

[PRESIDENTIAL DECREE NO. 115, January 29, 1973]

PROVIDING FOR THE REGULATION OF TRUST RECEIPTS TRANSACTIONS

WHEREAS, the utilization of trust receipts, as a convenient business device to assist importers and merchants solve their financing problems, had gained popular acceptance in international and domestic business practices, particularly in commercial banking transactions;

WHEREAS, there is no specific law in the Philippines that governs trust receipt transactions, especially the rights and obligations of the parties involved therein and the enforcement of the said rights in case of default or violation of the terms of the trust receipt agreement; and

WHEREAS, the recommendations contained in the report on the financial system which have been accepted, with certain modifications by the monetary authorities included, among others, the enactment of a law regulating the trust receipt transactions;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree and make as part of the law of the land the following:

SECTION 1. *Short Title.* — This Decree shall be known as the Trust Receipts Law.

SEC. 2. *Declaration of Policy.* — It is hereby declared to be the policy of the State (a) to encourage and promote the use of the trust receipts as an additional and convenient aid to commerce and trade; (b) to provide for the regulation of trust receipt transactions in order to assure the protection of the rights and the enforcement of obligations of the parties involved therein; and (c) to declare the misuse and/or misappropriation of goods or proceeds realized from the sale of goods, documents or instruments released under trust receipts as a criminal offense punishable under Article Three Hundred and Fifteen of the Revised Penal Code.

SEC. 3. *Definition of terms.* — As used in this Decree, unless the context otherwise requires, the term —

- (a) "Document" shall mean written or printed evidence of title to goods.
- (b) "Entrustee" shall refer to the person having or taking possession of goods, documents or instruments under a trust receipt transaction, and any successor in interest of such person for the purpose or purposes specified in the trust receipt agreement
- (c) "Entruster" shall refer to the person holding title over the goods, documents, or instruments subject of a trust receipt transaction, and any successor in interest of such person.
- (d) "Goods" shall include chattels and personal property other than: money, things in action, or things so affixed to land as to become a part

thereof.

(e) "Instrument" means any negotiable instrument as defined in the Negotiable Instrument Law; any certificate of stock, or bond or debenture for the payment of money issued by a public or private corporation, or any certificate of deposit, participation certificate or receipt, any credit or investment instrument of a sort marketed in the ordinary course of business or finance, whereby the entrustee, after the issuance of the trust receipt, appears by virtue of possession and the face of the instrument to be the owner. "Instrument" shall not include a document as defined in this Decree.

(f) "Purchase" means taking by sale, conditional sale, lease, mortgage, or pledge, legal or equitable.

(g) "Purchaser" means any person taking by purchase.

(h) "Security Interest" means a property interest in goods, documents or instruments to secure performance of some obligations of the entrustee or of some third persons to the entruster and includes title, whether or not expressed to be absolute, whenever such title is in substance taken or retained for security only.

(i) "Person" means, as the case may be, an individual, trustee, receiver, or other fiduciary, partnership, corporation, business trust or other association, and two or more persons having a joint or common interest.

(j) "Trust Receipt" shall refer to the written or printed document signed by the entrustee in favor of the entruster containing terms and conditions substantially complying with the provisions of this Decree, No further formality of execution or authentication shall be necessary to die validity of a trust receipt.

(k) "Value" means any consideration sufficient to support a simple contract.

SEC. 4. *What constitutes a trust receipt transaction.* — A trust receipt transaction, within the meaning of this Decree, is any transaction by and between a person referred to in this Decree as the entruster, and another person referred to in this Decree as the entrustee, whereby the entruster, who owns or holds absolute title or security interests over certain specified goods, documents or instruments, releases the same to the possession of the entrustee upon the latter's execution and delivery to the entruster of a signed document called a "trust receipt" wherein the entrustee binds himself to hold the designated goods, documents or instruments in trust for the entruster and to sell or otherwise dispose of the goods, documents or instruments with the obligation to turn over to the entruster the proceeds thereof to the extent of the amount owing to the entruster or as appears in the trust receipt or the goods, documents or instruments themselves if they are unsold or not otherwise disposed of, in accordance with the terms and conditions specified in the trust receipt, or for other purposes substantially equivalent to any one of the following:

1. In the case of goods or documents — (a) to sell the goods or procure their sale; or (b) to manufacture or process the goods with the purpose of ultimate sale: Provided, That, in the case of goods delivered under trust receipt for the purpose of manufacturing or processing before its ultimate sale, the entruster shall retain its title over the goods whether in its original or processed form until the entrustee has complied fully with his obligation under the trust receipt; or (c) to load, unload, ship or tranship or otherwise deal with them in a manner preliminary or necessary to their sale; or