

IMPLEMENTING RULES AND REGULATIONS
OF REPUBLIC ACT NO. 11057 (PERSONAL PROPERTY SECURITY ACT)

RULE I - PRELIMINARY PROVISIONS

Section 1.01 Title. These Rules shall be known and cited as the Implementing Rules and Regulations of Republic Act No. 11057, otherwise known as the "Personal Property Security Act" or the "PPSA."

Section 1.02 Purpose. These Rules are hereby promulgated to prescribe the procedures and guidelines for the implementation of the PPSA in order to facilitate compliance therewith and to achieve the objectives thereof.

Section 1.03 Interpretation Clause. These Rules shall be liberally construed to ensure the fulfillment of the policy objectives of the PPSA.

Section 1.04. 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, by establishing a unified and modern legal framework for securing obligations with personal property.

Section 1.05. Definition of Terms. As used in these Rules, 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:
 - (i) 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
 - (ii) 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) *Competing claimant* – a creditor of a grantor or other person with rights in an encumbered asset that may be in competition with the rights of a secured creditor in the same encumbered asset;
- c) *Consumer goods* – Goods that are used or acquired for use primarily for personal, family or household purposes;
- d) *Control agreement* – an agreement in writing between the grantor and the secured creditor which perfects the security interests over intangible asset.



- (i) With respect to intermediated securities, the control agreement is 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;
 - (ii) With respect to rights to a deposit account, the control agreement is 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;
 - (iii) With respect to commodity contracts, the control agreement is 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;
- e) *Default* – the failure of a debtor to pay or otherwise perform a secured obligation, and any other event that constitutes default under the terms of an agreement between the grantor and the secured creditor;
 - f) *Deposit account* – consists of deposits in deposit-taking institutions;
 - g) *Deposit-taking institution* – refers to a bank as defined under Republic Act No. 8791, otherwise known as the “General Banking Law”, a non-stock savings and loan association as defined under Republic Act No. 8367, or the “Revised Non-Stock Savings and Loan Association Act of 1997”, or a cooperative as defined under Republic Act No. 9520 otherwise known as the “Philippine Cooperative Code”;
 - h) *Equipment* – means a tangible asset other than inventory or consumer goods, or livestock, that is primarily used or intended to be used by the grantor in the operation of its business;
 - i) *Financial lease* – “financial leasing” of movable properties as defined in Section 3(d) of Republic Act No. 5980, as amended by Republic Act No. 8556, or the “Financing Company Act of 1998”;
 - j) *Fixtures* – property attached to an immovable or a movable;



- k) *Future property* – means any movable property which does not exist or which the grantor does not have rights in or the power to encumber at the time the security agreement is concluded;
- l) *Grantor* –
- (i) The person who grants a security interest in collateral to secure its own obligation or that of another person;
 - (ii) A buyer or other transferee of a collateral that acquires its right subject to a security interest;
 - (iii) A transferor in an outright transfer of an accounts receivable; or
 - (iv) A lessee of goods;
- m) *Intangible asset* – means any movable property other than a tangible asset including, but not limited to, investment property, deposit accounts, commodity contracts and receivables;
- n) *Intellectual property* – shall refer to “intellectual property rights” defined in Section 4.1 of Republic Act No. 8293 or the “Intellectual Property Code of the Philippines”. It shall include copyright, trademarks, service marks, patents, industrial designs and trade secrets;
- o) *Intermediary* – a person, including, but not limited to, a bank, trust entity, depository, broker, or central securities depository, that in the ordinary course of business or regular activity maintains an account for such securities or assets, for another person, and is acting in that capacity;
- p) *Intermediated securities* – means securities credited to a securities account and rights in securities resulting from the credit of securities to a securities account;
- q) *Inventory* – means tangible assets held by the grantor for sale or lease in the ordinary course of the grantor’s business, including raw materials and work in process;
- r) *Investment property* – means any property right arising from an investment. The term shall include but will not be limited to property in securities and commodity contracts;
- s) *Lien* – a qualified right or a proprietary interest, which may be exercised over the property of another;
- t) *Non-intermediated securities* – means securities other than Intermediated Securities;



- u) *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;
- v) *Operating lease* – an agreement by which the owner temporarily grants the use of his property to another who undertakes to pay rent therefor;
- w) *Perfection* – any act authorized by the PPSA and these Rules that makes a security interest binding as against third parties;
- x) *Possession* – the holding of a thing or the enjoyment of a right;
- y) *Priority* – the right of a person in an encumbered asset in preference to the right of a competing claimant;
- z) *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;
- aa) *Product* – a tangible asset which results when a tangible asset is so physically associated or united with one or more other tangible asset of a different kind, or when one or more tangible assets are so manufactured, assembled or processed, that they have lost their separate identities;
- bb) *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;
- cc) *Receivable* – means a right to payment of a monetary obligation, excluding a right to payment evidenced by a negotiable instrument, a right to payment of funds credited to a bank account and a right to payment under a non-intermediated security;
- dd) *Recognized market* – an organized market in which large volumes of similar assets are bought and sold between many different sellers and buyers, and accordingly one in which prices are set by the market and not negotiated between individual sellers and buyers;
- ee) *Registration* – the process of filing a notice as defined under these Rules with the Registry;



- ff) *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;
- gg) *Secured creditor* – a person that has a security interest. For the purposes of registration and priority only, it includes a buyer of an account receivable and a lessor of goods under an operating lease for not less than one (1) year;
- hh) *Securities account* – an account maintained by an intermediary to which securities may be credited or debited;
- ii) *Security* – shares, participation or interests in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract, instruments, whether written or electronic in character. It includes but is not limited to:
- (i) Shares of stocks, bonds, debentures, notes as evidence of indebtedness, asset-backed securities;
 - (ii) Investment contracts, certificates of interest or participation in a profit-sharing agreement, certificates of deposit for a future subscription;
 - (iii) Fractional undivided interests in oil, gas or other mineral rights;
 - (iv) Derivatives like options and warrants;
 - (v) Certificates of assignments, certificates of participation, trust certificates, voting trust certificates or similar instruments
 - (vi) Proprietary or nonproprietary membership certificates in corporations; and
 - (vii) Other instruments as may in the future be determined by the Securities and Exchange Commission;
- jj) *Security interest* – a property right in collateral that secures payment or other performance of an obligation, regardless of whether the parties have denominated it as a security interest, and regardless of the type of asset, the status of the grantor or secured creditor, or the nature of the secured obligation; including the right of a buyer of accounts receivable and a lessor under an operating lease for not less than one (1) year;
- kk) *Tangible asset* – means any tangible movable asset. Except in Rules 3.07, 3.08, 4.09, and 6.05, this term includes money, negotiable instruments, negotiable documents and certificated non-intermediated securities but only if the mere possession of such instruments results in the ownership of the underlying rights or property embodied by them, in accordance with the laws governing such instruments;



- II) *Writing* – for the purpose of the PPSA and these Rules, includes electronic records.

RULE II - SCOPE OF APPLICATION

Section 2.01 Scope. – These Rules shall apply to all transactions of any form that secure an obligation with personal property, whether it is a tangible or an intangible asset, except interests in aircraft subject to Republic Act No. 9497, or the "Civil Aviation Authority Act of 2008," and interests in ships subject to Presidential Decree No. 1521, or the "Ship Mortgage Decree of 1978."

Section 2.02 Forms of Security Arrangements. Contracting parties are free to enter into any form of security arrangements over movable property, as long as the security arrangement covering the same is not inconsistent with the PPSA or these Rules. Subject to existing law, parties may also apply these Rules to other functional equivalents of security interest, including fiduciary transfers of title, financial lease; assignment or transfer of receivables; and sale with retention of title.

Section 2.03 Security Interests in Personal Property. – A security interest may be created over all forms of tangible or intangible asset or personal property as defined by the Civil Code, including but not limited to:

- (a) Rights arising from contracts, including but not limited to:
 - 1. Securities
 - 2. Commodity contracts
 - 3. Lease of goods including financial leases and operating leases for a period of not less than one (1) year
- (b) Equipment
- (c) Inventory
- (d) Deposit accounts
- (e) Negotiable instruments
- (f) Negotiable documents of title
- (g) Consumer goods
- (h) Intellectual property
- (i) Livestock
- (j) Fixtures, accessions, and commingled goods, or
- (k) Future property or after-acquired assets.

Provided, that a security interest can only be created on the asset over which the grantor has a legal right.



RULE III - CREATION OF SECURITY INTEREST

Creation of a Security Interest

Section 3.01. Creation of Security Interest. – A security interest shall be created by a security agreement or the lease of an operating lease for not less than one (1) year. A security agreement is likewise created by the sale of an account receivable, unless otherwise stipulated by all the parties in the document of sale.

Section 3.02 Continuity of Security Interest. – A security interest created under the PPSA shall continue in the collateral notwithstanding sale, lease, license, exchange, or other disposition of the collateral, except as otherwise provided in these Rules, or as agreed upon by the parties.

Form of the Security Agreement

Section 3.03. Form of Security Agreement. – A security agreement must be contained in a written contract signed by the parties. It must identify the collateral and the secured obligation. It may consist of one or more writings that, taken together, establish the intent of the parties to create a security interest.

The security agreement shall likewise provide for the language to be used in agreements and notices. The grantor shall be given the option to have the agreement and notices in Filipino. The Department of Finance (DOF) shall prepare model security agreements in plain English and Filipino provided in Annex "A" of these Rules.

Section 3.04 Description of Collateral. – A description of collateral in the security agreement and/or in registration notices shall be considered sufficient if it reasonably identifies the collateral. A specific description of the collateral shall not be required in constituting the security interest. A description such as "all personal property," "all equipment," "all inventory," or "all personal property within a generic category" of the grantor shall be sufficient.

Asset-Specific Rules

Section 3.05 Security Interests Over Future Property

- (a) A security agreement may provide for the creation of a security interest in future property or after-acquired assets, but the security interest in that



property is created only when the grantor acquires rights in it or the power to encumber it.

- (b) A security agreement may provide that a security interest in a tangible asset that is transformed into a product extends to the product. A security interest that extends to a product is limited to the value of the encumbered asset immediately before it became part of the product.
- (c) A security agreement may provide that a security interest in a tangible asset extends to its replacement. A security interest that extends to a replacement is limited to the value of the encumbered asset immediately before it was replaced.

Section 3.06 Security Interests Over Right to Proceeds and Commingled Funds

- (a) A security interest in personal property shall extend to its identifiable or traceable proceeds.
- (b) Where proceeds in the form of funds credited to a deposit account or money are commingled with other funds or money:
 - (i) The security interest shall extend to the commingled money or funds, notwithstanding that the proceeds have ceased to be identifiable to the extent they remain traceable;
 - (ii) The security interest in the commingled funds or money shall be limited to the amount of the proceeds immediately before they were commingled; and
 - (iii) If at any time after the commingling, the balance credited to the deposit account or the amount of the commingled money is less than the amount of the proceeds immediately before they were commingled, the security interest against the commingled funds or money shall be limited to the lowest amount of the commingled funds or money between the time when the proceeds were commingled and the time the security interest in the proceeds is claimed.

Section 3.07 Security Interest Over Tangible Assets Commingled in a Mass

- (a) A security interest in a tangible asset that is commingled in a mass extends to the mass.



- (b) A security interest that extends to a mass is limited to the same proportion of the mass as the quantity of the encumbered asset bore to the quantity of the entire mass immediately after the commingling.

Section 3.08 Security Interest in Certain Accounts Receivable. –

- (a) A security interest in an account receivable shall be effective notwithstanding any agreement between the grantor and the account debtor or any secured creditor limiting in any way the grantor's right to create a security interest; *Provided:* Nothing in this section affects the right of a buyer to create a security interest over the account receivable. *Provided, further:* that any release of information is subject to agreements on confidentiality.
- (b) Nothing in this section shall affect any obligation or liability of the grantor for breach of the agreement in subsection (a).
- (c) Any stipulation limiting the grantor's right to create a security interest shall be void.
- (d) This section shall apply only to accounts receivable arising from:
- (i) A contract for the supply or lease of goods or services other than financial services;
 - (ii) A construction contract or contract for the sale or lease of real property; and
 - (iii) A contract for the sale, lease or license of intellectual property.

Section 3.09 Protection of Account Debtor – Except as otherwise provided in the PPSA and these Rules, the creation of a security interest in a receivable does not, without the consent of the debtor of the receivable, affect its rights and obligations, including the payment terms contained in the contract giving rise to the receivable. A payment instruction may change the person, address or account to which the debtor of the receivable is required to make payment.

Section 3.10. Rights to Payment of Funds Credited to a Bank Account – A security interest in a right to payment of funds credited to a bank account is effective notwithstanding an agreement between the grantor and the deposit-taking institution limiting in any way the grantor's right to create a security interest.

Section 3.11 Tangible Assets with Respect to which Intellectual Property Is Used – A security interest in a tangible asset with respect to which intellectual property is used does not extend to the intellectual property and a security interest in the intellectual property does not extend to the tangible asset.



Extinguishment of Security Interest

Section 3.12 Extinguishment of Security Interest. – A security interest is extinguished when all secured obligations have been discharged and there are no outstanding commitments to extend credit secured by the security interest.

RULE IV PERFECTION OF SECURITY INTERESTS

Perfection of Security Interest

Section 4.01 Perfection of Security Interest. –

- (a) On perfection, a security interest becomes effective against third parties.
- (b) A security interest shall be perfected when it has been created and the secured creditor has taken one of the actions in accordance with these Rules.

Means of Perfection

Section 4.02 Means of Perfection – Tangible Assets – A security interest in tangible assets may be perfected by either:

- (a) Registration of a notice as defined under these Rules with the Registry: *Provided*, that a security that is not registered remains valid between the parties; or
- (b) Possession, whether actual or constructive, of the tangible asset either by the secured creditor or a depositary acting for the secured creditor. *Provided*, that the debtor or the grantor cannot possess the collateral on behalf of the secured creditor for purposes of perfecting and maintaining the security interest over such collateral.

If a security interest in a tangible asset is effective against third parties, a security interest in a mass to which the security interest extends is effective against third parties without any further act.

Section 4.03 Means of Perfection – Intangible Assets. – A security interest in intangible assets may be perfected by either:

- (a) Registration of a notice as defined under these Rules with the Registry: *Provided*, that a security that is not registered remains valid between the parties; or



- (b) Conclusion of a control agreement. For purposes of determining the time of perfection of the security interest, the control agreement shall be executed under oath, and shall indicate the date and time of its execution.

Section 4.04 Perfection of Security Interest in Intermediated Securities or Deposit Accounts. – A security interest in intermediated securities or deposit accounts may be perfected by:

- (a) Registration of a notice as defined under these Rules with the Registry: *Provided*, that a security that is not registered remains valid between the parties;
- (b) Creation of a security interest in favor of the deposit-taking institution or the intermediary; or
- (c) Conclusion of a control agreement.

For purposes of determining the time of perfection of the security interest, the security agreement or control agreement shall be executed under oath, and shall include the date and time of its execution

Nothing in these Rules shall require a deposit-taking institution or an intermediary under sub-section (b) to enter into a control agreement, even if the grantor so requests. A deposit-taking institution or an intermediary that has entered into such an agreement shall not be required to confirm the existence of the agreement to another person unless requested to do so by the grantor.

Section 4.05 Perfection of Security Interest in Electronic Securities – A security interest in electronic non-intermediated securities may be by:

- (a) Registration of a notice as defined under these Rules with the Registry: *Provided*, that a security that is not registered remains valid between the parties;
- (b) The execution of a control agreement between the grantor and secured creditor; or,
- (c) Control, through notation of a security interest in the books maintained by or on behalf of the issuer for the purpose of recording the name of the holder of the securities.

Section 4.06 Perfection of Security Interest in Intermediated Electronic Securities – A security interest in investment property that is electronic (i.e. a scripless or uncertificated) security held by an intermediary may be by:



- a) Registration of a notice as defined under these Rules with the Registry:
Provided, that a security that is not registered remains valid between the parties;
- b) The execution of a control agreement between the intermediary, the grantor and secured creditor;

For purposes of determining the time of perfection of the security interest, the control agreement shall be executed under oath, and shall include the date and time, specifying the hour and minute of its execution

Section 4.07 Parties to, Form and Contents of a Control Agreement. –

- (a) With respect to intermediated securities, a control agreement shall:
 - (i) Be executed in writing by the issuer or the intermediary, the grantor and the secured creditor;
 - (ii) Stipulate that the issuer or the intermediary agrees to follow instructions from the secured creditor with respect to the security, without further consent from the grantor;
- (b) With respect to rights to deposit account, a control agreement shall:
 - (i) Be executed in writing among the deposit-taking institution, the grantor and the secured creditor;
 - (ii) Stipulate that 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;
- (c) With respect to commodity contracts, a control agreement shall:
 - (i) Be executed in writing among the grantor, secured creditor, and intermediary;
 - (ii) Stipulate that 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.

Continuity of Perfected Security Interest

Section 4.08 Change in Means of Perfection. – A security interest shall remain perfected despite a change in the means for achieving perfection: *Provided*, that there was no time when the security interest was not perfected.

Section 4.09 Disposition of Perfected Security Interest Before Default. –



(a) *Transferee Exceptions.* — Any party who obtains, in the ordinary course of business, any movable property containing a security interest shall take the same free of such security interest provided he was in good faith. No such good faith shall exist if the security interest in the movable property was registered prior to his obtaining the property.

(b) *Perfection in Proceeds.* —

(i) Before default, upon disposition of the collateral, a security interest shall extend to proceeds of the collateral without further act and be continuously perfected, if the proceeds are in the form of money, accounts receivable, negotiable instruments or deposit accounts.

(ii) Before default, upon disposition of the collateral, if the proceeds are in a form different from money, accounts receivable, negotiable instruments or deposit accounts, the security interest in such proceeds must be perfected by one of the means applicable to the relevant type of collateral within fifteen (15) days after the grantor receives such proceeds; otherwise, the security interest in such proceeds shall not be effective against third parties.

Section 4.10. Fixtures, Accessions, and Commingled Goods. — A perfected security interest in a movable property which has become a fixture, or has undergone accession or commingling shall continue provided the movable property involved can still be reasonably traced. In determining ownership over fixtures, accessions, and commingled goods, the provisions of Book II of Republic Act No. 386 or the "Civil Code of the Philippines" shall apply.

RULE V **THE REGISTRY**

Operation of Registry

Section 5.01. Establishment. The LRA, within six (6) months from the publication of these Rules, shall establish and administer the centralized, nationwide Registry, which shall contain, among others, the following information:

- (a) Initial notice of security interest and lien in personal property;
- (b) Amendment notice providing new information or continuing the period of effectiveness of an initial notice;
- (c) Termination notice.



The Registry shall provide electronic means for registration and searching of notices. The LRA shall issue the necessary guidelines on the use and management of the Registry.

Section 5.02. Sourcing of Funds. – The funds needed for the implementation of these Rules shall be taken from the Special Account arising from revenues collected by the LRA under Section 111 of Presidential Decree No. 1529, without need for any further government approval.

Section 5.03. Fees Set by Regulation. – The fees for registering a notice and for requesting a certified search report shall be set by regulations issued by the DOF for the recovery of reasonable costs of establishing and operating the Registry. Such regulations must take into consideration the following requirements:

- (a) Fees imposed must not be burdensome to either lender or grantor.
- (b) There shall be no fee for electronic searches of the Registry records or for the registration of termination notices.
- (c) The Registry may charge fees for services not mentioned above.

Section 5.04. Registry Duties. –

- (a) The Registry shall, for each registered notice:
 - (i) assign a unique registration number;
 - (ii) create a record that bears the number assigned to the initial notice and the date and time of registration; and
 - (iii) maintain the record for public inspection.
- (b) The Registry shall index notices by the identification number of the grantor, except for notices containing a serial number of a motor vehicle, which shall be indexed by serial number.
- (c) The Registry shall provide a copy of the electronic record of the notice, including the registration number and the date and time of registration to the person who submitted it.
- (d) The Registry shall maintain the capability to retrieve a record by the identification number of the grantor, and by serial number of a motor vehicle.
- (e) The Registry shall maintain records of lapsed notices for a period of ten (10) years after the lapse.



- (f) The duties of the Registry shall be merely administrative in nature. By registering a notice or refusing to register a notice, the Registry does not determine the sufficiency, correctness, authenticity or validity of any information contained in the notice, or the validity of the security agreement.

Registration of Notice

Section 5.05. Sufficiency of Notice. —

- (a) An initial notice of security interest shall not be rejected:
- (i) If it identifies the grantor by an identification number, as further prescribed in the regulations;
 - (ii) If it identifies the secured creditor or an agent of the secured creditor by name;
 - (iii) If it provides an address for the grantor and secured creditor or its agent;
 - (iv) If it describes the collateral;
 - (v) If it states the duration of effectivity of the security interest; and
 - (vi) If the prescribed fee has been tendered, or an arrangement has been made for payment of fees by other means.

If the grantor is a natural person, that grantor shall be identified through the name appearing in any of the grantor's government issued identification, as may be prescribed by the LRA.

If the grantor is a juridical person, that grantor shall be identified through its name in the most recently registered articles of incorporation, or in an agreement constituting the legal person.

- (b) If the Registry rejects to register a notice, it shall promptly communicate to the person who submitted the notice, within three (3) days from the rejection, the fact of and the reason for its rejection.
- (c) Each grantor must authorize the registration of an initial notice by signing a security agreement or otherwise in writing.
- (d) A notice may be registered before a security agreement is concluded. Once a security agreement is concluded, the date of registration of the notice shall be reckoned from the date the notice was registered.
- (e) A notice of lien may be registered by a lien holder without the consent of the person against whom the lien is sought to be enforced.



(f) Description of the collateral in a notice shall be entered in English.

Section 5.06. One Notice Sufficient for Security Interests Under Multiple Security Agreements. – The registration of a single notice may relate to security interests created by the grantor under one (1) or more than one security agreement.

Section 5.07. Effectiveness of Notice. – A notice shall be effective at the time it is discoverable on the records of the Registry and for the duration of the term indicated in the notice, unless a continuation notice is registered before the term lapses. The copy of the electronic record of the notice provided to the person who submitted it indicating the date and time of effectivity shall be conclusive.

A notice substantially complying with the requirements of this Rule shall be effective unless it is seriously misleading. Seriously misleading notices include notices which do not provide the identification number of the grantor.

A notice that may not be retrieved in a search of the Registry against the correct identifier of the grantor shall be ineffective with respect to that grantor.

The registration of a notice shall neither expand nor diminish the security interest beyond the terms of the security agreement, except as otherwise provided by the PPSA or these Rules. Any error or misrepresentation in the notice with respect to the description of the security interest shall not affect any rights beyond those granted in the original security agreement.

Amendment and Termination of Notice

Section 5.08. Amendment of a Notice. – A notice may be amended by the registration of an amendment notice that identifies the initial notice by its registration number and provides new information.

The amendment notice to be valid may be filed:

- (a) By the secured creditor alone, if the changes to the security interest can be effected with the sole consent of the secured creditor; or
- (b) By the grantor, if the changes to the security interest requires the grantor's consent.

A secured creditor who files the amendment notice necessarily attests that no other consent is necessary for the amendment to take effect.

If the amendment notice adds collateral that is not proceeds, it must be authorized by the grantor in writing. If the amendment notice adds a grantor, it must be authorized by



the added grantor in writing. Such amendment notices shall be effective as to the added collateral or grantor from the date of its registration and shall be effective only as to each secured creditor who authorizes it.

If a secured creditor assigns a perfected security interest, an amendment notice may be registered to reflect the assignment.

Section 5.09. Continuation of Notice. — The period of effectiveness of a notice may be continued for an additional days by registering an amendment notice that identifies the initial notice by its registration number. It must be registered within six (6) months before the expiration of the effective period of the notice.

Section 5.10. Compulsory Amendment by Court Order. — The court may, on application by the grantor, issue an order that the notice be amended in accordance with the demand, which order shall be conclusive and binding on the LRA: *Provided*, that the secured creditor who disagrees with the order of the court may appeal the order.

The court may make any other order it deems proper for the purpose of giving effect to an issued compulsory amendment order.

The LRA shall amend a notice in accordance with a court order made under this section as soon as reasonably practicable.

Any person who, without negligence on his part, sustains loss or damage, or is deprived of his priority right in consequence of an erroneous or false description in the notice made by the filing party may bring an action in any court of competent jurisdiction for the recovery of damages from the responsible party. The same court may also order the correction of the error or false description in the notice.

Section 5.11. Termination of Effectiveness of a Notice. — The effectiveness of a notice may be terminated by registering a termination notice that identifies the initial notice by its registration number and each secured creditor who authorizes the registration of the termination notice. The notice is terminated from the date and time when the information in the notice is no longer accessible to searchers of the public registry record.

A termination notice terminates effectiveness of the notice as to each authorizing secured creditor.

Section 5.12. Compulsory Termination by Court Order. — The court may, on application by the grantor, issue an order that the notice be terminated in accordance with the demand, which order shall be conclusive and binding on the LRA: *Provided*, that the secured creditor who disagrees with the order of the court may appeal the order.



The court may make any other order it deems proper for the purpose of giving effect to an issued compulsory termination order.

The LRA shall terminate a notice in accordance with a court order made under this section as soon as reasonably practicable.

Section 5.13. When the Grantor May Demand Amendment or Termination of a Notice. — A grantor may give a written demand to the secured creditor for the amendment or termination of the effectiveness of the notice in the following cases:

- (a) All the obligations under the security agreement to which the registration relates have been performed and there is no commitment to make future advances;
- (b) The secured creditor has agreed to release part of the collateral described in the notice;
- (c) The collateral described in the notice includes an item or kind of property that is not a collateral under a security agreement between the secured creditor and the grantor;
- (d) No security agreement exists between the parties; or
- (e) The security interest is extinguished in accordance with this Rule.

Upon receipt of the demand for amendment submitted by the grantor, the secured creditor must register, within fifteen (15) working days, a notice amending the registration to release some property that is no longer collateral or that was never collateral under a security agreement between the secured creditor and the grantor in a case within subsection (c) of paragraph 1 of this section.

Upon receipt of the demand for termination submitted by the grantor, the secured creditor must register, within fifteen (15) working days, a notice terminating the registration in a case within subsections (a), (d) or (e) of paragraph 1 of this section.

Section 5.14. Procedure for Noncompliance with Demand. — If the secured creditor fails to comply with the demand within fifteen (15) working days after its receipt, the person giving the demand under the two preceding sections may ask the proper court to issue an order terminating or amending the notice as appropriate.

Section 5.15. No Fee for Compliance of Demand. — A secured creditor shall not charge any fee for compliance with a demand received under Section 5.13 of this Rule.



Public Access and Search

Section 5.16. Public Record. — The electronic records of the Registry shall be the official records. All notices registered and the information contained in such notices, shall be considered as part of the public record and may be searched and examined by any person: *Provided* that the processing of all information under these Rules shall be in accordance with the provisions of Republic Act 10173, otherwise known as the “Data Privacy Act of 2012”.

Registration of a notice of the public auction in accordance with Section 7.08 (b) of these Rules is sufficient to comply with the publication requirement therein.

Section 5.17. Search of Registry Records and Certified Report. — The Registry shall communicate the following information to any person who requests it:

- (a) Whether there are in the Registry any unexpired notices that indicate the grantor's identification number or vehicle serial number that exactly matches the relevant criterion provided by the searcher;
- (b) The registration number, and the date and time of registration of each notice; and
- (c) All of the information contained in each notice.

If requested, the Registry shall issue a certified report of the results of a search. Certified reports of search results shall be treated as official records of the Registry, which shall be admissible into evidence in judicial proceedings without extrinsic evidence of its authenticity.

Section 5.18. When Registration and Search Constitutes Interference with Privacy of Individual. — A person who submitted a notice for registration or carried out a search of the Registry with a frivolous, malicious or criminal purpose or intent shall be subject to civil and criminal penalties according to the relevant laws.

Correction of Errors

Section 5.19. Correction of Errors Made by the Registry. — Without delay after discovering that it made an administrative error or omission in entering into the public record the information contained in a notice submitted for registration or erroneously removed from the public registry record information contained in the registered notice, the Registry must:

- (a) Register a notice to correct the error or omission, *or*;



- (b) Restore the erroneously removed information, and send a copy of the information in the registered notice to the person identified in the notice as the secured creditor.

The registration of a notice referred to in letter (a) is effective as of the time the information in the notice becomes accessible to searchers of the public registry record.

Section 5.20. False or Misleading Information.—The entry of false or misleading information in any notice or lien or record entered and made publicly available in the Registry may result in a prosecution for Data Interference, Computer-related Fraud or Computer-related Forgery under Republic Act No. 10175, otherwise known as the “Cybercrime Prevention Act of 2012”.

RULE VI

PRIORITY OF SECURITY INTEREST

General Rule

Section 6.01 Time of Perfection. — The priority of security interests and liens on the same collateral shall be determined according to the time of registration of a notice or perfection by other means, without regard to the order of creation of the security interests and liens, or to the mode of perfection except as provided in Sections 6.02 to 6.05 of these Rules.

Priority Rules for Intangible Assets

Section 6.02 Priority for Investment Property and Deposit Accounts. — Subject to Section 6.01, the following rules shall govern when applicable:

- (a) A security interest in a deposit account with respect to which the secured creditor is the deposit-taking institution or the intermediary shall have priority over a competing security interest perfected by any method.
- (b) A security interest in a deposit account or investment property that is perfected by a control agreement shall have priority over a competing security interest except a security interest of the deposit-taking institution or the intermediary.
- (c) The order of priority among competing security interests in a deposit account or investment property that were perfected by the conclusion of control agreements shall be determined on the basis of the time of conclusion of the control agreements.



- (d) Any rights to set-off that the deposit-taking institution may have against a grantor's right to payment of funds credited to a deposit account shall have priority over a security interest in the deposit account.
- (e) A security interest in electronic non-intermediated securities perfected by a notation of the security interests in the books maintained for that purpose by or on behalf of the issuer shall have priority over a security interest in the same securities perfected by any other method.
- (f) A security interest in electronic securities not held with an intermediary perfected by the conclusion of a control agreement shall have priority over a security interest in the same securities perfected by registration of a notice in the Registry.
- (g) A security interest in electronic securities held with an intermediary and perfected through a control agreement shall have priority over a security interest in the same securities perfected by any other method.
- (h) The order of priority among competing security interests in electronic securities not held with an intermediary perfected by the conclusion of control agreements is determined on the basis of the time of conclusion of the control agreements.

Priority Rules for Tangible Assets

Section 6.03 Priority for Tangible Assets Embodied in Instruments. — Subject to Section 6.01, the following rules shall govern when applicable:

- (a) A security interest in a security certificate perfected by the secured creditor's possession of the certificate shall have priority over a competing security interest perfected by registration of a notice in the Registry.
- (b) A security interest in an instrument or negotiable document that is perfected by possession of the instrument or the negotiable document shall have priority over a security interest in the instrument or negotiable document that is perfected by registration of a notice in the Registry.
- (c) A perfected security interest in livestock securing an obligation incurred to enable the grantor to obtain food or medicine for the livestock shall have priority over any other security interest in the livestock, except for a perfected purchase money security interest in the livestock, if the secured creditor providing credit for food or medicine gives written notification to the holder of the conflicting perfected security interest in the same livestock before the grantor receives possession of the food or medicine.



Priority Rules for Specific Cases

Section 6.04 By Operation of Law. —

- (a) *Priority and Right of Retention.* — A person who provides services or materials with respect to the goods, in the ordinary course of business, and retains possession of the goods shall have priority over a perfected security interest in the goods until payment thereof.
- (b) *Effect of Grantor's Insolvency.* — Subject to the applicable insolvency law, a security interest perfected prior to the commencement of insolvency proceedings in respect of the grantor shall remain perfected and retain the priority it had before the commencement of the insolvency proceedings.

During insolvency proceedings, the perfected security interest shall constitute a lien over the collateral.

Section 6.05 Priority of Purchase Money Security Interest. —

- (a) A purchase money security interest in equipment and its proceeds shall have priority over a conflicting security interest, if a notice relating to the purchase money security interest is registered within three (3) business days after the grantor receives possession of the equipment.
- (b) A purchase money security interest in consumer goods that is perfected by registration of notice not later than three (3) business days after the grantor obtains possession of the consumer goods shall have priority over a conflicting security interest.
- (c) A purchase money security interest in inventory, intellectual property or livestock shall have priority over a conflicting perfected security interest in the same inventory, intellectual property or livestock if:
 - (i) The purchase money security interest is perfected when the grantor receives possession of the inventory or livestock, or acquires rights to intellectual property; and
 - (ii) Before the grantor receives possession of the inventory or livestock, or acquires rights in intellectual property, the purchase money secured creditor gives written notification to the holder of the conflicting perfected security interest in the same types of inventory, livestock, or intellectual property. The notification sent to the holder of the conflicting security interest may cover multiple transactions between the purchase money



secured creditor and the grantor without the need to identify each transaction.

- (d) The purchase money security interest in equipment or consumer goods perfected timely in accordance with subsections (a) and (b), shall have priority over the rights of a buyer, lessee, or lien holder which arise between delivery of the equipment or consumer goods to the grantor and the time the notice is registered.

RULE VII
ENFORCEMENT OF SECURITY INTEREST AND SECURED CREDITOR'S
RIGHTS

Section 7.01 Enforcement With or Without Judicial Process – The secured creditor may enforce its security interest whether through a judicial process or through an extra-judicial process, including the sale of the secured assets through either a public or private disposition. Any judicial enforcement of security interests, including the disposition of collateral, shall be governed by rules promulgated by the Supreme Court.

Section 7.02 Expedited Repossession of the Collateral (Without Judicial Process) – The secured creditor may take possession of the collateral without judicial process if the security agreement so stipulates: *Provided*, that possession can be taken without a breach of the peace. Breach of the peace shall include entering the private residence of the grantor without permission, resorting to physical violence or intimidation, or being accompanied by a law enforcement officer when taking possession or confronting the grantor.

If the collateral is a fixture, the secured creditor, if it has priority over all owners and mortgagees, may remove the fixture from the real property to which it is affixed without judicial process. The secured creditor shall exercise due care in removing the fixture.

Section 7.03 Expedited Repossession of the Collateral (With Judicial Process) – If, upon default, the secured creditor cannot take possession of collateral without breach of the peace, the secured creditor may proceed as follows:

- (a) The secured creditor shall be entitled to an expedited hearing upon application for an order granting the secured creditor possession of the collateral. Such application shall include a statement by the secured creditor, under oath, verifying the existence of the security agreement attached to the application and identifying at least one event of default by the debtor under the security agreement;



- (b) The secured creditor shall provide the debtor, grantor, and, if the collateral is a fixture, any real estate mortgagee, a copy of the application, including all supporting documents and evidence for the order granting the secured creditor possession of the collateral; and
- (c) The secured creditor is entitled to an order granting possession of the collateral upon the court finding that a default has occurred under the security agreement and that the secured creditor has a right to take possession of the collateral. The court may direct the grantor to take such action as the court deems necessary and appropriate so that the secured creditor may take possession of the collateral.

Section 7.04 Right of Higher-Ranking Secured Creditor to Take Over Enforcement –

- (a) Even if another secured creditor or a lien holder has commenced enforcement, a secured creditor whose security interest has priority over that of the enforcing secured creditor or lien holder shall be entitled to take over the enforcement process.
- (b) The right referred to in subsection (a) of this section may be invoked at any time before the collateral is sold or otherwise disposed of, or retained by the secured creditor or until the conclusion of an agreement by the secured creditor for that purpose.
- (c) The right of the higher-ranking secured creditor to take over the enforcement process shall include the right to enforce the rights by any method available to a secured creditor under the PPSA and these Rules.

Section 7.05. Recovery in Special Cases – Upon default, the secured creditor may without judicial process:

- (a) Instruct the account debtor of an accounts receivable to make payment to the secured creditor, and apply such payment to the satisfaction of the obligation secured by the security interest after deducting the secured creditor's reasonable collection expenses. On request of the account debtor, the secured creditor shall provide evidence of its security interest to the account debtor when it delivers the instruction to the account debtor;
- (b) In a negotiable document where the security interest is perfected by possession, proceed as to the negotiable document or goods covered by the negotiable document;



- (c) In a deposit account maintained by the secured creditor, apply the balance of the deposit account to the obligation secured by the deposit account; and
- (d) In other cases of a security interest in a deposit account perfected by a control agreement, instruct the deposit-taking institution to pay the balance of the deposit account to the secured creditor's account by providing:
 - (i) a copy of the security agreement that creates or provides for a security interest; and
 - (ii) the secured party's affidavit stating that a default has occurred, and that the secured party is entitled to enforce the security interest non-judicially.

Section 7.06 Right to Dispose of Collateral – After default, a secured creditor may sell or otherwise dispose of the collateral, publicly or privately, in its present condition or following any commercially reasonable preparation or processing.

Section 7.07. Commercial Reasonableness Required. –

- (a) In disposing of collateral, the secured creditor shall act in a commercially reasonable manner.
- (b) A disposition is commercially reasonable if the secured creditor disposes of the collateral in conformity with commercial practices among dealers in that type of property.
- (c) A disposition is not commercially unreasonable merely because a better price could have been obtained by disposition at a different time or by a different method from the time and method selected by the secured creditor.

Section 7.08. Notification Requirements Prior to Disposition. –

- (a) Not later than ten (10) days before disposition of the collateral, the secured creditor shall notify:
 - (i) The grantor;
 - (ii) Any other secured creditor or lien holder who, five (5) days before the date notification is sent to the grantor, held a security interest or lien in the collateral that was perfected by registration; and
 - (iii) Any other person from whom the secured creditor received notification of a claim of an interest in the collateral if the notification was received before the secured creditor gave notification of the proposed disposition to the grantor.



- (b) The grantor may, after default, waive the right to be notified.
- (c) A notification of disposition is sufficient if it identifies the grantor and the secured creditor; describes the collateral; states the method of intended disposition; and states the time and place of a public disposition or the time after which other disposition is to be made.
- (d) The secured creditor shall notify the persons entitled to notification via registered mail, private courier, electronically, or through any means where receipt of the notice can be established by a disinterested third party.
- (e) The requirement to send a notification under this section shall not apply if the collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market.

Section 7.09. Guidelines on Private or Public Disposition. –

- (a) The secured creditor may dispose of the collateral through a sale open to participation by the general public.
- (b) In case of extra-judicial disposition, the secured creditor may, subject to the guidelines below, select the method, manner, time, place and other aspects of the sale or other disposition, lease or license, including whether to sell or otherwise dispose of, lease or license encumbered assets individually, in groups or altogether: *Provided*, that the disposition is undertaken in good faith and satisfies the commercial reasonableness requirement under Section 7.07. Judicial dispositions shall be governed by rules promulgated by the Supreme Court.
- (c) The secured creditor shall, no later than ten (10) days before the extra-judicial disposition of the collateral, cause the posting with the Registry of a notice that sufficiently describes the collateral to be sold and specifies the method, manner, time, place and other details of the sale. The Registry shall ensure that all such notices posted are publicly accessible and searchable. In adherence with the commercial reasonableness requirement, the secured creditor may also cause the advertisement of the disposition through any other means or medium as the secured creditor may deem as suitable, to maximize awareness of the sale among dealers in the type of property to which the collateral belongs.
- (d) All collateral shall be disposed through auction and the following indicators may be taken into account in determining whether the sale satisfies the good faith and commercial reasonableness requirement:
 - (i) that the person or entity who presides over the auction is an experienced dealer in the type of property sold;



- (ii) that the participating bidders do not engage in collusive practices that prevent free and open competition;
- (iii) that the records of the proceedings, including the identities and respective submissions of the bidders, are documented in writing and subsequently maintained, and;
- (iv) that the highest bidder is duly awarded the collateral.

The winning bidder must fully pay the bid price at the conclusion of the auction. Otherwise, the collateral may be awarded to the next highest bidder.

- (e) Any government agency that regularly undertakes public auctions in the course of its regular activities may be engaged by any secured creditor to preside over public auctions over securitized movable collateral under this Section, through rules and regulations that must be submitted to the Department of Finance for prior approval. Private entities such as auction houses, industry groups of secured creditors, or organizations of recognized dealers of specific movables may likewise adopt rules and regulations for the conduct of public auctions, subject to the approval of the Department of Finance. Any public auction of movable collateral conducted by any government agency or private entity under rules duly approved by the Department of Finance shall be conclusively presumed to be commercially reasonable.
- (f) The secured creditor may buy the collateral at any public disposition, or at a private disposition but only if the collateral is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations.
- (g) If a method of disposition of collateral has been approved in any legal proceeding, whether judicial or administrative, it is conclusively commercially reasonable.

Section 7.10. Right of Redemption. –

- (a) Any person who is entitled to receive a notification of disposition in accordance with these Rules is entitled to redeem the collateral by paying or otherwise performing the secured obligation in full, including the reasonable cost of enforcement.
- (b) The right of redemption may be exercised, unless:
 - (i) The person entitled to redeem has, after the default, waived in writing the right to redeem;



- (ii) The collateral is sold or otherwise disposed of, acquired or collected by the secured creditor, or when an agreement with those effects on the collateral is concluded by the secured creditor; or,
- (iii) The secured creditor has retained the collateral.

Section 7.11. Application of Proceeds. –

- (a) The proceeds of disposition shall be applied in the following order:
 - (i) The reasonable expenses of taking, holding, preparing for disposition, and disposing of the collateral, including reasonable attorneys' fees and legal expenses incurred by the secured creditor;
 - (ii) The satisfaction of the obligation secured by the security interest of the enforcing secured creditor; and
 - (iii) The satisfaction of obligations secured by any subordinate security interest or lien in the collateral if a written demand and proof of the interest are received before distribution of the proceeds is completed.
- (b) The secured creditor shall account to the grantor for any surplus, and, unless otherwise agreed, the debtor is liable for any deficiency.
- (c) The reasonable expenses of holding the collateral shall include all expenses incurred by the secured creditor in the preservation and care of the collateral in his possession with the diligence of a good father of a family.
- (d) The secured creditor shall be liable to the grantor for the value of the loss and deterioration that may be suffered due to his failure to preserve and care for the collateral.

Section 7.12. Rights of Buyers and Other Third Parties. –

- (a) If a secured creditor sells the collateral under this Chapter, the buyer shall acquire the grantor's right in the asset free of the rights of any secured creditor or lien holder.
- (b) If a secured creditor leases or licenses the collateral under this Chapter, the lessee or licensee shall be entitled to the benefit of the lease or license during its term.
- (c) If a secured creditor sells, leases or licenses the collateral not in compliance with this Chapter, the buyer, lessee or licensee of the collateral shall acquire the rights or benefits described in subsections (a) and (b) of this section: *Provided*, that it had



no knowledge of a violation of this Chapter that materially prejudiced the rights of the grantor or another person.

Section 7.13. Retention of Collateral by Secured Creditor. –

- (a) After default, the secured creditor may propose to the debtor and grantor to take all or part of the collateral in total or partial satisfaction of the secured obligation, and shall send a proposal to:
 - (i) The debtor and the grantor;
 - (ii) Any other secured creditor or lien holder who, five (5) days before the proposal is sent to the debtor and the grantor, perfected its security interest or lien by registration; and
 - (iii) Any other person with an interest in the collateral who has given a written notification to the secured creditor before the proposal is sent to the debtor and the grantor.

- (b) The secured creditor may retain the collateral in the case of:
 - (i) A proposal for the acquisition of the collateral in full satisfaction of the secured obligation, unless the secured creditor receives an objection in writing from any person entitled to receive such a proposal within twenty (20) days after the proposal is sent to that person; or
 - (ii) A proposal for the acquisition of the collateral in partial satisfaction of the secured obligation, only if the secured creditor receives the affirmative consent of each addressee of the proposal in writing within twenty (20) days after the proposal is sent to that person.

- (c) A proposal for the retention of the collateral is sufficient if it includes:
 - (i) A statement of the amount required at the time the proposal is given to satisfy the secured obligation, including interest and the reasonable cost of enforcement, and the amount of the secured obligation that is proposed to be satisfied;
 - (ii) A statement that the secured creditor proposes to acquire the encumbered asset described in the proposal in total or partial satisfaction of the secured obligation;
 - (iii) A statement of the date after which the secured creditor will acquire the encumbered asset.

Section 7.14. Remedies for Secured Party's Failure to Comply with the Rules –



- (a) *Judicial orders concerning noncompliance* – If it is established that a secured party is not proceeding in accordance with these Rules, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions.
- (b) *Damages for noncompliance* – A party or interested person who fails to comply with the provisions of these Rules shall be liable in the amount of any loss resulting from such failure. Loss caused by a failure to comply may include loss resulting from the debtor's inability to obtain, or increased costs of, alternative financing.
- (c) *Person entitled to recover damages* – A person that, at the time of the failure, was a debtor, a grantor, or held a security interest in or other lien on the collateral may recover damages under subsection (b) for its loss.

RULE VIII
PRIOR INTERESTS AND THE TRANSITIONAL PERIOD

Section 8.01. Interpretation of Transitional Provisions. – For this Rule, unless the context otherwise requires:

- (a) *Existing secured creditor* – means a secured creditor with a prior security interest;
- (b) *Prior law* – means any law that existed or in force before the effectivity of the PPSA;
- (c) *Prior interest* – means a security interest created or provided for by an agreement or other transaction that was made or entered into before the effectivity of the PPSA and that had not been terminated before the effectivity of the PPSA, but excludes a security interest that is renewed or extended by a security agreement or other transaction made or entered into on or after the effectivity of the PPSA;
- (d) *Transitional period* – means the period from the date of effectivity of the PPSA until the date when the Registry has been established and operational.

Before the Effectivity of the PPSA

Section 8.02. Creation of Prior Interest. –

- (a) Creation of prior interest shall be determined by prior law.



- (b) A prior interest remains effective, subject to Section 8.03 of these Rules, between the parties notwithstanding that its creation did not comply with the creation requirements of the PPSA and these Rules.

Section 8.03. Perfection of Prior Interest. –

- (a) A prior interest that was perfected under prior law continues to be deemed perfected under the PPSA and these rules until the earlier of:
 - (i) The time the prior interest would cease to be perfected under prior law; and
 - (ii) The beginning of full implementation of the PPSA.

Section 8.04. Priority of Prior Interest. – The priority of a prior interest as against the rights of a competing claimant is determined by the prior law if:

- (a) The priority of a prior interest as against the rights of a competing claimant is determined by the prior law if:
 - (i) The security interest and the rights of all competing claimant arose before the effectivity of the PPSA; and
 - (ii) The priority status of these rights has not changed since the effectivity of the PPSA.
- (b) For purposes of subsection (a)(ii) of this Rule, the priority status of a prior interest has changed only if:
 - (i) It was perfected when the PPSA took effect, but ceased to be perfected; or
 - (ii) It was not perfected under prior law when the PPSA took effect, and was only perfected under the PPSA.

Section 8.05. Enforcement of Prior Interest. –

- (a) If any step or action has been taken to enforce a prior interest before the effectivity of the PPSA and these Rules, and such prior interest falls within Section 8.02(b) also of this Rule, enforcement may continue under the prior law or may proceed under the PPSA and these Rules.
- (b) Subject to subsection (a) of this Rule, prior law shall apply to a matter that is the subject of proceedings before a court before the effectivity of the PPSA.



During the Transitional Period

Section 8.06. Date of Effectivity of the Transitional Period. – The transitional period shall begin on February 9, 2019, which is the date of effectivity of the PPSA pursuant to Section 67 thereof.

Section 8.07. Creation of Security Interest. – All security interests created during the Transitional Period are governed by the PPSA.

Section 8.08. Perfection of Security Interest. – The perfection of all existing security interests created during the Transitional Period shall be governed by the PPSA. Provided, however, that during the Transitional Period, registration of the security agreement with the LRA shall be in accordance with Section 4 of Act No. 1508, otherwise known as "The Chattel Mortgage Law." The LRA shall also determine a system of provisional registration of such agreements during such Transitional Period.

- (a) A written agreement between a grantor and a secured creditor creating a prior interest is sufficient to constitute authorization by the grantor of the registration of a notice covering assets described in that agreement under these Rules.
- (b) If the perfection requirements of these Rules are satisfied before the perfection of a prior interest ceases in accordance with Rule 8.03, the prior interest continues to be perfected under these Rules from the time when it was perfected under the prior law.
- (c) If a prior interest referred to in subsection (b) of this section was perfected by the registration in the registry of a notice under prior law, the time of registration under the prior law shall be the time to be used for purposes of applying the priority rules of these Rules.
- (d) If the perfection requirements of these Rules are not satisfied before the perfection of a prior interest ceases in accordance with Rule 8.03, the prior interest is perfected only from the time it is perfected under these Rules.

Section 8.09. Priority of Security Interest. – The priority of competing security interests shall be determined during the Transitional Period by applying the PPSA.

Section 8.10. Enforcement of Security Interest. – The enforcement of all existing security interests during the Transitional Period shall be governed by the PPSA.

Section 8.11. Rules on Enforcement Procedure. – Subject to Section 47 of the PPSA and its



corresponding Chapter in these Rules, the expedited hearing/proceedings shall be conducted in a summary manner consistent with the declared policies of the law and these Rules and in accordance with the rules of procedure that the Supreme Court may promulgate.

RULE IX
LAWS REPEALED AND AMENDED

Section 9.01. Repealing Clause. –

(a) The following laws are hereby repealed:

- (i) Sections 1 to 16 of Act No. 1508, otherwise known as "The Chattel Mortgage Law";
- (ii) Articles 2085-2092 of the "Civil Code of the Philippines", insofar as movable property is concerned;
- (iii) Articles 2093-2123 and 2140-2141 of the Civil Code of the Philippines;
- (iv) Section 13 of Republic Act No. 5980, as amended by Republic Act No. 8556, otherwise known as the "Financing Company Act of 1998";
- (v) Sections 114-116 of Presidential Decree No. 1529, otherwise known as the "Property Registration Decree";
- (vi) Section 5(e) of Republic Act No. 4136, otherwise known as the "Land Transportation and Traffic Code."

(b) The following laws are hereby amended insofar as the provisions thereof are inconsistent with the PPSA;

- (i) Section 10 of Presidential Decree No. 1529
- (ii) Article 2127 of the Civil Code of the Philippines;
- (iii) Articles 2241, 2243, and 2246-2247 of Civil Code of the Philippines, insofar as the preferences created by these provisions are inconsistent with the priority rights of the secured creditor perfected pursuant to the PPSA and these Rules;

(c) All laws, decrees, orders, and issuances or portions thereof, which are inconsistent with the provisions of the PPSA, are hereby repealed, amended, or modified accordingly.

Section 9.02. Interpretation. – If there is any conflict between a provision of these Rules and a provision of any other law and its rules, these Rules shall govern unless the other law or its rules specifically cites or amends the conflicting provisions of these Rules.



RULE X
EFFECTIVITY

Section 10.01. Separability Clause. – Should any provision herein be declared unconstitutional or contrary to law, the same shall not affect the validity of the other provisions of these Rules.

Section 10.02. Effectivity. – These Rules shall take effect fifteen (15) days after its complete publication in the Official Gazette or a newspaper of general circulation.

The Office of the National Administrative Register (ONAR) of the UP Law Center shall be provided three (3) certified copies of these Rules.

Section 10.03. Implementation. – Notwithstanding the entry into force of these Rules under Section 10.03, the implementation of the Act shall be conditioned upon the Registry being established and operational under Rule IV.


CARLOS G. DOMINGUEZ
Secretary of Finance
OCT 10 2019



A. Model Security Agreement for a Specific Asset

SECURITY AGREEMENT

This SECURITY AGREEMENT (the "AGREEMENT") made and executed on this ___ day of _____ 20___ at _____, by and between:

(Name of GRANTOR), (of legal age, single/married to _____, with address at _____)/(a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at _____, in this act represented by its _____,) hereinafter referred to as "GRANTOR"

-and-

(Name of SECURED CREDITOR), (of legal age, single/married to _____, with address at _____)/(a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at _____, in this act represented by its _____,) hereinafter referred to as "SECURED CREDITOR".

WITNESSETH:

1. The GRANTOR agrees to create a security interest over the movable property described below, in favor of the SECURED CREDITOR, to secure its obligation to pay (amount) under (description of the agreement from which the obligation arises, including the date the agreement was entered into)
2. The security interest covered under this Agreement shall cover the movable property described below:

(Description of encumbered asset, for example, located at..., manufactured by ..., with serial number ...)

IN WITNESS WHEREOF, the parties hereunto set their hands on this ___ day of _____ at _____.

[Name of the GRANTOR]

[Name of the SECURED CREDITOR]

Signed in the Presence of:

Witness

Witness

ACKNOWLEDGEMENT

(REPUBLIC OF THE PHILIPPINES)

BEFORE ME, a Notary Public for and in _____ this ___ day of _____ 20__
personally appeared:

Name	Competent Evidence of Identity	Date of Issue	Place of Issue
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GRANTOR

**SECURED
CREDITOR**

known to me as the same persons who executed the foregoing Agreement and acknowledged to me that the same is their free and voluntary act and deed or that of the principals represented by them.

I further acknowledge that this instrument, including the foregoing Agreement and this page on which this acknowledge is written, consists of two (2) pages, all signed by the parties and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and the place first above written.

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

B. Model Security Agreement Covering All Assets of the GRANTOR

SECURITY AGREEMENT

This SECURITY AGREEMENT (the "AGREEMENT") made and executed on this ___ day of _____ 20___ at _____, by and between:

(Name of GRANTOR), (of legal age, single/married to _____, with address at _____)/(a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at _____, in this act represented by its _____,) hereinafter referred to as "GRANTOR"

-and-

(Name of SECURED CREDITOR), (of legal age, single/married to _____, with address at _____)/(a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at _____, in this act represented by its _____,) hereinafter referred to as "SECURED CREDITOR".

WITNESSETH:

WHEREAS, the SECURED CREDITOR has agreed to make available to the GRANTOR a line of credit to finance the operations of the GRANTOR pursuant to a credit agreement dated _____ (as same may be amended, supplemented or restated from time to time, the "CREDIT AGREEMENT");

WHEREAS, the execution of this Security Agreement is a condition to the extension of credit by the SECURED CREDITOR to the GRANTOR under that CREDIT AGREEMENT.

NOW, THEREFORE, the parties hereby agree as follows:

1. Definitions

In this agreement:

- (a) Each term which is defined in Republic Act No. 11057 ("Personal Property Security Act") has the meaning given to it in the Personal Property Security Act;
- (b) "Event of Default" means (i) any event that constitutes an "event of default" under the CREDIT AGREEMENT, and (ii) any failure by the GRANTOR to comply with any of its obligations under this agreement;

2. Creation of the security interest and secured obligations

2.1 Creation of the security interest

The GRANTOR creates in favor of the SECURED CREDITOR a security interest in all of the GRANTOR's present and future assets which are within the following categories of assets (the "Encumbered Assets"):

- (a) Inventory;
- (b) Receivables;
- (c) Equipment;
- (d) Funds credited to a bank account;
- (e) Negotiable documents, including without limitation, bills of lading and warehouse receipts;
- (f) Negotiable instruments, including without limitation, bills of exchange, cheques and promissory notes;
- (g) Intellectual property and rights as licensee;
- (h) *(insert other assets as applicable)*
- (i) To the extent not listed above, all proceeds and products of all of the foregoing.

2.2 Secured Obligations

The security interest hereby created secures all present and future obligations of the GRANTOR to the SECURED CREDITOR under or contemplated by the CREDIT AGREEMENT and this agreement ("Obligations").

3. Representations of the GRANTOR

3.1 Location of certain Encumbered Assets

- (a) The inventory and the equipment of the GRANTOR are and will be held or used by the GRANTOR at all times in the Republic of the Philippines and, unless the GRANTOR notifies the SECURED CREDITOR of a change, at the addresses listed in the Annex to this agreement;
- (b) The billing addresses of the debtors of the receivables owed or to be owed to the GRANTOR are and will be at all times in the Republic of the Philippines, unless the GRANTOR notifies the SECURED CREDITOR of a change by a notice specifying other jurisdictions in which debtors of these receivable have billing addresses;
- (c) The bank accounts of the GRANTOR are and will be held at all times at branches of banks in the Republic of the Philippines, and, unless the GRANTOR notifies the SECURED CREDITOR of a change, at the addresses listed in the Annex to this agreement. The account agreements relating to these bank accounts are and will be governed by the relevant laws of the Republic of the Philippines and do not and will not refer to another law for matters relevant to this agreement.

3.2 Location and name of the GRANTOR

- (a) The registered office and the place of central administration of the GRANTOR are and will be located at all times in the Republic of the Philippines;
- (b) The GRANTOR's exact name and legal status are as specified on the first page of this agreement. The GRANTOR will not change its legal status without the prior written consent of the SECURED CREDITOR and will not change its name without giving to SECURED CREDITOR a thirty (30) day prior notice of the change.

4. Authorizations relating to the Encumbered Assets

4.1 Registrations

The GRANTOR authorizes the SECURED CREDITOR to register any notice and to take any other action necessary or useful to make the SECURED CREDITOR's security interest effective against third parties by registration.

4.2 Inspection and copies

- (a) The SECURED CREDITOR may inspect the Encumbered Assets and the documents or records evidencing same and for such purposes may enter into the GRANTOR's premises, upon giving prior reasonable notice to the GRANTOR;
- (b) At the request of the SECURED CREDITOR, the GRANTOR will furnish to the SECURED CREDITOR copies of the invoices, contracts and other documents evidencing its receivables.

4.3 Dealings with Encumbered Assets

- (a) Until the SECURED CREDITOR notifies the GRANTOR that an Event of Default has occurred, the GRANTOR may sell, lease, license or otherwise dispose of its inventory and documents of title, collect its receivables and negotiable instruments and dispose of worn-out or obsolete equipment, in each case, in the ordinary course of its business;
- (b) The GRANTOR will not grant any security interest in the Encumbered Assets and, except as permitted by paragraph (a), will not sell, lease, license or otherwise dispose of the Encumbered Assets;
- (c) Unless otherwise agreed between the parties, the SECURED CREDITOR may at any time notify the debtors of the GRANTOR's receivables of the existence of its security interest. However, a notification given prior to the occurrence of an Event of Default will authorize the debtors to make their payments to the GRANTOR until otherwise instructed by the SECURED CREDITOR following the occurrence of an Event of Default.

5. Undertakings relating to the Encumbered Assets

5.1 Movable assets

The GRANTOR undertakes that the Encumbered Assets will remain movable assets at all times and will not be physically attached to immovable property.

5.2 Effectiveness of the security interest

The GRANTOR will take all actions and execute all documents reasonably required by the SECURED CREDITOR for the SECURED CREDITOR's security interest to be at all times enforceable and effective and enjoy priority against third parties in all jurisdictions where the Encumbered Assets may be located or where the security interest may be enforced.

5.3 Bank accounts

The GRANTOR will take all steps required for the SECURED CREDITOR's security interest to be made effective against parties through a control agreement with respect to

all funds credited to a bank account held with a bank other than with the SECURED CREDITOR.

6. Enforcement

6.1 Rights after an Event of Default

After the occurrence of an Event of Default and to the extent same is continuing:

- (a) the SECURED CREDITOR may enforce its security interest and exercise all rights of a secured creditor under the Personal Property Security Act and any other applicable law;
- (b) the SECURED CREDITOR may also, subject to any mandatory provision of applicable laws:
 - (i) take possession, use, operate, administer and sell, lease, license or otherwise dispose of any of the Encumbered Assets, in each case, on terms and conditions it deems appropriate;
 - (ii) collect the GRANTOR's receivables and negotiable instruments, compromise or transact with the debtors of these receivables and instruments, and grant discharges to them; and
 - (iii) take all other actions necessary or useful for the purpose of realizing on the Encumbered Assets, including without limitation completing the manufacture of inventory and purchasing raw materials.

6.2 Access to the GRANTOR's premises

The GRANTOR permits the SECURED CREDITOR to enter into and use the premises where the Encumbered Assets are located for the purposes of the exercise of the SECURED CREDITOR's enforcement rights.

6.3 Manner of enforcement

The enforcement rights may be exercised on all of the Encumbered Assets taken as a whole or separately in respect of any part of them.

6.4 Reimbursement of expenses

The GRANTOR will reimburse the SECURED CREDITOR upon demand for all costs, fees and other expenses incurred by the SECURED CREDITOR in the exercise of its rights (including without limitation in the enforcement of its security interest), with interest at an annual rate of **%.

7. General Provisions

7.1 Additional and continuing security

The security interest created by this agreement is in addition to (and not in substitution for) any other security held by the SECURED CREDITOR and is a continuing security that will subsist notwithstanding the payment from time to time, in whole or in part, of any of the Obligations. However, this security interest will extinguish when the commitment to extend credit under the CREDIT AGREEMENT has terminated and all Obligations have been satisfied in full.

7.2 Collections

Any sum collected by the SECURED CREDITOR from the Encumbered Assets prior to all the Obligations becoming due may be held by the SECURED CREDITOR as Encumbered Assets.

7.3 Other Recourses

The exercise by the SECURED CREDITOR of any right will not preclude the SECURED CREDITOR from exercising any other right provided in this agreement or by law, and all the rights of the SECURED CREDITOR are cumulative and not alternative. The SECURED CREDITOR may enforce its security interest without being required to exercise any recourse against any person liable for the payment of the Obligations or to realize on any other security.

7.4 Inconsistency with the CREDIT AGREEMENT

In the event of any conflict or inconsistency between the provisions of this agreement and the provisions of the CREDIT AGREEMENT, the provisions of the CREDIT AGREEMENT will prevail.

8. Governing Law

This agreement will be governed by and construed in accordance with the laws of the Republic of the Philippines. The provisions of this agreement must also be interpreted in order to give effect to the intent of the parties that the SECURED CREDITOR's security interest be valid and effective in all jurisdictions where the Encumbered Assets may be located and where the rights of the SECURED CREDITOR may have to be enforced.

9. Notices

Any notice by a party to the other must be in writing and given in accordance with the notice provisions of the CREDIT AGREEMENT.

10. Counterparts and signatures

This agreement may be executed in any number of counterparts and by each party in separate counterparts and any full set of these separate counterparts will constitute an original copy of this agreement. Delivery of an executed counterpart of a signature page to this agreement by electronic mail will be as effective as delivery of a manually executed counterpart of this agreement.

IN WITNESS WHEREOF, the parties hereunto set their hands on this ____ day of _____ at _____.

[Name of the GRANTOR]

[Name of the SECURED CREDITOR]

Signed in the Presence of:

Witness

Witness

ACKNOWLEDGEMENT

(REPUBLIC OF THE PHILIPPINES)

BEFORE ME, a Notary Public for and in _____ this ___ day of _____ 20__
personally appeared:

Name	Competent Evidence of Identity	Date of Issue	Place of Issue
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GRANTOR

**SECURED
CREDITOR**

known to me as the same persons who executed the foregoing Agreement and acknowledged to me that the same is their free and voluntary act and deed or that of the principals represented by them.

I further acknowledge that this instrument, including the foregoing Agreement and this page on which this acknowledge is written, consists of ___ (__) pages, all signed by the parties and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and the place first above written.

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

KASUNDUAN SA GARANTIYA

Itong KASUNDUAN SA GARANTIYA, ginawa at isinakatuparan ngayong ika- _____ araw ng _____, 12 _____ dito sa _____ sa pagitan nina:

(PANGALAN NG NAGKALOOB), may sapat na gulang, walang asawa/ kasal kay _____, naninirahan sa _____, isang korporasyong binuo at umiiral sa ilalim at bisa ng mga batas ng Republika ng Pilipinas, may principal na lugar sa _____ at kinakatawan ng /ni _____, at dito ay binabanggit bilang "NAGKALOOB"

- a t -

(PANGALAN NG NAGPAPAUTANG NA MAY GARANTIYA), may sapat na gulang, walang asawa/kasal kay _____, naninirahan sa _____ isang korporasyong binuo at umiiral sa ilalim at bisa ng mga batas ng Republika ng Pilipinas, may principal na lugar sa _____ at kinakatawan ng /ni _____, at dito ay binabanggit bilang "NAGPAPAUTANG NA MAY GARANTIYA"

NAGPAPATUNAY:

1. Ang NAGKALOOB ay sumang-ayon upang lumikha ng GARANTIYA sa ari-ariang natitinag na nakasaad sa ibaba nito, pabor kay _____ (NAGPAPAUTANG) upang garantiyahan ang obligasyon ukol sa pagbabayad sa ilalim ng _____ (Kasunduan may petsang _____) bilang batayan ng obligasyon.
2. Ang karapatan sa garantiya na nabibilang sa Kaunduang ito ay sumasaklaw sa ari-ariang natitinag na nakalahad sa ibaba:

(Paglalarawan sa nakasanlang ari-arian _____ na matatagpuan sa _____ na may tatak/ uri bilang _____)

SA KATUNAYAN NG LAHAT, kami ay lumagda ngayong ika- _____ araw ng _____ dito sa _____.

NAGKALOOB

NAGPAUTANG NA MAY GARANTIYA

Nilagdaan sa harap nina:

Saksi

Saksi

PAGKILALA

REPUBLIKA NG PILIPINAS)
LUNGSOD NG _____) S.S

SA ARAW NA ITO, ngayong ika _____ araw ng _____
20 _____ dito sa _____ ay humarap at nagpakita ng
kanilang patunay ng pagkakakilanlan:

PANGALAN PAGKAKAKILANLAN PETSANG LUGAR

NAGKALOOB _____

NAGPAUTANG NA
MAY GARANTIYA _____

Kapwa nagpakilala sa akin na sila ang nagsagawa ng kasulatang ito at kanilang kinikilala sa akin na ito ay kanilang kusa at malayang gawa.

Ang kasulatang ito ay nauukol sa KASUNDUAN SA GARANTIYA, binubuo ng DALAWANG (2) pahina, kabilang ang pahinang ito, nilagdaan ng nagsagawa pati na ang kanilang mga saksi sa bawat pahina nito.

MASDAN AT TUNGHAN ang aking lagda at dampi ng timbre notaryal sa pook at petsang nasasaad sa dakong unahan nito.

Notaryo Publiko

Pahina Blng _____
Kasulatan Blng. _____
Aklat Blng _____
Serye ng 20 _____

KASUNDUAN SA GARANTIYA

Itong KASUNDUAN SA GARANTIYA, ginawa at isinakatuparan ngayong ika- _____ araw ng _____, 20 _____ dito sa _____ sa pagitan nina:

(PANGALAN NG NAGKALOOB), may sapat na gulang, walang asawa/ kasal kay _____, naninirahan sa _____, isang korporasyong binuo at umiiral sa ilalim at bisa ng mga batas ng Republika ng Pilipinas, may principal na lugar sa _____ at kinakatawan ng /ni _____, at dito ay binabanggit bilang "NAGKALOOB"

- a t -

(PANGALAN NG NAGPAUTANG NA MAY GARANTIYA), may sapat na gulang, walang asawa/ kasal kay _____, naninirahan sa _____ isang korporasyong binuo at umiiral sa ilalim at bisa ng mga batas ng Republika ng Pilipinas, may principal na lugar sa _____ at kinakatawan ng /ni _____, at dito ay binabanggit bilang "NAGPAUTANG NA MAY GARANTIYA"

NAGPAPATUNAY :

SAPAGKAT, ang NAGPAUTANG NA MAY GARANTIYA ay sumang-ayon upang mabigyan ang NAGKALOOB ng hanay ng pautang upang tustusan ang mga proyekto ng NAGKALOOB sa ilalim ng kasunduang may petsang _____ (na maaring amyendahan, susugan o baguhin paminsan minsan ang KASUNDUAN SA PAUTANG);

SAPAGKAT, ang pagkakasakatuparan nitong KASUNDUAN SA GARANTIYA ay isang kondisyon para sa pagbigay ng pautang mula sa NAGPAUTANG NA MAY GARANTIYA tungo sa NAGKALOOB, sa ilalim ng KASUNDUAN SA PAUTANG;

SAMAKATUWID, ang MAGKABILANG PANIG ay sumasang-ayon;

1. Mga Nakatakda sa KASUNDUANG ito:

- a. Ang bawat termino na nakatakda sa ilalim ng Republika Blg. 11057 ("Personal Property Security Act") ay magtataglay ng kahulugang nakasaad sa RA.11057;
- b. Pagkukulang ("Event of Default") ay may kahulugang (i) anumang pangyayari na maituturing na di pagtupad sa KASUNDUAN SA PAUTANG, at (ii) anumang di pagtupad ng NAGKALOOB sa alinmang pananagutan sa ilalim ng KASUNDUANG ito;

2. Paglikha ng Interes sa Garantiya at may garantyang obligasyon:

- 2.1 Ang NAGKALOOB ay nagbibigay ng Interes sa Garantiya ("Security Interest") sa NAGPAUTANG NG MAY GARANTIYA ukol sa lahat ng mga ari-arian sa kasalukuyan at hinaharap na nakapaloob sa mga sumusunod na kategorya na may "**Ari-ariang may Pananagutan**"
 - (a) Imbentaryo;
 - (b) Pasahod;
 - (c) Kagamitan;
 - (d) Mga pondong nakalagak sa "bank account";
 - (e) Mga dokumentong maipagbibili ("negotiable instrument"), na may pasubali, listahan ng kargada, resibo ng bodega;
 - (f) Mga instrumentong maipagbibili ("negotiable instrument"), na walang pasubali, listahan ng palitan, tseke, at kasulatan ng pagbabayad- utang;
 - (g) Mga pag aaring intelektual at karapatan ng lisensya;
 - (h) Mga iba pang ari-arian kung mayroon;
 - (i) Sa mga bagay na hindi nakalista dito lahat ng naibunga at produkto ng mga nabanggit sa itaas;

2.2 OBLIGASYONG MAY GARANTIYA

Ang Interes sa Garantiya ("Security Interes") na dito'y nilikha ay gumagarantiya sa lahat ng obligasyon ng NAGKALOOB sa NAGPAUTANG NG MAY GARANTIYA sa kasalukuyan at sa hinaharap at sa anumang itinatadhana ng KASUNDUAN SA PAUTANG;

3. Mga Panukala ng NAGKALOOB

3.1 Lugar ng mga ari-arian may pananagutan

- (a) Ang inbentaryo at kagamitan ng NAGKALOOB ay hahawakan at gagamitin lamang ng NAGKALOOB sa Republika ng Pilipinas maliban kung ang NAGKALOOB ay nagbigay-alam sa NAGPAUTANG NG MAY GARANTIYA ukol sa mga pagbabago ng lugar na nakasaad sa listahan kalakip ng KASUNDUANG ito;
- (b) Ang listahan ng mga nangutang ng mga halagang matatanggap ng NAGKALOOB ay mananatili sa Republika ng Pilipinas maliban kung ang NAGKALOOB ay nagbigay-alam sa NAGPAUTANG NG MAY GARANTIYA ukol sa mga pagbabago ng lugar na nakasaad sa listahan kalakip ng KASUNDUANG ito;
- (c) Ang mga bank account ng NAGKALOOB ay mananatili lamang sa mga sangay ng bangko sa Republika ng Pilipinas maliban kung ang NAGKALOOB ay nagbigay-alam sa NAGPAUTANG NG MAY GARANTIYA ukol sa mga pagbabago ng lugar na nakasaad sa listahan kalakip ng KASUNDUANG ito. Ang mga KASUNDUAN ukol sa bank account ay masasakop ng mga angkop na batas ng Republika ng Pilipinas at hindi sakop ng ibang batas sa mga bagay na may kaugnayan sa KASUNDUANG ito;

3.2 Lugar at Pangalan ng NAGKALOOB

- (a) Ang nakatalang tanggapan at lugar ng punong himpilan ng NAGKALOOB ay mananatili habang panahon sa Republika ng Pilipinas;
- (b) Ang wastong pangalan at kalagayang ligal ("civil status") ng NAGKALOOB ay mananatili kung ano ang nakalahad sa unang pahina ng KASUNDUANG ito. Ang NAGKALOOB ay hindi magpapalit ng kalagayang ligal nang wala munang pahintulot ng NAGPAUTANG NG MAY GARANTIYA sa loob ng tatlumpong (30) araw.

4. Pagbibigay ng Otoridad kaugnay ng Ariariang may Pananagutan ("Encumbered Assets")

4.1 Pagrerehistro

Ang NAGKALOOB ay nagbibigay ng karapatan sa NAGPAUTANG NG MAY GARANTIYA upang magparehistro ng anumang patalastas at magsagawa ng anumang hakbang na kinakailangan o makakatulong upang ang GARANTIYA ng NAGPAPAUTANG NA MAY GARANTIYA ay magkaroon ng mabisang panagot laban sa sinumang ikatatlong partido ("third party") na magpaparehistro din;

4.2 Inspeksyon at Kopya

- a. Ang NAGPAPAUTANG NG MAY GARANTIYA ay maaaring mag-inspeksyon sa mga ari-ariang pananagutan("Encumbered Assets") at anumang mga dokumento o talaan nito, at para dito maaaring pasukin ang lugar ng NAGKALOOB, matapos magbigay ng sapat na pabatid;
- b. Ang NAGKALOOB ay magbibigay sa NAGPAPAUTANG NG MAY GARANTIYA ng kopya ng mga resibo, kontrata, at iba pang dokumentong nagpapatunay ng mga pautang;

4.3 Mga Transakyon sa ariariang may pananagutan("Encumbered Assets")

- a. Hanggang hindi pa naipagbibigay alam ng NAGPAUTANG NG MAY GARANTIYA sa NAGKALOOB ang tungkol sa di pagtupad ("Event of Default") ang NAGKALOOB ay maaaring magbenta, magpaupa,

magpahintulot o maglipat ng imbentaryo at mga dokumento ng pagmamayari, maningil ng mga pautang at mga ("negotiable instrument") at magdispatsa ng mga sira o lumang kagamitan bilang bahagi ng pamamalakad sa negosyo

- b. Ang NAGKALOOB ay hindi magbibigay ng anumang "Security Interest" sa mga ariariang may garantiya, maliban sa mga bagay na nakasaad sa talata (a), at hindi maaring magbenta, magpaupa, magbigay-lisensya o magpaubaya ng mga ariariang may pananagutan.
- c. Maliban kung may napagkasunduan ang magkabilang panig ang NAGPAUTANG NG MAY GARANTIYA ay maaring magbigay- babala anumang oras sa mga pinagkakautang ng NAGKALOOB tungkol sa "Security Interest", subalit ang paunang babala na naibigay bago mang yari ang "Event of Default" ay magbibigay karapatan sa mga nangutang na magbayad sa NAGKALOOB maliban kung may naiibang tagubilin ang NAGPAUTANG NG MAY GARANTIYA matapos nangyari ang "Event of Default"

5. Mga Pangakong Pagsasagawa ukol sa ari ariang may pananagutan

5.1 Mga Ariariang Natitinag("Movable Assets")

Ang nagkaloob ay nangangakong ang mga Ari-ariang may pananagutan ay mananatiling Ari-ariang Natitinag at hindi ikakabit sa ari-ariang di-natitinag.

5.2 Pagiging mabisa ng Interes sa Garantiya ("Security Interest")

Ang NAGKALOOB ay magsasagawa at magpapatupad ng lahat ng hakbang upang ang lahat ng dokumentong makatuwirang hinihingi ng NAGPAUTANG NA MAY GARANTIYA para ang kaniyang Interes garantiya ("Security Interest") ay mananatiling maipatutupad, mabisa at may pagiging una kaysa sa pangatlong panig sa lahat ng nasasakupan ng bias ng ariariang may pananagutan saan man ito naroroon.

5.3 Mga Bank Account

Ang NAGKALOOB ay gagawa ng lahat ng paraan upang ang "Security Interest" ng NAGPAUTANG NA MAY GARANTIYA ay magiging mabisa sa lahat ng partido sa pamamagitan ng kasunduan sa pagkontrol ng lahat ng panging nakalagak sa "bank account" maliban sa hawak ng NAGPAUTANG NA MAY GARANTIYA

6. Pagpapatupad

6.1 Mga Karapatan kung may di pagtupad

Pagkatapos ng pangyayari at habang nagpapatuloy ang "Event of Default":

- (a) Ang NAGPAUTANG NG MAY GARANTIYA ay maaring magpatupad ng kanyang Interes sa Garantiya at gamitin ang lahat ng kaniyang karapatan sa ilalim ng Personal Property Security Act at iba pang angkop na batas.
- (b) Ang NAGPAUTANG NG MAY GARANTIYA ay maaring magpatupad ng mga sumusunod ng probisyon ng angkop na batas:
 - (i) Hawakan, gamitin, paandarin, pangasiwaan, ipagbili, paupahan, bigyang lisensya o dispatsahin ang alin mang ariariang may pananagutan sa ano mang paraan na kanyang mamarapatin
 - (ii) Singilin ang mga pautang at instrumentong maipagbibili ng NAGKALOOB, at makipagkasundo o makipag-unawaan sa mga may utang tungkol sa mga singilin at instrumentong ito, at magpawalang bisa sa mga ito.
 - (iii) Magsagawa ng lahat ng mga hakbang na kinakailangan o makabubuti sa pagpapatupad ng pakinabang sa mga ariariang may pananagutan, kabilang na ang mga pagsagawa ng imbentaryo at pagbili ng hilaw na sangkap.

6.2 Karapatan upang Pasukin ang bakuran ng NAGKALOOB

Ang NAGKALOOB ay magbibigay pahintulot sa NAGPAUTANG NA MAY GARANTIYA upang pasukin at gamitin ang lugar at kapaligiran kung saan naroon ang ariariang may pananagutan upang ipatupad ang mga karapatan nito.

6.3 Paraan ng Pagpapatupad

Ang magpapatupad ng mga karapatan sa mga ariariang may pananagutan ay maaaring ipatupad sa kalahatan o sa bahagi nito.

6.4 Muling Pagbabayad ng mga ipinaluwal

Ang NAGKALOOB ay magsasauli ng gastos sa NAGPAUTANG NA MAY GARANTIYA kapag ito as humingi ng kapalit ng kaniyang mga nagastos sa pagpapatupad ng kaniyang mga karapatan, at ito ay may interes na ____% bawat taon.

7. Mga Pangkalahatang Probisyon

7.1 Karagdagan at patuloy na garantiya

Ang interes sa garantiya na nilikha ng kasunduang ito ay bilang karagdagan (at hindi kapalit) ng ibang garantiyang hawak ng NAGPAUTANG NA MAY GARANTIYA, at ito ay magpapatuloy sa kabila ng pana-panahong pagbabayad ng kabuuan o bahagi ng mga obligasyon. Subalit ang interes sa garantiyang ito ay magwawakas kapag natapos na ang mga napagkasunduang pautang at kung lahat ng mga obligasyon ay natupad nang lubusan.

7.2 Mga Koleksyon

Ang anumang halagang nakolekta ng NAGPAUTANG NA MAY GARANTIYA mula sa ariariang may pananagutan bago pa maging takdang panahon ay maaaring hawakan niya bilang ariariang may pananagutan.

7.3 Iba pang Mapagkukunan

Ang pagpapatupad ng NAGPAUTANG NA MAY GARANTIYA ng kaniyang karapatan ay hindi hadlang upang siya ay magsagawa ng iba pang mga karapatan sa ilalim ng kasunduang ito o ng mga batas, at ang lahat ng karapatan niya ay makakasanib at hindi salit-salitan. Ang NAGPAUTANG NA MAY GARANTIYA ay maaaring magpagtupad ng kaniyang interes dito nang hindi kailangang unahin ang ibang taong may utang o may ibang seguridad.

7.4 Hindi pag kakapareho sa KASUNDUAN NG PAUTANG

Kung mayroong pagkakaiba sa kasunduang ito at sa KASUNDUAN SA PAUTANG ay mananaig ang Kasunduan sa Pautang.

8. Mga Angkop na Batas

Ang kasunduang ito ay nasasakop at bibigyang kahulugan sa ilalim ng mga batas ng Republika ng Pilipinas. Ang mga probisyon nito ay bibigyan din ng kahulugan ayon sa intensyon ng magkabilang panig upang ang "security interest" ay magkakabisa sa lahat ng lugar kung saan maipatutupad ang mga karapatan ng NAGPAUTANG NA MAY GARANTIYA.

9. Mga Pabatid

Ang anumang pabatid ng magkabilang panig sa isa't isa ay dapat nakasulat at ibibigay ayon sa itinatadhana ng KASUNDUAN SA PAUTANG.

10 . Mga katulad na kopya at lagda ng bawat Panig

Ang kasunduang ito ay maaari ng isagawa sa kahit ilang katulad na kopya (counterparts) at ng bawat panig sa magkakahiwalay na kopya, at ang alin mang katulad na kopya ay magiging orihinal na kopya. Ang pagpapadala ng naisagawang katulad na kopya ng pahinang may lagda sa pamamagitan ng "electronic mail" ay may ganoon ding bisa katulad ng katulad na kopya (counterpart) na kanilang nilagdaan.

SA KATUNAYAN NG LAHAT, kami ay lumagda ngayong ika-_____ araw
ng _____ dito sa _____.

NAGKALOOB

NAGPAUTANG NA MAY GARANTIYA

Nilagdaan sa harap nina:

Saksi

Saksi

PAGKILALA

REPUBLIKA NG PILIPINAS)
LUNGSOD NG _____) S.S

SA ARAW NA ITO, ngayong ika _____ araw ng _____
20 _____ dito sa _____ ay humarap at nagpakita ng
kanilang patunay ng pagkakakilanlan:

PANGALAN	PAGKAKAKILANLAN	PETSA	LUGAR
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NAGKALOOB	_____	_____	_____
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NAGPAUTANG NA MAY GARANTIYA	_____	_____	_____
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Kapwa nagpakilala sa akin na sila ang nagsagawa ng kasulatang ito at kanilang kinikilala sa akin na ito ay kanilang kusa at malayang gawa.

Ang kasulatang ito ay nauukol sa KASUNDUAN SA GARANTIYA, binubuo ng DALAWANG (2) pahina, kabilang ang pahinang ito, nilagdaan ng nagsagawa pati na ang kanilang mga saksi sa bawat pahina nito.

MASDAN AT TUNGHAN ang aking lagda at dampi ng timbre notaryal sa pook at petsang nasasaad sa dakong unahan nito.

Kasulatan Blng. _____
Pahina Blng _____
Aklat Blng _____
Serye ng 20 _____

Notaryo Publiko