



REPUBLIKA NG PILIPINAS
KAGAWARAN NG KATARUNGAN
PANGASIWAAN SA PATALAAN NG LUPAIN
(LAND REGISTRATION AUTHORITY)
East Avenue cor. NIA Road
Quezon City



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PROJECT MANAGEMENT OFFICE
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LRA Circular No. 12 - 2021

SUBJECT: IMPLEMENTING GUIDELINES ON THE MIGRATION OR RE-REGISTRATION IN THE PERSONAL PROPERTY SECURITY REGISTRY OF INSTRUMENTS AFFECTING CHATTEL MORTGAGE AND PERSONAL PROPERTIES REGISTERED IN THE CHATTEL MORTGAGE BOOKS OF COMPUTERIZED REGISTRIES OF DEEDS

WHEREAS, the Land Registration Authority ("LRA") is a government agency under the Department of Justice ("DOJ") mandated by law to preserve the integrity of the land registration process, protect the sanctity of the Torrens System, and act as a central repository of records relative to original registration of land titled under the Torrens System, including subdivision and consolidation plans of titled lands and, through its Registry of Deeds ("RD") Offices nationwide, be the repository of records of instruments affecting registered and unregistered lands, chattel mortgages and personal properties in the province and the city wherein such office is situated;

WHEREAS, to support its mandate, LRA is currently implementing the Land Titling Computerization Project ("LTCP") which seeks, among others, to maintain online information on titles that is current, complete and accurate; maintain the security and integrity of records by safeguarding these from tampering or destruction and deter substitution or insertion of questionable data; ensure the integrity of the land titling registration system by moving from a largely paper-based to a largely paperless system; protect land titles from loss due to fire, theft, natural disasters and the normal ravages of time; and, implement more reliable and predictable land registration procedures;

WHEREAS, the Registries of Deeds are mandated to keep a primary entry book and a registration book for chattel mortgages, pursuant to Act No. 1508, entitled "An Act providing for the Mortgaging of Personal Property and for the Registration of the Mortgages so Executed" (the "Chattel Mortgage Law") and record an instrument presented for registration dealing with real or personal property which complies with all the requisites for registration, pursuant to Section 10 of Presidential Decree No. 1529;

WHEREAS, in support of its mandate to record deeds and instruments affecting Chattel and other Personal Properties, an Electronic Primary Entry Book and Electronic Registry for Chattel Mortgage and their corresponding databases (the "Electronic Chattel Mortgage Registry" or "ECMR") were established as part of the LTCP, where deeds and instruments affecting Chattel and Personal Properties, as presented by LRA's clients in the Registry of Deeds having jurisdiction on the transaction, are entered and recorded;

WHEREAS, Republic Act 11057, otherwise known as the Personal Property Security Act ("PPSA"), was enacted to strengthen the secured transactions framework in the Philippines, and shall provide for the creation, perfection, determination of priority, establishment of a centralized, nationwide Notice Registry (i.e., the "Philippines Personal Property Security Registry" or the "PPSR"), and enforcement of security interests in personal properties;

WHEREAS, LRA shall implement the PPSR under the LTCP to replace the existing ECMRs developed and maintained in the various Registries of Deeds;

WHEREAS, under Rule 8 of the PPSA Implementing Rules and Regulations (the "PPSA IRR"), which was promulgated on November 18, 2019, the PPSA "Transitional Period" shall begin on February 9, 2019, which shall be the effectivity date of the PPSA pursuant to Section 67 thereof;

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WHEREAS, the Transitional Period shall end upon the operationalization of the PPSR, by which action the ECMRs of all Registries of Deeds shall no longer be used for recording deeds and instruments affecting Chattel and other Personal Properties;

WHEREAS, as a result of the inputs and feedback received from affected entities with respect to the large volume of deeds and instruments that they may have registered in the ECMR and which they now have to register in the PPSR so as to enjoy continuing perfection of their security interest, there is a need to seek guidance and assistance from LRA on this matter considering the following provisions of the PPSA IRR:

1. *Section 8.01 -*

"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."

2. *Section 8.02 -*

"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."

3. *Section 8.03 -*

"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."

4. *Section 8.06 -*

"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."

5. *Section 8.07 -*

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NORILYN T. TOMAS

Chief, Central Records Section



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

6. Section 8.08 -

"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."

7. Section 9.01 -

"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 2093-21-23 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) Section 114-116 of the 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;

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Chief, Central Records Section

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(ii) Articles 2127 of the Civil Code of the Philippines;

(iii) Articles 2241, 2243, and 2246-2247 of the 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."

8. Section 10.03 -

"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."

WHEREFORE, in light of the foregoing, and to give the LRA Clients the opportunity to ensure that prior interests that were perfected under prior law continue to be deemed perfected under the PPSA, LRA shall allow the following:

1. Extraction and sharing of data on Chattel Mortgage transactions from the ECMR;
2. Implementation of a Migration and Re-registration Period, as may be described below;
3. Migration of data relating to transactions recorded in the ECMR during the Transitional Period; and,
4. Re-registration of Chattel Mortgage transactions registered prior to the implementation of the PPSA.

**Article I
General Provisions**

Sec. 1.1. The migration or re-registration of transactions recorded in the various ECMRs to the PPSR (the "Migration/Re-registration Activity") is intended to give the LRA Clients the opportunity to ensure that their prior interests that were perfected under prior law continue to be deemed perfected under the PPSA.

- a. The Migration/Re-registration Activity is optional.
- b. LRA Clients may avail of the activity based on their respective requirements.
- c. LRA shall not be responsible for the lapse of prior interests that were perfected under prior law should the LRA Client holding such interest fail to implement the Migration/Re-registration Activity.

Sec. 1.2. The Migration/Re-registration Activity may be undertaken through a Self-service Mode or an LRA-assisted Mode.

- a. The LRA-assisted Mode may be availed of by LRA Clients having voluminous records for Migration or Re-registration. LRA shall require Clients to execute an Undertaking or enter into an Agreement to avail of this mode.
- b. For the LRA-assisted Mode, LRA shall receive and migrate only data received from the LRA Client. LRA shall not review the accuracy of the data provided, nor modify, change or delete any record.

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Chief, Central Records Section

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- Sec. 1.3. The LRA shall provide the systems and resources needed to extract and share data from the ECMRs, and implement the Migration/Re-registration Activity.
- Sec. 1.4. LRA Clients shall use the systems, forms, data and processes provided by LRA only for the purpose of implementing this Circular.
- Sec. 1.5. The actual migration and re-registration of transactions into the PPSR shall commence only upon LRA's declaration that the PPSR may be used for Notice Registration purposes.
- Sec. 1.6. LRA Clients shall pay for the applicable LRA Fees and IT Service Fees, as may be due.
- a. LRA Fees shall be based on the fees to be approved by the Department of Finance, which shall be published by LRA.
 - b. IT Service Fees shall be based on LRA Circular No. 03-2011 with subject: "Adjustment of IT Service Fees Pursuant to the Build-Own-Operate Agreement for the Information Technology Network and Database Infrastructure Project of the Land Registration Authority."
 - c. LRA shall publish the applicable fees once this is finalized and approved.
 - d. Notices relating to the Migration/Re-registration Activity, which were registered under the LRA-assisted Mode, but are not paid for shall be terminated by LRA as void *ab initio*, and such Notices shall not have any force and effect.

Article II

Extraction and Distribution of Data

- Sec. 2.1. The LRA shall cause the extraction of Chattel Mortgage transactions in the various ECMRs of the Registries of Deeds (the "Extracted Data"), and ensure its availability to LRA Clients using the PPSR only for the purpose of the Migration/Re-registration Activity. The Extracted Data shall be provided on an "as is-where is" basis, and LRA shall not verify nor modify the same.
- Sec. 2.2. LRA Clients shall solely be responsible in (a) ensuring the completeness and accuracy of the Extracted Data; and, (b) providing the required additional information when registering Notices in the PPSR.
- Sec. 2.3. LRA, subject to its verification, may send relevant Extracted Data to a Client availing of the LRA-assisted Mode.
- Sec. 2.4. The LRA shall ensure that the relevant provisions under Chapter III of Republic Act 10173, otherwise known as the Data Privacy Act of 2012, are complied with. Clients receiving and handling the Extracted Data shall be responsible in protecting such data.

Article III

Allotted Period for Migration and Re-Registration

- Sec. 3.1. In consideration of the physical limitations caused by the COVID-19 Pandemic and the volume of Chattel Mortgage records that have to be reviewed, the Migration/Re-registration Activity shall be implemented within an eighteen (18) months period (the "PPSA Partial Implementation Period" or "PPSA PIP"), which may be adjusted due by LRA depending on the circumstances obtaining at that time.

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Sec. 3.2. During the PPSA PIP, LRA Clients may migrate or re-register their Chattel Mortgage transactions into the PPSR to ensure that their prior interests that were perfected under prior law continue to be deemed perfected under the PPSA.

**Article IV
Migration of CM Transactions**

Sec. 4.1. The migration activity shall cover only those security interests that were created during the Transitional Period of the PPSA, and registered in any of the ECMRs of the LRA.

- a. The date of creation of the security interest shall be based on the notarial date indicated in the deed/instrument.
- b. The date of registration in the ECMR shall be based on the date and time of the EPEB.

Sec. 4.2. The covered security interests shall be considered by LRA as "provisionally registered" under the Chattel Mortgage Law as per Section 8.08 of the PPSA-IRR.

Sec. 4.3. Transactions that fall within this scenario and are registered into the PPSR within the Partial Implementation Period shall enjoy "continuing perfection" as provided in Section 8.08 of the PPSA-IRR.

Sec. 4.4. The following rules and procedures shall be observed for the migration of Chattel Mortgage transactions:

- a. If the migration is done through the Self-service Mode, Clients shall:
 - 1) Secure a User Account from the PPSR;
 - 2) Register the Chattel Mortgage as an Initial Notice; and,
 - 3) Tag a CM transaction by providing the EPEB Number, CM Identification Number, and Notary Details, and provide the updated information of the CM during the Initial Notice registration process in the PPSR.
- b. If the migration is done through the LRA-assisted Mode:
 - 1) LRA shall provide the list of registered CMs and the corresponding available data to the Client, together with the CM Migration and Re-registration template;
 - 2) The Client shall review the list and select which transactions shall be migrated/re-registered into the PPSR;
 - 3) The Client shall provide the updated information of the CM transaction, provide a list of users with details, and map each transaction to the user using the CM Migration and Re-registration template provided by LRA; and,
 - 4) The Client shall authorize the LRA to migrate/re-register records from the different CM Registries into the PPSR.

**Article V
Re-registration of Chattel Mortgages**

Sec. 5.1. The re-registration activity shall cover only the following types of security interests:

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- a. Security Interests created before the Transitional Period and Registered in the appropriate ECMR during the Transitional Period; and,
- b. Security Interests created before the Transitional Period and Registered in the appropriate ECMR before the Transitional Period.
- c. Similar to Sec 4.1 above, the date of creation of the security interest shall be based on the notarial date indicated in the deed/instrument while the date of registration in the ECMR shall be based on the date and time of the EPEB.

Sec. 5.2. The above types of security interests are covered by the Chattel Mortgage Law only.

- Sec. 5.3. For Clients to enjoy "continuing perfection", LRA shall:
- a. Allow a "Partial Implementation Period" wherein Clients may register transactions that fall within this scenario into the PPSR; and,
 - b. Transactions that fall within this scenario and are registered into the PPSR within the Partial Implementation Period shall enjoy "continuing perfection" as provided in Section 8.08 of the PPSA-IRR.

Sec. 5.4. Considering that the transactions falling under this section are covered by the Chattel Mortgage Law only and do not fall within the ambit of the PPSA, LRA shall collect the applicable LRA Fees and IT Service Fees.

- Sec. 5.5. The following rules and procedures shall be observed for the re-registration of Chattel Mortgage transactions:
- a. If the re-registration is done through the Self-service Mode, the Clients shall:
 - 1) Secure a User Account from the PPSR;
 - 2) Register the CM transaction as an Initial Notice; and,
 - 3) Tag a CM transaction by providing the EPEB Number, CM Identification Number, and Notary Details, and provide the updated information of the CM during the Initial Notice registration process in the PPSR.
 - b. If the re-registration is done through the LRA-assisted Mode:
 - 1) LRA shall provide the list of registered CMs and the corresponding available data to the Client, together with the CM Migration and Re-registration template;
 - 2) The Client shall review the list and select which transactions shall be migrated/re-registered into the PPSR;
 - 3) The Client shall provide the updated information of the CM transaction, provide a list of users with details, and map each transaction to the user using the CM Migration and Re-registration template provided by LRA; and,
 - 4) The Client shall authorize the LRA to migrate/re-register records from the different CM Registries into the PPSR.

**ARTICLE VI
Others**

Sec. 6.1. Chattel Mortgage transactions that were registered in non-computerized Registries of Deeds shall be covered by another Circular to be issued by this Authority.

Sec. 6.2. If any provision of this Circular, or any application thereof, is declared invalid or

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 Chief, Central Records Section

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unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Sec. 6.3. LRA shall publish updates and amendments to this Circular as may be required.

Sec. 6.4. This Circular shall take effect immediately after its publication in a newspaper of general circulation, the filing of three (3) copies with the University of the Philippines Law Center.

Issued MAR 22 2021, Quezon City, Philippines.


RENATO D. BERMEJO
Administrator


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NORILYN T. TOMAS
Chief, Central Records Section

