsecured loans, receivables, and
20 other financial assets of similar nature, including restructured loans, which are to be considered
21 credit-impaired and defined as such in the rules and regulations to be issued to implement this
22 Act;
23

24 (i) *Real and Other Properties Acquired (ROPAs)* refers to real and other properties, other
25 than those used for operating purposes or held for investment, acquired by an FI in settlement of
26 loans and receivables, including real properties, shares of stocks, and security interest which
27 have been acquired by way of dation in payment (*dacion en pago*) or judicial or extra-judicial
28 foreclosure or execution of judgment or enforcement of security interest.”
29

30 (j) *True Sale* refers to a sale wherein the selling FI transfers or sells its NPAs to an
31 FISTC, without recourse to cash or property in exchange for the transfer or sale, and without
32 prejudice to the FI and FISTC agreeing on sharing of profits in accordance with the conditions
33 prescribed in the rules and regulations to be issued to implement this Act, and subject to the
34 following results:
35

36 (1) The transferor transfers full legal and beneficial title to and relinquishes
37 effective control over the transferred NPAs; and
38

39 (2) The transferred NPAs are legally isolated and put beyond the reach of the
40 transferor and its creditors:
41

42 *Provided*, That the transferring FI shall not have direct or indirect control of the transferee
43 FISTC: *Provided, further*, That the selling FI does not have legal or beneficial ownership of
44 more than ten percent 10% of the transferee FISTC.

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ARTICLE II
Financial Institutions Strategic Transfer Corporation

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Sec. 4. Financial Institutions Strategic Transfer Corporation. — An FISTC is a stock corporation organized in accordance with Republic Act No. 11232, otherwise known as “The Revised Corporation Code of the Philippines,” and the rules promulgated by the Securities and Exchange Commission, for purposes of registering the FISTC: *Provided*, That if the FISTC will acquire land, at least sixty percent (60%) of its outstanding capital stock shall be owned by Philippine nationals pursuant to Republic Act No. 7042, as amended, otherwise known as the “Foreign Investments Act.” The BSP, GFIs and GOCCs may create an FISTC subject to their respective charters and the approval of the Governance Commission for Government Owned or Controlled Corporations (GCG): *Provided*, That the limitations under Section 3(h) of this Act shall not apply to BSP and such GFIs or GOCCs.

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FISTCs which are not qualified to acquire or hold land in the Philippines shall be allowed to bid and take part in foreclosure sales of real property mortgaged to them, as well as to avail of enforcement and other proceedings, and accordingly to take possession of the mortgaged property, for a period not exceeding five (5)-years from actual possession: *Provided*, That in no event shall the title to the property be transferred to such FISTC. In case the FISTC is the winning bidder, it shall, during the said five (5)-year period, transfer its rights to a qualified Philippine national, without prejudice to a borrower’s rights under applicable laws. Should a FISTC be not able to transfer such property within the five (5)-year period, the FISTC shall be penalized one half of one percent ($\frac{1}{2}$ of 1%) per annum of the price at which the property was foreclosed, until the FISTC is able to transfer the property to a qualified Philippine national.

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Sec. 5. Powers of an FISTC. – An FISTC shall have the following powers:

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(a) Invest in, or acquire NPAs of FIs;

(b) Engage third parties to manage, operate, collect and dispose of NPAs acquired from an FI;

(c) Rent, lease, hire, subject to security interest, mortgage, transfer, sell, exchange, usufruct, secure, securitize, collect rents and profits, and other similar acts concerning its NPAs acquired from an FI;

(d) in case of NPLs, to restructure debt, condone debt and undertake other restructuring related activities. In restructuring debt, the FISTC may reduce the principal amount, interest earned, interest rates, and the period for calculating the interest, extend the time for debt repayment or relax the conditions for debt repayment, agree to the conversion of the borrower’s debt to equity in the borrower’s business, agree to a transfer of assets or claims from the borrower to repay the debt or dispose of some of the borrower’s property or claims to third persons;

(e) Buy or transfer shares issued by the borrower for the purpose of business reorganization or rehabilitation of the borrower, subject to the provisions of the Revised Corporation Code of the Philippines in respect to the rights of the shareholders of the borrower

1 company, and apply other measures or restructuring techniques with the approval of the
2 Commission;

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4 (f) Enter into dation in payment arrangements, foreclose judicially or extra-judicially and
5 other forms of debt settlement involving NPLs;

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7 (g) Spend funds to renovate, improve, complete or alter its NPAs acquired from an FI;

8
9 (h) Issue equity or participation certificates or other forms of IUIs for the purpose of
10 acquiring, managing, improving and disposing of its NPAs acquired from an FI;

11
12 (i) Borrow money and issue other instruments of indebtedness for the purpose of paying
13 operational and administrative costs;

14
15 (j) Guarantee credit, and accept, intervene or honor the bills of borrowers;

16
17 (k) Advance funds to borrowers as may be required for an acquired asset or any debt
18 restructuring agreement pursuant thereto, or under any court order or rehabilitation plan; and

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20 (l) Engage the services of a third-party asset servicing company for the collection and
21 receipt of the debt payments for debts under debt restructuring or business reorganization,
22 management and disposition of assets of the FISTC in accordance with the rules, procedures and
23 conditions prescribed by the Commission or by the courts. Except in the case of ROPAs whose
24 redemption periods have already expired, the FISTC shall notify the borrower and all persons
25 holding prior encumbrances upon the properties, or a part thereof, or are actually holding the
26 same adversely against the borrower, of the appointment of such third-party asset servicing
27 company within fifteen (15) days from the date of the appointment.

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29 *Sec. 6. Period for Filing of Applications.* – Applications for the establishment and
30 registration of an FISTC shall be filed with the Commission within twenty-four (24) months
31 beginning from the date of effectivity of the rules and regulations of this Act, or effectivity of
32 applicable revenue regulations, whichever is later: *Provided*, That the Secretary of Finance may
33 extend the period of application by a maximum of another twenty-four (24) months.

34
35 Entities created under Republic Act No. 9182, as amended, are qualified to avail of the
36 privileges and incentives under this Act, subject to compliance with the requirements prescribed
37 in the rules and regulations issued to implement this Act.

38
39 *Sec. 7. Capitalization of an FISTC.* – An FISTC shall have adequate minimum
40 capitalization in such amount as may be prescribed by the Commission or by the appropriate
41 regulatory agency of the FISTC.

42
43 *Sec. 8. Submission of FISTC Plan.* – After the establishment of an FISTC pursuant to
44 Section 4 hereof, an FISTC Plan shall be submitted to the Commission for approval and shall
45 include the following:

46 (a) Investment policies of the FISTC;

47 (b) Contribution plan including the amounts and draft of subscription documents;

- 1 (c) Features of the IUIs, including the specific amounts issued and to be issued;
2 (d) Rights of the holders of the IUIs;
3 (e) Draft agreements for the appointment of trustees and agents with respect to the
4 IUIs and the NPLs acquired from an FI;
5 (f) Name of the external auditor of the FISTC;
6 (g) Roles and responsibilities of the trustees, advisors, loan servicers and property
7 managers;
8 (h) Draft form of financial reports of the FISTC;
9 (i) Details of distribution policies;
10 (j) Methods for the increase and decrease of future fund contribution;
11 (k) Methods for the alteration or modification of the approved FISTC Plan;
12 (l) Methods for the liquidation and distribution of assets to the holders of IUIs;
13 (m) Details of credit enhancements like guarantees or standby letters of credit or
14 advances that may be extended to the FISTC by an entity which shall not be
15 the selling FI, its parent, subsidiaries or affiliates; and
16 (n) Such other documents or information as may be required by the Commission.
17

18 *Sec. 9. Approval, Rejection, Suspension or Revocation of FISTC Plan.*
19

- 20 a) *Approval* – Upon approval of the FISTC Plan, the Commission shall issue an Approval
21 Certificate stating that the application has been approved and that the IUIs may be issued.
22
23 b) *Amendments to Approved FISTC Plan* – If an FISTC Plan becomes on its face incomplete
24 or inaccurate in any material respect, the Commission shall issue an order directing the
25 amendment of the FISTC Plan. Upon compliance with such order, the amended FISTC
26 Plan shall become effective upon approval of the Commission or appropriate regulatory
27 authority pursuant to Section 4 of this Act.
28
29 c) *Rejection, Suspension or Revocation* – The Commission may reject a submitted FISTC
30 Plan if on its face it was not in compliance with the requirements of this Act or the rules
31 and regulations issued to implement it. It is also authorized to suspend or revoke the
32 effectivity of an approved plan after due notice and hearing by issuing an order to such
33 effect setting forth its findings in respect thereto, if it finds that:
34
35 1. The FISTC has violated any of the provisions of this Act, the rules and
36 regulations issued to implement it, or any order of the Commission which the
37 FISTC has notice of in connection with the offering of IUIs for which a FISTC
38 Plan has been filed;
39
40 2. The FISTC has been, or is engaged, or is about to engage in fraudulent
41 transactions;

- 1 3. The FISTC has made any false or misleading representation of material facts in
2 any approved plan concerning the FISTC or its IUIs;
3
4 4. The FISTC has failed to comply with any requirement that the Commission may
5 impose as a condition for the issuance of IUI for which a FISTC Plan has been
6 filed; or
7
8 5. The FISTC Plan is, on its face, incomplete or inaccurate in any material respect,
9 or includes any untrue statement of a material fact, or omits to state a material fact
10 required to be stated, or one which is necessary to obviate any misappreciation of
11 the statements therein.
12

13 *Sec. 10. Issuance of IUIs.* – The FISTC may be allowed to issue IUIs subject to the rules
14 and regulations the Commission is herein mandated to promulgate.
15

16 *Sec. 11. Permitted Investors.* – Any qualified buyer, as defined in Section 10 (1) of
17 Republic Act No. 8799, may acquire or hold IUIs in an FISTC in the minimum amount of Ten
18 million pesos (P10,000,000.00): *Provided*, That an FISTC shall not be authorized to acquire the
19 IUIs of another FISTC: *Provided, further*, That the parent, subsidiaries, affiliates or stockholders,
20 directors, officers or any related interest of the selling FI or the parent's subsidiaries, affiliates or
21 stockholders, directors, officers or any related interest shall not acquire or hold, directly or
22 indirectly, the IUIs of the FISTC that acquired the NPAs of the FI.
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25 ARTICLE III 26 Transfer of Assets to FISTC 27

28 *Sec. 12. Notice and Manner of Transfer of Assets.* – (a) No transfer of NPLs to an FISTC
29 shall take effect unless the FI concerned shall give prior notice to the borrowers of the NPLs and
30 all persons holding prior encumbrances upon the assets mortgaged or subject to security interest.
31 Such notice shall be in writing and made in accordance with the 1997 Rules of Civil Procedure,
32 as amended, and the rules and regulations issued to implement this Act, at their last known
33 address or their email address registered and on file with the FI.
34

35 (b) The transfer of NPAs from an FI to an FISTC shall be subject to prior certification of
36 eligibility as NPA by the appropriate regulatory authority having jurisdiction over its operations
37 which shall issue its certification within forty-five (45) days from the date of application by the
38 FI for eligibility.
39

40 (c) After the sale or transfer of the NPLs, the transferring FI shall inform the borrower in
41 writing at the last known address of the fact of the sale or transfer of the NPLs.
42

43 *Sec. 13. Nature of Transfer.* – All sales or transfers of NPAs to an FISTC shall be in the
44 nature of a true sale after proper notice in accordance with the procedure as provided for in
45 Section 12, without need for the borrower's consent: *Provided*, That disposition of assets of a
46 GFI and a GOCC shall be covered by special rules to be incorporated in the rules and regulations

1 of this Act: *Provided, further*, That after the sale, the FISTC shall assume all rights and obligations of
2 the transferring FI.

3 In the transfer of NPAs, the parties shall exercise the requisite due diligence and any fraud,
4 collusion or irregularity shall be subject to Section 24 of this Act, as well as other pertinent laws,
5 rules, and regulations.
6

7 *Sec. 14. Issuance of Injunctive Relief Against Transfer of Assets.* – No court, other than the
8 Court of Appeals and the Supreme Court, shall issue any temporary restraining order, preliminary
9 injunction, preliminary mandatory injunction, status quo order, stay order, commencement order, or
10 any other issuance of injunctive relief against the transfer of NPAs from the FI to an FISTC, and
11 from an FISTC to a third party, or dation in payment by the borrower or by a third party in favor of
12 an FI or in favor of an FISTC, or judicial or extrajudicial foreclosure sales or execution sales of the
13 FI or FISTC of collateral in settlement of NPLs.
14

15 Any restraining order, injunction, status quo order, stay order, commencement order, or any
16 other issuance of injunctive relief issued in violation of this Section is void and of no force and
17 effect.
18

19 The provisions of Rules of Court on injunctions insofar as these are applicable and not
20 inconsistent with the provisions of this Act shall govern the issuance and dissolution of restraining
21 orders, injunctions, status quo orders or stay orders against said transfers.
22

23 **ARTICLE IV**

24 **Incentives and Exemption Privileges**

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26 *Sec. 15. Tax Exemptions and Fee Privileges.* – Any existing law to the contrary
27 notwithstanding, the transfer of NPAs from the FI to an FISTC, and from an FISTC to a third party
28 or dation in payment by the borrower or by a third party in favor of an FI or in favor of an FISTC
29 shall be exempt from the following taxes:
30

31 (a) Documentary stamp tax on the abovementioned transfer of NPAs and
32 dation in payment as may be imposed under Title VII of the National Internal
33 Revenue Code of 1997, as amended by Republic Act No. 10963, otherwise known as
34 the Tax Reform for Acceleration and Inclusion (TRAIN) Act;
35

36 (b) Capital gains tax imposed on the transfer of lands and/or other assets
37 treated as capital assets as defined under Section 39(A)(1) of the National Internal
38 Revenue Code of 1997, as amended;
39

40 (c) Creditable withholding income taxes imposed on the transfer of land
41 and/or buildings treated as ordinary assets pursuant to Bureau of Internal Revenue
42 (BIR) Revenue Regulation No. 2-98, as amended;
43

44 (d) Value-added tax on the transfer of NPAs as may be imposed under Title
45 IV of the National Internal Revenue Code of 1997, as amended, or gross receipts tax
46 under Title V of the same Code, whichever is applicable pursuant to regulations of
47 the BIR.

1 The abovementioned transfers shall also be subject to the following, in
2 lieu of the applicable fees:
3

4 a) Fifty percent (50%) of the applicable registration and transfer fees on
5 the transfer of real estate mortgage and security interest to and from the FISTC, as
6 imposed in accordance with the existing circulars of the Land Registration
7 Authority (LRA);
8

9 (b) Fifty percent (50%) of the filing fees for any foreclosure initiated by
10 the FISTC in relation to any NPA acquired from an FI, as prescribed by the Rules
11 of Court; and
12

13 (c) Fifty percent (50%) of the land registration fees prescribed under the
14 existing circulars of the LRA.
15

16 All sales or transfers of NPAs from the FIs to an FISTC or transfers by
17 way of dation in payment by the borrower or by a third party to the FI shall be
18 entitled to the privileges enumerated herein for a period of not more than two (2)
19 years from the date of effectivity of the rules and regulations to be issued to
20 implement this Act or of the applicable revenue regulations, whichever comes
21 later: *Provided*, That the Secretary of Finance may extend such period by a
22 maximum of two (2) years.
23

24 Transfers from an FISTC to a third party of NPAs acquired by the FISTC
25 within such two-year period, or within such extended period, or transfers by way
26 of dation in payment by a borrower or by a third party to the FISTC shall enjoy
27 the privileges enumerated herein for a period of not more than five (5) years from
28 the date of acquisition by the FISTC: *Provided*, That the Secretary of Finance
29 may extend such five-year period by a maximum of five (5) years: *Provided*,
30 *further*, That properties acquired by an FISTC from GFIs or GOCCs which are
31 devoted to socialized or low-cost housing shall not be converted to other uses.
32

33 The tax exemptions, incentives, and fee privileges given to FIs and FISTC
34 at the various stages of the transactions under this Section shall likewise be
35 extended to any individual subject to the conditions prescribed in the rules and
36 regulations: *Provided*, That:
37

38 (i) the transaction is limited to a ROPA that is either a single
39 family residential unit or an empty lot, or to NPL secured by a real
40 estate mortgage on a residential unit or an empty lot;
41

42 (ii) there shall only be one transaction consisting of one residential
43 unit or empty lot per individual;
44

45 (iii) the two-year transfer period, including its extension, and the
46 five-year entitlement period granted to NPA, as may be extended

1 by the Secretary of Finance, shall also apply to said single family
2 residential unit or empty lot.
3

4 *Sec. 16. Additional Tax Exemptions and Fee Privileges.* – To encourage the infusion of
5 capital and financial assistance by the FISTC for the purpose of rehabilitating the borrower's
6 business, the following additional tax exemptions and privileges shall be enjoyed:
7

8 (a) The FISTC shall be exempt from income tax on net interest income, documentary
9 stamp tax and mortgage registration fees on new loans in excess of existing loans extended to
10 borrowers with NPLs which have been acquired by the FISTC;
11

12 (b) In case of capital infusion by the FISTC to the borrower with NPLs, the FISTC shall
13 also be exempt from the documentary stamp tax;
14

15 *Provided,* That the tax exemptions and fee privileges granted under this Section shall
16 apply for a period of not more than five (5) years from the date of acquisition of NPLs by the
17 FISTC: *Provided, further,* That the Secretary of Finance may extend the period for the
18 enjoyment of such tax exemption and fee privileges by a maximum of five (5) years.
19

20 *Sec. 17. Net Operating Loss Carry-Over (NOLCO) of Participating FIs.* – (a) Any loss
21 that is incurred by an FI as a result of the transfer of an NPA within the two-year period from the
22 effectivity of the rules and regulations issued to implement the provisions of this Section, shall
23 be treated as ordinary loss: *Provided,* That the accrued interest and penalties shall not be
24 included as loss on said loss carry over from operations, subject to the provisions of the National
25 Internal Revenue Code of 1997 on net operating loss carry-over (NOLCO). Such loss incurred
26 by the FI from the transfer of NPAs within the two-year period from the effectivity of the rules
27 and regulations issued to implement this Act may be carried over for a period of five (5)
28 consecutive taxable years immediately following the year of such loss: *Provided, further,* That
29 for purposes of corporate gain or loss, the carry-over shall be subject to pertinent laws: *Provided,*
30 finally, That the tax savings derived by FIs from the NOLCO shall not be made available for
31 dividend declaration but shall be retained as a form of capital build-up. The DOF, upon the
32 recommendation of the BIR, shall issue the rules and regulations to effectively implement the
33 provisions of this Section.
34

35 (b) The regulatory authority concerned shall promulgate the necessary rules and
36 regulations governing the treatment of any loss of the FIs in the books of account as a result of
37 the transfer of the NPAs.
38

39 (c) In the case of non-bank GFIs and GOCCs enumerated in Section 3 (c) hereof, the
40 Department of Finance (DOF), in consultation with the Commission on Audit (COA), shall
41 promulgate the necessary rules and regulations governing the treatment of any loss in their books
42 of accounts as a result of the transfer of their NPAs.
43

44 *Sec. 18. Abuse of Tax Exemptions and Privileges.* – Any person, natural or juridical, who
45 benefits from the tax exemptions and privileges herein granted, when such person is not entitled
46 thereto, shall be subject to the penalties provided in Section 24 hereof. In addition, the offender
47 shall refund to the government double the amount of the tax exemptions and privileges availed of

1 under this Act, plus interest of twelve percent (12%) per year from the date prescribed for its
2 payment, until full payment thereof.

3 4 **ARTICLE V**

5 **Enforcement and Protection Provisions**

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7 *Sec. 19. Consumer Protection Mechanism.* The FISTC shall set up an appropriate
8 consumer protection mechanism as may be prescribed in the rules and regulations to be issued by
9 the appropriate regulatory authority.

10
11 *Sec. 20. Redemption Periods.* – The redemption periods allowed to borrowers of banks
12 under Section 47 of “The General Banking Law of 2000”, the Rules of Court, as well as other
13 relevant laws for non-bank borrowers shall be applicable.

14 15 **ARTICLE VI**

16 **Accounting and Reporting Provisions**

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19 *Sec. 21. Books of Accounts and Records.* – The FISTC shall set and keep accurate
20 accounts and internal financial controls and shall appoint an external auditor that is acceptable to
21 the Commission. The Commission, the BSP, and the BIR may look into the books of accounts
22 and records of the FISTC at any time during office hours, after due notice.

23
24 *Sec. 22. Reports.* – The Commission, the regulatory authorities, and the BIR shall
25 prescribe the submission of reports from the FISTC and the FIs for the proper implementation of
26 this Act.

27 28 **ARTICLE VII**

29 **Final Provisions**

30
31 *Sec. 23. Primary Implementing Agency.* – The Commission shall be the primary
32 implementing agency of this Act. It shall have the authority to enlist the assistance of any branch,
33 department, bureau, office, agency or instrumentality of the government, including GOCCs and
34 GFIs which may include the use and transfer of its personnel, facilities and resources.

35
36 *Sec. 24. Penalties and administrative sanctions.* – Any person who violates any of the
37 provisions of this Act, or the rules and regulations promulgated thereunder, or any person who,
38 in a notice, certification or plan filed under this Act, makes any untruthful statement of a material
39 fact or omits to state any material fact required to be stated therein, shall, upon conviction, suffer
40 a fine of not less than One hundred thousand pesos (P100,000.00) nor more than Two million
41 pesos (P2,000,000.00) or imprisonment of not less than six (6) years nor more than twelve (12)
42 years, or both, at the discretion of the court, without prejudice to the penalties provided under
43 Section 18 hereof, Section 37 of Republic Act No. 7653, as amended, and other applicable laws.
44 If the offender is a corporation, association, partnership or any juridical person, the penalty shall
45 be imposed upon the responsible officers, as the case may be, who participated in the
46 commission of the crime or who shall have knowingly permitted or failed to prevent its
47 commission. If the offender is a juridical person, other than a bank or financial institution

1 supervised by the BSP, the court may order the suspension or revocation of its license. The
2 offender, if an alien, shall, in addition to the penalties herein prescribed, be deported without
3 further proceedings after serving the penalties herein prescribed. The offender, if a public official
4 or employee, shall, in addition to the penalties prescribed herein, suffer absolute or temporary
5 disqualification from government or public office, as the case may be.
6

7 If the offender is a juridical person, the Commission may impose the penalties upon its
8 officers and order the suspension or revocation of its license. With respect to financial
9 institutions under its jurisdiction, the BSP shall impose the sanctions prescribed in Section 37 of
10 Republic Act No. 7653, as amended, upon their directors, officers and employees. This shall be
11 without prejudice to the appropriate penalties that may be imposed by the courts.
12

13 If, after due notice and hearing, the Commission finds that: (a) there is a violation of this
14 Act, its rules, or its orders; or (b) any FISTC or other person has, in a FISTC plan or in other
15 reports, applications, accounts, records or documents required by law or rules to be filed with the
16 Commission, made any untrue statement of a material fact, or omits to state a material fact
17 required to be stated, or one which is necessary to obviate any misappreciation of the statements
18 therein; the Commission shall, in its discretion, impose any or all of the following sanctions as
19 may be appropriate in light of the facts and circumstances:
20

- 21 i. suspension, or revocation of any approved FISTC plan for the offering of IUIs;
- 22 ii. fine as may be determined by the Commission; and
- 23 iii. other penalties within the power of the Commission to impose.
24

25 *Sec. 25. Applicability Clause.* – The provisions of this Act shall be applicable to assets
26 that have become non-performing as of December 31, 2020: *Provided*, That the Secretary of
27 Finance may extend the said period by a maximum of two (2) years.
28

29 *Sec. 26. Conscience Clause.* – Nothing in this Act shall be construed to condone or
30 exempt from any liability any person responsible for acts or omissions constituting unsound
31 business practices or mismanagement.
32

33 *Sec. 27. Oversight Committee.* – There is hereby created a Joint Congressional Oversight
34 Committee (JCOC) to oversee, monitor, and evaluate the implementation of this Act. The JCOC
35 shall be composed of five (5) members each from the House of Representatives and from the
36 Senate. The JCOC shall be co-chaired by the Chairpersons of the House Committee on Banks
37 and Financial Intermediaries and the Senate Committee on Banks, Financial Institutions and
38 Currencies. The Speaker and the Senate President shall designate the other four members of the
39 JCOC of the House and the Senate from among the members of the House Committee on Banks
40 and Financial Intermediaries and the Senate Committee on Banks, Financial Institutions, and
41 Currencies, at least one member of which shall be from the minority.
42

43 *Sec. 28. Use of Registration Fees.* – To carry out the purposes of this Act, the
44 Commission shall retain and use all fees paid to it relative to the establishment of an FISTC in
45 addition to its annual budget and to what is provided for under Section 75, on partial use of
46 income, of Republic Act No. 8799 or the Securities Regulation Code.

1 *Sec. 29. Implementing Rules and Regulations.* — Within thirty (30) days from the
2 effectivity of this Act, the Commission, jointly with the BSP, the DOF, and the BIR, shall
3 promulgate the necessary rules and regulations for the effective implementation of this Act:
4 *Provided*, That within thirty (30) days from the effectivity of this Act, the DOF, upon
5 recommendation of the BIR, shall promulgate the revenue regulations implementing the fiscal
6 incentives under this Act: *Provider further*, That the Commission, BSP, DOF and BIR may issue
7 separate regulations that will apply exclusively to the institutions under their respective
8 jurisdiction. In drafting their separate regulations, the appropriate regulatory authorities may
9 grant incentives and privileges as may be allowed by their respective charters, this Act and other
10 pertinent laws.
11

12 *Sec. 30. Separability Clause.* — If any provision of this Act is held unconstitutional or
13 invalid, all other provisions not affected thereby shall remain valid.
14

15 *Sec. 31. Repealing Clause.* — Republic Act No. 9182, as amended by Republic Act No.
16 9343, otherwise known as “The Special Purpose Vehicle (SPV) Act of 2002,” is hereby repealed.
17 All laws, decrees, executive orders, rules and regulations or parts thereof, which are inconsistent
18 with this Act, are hereby repealed, amended or modified accordingly.
19

20 *Sec. 32. Effectivity.* — This Act shall take effect fifteen (15) days after its publication in
21 the Official Gazette or in a newspaper of general circulation.
22

23 Approved,