

SUBJECT : PHILIPPINE SHIPPERS' BUREAU (PSB) – REVISED RULES ON
FREIGHT FORWARDING

RULE I
GENERAL PRINCIPLES AND OBJECTIVES; DEFINITION OF TERMS

SEC. 1. General Principles and Objectives.

WHEREAS, it is the declared policy of the State to facilitate and assist the development and growth of the Philippine trade and the national economy by enhancing the legitimate interests of the Philippine shippers;

WHEREAS, RA No. 7844 – The Export Development Act, Section 3(f), provides among others, that urgent attention must be given to policies affecting infrastructure in order to ensure the adequate supply and quality of transportation (e.g. shipping and cargo handling) to support the flow of goods and services in the context of the national export drive;

WHEREAS, Executive Order No. 913 and its implementing rules and regulations under Ministry Order No. 69 strengthen the rule making and adjudicating powers of the Secretary of Trade and Industry by providing the procedures under which juridical person and DTI initiated complaint may be availed of;

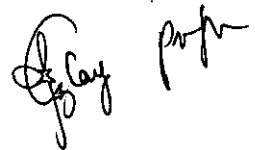
WHEREAS, Executive Order No. 514 provides for the registration and accreditation of non-vessel operating common carriers, freight forwarders, cargo consolidators and breakbulk agents in accordance with existing agreements and charge reasonable fees thereof;

WHEREAS, PSB Administrative Order No. 2, Series of 1996 requires adopting appropriate measures to promote and develop the Philippine trade and commerce through the economical and efficient carriage of merchandise;

NOW, THEREFORE, the following rules and regulations are hereby provided for the information, guidance and compliance of all concerned:

In pursuance of these policies and principles, the PSB shall maintain and operate a reasonable accreditation and regulation system for the covered firms, with the following objectives:

- a. Lay down the minimum standards and requirements under which covered firms may legally do business;
- b. Upgrade the quality of services, capabilities, resources and expertise of the covered firms in order that they may meet the demands of the Philippines' new global trade and upsurging domestic trade; and
- c. Curtail acts and practices inimical to the fast growth of the freight forwarding industry and prejudicial to the interests of Philippine shippers.



SEC. 2. Definition of terms. – The following terms shall be defined as follows:

- a. Accreditation - a legal recognition conferred by the Philippine Shippers' Bureau-Department of Trade and Industry (PSB-DTI) upon an entity authorizing it to engage in seafreight forwarding business.
- b. Certificate of Accreditation - a document issued by PSB officially authorizing the entity named therein to engage in the specific seafreight forwarding functions and/or category/ies it can operate.
- c. Non-Vessel Operating Common Carrier (NVOCC) – an entity, without owning or operating a vessel, providing a point to point service which may include several modes of transport and/or undertakes groupage of Less Container Load (LCL) shipments and issuing a corresponding transport document.
- d. International Freight Forwarder – a local entity that acts as a cargo intermediary and facilitates transport of goods on behalf of its client without assuming the role of a carrier. It can also perform other forwarding services, such as booking cargo space, negotiating freight rates, preparing documents, advancing freight payments, providing packing/crating, trucking and warehousing, engaging as an agent/representative of a foreign NVOCC/cargo consolidator named in a Master Bill of Lading as consignee of a consolidated shipment, and other related undertakings.
- e. Domestic Freight Forwarder – an entity that facilitates and provides the transport of cargo and distribution of goods within the Philippines on behalf of its client.
- f. Shipper – the person whose name appears in the Bill of Lading or other transport document as the party contracting with the carrier for the carriage of goods by sea, such as the exporter, importer, cargo owner, freight forwarder, and cargo consolidator.
- g. Consignee – the person whose name appears in the Bill of Lading or other transport document as the party to whom the goods are to be delivered by the carrier.
- h. PSB – the Philippine Shippers' Bureau.
- i. Director of PSB – includes the Officer-in-Charge of PSB.
- j. RAD – Registration and Accreditation Division of PSB.
- k. Person – a natural person or juridical person.
- l. This Order – this PSB Administrative Order.
- m. Working days – working days of PSB.
- n. Subsisting Certificate of Accreditation - one that is existing and has not expired, not cancelled, not under suspension, not automatically/deemed revoked, and not acquired by way of transfer/alienation/inheritance.

As Cap. pph
2

RULE II

COVERED FIRMS; DOCUMENTARY REQUIREMENTS FOR ACCREDITATION

SEC 3. Covered firms – The five (5) categories namely: Non-Vessel Operating Common Carrier (NVOCC), Cargo Consolidator (CC), International Freight Forwarder (IFF), Breakbulk Agent (BBA) and Domestic Freight Forwarder (DFF) are hereby simplified into three (3) namely: Non-Vessel Operating Common Carrier (NVOCC), International Freight Forwarder (IFF) and Domestic Freight Forwarder (DFF) which are defined above. Non-Vessel Operating Common Carrier includes the functions of a Cargo Consolidator; International Freight Forwarder includes the functions of a Breakbulk Agent. These three (3) categories are referred to as “covered firms” under this Order; hence they must be accredited first before they can legally engage in the said functions and/or operations.

SEC 4. Documentary requirements for accreditation. - The applicant shall file with the PSB a written application under oath, in the prescribed form (in one copy only), together with a clear copy of each of the following documents:

A. FOR CORPORATIONS AND PARTNERSHIPS:

1. Company profile documents, namely:


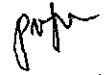
A photocopy of the SEC Certificate of Incorporation and the Articles of Incorporation/Partnership and By-Laws.

The category being applied for by the applicant must be specifically provided in the Primary Purpose portion of its Articles of Incorporation/Partnership. However, if the application is for NVOCC category and there is no specific provision in applicants' Articles of incorporation/Partnership allowing it to engage in NVOCC operations, the applicant shall be required to file with SEC an amendment for that purpose. Upon submission to SEC of the application for amendment, an accreditation shall be granted by PSB subject to the condition that within ninety (90) days from the issuance of the Certificate of Accreditation, a copy of the duly approved Amended Articles of Incorporation/Partnership shall be submitted by the applicant to PSB.

2. Audited Financial Statement (latest Income Statement & Balance Sheet with supporting schedules), which must show a minimum paid-up capital as certified by the Securities and Exchange Commission (SEC) according to the category as follows:

<u>Category</u>		<u>Minimum Paid-up Capital Requirement</u>
a. NVOCC	P	4,000,000.00
b. International Freight Forwarder		2,000,000.00
c. Domestic Freight Forwarder		250,000.00

When the applicant is just a division of a company composed of two or more divisions, it shall submit, in addition to the financial statements applicable to the entire company, a statement of income and expenses applicable only to its freight forwarding operations as a separate Profit Center.

 
3

For newly organized companies, an audited pre-operating balance sheet is required.

The applicant's net equity shall be equal to or greater than the above-prescribed minimum paid-up capital for each category, and the amount shall not be impaired by the operating losses, the long-term liabilities, or other operating aspects affecting the net equity of the firm upon application for accreditation.

3. Copy of latest Mayor's Permit, BIR Certificate of Registration and SSS Certificate of Membership.
4. Board or Partnership Resolution, as the case may be, authorizing the company to apply for accreditation with the PSB and identification of key officers authorized to sign, follow-up and receive the accreditation certificate.
5. List of Corporate Officers and Key Operating Personnel with corresponding bio-data and passport size pictures of its key officers.

Any one (1) of the key operating officers must have at least three (3) years experience in shipping, freight forwarding, and/or related activities, and must submit a certification or proof of employment from previous employers.

6. List of agents/principals/offices abroad and/or domestic agents with their respective company profile, and a copy of the existing contract and/or agency agreement. The applicant is given sixty (60) days in which to submit said requirement.
7. For NVOCC, original blank specimen of own House/Forwarder's Bill of Lading and Principal/Agent House/Forwarders Bill of Lading. The applicant is given sixty (60) days in which to submit at least one (1) original copy of Principal/Agent House/Forwarders Bill of Lading.
8. Proofs of cargo insurance coverage, namely, a photocopy each of the policy and the official receipt showing payment of the premium.

The type of cargo insurance required for accreditation under this Order is either the Merchandise in Transit (Floater) Insurance which shall cover Truck Risks Plus Robbery and Hijacking (Standard Coverage) plus losses and damages due to loading and unloading and losses and damages whilst the vehicle is on stop overnight at an allowed territory; or any standard global comprehensive cargo liability insurance for freight forwarders and transport operators covering destinations between the Philippines and worldwide.

Entities with global comprehensive cargo liability coverage must show proof that its domestic insurance representative is authorized to process claims on behalf of its principal insurer.

[Handwritten signature]
[Handwritten initials]

The minimum amount of insurance coverage shall be as follows:

<u>Category</u>		<u>Minimum Amount of Insurance Coverage</u>
a. NVOCC	P	1,000,000.00
b. International Freight Forwarder		500,000.00
c. Domestic Freight Forwarder		250,000.00

9. Inventory of Office Equipment and, if any, a list of transport equipment and/or photocopies of contracts with trucking company/s. For vehicles owned by the applicant, a photocopy each of the vehicle registration papers shall also be submitted.

10. Location and Map of Office.

11. In the prescribed form, (1) an authority to verify and inspect the applicant's office/s, warehouse/s, equipment, and documents/records; and to verify from whatever sources, even after the Certificate of Accreditation has been issued, the veracity of the entries/statements in the application form and supporting documents as well as the genuineness of the said documents; and (2) an authority to conduct the visitorial activities mentioned in Sections 33 and 34 hereof for the life-span of the Certificate of Accreditation.

12. For NVOCC, a copy of the freight tariff and transshipment fees.

13. PSB duly prescribed itemized service charges.

B. FOR SOLE PROPRIETORSHIPS:

1. A photocopy of the subsisting Certificate of Business Name Registration.

2. Audited Financial Statement (latest Income Statement & Balance Sheet with supporting schedules). For newly organized companies, an audited pre-operating balance sheet is required. The capitalization must be equivalent to the minimum paid-up capital and net equity requirement stated in Subsection (A) (2) of this Section.

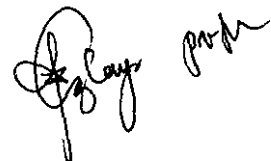
3. Proofs of financial resources:

- Copy of Bank Certificate reflecting the minimum amount of capitalization required.
- Proof of Tangible Assets and submission of undertaking in the PSB-prescribed format, indicating its Fair Market Value which should be equal to or greater than the required minimum capitalization.

4. Latest Income Tax Return for two (2) preceding years.

5. Proprietor's Authorization identifying the key officers authorized to sign, follow-up and receive the accreditation certificate.

6. List of Key Operating Officers, which includes the Owner, Chief Operating Officer, Operations Manager or equivalent and corresponding bio-data with passport size pictures.



Any one (1) of the key operating officers must have at least three (3) years experience in shipping, freight forwarding, and/or related activities, and must submit a certification or proof of employment from previous employers.

The following items of Subsection (A) of this Section shall be applicable to Sole Proprietorships:

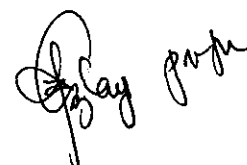
- Item 3 - re - Mayor's Permit, BIR and SSS Registrations
- Item 6 - re - agents/principals/offices abroad and/or domestic agents; contracts
- Item 7 - re - B/L specimen
- Item 8 - re - insurance
- Item 9 - re - office equipment/contracts/vehicle registration papers
- Item 10 - re - location map
- Item 11 - re - authority to verify and inspect; authority to conduct visitorial activities
- Item 12 - re - freight tariff
- Item 13 - re - local service charges

Notwithstanding the above, the PSB may require the submission of other documents as may be necessary in the evaluation of the application.

SEC 5. Additional categories. - If the applicant is applying, on a single occasion, for more than one category, his main category shall be charged the filing and processing fee of P5,000.00 for Non-Vessel Operating Common Carrier, P4,000.00 for International Freight Forwarder or P3,000.00 for Domestic Freight Forwarder, and every additional category shall be charged a filing and processing fee of P1,500.00 only. The same rule shall be applied when a firm which has already an accredited category later on applies for additional category/s. Provided however, that the life-span of the Certificates of Accreditation for the additional categories shall be coterminous with that of the main/first accredited category, and consequently all shall be renewed simultaneously and considered as one renewal application entitling the applicant to pay only a single filing and processing fee (including surcharge if applicable).

SEC 6. Branch offices must be accredited. - Every branch of the covered firms must be accredited first before said branch can legally engage in business. For this purpose, the applicant shall file an application under oath, in the prescribed form (in one copy only), together with a clear copy of each of the following documentary requirements:

- a. Information regarding the branch office;
- b. Bio-data and recent passport-size ID picture of the Branch Manager (BM) -
The BM should meet the experience requirements for Operations Manager as provided in Section 4 hereof;
- c. Latest Mayor's Permit;
- d. Insurance policy coverage:
 - Territorial limits - should include a clause specifying the coverage of branch office's area of operations
- e. Visitorial/Inspection Authority
- f. Tariff and local service charges Ex-Port nearest to the branch office's area of operations; and
- g. Other documents as may be necessary in the evaluation of the application, when required by the PSB.

 6

RULE III
PROCESSING OF APPLICATION FOR ACCREDITATION
(ORIGINAL OR RENEWAL)

SEC. 7. When application is deemed filed. - The application for accreditation (original or renewal) shall be deemed filed upon submission of all documentary requirements and payment of the filing and processing fee and surcharge (if applicable).

SEC. 8. Action on the application. - Within fifteen (15) working days from the date the application is deemed filed, the RAD shall: (1) verify, inspect and evaluate the office/s, warehouse/s, equipment, and pertinent documents of the applicant; and (2) recommend to the Director of PSB the approval or denial of the application, as the case may be. The latter, in his discretion, may refer the application to the RMC for comment.

SEC. 9. Automatic accreditation. - The application shall be processed (including approval or denial) within a period of twenty-one (21) working days reckoned from the date it is deemed filed. After said period if no action has been taken on the application or the processing thereof has not been completed, the application shall be deemed approved and the applicant shall be entitled to the issuance and release of a Certificate of Accreditation upon payment of the Accreditation Certificate Fee.

SEC. 10. Suspension of the running of the 21-working day period. - During the processing of the application, clarificatory question/s may be posed by PSB to the applicant which must be answered in writing within five (5) days from receipt of notice thereof, or PSB may require the submission of additional document/s necessary in the evaluation of the application, which must be submitted by the applicant within five (5) days from receipt of notice thereof. The running of the 21-working day period shall be deemed suspended when said question/s are thus posed or when said additional document/s are required. The suspension shall begin from the date said notice is actually received by the applicant and shall stop from the date PSB actually receives the written answer/s or document/s from the applicant. For non-compliance of rules and documentary requirements, the entity's application for accreditation shall be disapproved.

SEC. 11. Ocular inspection. - The inspection mentioned in Section 8 hereof shall be conducted by a duly authorized Inspection Team. It shall be conducted in the manner provided in Section 33 and 34 hereof. An Inspection Report (in the prescribed form) shall be submitted to the PSB Director within twenty-four (24) hours after the inspection.

RULE IV
RENEWAL OF THE ACCREDITATION

SEC. 12. Renewal period: renewal applications classified. - Renewal applications are hereby classified as follows:

1. Regular application - if filed at any time on or before the expiry date of the Accreditation.

ppp

2. Late application:

- a) From one (1) to fifteen (15) days after the expiry date.
- b) From sixteen (16) to thirty (30) days after the expiry date.
- c) From thirty-one (31) to forty-five (45) days after the expiry date.
- d) From forty-six (46) days after the expiry date and onwards.

In case the processing time of a regular application reaches or goes beyond the expiry date of the Certificate being renewed, the Certificate being renewed shall be deemed existing during the said processing time and up to the date of release of the renewal certificate or date of actual receipt by the applicant of the written notice of denial of his application, as the case may be. This is in order to avoid a hiatus and disruption of private business (per Section 18, Book VII of the Administrative Code of 1987). And in case of approval of this type of application, the effectivity of the renewal Certificate shall retroact to the expiry date of the Certificate being renewed.

The firm whose application for renewal is filed from the day after the expiry date to onwards shall be delisted from the list of PSB Accredited Freight Forwarders until upon a renewal and Certificate is issued to the applicant. If said application is approved, the effectivity of the renewal Certificate shall be based on the date it was approved by the Director of the Bureau.


SEC. 13. Processing of the renewal application - The renewal application shall be subject to the standards and documentary requirements provided in Rule II hereof, and shall undergo the processing procedure provided in Rule III hereof.

RULE V
CERTIFICATE OF ACCREDITATION

SEC. 14. Certificate of Accreditation, when issued and released. - When the applicant meets all the standards and requirements for accreditation, and has paid the prescribed filing and processing fee (including surcharge if applicable), the Director of PSB shall approve the application and issue the Certificate.

The Certificate shall be signed by the Director of PSB, sealed with the seal of PSB, and shall state:

- a. The name of the accredited firm, stating whether it is the main/sole/branch office, and stating its address;
- b. The specific freight forwarding operations it is authorized by the PSB to engage in;
- c. The date of issue;
- d. The life span of the Certificate, and the exact inception date (date the Certificate shall start to be effective) and the exact expiry date;
- e. The statement that it is non-transferable and cannot be used by another;

 *per*

- f. The statement that the original copy of the Certificate must be displayed in a conspicuous place in the accredited firm's main/sole/branch office, as the case may be;
- g. The Certificate Number;
- h. The number and date of the of the Official Receipt of the Accreditation Certificate Fee; and
- i. Other pertinent data as may be required by the PSB.

The original copy of the Certificate shall be released to the applicant upon payment of the Accreditation Certificate Fee. A photo copy thereof shall be kept by PSB for record purposes.

SEC. 15. Life span of the Certificate. - The Certificate of Accreditation shall have a life-span of two (2) years unless sooner cancelled under Rule XI hereof. Its life-span may also be cut short when it is automatically/deemed revoked.

SEC. 16. Non-transferability of the Certificate. - The Certificate of Accreditation is issued only after carefully evaluating the technical, financial, and other qualifications of the applicant *vis-a-vis* the standards herein. Hence, the grantee of said Certificate shall not transfer or alienate in whatever manner, nor authorize another to use, said Certificate. Neither can the Certificate be inherited.

SEC. 17. Display of the Certificate. - the original copy of the subsisting Certificate of Accreditation shall be displayed in a conspicuous place in the accredited firm's main/sole/branch office, as the case may be.

However, when the original copy is lost or destroyed, the grantee shall file an application under oath for the issuance of a substitute certified copy of the Certificate. Said substitute copy shall be displayed as provided in this Section.

SEC. 18. Right of accredited firms. - Firms with subsisting Certificate of Accreditation shall have the right to state in their advertisements through the print media, television, radio, brochures, posters, and the like and in its letters, contracts, bills of lading, receipts, signboards, stickers or signs in their vehicles the term -

"ACCREDITED BY PSB, CERTIFICATE OF ACCREDITATION NO. _____,
EXPIRING (state expiry date)"

Aslay *pop*

RULE VI
SCHEDULE OF FEES PAYABLE

SEC. 19. Accreditation Fees. - The following fees shall be paid to PSB:

A. FOR THE MAIN/SOLE OFFICE:

1. Original application for accreditation:

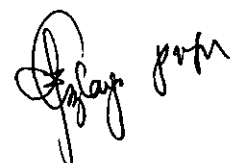
a. Filing and Processing Fee	NVOCC	P	5,000.00
	IFF		4,000.00
	DFF		3,000.00
b. Accreditation Certificate Fee			200.00

2. Renewal application for accreditation:

	<u>Category</u>	<u>Filing and Processing Fee:</u>	<u>Surcharge:</u>
Regular application	NVOCC	P 5,000.00	P 0.00
	IFF	4,000.00	
	DFF	3,000.00	
Late application			
a) If filed from one (1) to fifteen (15) days after the expiry date.	NVOCC	P 5,000.00	2,000.00
	IFF	4,000.00	
	DFF	3,000.00	
b) If filed from sixteen (16) to thirty (30) days after the expiry date.	NVOCC	P 5,000.00	4,000.00
	IFF	4,000.00	
	DFF	3,000.00	
c) If filed from thirty-one (31) to forty-five (45) days after the expiry date.	NVOCC	P 5,000.00	8,000.00
	IFF	4,000.00	
	DFF	3,000.00	
d) If filed from forty-six (46) days after the expiry date and onwards.	NVOCC	P 5,000.00	12,000.00
	IFF	4,000.00	
	DFF	3,000.00	
Accreditation Certificate Fee (Whether regular or late application)		200.00	

B. FOR THE BRANCH OFFICE:

1. Filing and Processing Fee - shall be 25% of the Filing and Processing Fee stated in (A) (1) or (A) (2) above, as the case may be, plus 25% of the corresponding surcharge if applicable.
2. Accreditation Certificate Fee P200.00
(Whether original or renewal - regular or late application)



SEC. 20. Other fees. - The following fees shall also be paid to PSB:

- | | |
|--|----------|
| a. For the issuance of a substitute certified copy of a lost or destroyed Certificate of Accreditation | P 200.00 |
| b. For the issuance of a PSB ID | 200.00 |
| c. For the issuance of a substitute PSB ID (in case of loss or destruction) | 200.00 |
| d. For the issuance of a Certification that a certain firm has or has no pending case with PSB | 200.00 |
| e. For the issuance of any other Certification | 200.00 |

SEC. 21. Crediting of money paid by mistake. - Money paid to PSB by mistake, such as payment in excess, shall be credited to payor's account for future financial obligations to PSB.

RULE VII
CERTAIN OBLIGATIONS OF ACCREDITED FIRMS

SEC. 22. Manifest of Consolidated Shipments. - Accredited firms shall submit to PSB photocopies of all inward and outward manifests covering consolidated shipments, when required by PSB in protecting the interests of shippers and consignees.


SEC. 23. Change in the List of Directors. - Every change in the List of Board Directors shall be reported in writing to PSB within fifteen (15) days from the date the change occurred (e.g., death) or was decided or approved.

SEC. 24. Change of Operations Manager or Chief Operating Officer or equivalent or Branch Manager. - The resignation, termination of services, or appointment of the accredited firm's Operations Manager or Chief Operating Officer or equivalent or Branch Manager shall be reported in writing to PSB within fifteen (15) days from the date the resignation/termination/appointment was made.

SEC. 25. Change of overseas officers/agents/key personnel. - Every change of officers/agents/key personnel abroad shall be reported in writing to PSB within thirty (30) days from the date the resignation/termination/appointment was made.

SEC. 26. Other obligations of accredited firms. - In addition to the obligations stated above and elsewhere in this Order, every accredited firm shall have the following obligations:

- a. To renew without delay its cargo insurance coverage, and submit to PSB the proofs of said renewal Subsection A(8) of Section 4 hereof is applicable within thirty (30) days from receipt of the renewal policy.
- b. To submit to PSB a quarterly cargo statistics report within thirty (30) days after the lapse of the quarter covered by the report.
- c. To submit to PSB annual financial statements within thirty (30) days after the required filing date set by the Bureau of Internal Revenue (BIR) for corporate/individual tax returns.

 *per*
11

- d. To submit to PSB a copy of the Amended Articles of Incorporation/Partnership (if any) within thirty (30) days from the date the firm received from SEC the said document.
- e. To report in writing to PSB the change of address of the Office or warehouse of the firm, within five (5) days from the date the change was made.

RULE VIII
SUNDRY PROVISIONS

SEC. 27. Register: Monthly List. - (a) the PSB shall establish, maintain and operate a Register of accredited firms.

(b) PSB shall also issue monthly an updated list of accredited firms containing the following data:

1. The names of said firms;
2. The expiry date of their respective Certificate of Accreditation; and
3. Other pertinent data as may be required by PSB.

(c) PSB shall furnish with copies of said list the Bureau of Customs and government and private entities needing copies thereof.


(d) Firms not included in the said list of which have been delisted therefrom shall not be allowed by the Bureau of Customs, Philippine Ports Authority, and other government agencies to transact business with them.

(e) It shall be the duty of delisted firms to surrender their PSB IDs to PSB within five (5) days from receipt of notice of delisting.

SEC. 28. PSB Identification Cards. - PSB shall issue Identification Cards to official representatives of the accredited firm who are authorized to transact business in its behalf. For this purpose, the accredited firm shall file an application under oath (in the prescribed form) stating the name, position in the firm, and other pertinent data as may be required by the PSB, together with photo copies of records proving that the said representative is really an employee of the accredited firm (e.g., SSS remittance records), and bio-data and two (2) recent passport-size ID pictures of said representative, and pay the PSB ID Fee provided in Section 20 (b) hereof.

A maximum of three (3) IDs shall be issued for every category. The ID shall state/contain:

- a. The name, position in the firm, signature, and picture of the person to whom the ID is issued;
- b. The name and address of the accredited firm he is representing;
- c. The ID number;

 *proh*

- d. The exact inception and expiry dates;
- e. The signatures of the Director of PSB and RMC members from the government; and
- f. Other pertinent data as may be required by the PSB.

The life-span of the PSB ID shall be coterminous with the life-span of the Certificate of Accreditation. Thus, the cancellation, suspension, expiration, or automatic/deemed revocation of the Certificate of Accreditation shall result in the automatic cancellation, suspension, expiration, or revocation of the PSB ID.

SEC. 29. Initialing of applications and documents. - When an application for accreditation, or an application for the issuance of a PSB ID, or any other application is filed with PSB, the very person signing the application shall also initial every page of the application (except the page where his signature is) and every page of all supporting documents, on the lower margin of said application and documents.



SEC. 30. Bio-data. - PSB shall prescribe the form of the bio-data for Board Directors, principal officers (including the Operations Manager or Chief Operating Officer or equivalent), Sole Proprietors, Branch Managers, and authorized representatives to be issued PSB IDs. Every person mentioned in this Section must disclose in the sworn bio-data all of his present residential addresses in the Philippines as well as the names of the province and municipality of which he is a native, and any conviction in a criminal case involving dishonesty (e.g. *estafa*) and any pending criminal case against him involving dishonesty.

SEC. 31. Automatic revocation of Certificate. - The Certificate of Accreditation is automatically revoked in case of a change in the relationship of the partners in a partnership which materially interrupts the course of business or results in the actual dissolution of the partnership.

SEC. 32. Transfer/change of ownership of a sole proprietorship. - When the ownership of an accredited firm, which is a sole proprietorship, is transferred or changed, the new owner must apply for the transfer in his name of the Certificate of Accreditation and submit requirements which are necessary for the adjustment of the records of the accredited firm on file with PSB. Said application must be filed within thirty (30) days from the date the transfer/change of ownership took effect, otherwise the Certificate of Accreditation shall be deemed revoked provided that the new owner is given the opportunity to show cause why it should not be deemed revoked.

RULE IX VISITORIAL POWER



SEC. 33. Purposes and extent of visitorial power. - In order that PSB can effectively enforce and check compliance with this Order and the circulars and orders which may be issued under this Order, it may exercise, through a duly authorized Inspection Team its inherent and necessary visitorial power to enter, whenever necessary, any establishment, office, and premises which is being used by a covered firm, accredited or not, as its office, warehouse, garage, or for any of its business operations, and conduct therein one or more of the following visitorial activities:

- a. Require the presentation of and inspect any pertinent books of account, record, document, paper, drawing, sketch, contract, and the like;
- b. Inspect any pertinent facility, equipment, vehicle, furniture, and the like;
- c. Inspect any pertinent work/activity being undertaken thereat;
- d. Take pictures/video recordings or make sketches of the premises or of any of the real or personal properties and of the work/activity mentioned above;
- e. Secure photo copies of the things mentioned in paragraph (a) above; and
- f. Interview any person who may be found at the premises entered.

SEC. 34. Manner of conducting visitorial activities. - The Inspection Team duly authorized to conduct any of the visitorial activities mentioned in the preceding Section shall conduct the same in the following manner:

- a. Before entering the property, the Inspection Team shall exhibit their Mission Order and Office IDs to the owner, or person who has charge of said property at the time entrance is to be made, or to the lawful occupant thereof. The Inspection Team shall ascertain the danger areas in that place (e.g., high voltage area, no smoking area, dangerous equipment area, toxic area, etc.) for their safety.
- b. The visitorial activities shall be conducted in the presence of the owner, or person who has charge of said property at the time entrance is to be made, or lawful occupant thereof, or their respective authorized representative.
- c. The visitorial activities shall be conducted at the reasonable hours, with promptness, in a professional manner, and without undue disturbance to any legitimate work/activity being undertaken thereat.
- d. A receipt shall be issued for photo copies of the things mentioned in paragraph (a) of Section 33 hereof which are taken by the Team.
- e. After conducting the visitorial activities, the witness to said conduct shall sign a certificate as to the manner the visitorial activities were conducted. Said certificate, in the prescribed form, shall contain a space where the witness can write briefly his complaints, if any, regarding the manner the visitorial activities were conducted (e.g., irregularities, discourtesy, things damaged, and things taken for personal purposes). Said certificate shall state/contain: a brief description of the premises, its address, name of witness and whether he is owner, occupant, etc., the date the visitorial activities were conducted and the precise time of entrance and egress. The Team Leader shall also sign it. A copy of the certificate shall be furnished said witness.

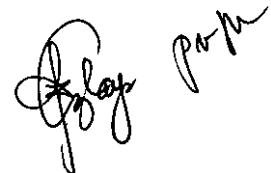
RULE X
PSB FUNCTIONS

SEC. 35. Functions relative to accreditation. - PSB may perform the following functions, to the extent necessary and as far as PSB resources may allow:

- a. To conduct studies on the Sea Freight Forwarding Industry to determine or verify the state of the Industry; its resources, problems, and prospects; number of people dependent on it for livelihood; extent of foreign participation in the capital and management; governmental assistance needed; the practices, acts, methods, schemes, arrangements, and *modus operandi* used in the Industry; and the Industry's desires and recommendations; and recommend to DTI the taking of promotional/developmental/remedial/facilitation measures for the Industry.
- b. To prepare the draft policies, measures, Memoranda of Agreement, letters, Administrative Orders, Executive Orders, and Congressional Bills which may be necessary to effectuate its recommendations mentioned in the preceding paragraph, or which may be needed by PSB to carry out the objectives declared in Section 1 hereof.
- c. To prescribe and promulgate Circulars and Orders.
- d. To enforce and monitor compliance with this Administrative Order, and the Circulars and other Orders issued by PSB.
- e. To enforce the prescribed Code of Conduct and Ethical Standards for Freight Forwarders for the covered firms.
- f. To perform such other functions as maybe authorized by law, rules and regulations, Circulars and/or Orders.

SEC. 36. Means of securing data and evidence. - The data and evidence which may be necessary in the performance of the functions listed in the preceding Section may be secured by PSB through one or more of the following three (3) means:

- a. Voluntary means:
 1. Consultative meetings; and/or
 2. Written/verbal requests.
- b. Through the conduct of fact-finding investigation, hearing, and inquiry. The official/s authorized by the Director of PSB to conduct same shall have the power:
 1. To administer oaths and affirmations;
 2. To issue *subpoena* and *subpoena duces tecum* to compel the attendance of witness and the giving of testimony, and the production of the relevant and necessary data, records, documents, papers and the like; and


15

3. To take data, testimony, and evidence.
- c. Require the submission to PSB periodically or otherwise, of any pertinent report, data, document, paper and the like.

The persons or firms who are covered by these three (3) means are the following:

- a. Voluntary means: any person or firm, private or governmental.
- b. Persons who can be subpoenaed: any person, private or governmental, who may have knowledge or be in possession of data or evidence pertinent to the matter being investigated, heard, or inquired into.
- c. Persons who can be required to submit reports, data, etc.: Any covered firm, accredited or not.



RULE XI
ADMINISTRATIVE ADJUDICATION OF
OFFENSES UNDER THIS ORDER

SEC. 37. Governing System. - The following offenses shall be subject to the existing DTI Administrative Adjudication System provided under E.O. No. 913, Series of 1983 and DTI Ministry Order No. 69, Series of 1983 as amended, and to the special adjudication rules provided in Sections 41 to 47 hereof, without prejudice to criminal and civil actions:

- a. Unlawful acts and omissions, listed in Section 38 hereof;
- b. Unlawful acts and omissions relative to the visitorial power, listed in Section 39 hereof;
- c. Unlawful acts and omissions relative to the gathering of data/evidence, listed in Section 40 hereof; and
- d. Other violations of this Order which are not specifically included in Sections 38, 39 and 40.

SEC 38. Unlawful acts and omissions. - The following acts and omissions are unlawful under this Order:

- a. Engaging in or transacting business by a firm, operating either as a main, sole, or branch office, without prior accreditation.
- b. Misrepresentation by a firm that it has a subsisting accreditation.
- c. Using a subsisting accreditation by another with authority from an accredited firm.
- d. Failure to display the valid and original copy of Certificate of Accreditation as required by Section 17 hereof.

- e. Transacting business through an accredited firm's representative without the required PSB I.D. as provided in Section 28 hereof.
- f. Refusal/Failure to comply with any of the obligations mentioned in Rule VII hereof, or the submission under said Rule of report/s, document/s or paper/s which are false, or which contain false/misleading data.
- g. Misrepresentation by the applicant, of any material fact in obtaining the accreditation, or any other certification/s or documents.
- h. Transferring or authorizing of an accredited firm to another, in whatever manner, its accreditation.
- i. Refusal or failure of an accredited firm to comply with lawful orders/ administrative issuances and/or circulars of PSB.
- j. Violation by covered firm of the Code of Conduct and Ethical Standards for Freight Forwarders mentioned in Section 35 (e) hereof.
- k. Overcharging.
- l. Collecting and charging of fees not prescribed by PSB.
- m. Failure to deliver cargo as required in the transport document.
- n. Failure to deliver cargo to its rightful owner.
- o. Failure to comply with its contractual obligation to the shipper.
- p. Grant of Rebates.
- q. Delinquent freight forwarders.

SEC. 39. Unlawful acts and omissions relative to the visitorial power. - It shall be unlawful for any person, even though he is not a Board Director, officer, employee, owner, or agent of the covered firm (accredited or not) -

- a. to refuse/prevent/obstruct/harass/delay the entrance, presentation, inspection, taking of pictures/video recordings, making of sketches, taking of copies; mentioned in Section 33 (a), (b), (c), (d), and (e) hereof; or
- b. to refuse/prevent/obstruct/harass/delay the interview of himself or of another person; mentioned in Section 33 (f) hereof; or
- c. to refuse/prevent/obstruct/harass/delay the signing, by himself or another person, of the certificate as to the manner the visitorial activities were conducted; mentioned in Section 34 (e) hereof.

John Jay Park

SEC. 40. Unlawful acts and omissions relative to the gathering of data/evidence. - It shall be unlawful -

- a. for any person to whom a *subpoena* or *subpoena duces tecum* has been issued, to refuse/fail to comply with the *subpoena* or *subpoena duces tecum* issued by the authorized official of PSB; or to refuse to be sworn to prior to giving of testimony; or to refuse to answer pertinent questions; or to give false or misleading testimony; or to produce records, documents, papers and the like which are false, or which contain false/misleading data on a material respect; mentioned in Section 36 (b) hereof; or
- b. for any covered firm to refuse/fail to submit on time, the required report, data, document, paper or the like; or to submit a report, data, document, paper or the like which is false/incomplete/blurred, or which contains a false/misleading data on a material respect; mentioned in Section 36 (c) hereof.

SEC. 41. Schedule of Sanctions/Penalties. - the following contains a listing of the various offenses mentioned in Section 38 hereof with their corresponding sanctions/penalties taken from E.O. 913 and Ministry Order No. 69. Said Schedule may be used by PSB when conducting the Mediation Stage of an administrative case, and by the DTI Office of Legal Affairs (OLA) when conducting the Hearing and Decision Stage of the administrative case:

Violation	Penalty/Sanction:
a. Engaging in or transacting business by a firm, operating either as a main, sole, or branch office, without prior accreditation.	<ul style="list-style-type: none"> • Issuance of cease and desist order for the non-continuance of operation and a monetary fine of Php50,000.00
b. Misrepresentation by a firm that it has a subsisting accreditation.	
c. Using a subsisting accreditation by another with authority from an accredited firm.	

Violation	Penalty/Sanction:		
	First Offense	Second Offense	Third Offense
d. Failure to display the valid and original copy of Certificate of Accreditation as required by Section 17 hereof.	Stern warning from PSB and violator's submission of a written voluntary assurance of compliance or discontinuance of the violation committed	Fine of Php 1,000.00	Revocation of accreditation certificate
e. Transacting business through an accredited firm's representative without the required PSB I.D. as provided in Section 28 hereof.			

[Handwritten signature]

Violation	Penalty/Sanction:	
	Period of Delay:	Amount:
f. Refusal/Failure to comply with any of the obligations mentioned in Rule VII hereof, or the submission under said Rule of report/s, document/s or paper/s which are false, or which contain false/misleading data.	1. Delay in the submission of a report not exceeding two (2) months from due date	P 1,000.00
	2. Delay exceeding two (2) months but not exceeding four (4) months	2,000.00
	3. Delay exceeding four (4) months but not exceeding six (6) months	4,000.00
	4. Delay exceeding six (6) months but not exceeding eight (8) months	6,000.00
	5. Delay exceeding eight (8) months but not exceeding ten (10) months	8,000.00
	6. Delay exceeding ten (10) months but not exceeding one (1) year	10,000.00
	7. Delay beyond one (1) year period	P12,000.00 and suspension of PSB accreditation for six (6) months
	8. Non-compliance or submission of false/misleading reports	10,000.00

Violation	Penalty/Sanction:		
	First Offense	Second Offense	Third Offense
g. Misrepresentation by the applicant, of any material fact in obtaining the accreditation, or any other certification/s or documents.	Fine: If NVOCC = Php40,000.00	Fine: If NVOCC = Php200,000.00	Revocation of accreditation certificate
	If IFF = Php20,000.00	If IFF = Php100,000.00	
	If DFF = Php2,500.00	If DFF = Php12,500.00	
h. Transferring or authorizing of an accredited firm to another, in whatever manner, its accreditation.	and submission of written voluntary assurance of compliance or discontinuance of the violation committed	and suspension of accreditation for a minimum of 6 months but not more than one year	
i. Refusal or failure of an accredited firm to comply with lawful orders/administrative issuances and/or circulars of PSB.			

Signature


j. Violation by covered firm of the Code of Conduct and Ethical Standards for Freight Forwarders mentioned in Section 35 (e) hereof.		
k. Overcharging.		
l. Collecting and charging of fees not prescribed by PSB.		
m. Failure to deliver cargo as required in the transport document.		
n. Failure to deliver cargo to its rightful owner.		
o. Failure to comply with its contractual obligation to the shipper.		
p. Grant of Rebates.		
q. Delinquent freight forwarders.		

SEC. 42. Modes of commencing administrative adjudication proceedings. - Administrative adjudication proceedings for offenses under this Order shall be commenced either:

- a. by PSB motu proprio, by issuing a Formal Charge to and against the offender; or
- b. by any other person, by filing with the PSB a sworn/verified Complaint.

SEC. 43. Mediation: three (3) types of decision renderable by the Director of PSB. - In either of the two (2) modes above, the PSB shall conduct a Mediation of the case. During the Mediation Stage, the Director of PSB may render the following types of Decision:

- a. Decision based on a Compromise Agreement between the Complainant (PSB or any person) and the Respondent. This type of Decision is immediately executory and cannot be appealed.
- b. Decision based on a Voluntary Undertaking. In this particular situation, the Respondent offers a written Voluntary Undertaking to the Director of PSB. If the latter finds the same to be meritorious, he may render decision quoting therein the Voluntary Undertaking, stating that it is accepted by PSB under Section 6 (b) of E.O. 913, and stating further that judgment is rendered in accordance with the terms and conditions of the Voluntary Undertaking. This type of decision is immediately executory and cannot be appealed.
- c. Decision based on admission by the Respondent of all the allegations of the Formal Charge/Complaint. Here, the Director of PSB shall impose appropriate and reasonable sanctions/penalties provided in E.O. 913 and

 paper 20

M.O. 69. This type of decision shall be final unless appealed to the DTI Adjudication Officer within ten (10) days from receipt of the decision. The execution of this decision shall be as provided in M.O. 69 as amended.

SEC. 44. Elevation of case. - If Mediation fails or the Respondent does not admit all the allegations in the Formal Charge/Complaint, the PSB shall elevate the case, through a Memorandum of Transmittal to OLA for the conduct of the second stage (Hearing and decision Stage) of the System. In elevating the case, there is no need of filing with OLA a Statement of Violation.

SEC. 45. When summons not necessary. - When the Respondent has appeared in the Mediation Stage, either in compliance with the directive in the Formal Charge/Notice of Hearing or voluntarily even without receiving the Formal Charge/Notice of Hearing, jurisdiction over his person is already acquired, hence there is no more need for OLA to send summons to the Respondent when the case is thus elevated.

SEC. 46. Probable cause rule. - In Section 16 of M.O. 69, the "probable cause" rule shall be followed in lieu of the "*prima facie*" rule.

SEC. 47. Additional powers. - In addition to the powers already vested in Bureau Directors and Mediation Officers under M.O. 69, the Director of PSB and PSB Mediation Officers shall have the power provided in Section 59 (re - contempt) of M.O. 69 and the powers to administer oaths and affirmations and issue *subpoena* and *subpoena duces tecum*.


RULE XII
TRANSITORY PROVISIONS; RMC;
SECRETARY'S APPROVAL; REPEALING AND EFFECTIVITY
CLAUSES

SEC. 48. Transitory provisions. - (a) All existing Certificates of Accreditation and PSB IDs issued under PSB Administrative Order No. 2, Series of 1996 shall continue to be effective until they reach their respective expiry date. However, they shall henceforth be governed by this Order as to other matters.

(b) All applications for accreditation pending on the date this Order takes effect shall be processed on the bases of the criteria/standards, documentary requirements, and fees provided under PSB Administrative Order No. 2, Series of 1996. But the processing procedure that shall be followed is that provided in Rule III of this Order. None of said applicants shall be deemed accredited already under the "automatic accreditation" provisions of PSB AO2.

SEC. 49. RMC. - The Registration & Monitoring Committee (RMC) shall continue to exist pending the creation by Executive Order of an advisory committee with a membership coming from both the public and private sectors: provided, however, that the RMC shall henceforth perform only purely advisory/consultative/recommendatory duties.

SEC. 50. Secretary's approval. - Section 36, Book IV of the Administrative Code of 1987 requires that Administrative Orders of line bureaus like PSB shall be submitted to the Secretary concerned for approval in order that said Orders shall be effective. With the Secretary of Trade and Industry's approval of this Order, it shall be deemed

 21

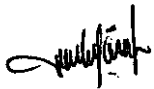
that the delegations contained in Sections 41 to 47 of this Order are his delegations, and that said Sections 41 to 47 are his amendments to M.O. 69, and in view thereof, this Order shall be published in two newspapers of general circulation in compliance with Section 3 of E.O. 913, and not in just one newspaper as provided in Section 18, Book I of the Adm. Code of 1987.

SEC. 51. Repealing clause. – PSB Administrative Order No. 2, Series of 1996 is hereby repealed. All other issuance of parts thereof which are inconsistent with this Order are hereby repealed or amended accordingly.

SEC. 52. Effectivity. – This Order shall take effect fifteen (15) days after its publication in full in two (2) newspapers of general circulation while compliance with the capitalization requirement mentioned in Section 4(A)(2) shall be made within two (2) years from the effectivity of this Order.

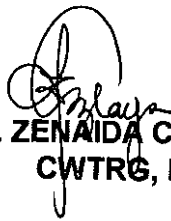
Done in Makati City this 25th day of NOVEMBER, 2005.

APPROVED:

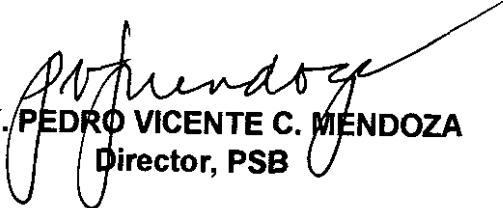


PETER B. FAVILA
Secretary, DTI

RECOMMENDING APPROVAL:



USEC. ZENAIDA C. MAGLAYA
CWTRG, DTI



ATTY. PEDRO VICENTE C. MENDOZA
Director, PSB



GARMENTS AND TEXTILE IMPORT SERVICES RULES AND REGULATIONS

Pursuant to Sections 1 and 2 of Executive Order No. 285, in conjunction with the pertinent provisions of Executive Order No. 292 (Administrative Code) and Executive Order No. 133, and for efficient administration and proper execution of the laws, the following are the Garments and Textile Import Services (GTIS) Rules and Regulations:

RULE 1

TITLE, CONSTRUCTION AND DEFINITION

SECTION 1- TITLE

These shall be known as the *Garments and Textile Import Services Rules and Regulations*, implementing the provisions of Department Administrative Order No. 07, devolving the import-related functions of Garments and Textiles Export Board (GTEB) to a One-Stop Shop for Garments Lodged Under the Bureau of Export Trade Promotion.

SECTION 2 - CONSTRUCTION

These rules shall be liberally construed in order to promote its objectives, facilitate export, and assist exporters in the manufacture and export of garments from the Philippines.

SECTION 3- DEFINITION OF TERMS

For purposes of these Rules, the following shall be defined:

- a. **Garments and Textile Import Services (GTIS) Division hereinafter known as the GTISD** - a division created under the One-Stop-Shop for Garments of the Bureau of Export Trade Promotion who shall perform and exercise the functions and authority of the GTEB relative to the issuance of license to import raw materials, license to operate Bonded Manufacturing Warehouse (BMW)/ Common Bonded Manufacturing Warehouse (CBMW), accreditation of garment exporters as member of CBMW and accreditation/ registration of subcontractors.
- b. **GTIS Special Committee hereinafter known as GTIS-SC** - A special committee created under Department Administrative Order No. 07 composed of the Department Secretary, as Chair and the Supervising Undersecretary for International Trade and the Supervising Undersecretary for Industry and Investments Group, as members. The GTIS-SC shall act as the policy-making body of the Department on all import-related matters.

Office of the Secretary

- c. **GTIS Inter-Agency Executive Committee hereinafter known as the GTIS IA Excom-** A committee composed of the Executive Director of the Infrastructure and other Industrial Goods Department, as Chairman, Assistant Director of the Bureau of Export Trade Promotion-Product Group and Deputy Executive Director of the Export Development Council, as members. The GTIS IA Excom shall oversee the operation of the GTISD and ensure that all actions of the GTISD are in conformity with the rules and regulations on import-related services.
- d. **Accreditation** - Procedure set by the GTIS-SC whereby an exporter becomes a member of a CBMW or a subcontractor becomes eligible to undertake a subcontracting job for a garment manufacturer.
- e. **Bonded Manufacturing Warehouse** - Includes the premises, rooms, compartments and other areas necessary for storing, processing and manufacturing of imported raw materials, accessories, supplies, under bond and by-products or wastages incident thereto.
- f. **Bonded Manufacturing Warehouse (BMW) License-** Authority granted to a person, firm or corporation to operate a *Bonded Manufacturing Warehouse*.
- g. **Common Bonded Manufacturing Warehouse (CBMW) License** - Authority granted to a BMW operator person, firm or corporation to service the importation requirements of garment exporters which are not BMW operators.
- h. **Consignment Basis** - Method of importation and/or local procurement whereby a foreign principal buyer consigns raw materials, accessories and supplies, free of charge, to local garment manufacturer-exporter who shall assume responsibility for its manufacture into finished garments to be exported to specified buyers abroad.
- i. **Days-** Calendar days.
- j. **Direct Purchase-** Method of importation and/or local procurement whereby a manufacturer-exporter pays for the new raw materials, accessories, and supplies. The title to the imported and /or locally procured materials is vested in the manufacturer-exporter.
- k. **Export Performance-** Actual exports made in a year/ period supported by proofs of shipment such as bill of lading or airway bills.
- l. **Import License** – Authority issued to manufacturer-exporter to import tax and duty free regulated raw materials, accessories and supplies for the manufacture and export of textile and/ or textile products, without need of further endorsement from other government agencies.
- m. **Import License Value-** Value of raw materials that may be imported by a manufacturer-exporter against a particular import license under the bulk importation scheme.
- n. **Job-Order-** The method of importation where raw materials, accessories, and supplies may be imported based on specific export order(s).
- o. **Liberalized System of Importation (Bulk Importation)-** Method of importation where raw materials, accessories, and supplies may be imported in bulk to enable the manufacturer-exporter to stock desired materials that may be used in the manufacture and export of textiles and /or textile products.

- p. **Local Value Added (LVA)**- F.O.B. value less cost of imported raw materials, accessories, and supplies.
- q. **Garment Manufacturer-Exporter**- Person, firm or corporation duly registered with the GTIS-SC which manufactures textiles and/or textile products for export.
- r. **Operator**- Manufacturer-exporter who operates a Bonded Manufacturing Warehouse or Common Bonded Manufacturing Warehouse.
- s. **R.A. 3137 (Bulk Importation)**- Act authorizing a manufacturer-exporter licensed by the Embroidery and Apparel Board to receive consigned raw materials from foreign principal with the condition that the same shall be manufactured into finished textiles and/or textile products and exported to the buyer designated by the principal abroad.
- t. **Raw Materials, Accessories, and Supplies**- Textiles and related materials, such as, but not limited to, fabrics, (in precut or continuous forms), yarns, leather materials, trimmings, accessories and supplies necessary for the manufacture and export of garments. These do not include remnants.
- u. **Subcontractor**- Person, firm or corporation who performs any production process for a manufacturer or exporter.

SECTION 4- COVERAGE- These rules and regulations shall govern:

- a. Issuance of license to garment exporters to import tax and duty free raw materials under a bonded warehousing system.
- b. Issuance of license to garment exporters to operate a Bonded Manufacturing Warehouse (BMW).
- c. Issuance of license to garment exporters to operate a Common Bonded Manufacturing Warehouse (CBMW).
- d. Accreditation of garment exporters applying as members of a CBMW for tax and duty free importation of materials.
- e. Accreditation and registration of subcontractors for purposes of moving bonded raw materials from BMWs/CBMWs for a specific manufacturing process.

RULE II

BONDED MANUFACTURING WAREHOUSE (BMW)

SECTION 1- REQUIREMENTS

The following are the requirements for application for operation of a bonded manufacturing warehouse (BMW):

- a. Track record of annual FOB US\$1.0 M Export Sales (actual or projected).
- b. Capacity to produce annual export sales of US\$1.0 M either In-house or through subcontractors
- c. Confirmation of orders by principals/buyers.

- d. Submission of plan (blueprint) of the proposed BMW showing and describing the size, layout and location of the proposed premises.
- e. Must have no previous record of violation of the Tariff and Customs Code nor any pending case for violation of the GTIS-SC, or of its precursor agency, and Bureau of Customs (BOC) Rules and Regulations.

SECTION 2- CONDITIONS

The following are the conditions for the operation of a BMW:

- a. All garment and apparel articles manufactured in whole or in part out of bonded raw materials and intended for exportation may be manufactured in whole or in part in a bonded manufacturing warehouse; provided that the manufacturer-exporter of such articles has secured a permit from the GTIS-SC to operate such warehouse and has posted a bond from a reputable bonding company acceptable to the Bureau of Customs guaranteeing faithful compliance with all laws, rules and regulations applicable thereto.
- b. Extension and expansion of a BMW shall be licensed only if the established capacity of the present facility has been utilized.
- c. A BMW license shall be valid for a period of two (2) years and shall be renewable every two (2) years.
- d. A BMW shall pay the following fees:
 1. Filing fee of P500.00.
 2. P5,000.00 fee upon issuance of the BMW license or any extension of such warehouse.

SECTION 3- RENEWAL

A BMW license may be renewed upon compliance with the requirements and conditions provided under the Sections 1 and 2 of this rules and regulations and upon payment of the following fees:

1. Renewal fee of P5,000.00 to be paid upon approval of its application for renewal of BMW license.
2. Extension/Renewal fee of P5,000.00 for every BMW extension.

The GTIS-SC shall have the prerogative to waive compliance with any of the foregoing conditions in meritorious cases. In the event that the BMW operator fails to comply with the requirements for renewal of the BMW license due to meritorious reasons, it may be given a period of two (2) years within which to comply with the said requirements. During this period the GTIS-SC may allow the continuous operation of the BMW upon payment by its operator of a forbearance fee of Ten Thousand Pesos (P10,000.00).

RULE III
COMMON BONDED MANUFACTURING WAREHOUSE (CBMW)

SECTION 1. REQUIREMENTS. The following are the requirements for the issuance of a CBMW license;

- a. The applicant manufacturer-exporter shall submit a plan (blueprint) of the proposed CBMW showing and describing the size, layout and location of the proposed premises.
- b. Applicant manufacturer-exporter and its principal officers and/or directors must have no previous record of violation of the Tariff and Customs Code nor any pending case for violation of GTIS-SC, or of its precursor agency, and BOC Rules and Regulations. The GTIS-SC may order an audit of the manufacturer-exporter and its stockholders should it deem necessary.
- c. Applicant manufacturer-exporter shall undertake that the construction of the CBMW is in conformity with the specifications as required by the GTIS-SC and BOC.
- d. Applicant manufacturer-exporter shall be required to submit a viability study containing information on the following aspects of its operation;
 1. Organizational data on management structure.
 2. Data on personnel, operational and control procedures, plant facilities/warehouse specifications, machineries, services offered to members and service rates.
 3. Financial Statements and ratio including assumptions used as bases of projections.
 4. Marketing Data on potential clients or accredited member.

SECTION 2- A CBMW shall pay the following fees:

- a. Filing fee- P1,000
- b. P50,000 fee upon issuance of CBMW license.
- c. P2,500 annual fee.

SECTION 3- CONDITIONS

CBMW may operate under the following conditions:

- a. The CBMW operator shall pay a CBMW license fee of Fifty Thousand Pesos (P50,000.00) upon the issuance of a license to operate a CBMW or any extension thereof.
- b. The CBMW operator shall apply with GTIS-SC for the accreditation of its proposed members.
- c. The CBMW operator shall secure an Import License (IL) from GTIS-SC prior to the importations of raw materials for the account of its accredited members.
- d. The fabrics imported by the CBMW operator for the account of its accredited members must be cut-to-pattern or panel cut as approved by BOC prior to the release therein to the accredited members.

- e. The CBMW operator shall be directly responsible for the liquidation of all raw materials imported through its CBMW.
- f. The CBMW facilities shall be used solely to service the importation requirements of its accredited members.
- g. The transfer of imported raw materials, accessories, and supplies in the following instances shall require prior approval from BOC
 - 1. Transfer of materials imported by the CBMW operator through its own BMW to any of its accredited members.
 - 2. Transfer from one accredited member to another
- h. The CBMW operator shall pay an annual fee of P2,500.00 not later than end of 1st quarter of the year.
- i. The CBMW license shall be valid for as long as the CBMW operator complies with the foregoing conditions.
- j. A CBMW operator desiring to discontinue the operations of its CBMW shall file written application with the GTIS-SC.

SECTION 4- ACCREDITATION OF MEMBERS OF CBMW

Manufacturer-exporter who are not BMW operators may import raw materials, accessories, and supplies to be manufactured into textiles and/or textile products for export through CBMW. Provided that the garment firms are duly accredited with the GTIS-SC as manufacturer-exporter and accredited members of the CBMW through which the importation shall be made.

SECTION 5- CONDITIONS FOR ACCREDITATION

A CBMW Accreditation is subject to the following conditions:

- a. Documentary requirements
 - 1. A plan showing and describing the size, layout, and location of the premises of the intended member;
 - 2. Records to update requirements for registration as manufacturer-exporter.
- b. Terms and Conditions
 - 1. Applications for the accreditation of member of CBMW shall be filed with the GTIS-SC by the CBMW operator.
 - 2. A manufacturer-exporter shall at any one time be accredited with only one common bonded manufacturing warehouse.
 - 3. The accredited member shall pay an accreditation fee of P500.00.
 - 4. The accredited member shall maintain at all times in its place of business and make available for inspection its books of accounts and records of imported materials.
 - 5. The warehouse/place of business of the accredited member shall be made accessible to all authorized GTIS-SC officials or representatives upon presentation of an approved mission order or proper demand for ocular inspection.

6. The accredited member shall secure the materials imported through the CBMW against pilferage and loss thru fires, floods, and other such occurrences.
7. The imported raw materials shall be cut-to-pattern or panel cut (requires BOC approval) in the CBMW prior to release to the accredited member.
8. The GTIS-SC shall conduct periodic inspections of the facilities of the CBMW.
9. The transfer of imported raw materials in the following instances shall require prior approval from the BOC.
 - a. The transfer of imported materials by the CBMW operator through its own BMW to any of its accredited member.
 - b. Transfer of imported raw materials from one accredited member to another.
10. The accredited member shall not issue materials to subcontractors who are not registered with the GTIS-SC.
11. The list of raw materials previously approved by the GTIS-SC may be updated by the CBMW operator should any other raw material not originally on the list be needed.
12. The accreditation of a member of a CBMW which has not applied for nor effected importation within a minimum period of twelve months shall be considered cancelled without prejudice to filing another application for accreditation.
13. A Letter of No Objection from CBMW operator may be required to terminate membership of the CBMW member.
14. The GTIS-SC shall have the prerogative to waive compliance with any of the foregoing conditions in meritorious cases.
15. The GTIS-SC reserves the right to cancel for just cause the accreditation of any member violating any of the provisions of this Rules and Regulations.

RULE IV REVOCATION OF BMW/CBMW LICENSE

SECTION 1- REVOCATION OF BMW/CBMW LICENSE

The license to operate a BMW/CBMW may be revoked on grounds of non-compliance with the requirements and conditions for the establishment and operation of the BMW/CBMW.

SECTION 2- SURRENDER OF BMW/CBMW LICENSE

License to operate BMW/CBMW may be surrendered upon application with the GTIS-SC by its operator before the expiration of the existing license.

SECTION 3- PROCEDURES WHEN BMW/CBMW LICENSE IS REVOKED/ SURRENDERED

The following rules shall be applied in the event the license to operate a BMW/CBMW is revoked by the GTIS-SC or otherwise surrendered by the operator.

1. Importation of raw materials made through a BMW/CBMW by an operator whose license is revoked shall be limited to balances of import licenses issued prior to revocation and shall be effected within the validity period of the corresponding import licenses or within six months from date of revocation, whichever comes later. Provided that the importation shall be subject to the rules and regulation on exportation and liquidation of imported materials. Provided further, that the exportation period shall not be extendible
2. An inventory of the materials imported and stored in the BMW/CBMW shall be conducted jointly by representatives from GTIS-SC/ BOC Audit Team, after the exportation period of the last importation has expired. Provided that the GTIS-SC may require all bonded goods remaining in the warehouse to be placed under the Customs guard and subject such to all terms and conditions that the GTIS-SC may require.

A motion for reconsideration of the GTIS-SC's revocation may be filed with the GTIS-SC on or before the expiration of the validity date of the last Import License issued prior to the revocation of the BMW/CBMW license. Subject manufacturer-exporter shall submit within the period prescribed herein proofs of compliance with the requirements/criteria used as basis for the GTIS-SC decision.

SECTION 4- AUDIT OF BMW/CBMW

The GTIS-SC/BOC Audit Team shall conduct a regular audit of the operations of the BMW/ CBMW operators for purposes of monitoring imported materials and determining compliance with this Rules and Regulations.

The GTIS-SC shall refer to the BOC any common/bonded manufacturing warehouse operator who failed to account for all imported materials.

RULE V ACCREDITATION/REGISTRATION OF SUBCONTRACTORS

The manufacturer-exporter can accredit and at the same time register its subcontractor. .

SECTION 1- ACCREDITATION

The following are qualified to be accredited with the GTIS-SC as subcontractor:

- a. Manufacturer-exporter duly registered with the SEC and/or the DTI and who manufactures and exports textile and textile product.
- b. Garment firm duly registered with the SEC and/or the DTI.

SECTION 2- ACCREDITATION REQUIREMENTS- A certificate of accreditation shall be issued by the GTIS-SC to qualified subcontractors after satisfying the following requirements:

- a. Duly accomplished Application Form
- b. Copy of the Business Name Registration certificate
- c. SEC Registration certificate
- d. Articles of Partnership/Incorporation
- e. Mayors Permit or Certificate of Registration under R.A. 6810
- f. Location map
- g. List of machines
- h. Ocular inspection conducted by GTIS-SC or Regional/Provincial DTI Representative on the facilities of the applicant firm.
- i. Filing fee of P100.00
- j. Acceptance of Terms and Conditions for Accreditation

The Certificate of Accreditation shall be valid for one (1) year from the date of issue.

SECTION 3- REGISTRATION

Only the manufacturer- exporter who shall avail of the services of a duly accredited subcontractor can register it with the GTIS-SC.

SECTION 4- REGISTRATION REQUIREMENTS

A certificate of registration shall be issued by the GTIS-SC after satisfying the following requirements:

- a. Duly accomplished Application Form
- b. Certificate of Accreditation as Subcontractor
- c. Annual registration fee of P50.00.

The Certificate of Registration issued shall be co-terminus with the validity of the subcontractors accreditation.

SECTION 5- OCULAR INSPECTION- Applicant firm shall be subject to ocular inspection.

RULE VI IMPORT LICENSING OF RAW MATERIALS

SECTION 1- RAW MATERIALS

Importation of raw materials, except accessories and supplies shall be covered by an Import License issued by the GTIS-SC. Importation of raw materials for sample purposes exceeding P10,000.00 or its equivalent in US dollars shall require prior GTIS-SC approval.

SECTION 2- QUALIFICATION

Only the following manufacturer-exporter shall be allowed to import, tax and duty free, raw materials, accessories and supplies.

- a. Bonded Manufacturing Warehouse/ Common Bonded Manufacturing Warehouse operators
- b. Accredited members of a Common Bonded Manufacturing Warehouse Operators.

SECTION 3- IMPORTATION SCHEMES

Every manufacturer-exporter, except those operating in the Export Processing Zone, may apply with the GTIS-SC for a license to import raw materials under the following schemes:

A. Job-Order Scheme

Qualified to import under the Job-Order Scheme:

1. New BMW operators and CBMW members
2. BMW operators and CBMW members with less than nine (9) months track record of exportation of imported raw materials

B. Liberalized System of Importation (Bulk Importation)

Qualified to import under the LSI Scheme are BMW operators and CBMW accredited members with at least nine (9) months track record of exportation of imported raw materials.

A firm importing under the Job-Order Scheme which achieves said track record shall automatically be shifted to the LSI scheme.

C. R.A. 3137 (Bulk Importation)

Qualified are BMW operators licensed by the Garments and Textile Export Board, or by its precursor agency, the Embroidery and Apparel Control and Inspection Board, and those BMW operators that may be qualified and licensed henceforth.

SECTION 4- REQUIREMENTS

The following documents shall be submitted upon application for an Import License:

A. Job-Order

1. Duly accomplished application form
2. Duplicate original copy of Proforma Invoice
3. Duplicate original copy of Purchase Order
4. Computation of consumption of raw materials
5. Computation of Foreign Exchange Realizable
6. Sketch/ sample of the export product to be manufactured

B. Liberalized System of Importation/ R.A. 3137 (Bulk Importation)

1. Duly accomplished application form
2. Latest notarized report on inventory and usage of raw materials

SECTION 5- BASIS FOR APPROVAL AND ISSUANCE OF IMPORT LICENSE

The following shall be the bases for the approval and issuance of an import license:

A. Job- Order

1. Existence of confirmed export order

B. Liberalized System of Importation / RA 3137 (Bulk Importation)

The value of an import license to be issued under the bulk importation scheme shall be based on the Import License Value (ILV). The ILV, which shall be derived from the inventory report, shall be computed as follows:

$$ILV = X - \{Y + Z\}$$

Where X= Value of imported raw materials re-exported during the twelve-month period immediately preceding the date of application.

Y= Value of inventory of imported raw materials, accessories and supplies not yet exported.

Z= Value of unutilized import licenses

C. RA 3137 (Bulk Importation)

The value of the import license to be issued under the RA 3137 scheme shall also be based on the Import License Value (ILV) computed as follows:

$$ILV = 1.5 X - (Y + Z)$$

Where X= Value of imported raw materials re-exported during the twelve-month period immediately preceding the date of application.

Y= Value of inventory of imported raw materials, accessories and supplies not yet exported.

Z= Value of unutilized import licenses

A manufacturer- exporter whose ILV is insufficient (less than US\$500.00) or negative may file a request for import license under the bulk importation schemes provided the request is supported by export projections covered by confirmed export orders or letter of credit.

A manufacturer- exporter may apply for a new import license under the bulk importation schemes provided it meets any of the following conditions:

1. Utilization of at least two-thirds (2/3) of previous import license, or
2. One month before the expiry of previous import license which has only been partially utilized.

D. Importation of Pre-Cut Fabrics

Garment exporters may import pre-cut fabrics subject to submission of the following:

1. Letter-request to GTIS-SC to import pre-cut goods with justification.
2. Sample of pre-cut goods
3. Copies of Purchase orders and Pro-forma Invoices
4. Manufacturing Process
5. Sample or Sketch of Finished Goods
6. Import License where to charge the importation of pre-cut goods.
7. BOC Certification as to the balance of the IL where the importation of pre-cut goods shall be charged.

If said garment exporter is importing under the LSI scheme, the value of pre-cut fabrics that may be granted by GTIS-SC shall be charged to the balance of the IL at the time of request. Firm is required to submit a BOC Certification as to the balance of the IL where the importation of pre-cut fabrics shall be charged.

E. Importation of Yarns

1. Requirements:

- a. Duplicate original copy of Proforma Invoice
- b. Duplicate original copy of Purchase Order
- c. Sketch/ actual sample of export product
- d. List of Subcontractors (Conversion from Yarn to Fabric and Fabric to Garments)
- e. Monthly Summary of Importation of Raw Materials
- f. Updated Inventory of Raw Materials

2. If the applicant manufacturer-exporter is importing under the LSI/ RA 3137 scheme, the value of yarns that may be granted by GTIS-SC shall be charged to the balance of the IL at the time of request. The validity of the IL

for firms importing under the LSI/RA3137 shall be the same as the validity of the IL where the importation was charged.

3. If the garment exporter is importing under the JO scheme, the validity of the IL issued for yarn importation shall be 5 months from date of issue.

SECTION 6- ALLOWANCE FOR WASTAGES

The following limits shall be used as guide in determining allowance for wastages:

Woven fabrics/ sub materials	3%
Accessories/ supplies	3%
Yarn to fabric to garments	3%/ 10%
Knitted fabrics	10%
Pre-cut fabrics	1%

SECTION 7- VALIDITY OF IMPORT LICENSE

An Import License shall have a validity period of nine (9) months from date of issue and shall not be extendible. Imported raw materials must arrive at the port of entry within the validity period of the Import License, otherwise, the same shall be considered as shipments without valid license.

SECTION 8- AMENDMENT OF IMPORT LICENSE

The importer shall file with GTIS-SC a request for an amendment prior to actual importation or arrival of goods in case of any change in the quantity, price, description, construction and width of the raw materials and of supplier.

SECTION 9- REPORTORIAL REQUIREMENTS

All manufacturer- exporters shall submit to GTIS-SC an updated Notarized Report on the Usage and Inventory of Raw Materials. The report shall contain the value of approved import licenses, inventory and export/ utilization of raw materials.

Manufacturer-exporters importing under the job-order scheme are required to submit the report on a quarterly basis while those importing under the LSI or RA 3137 schemes are required to submit the report upon application for an import license.

SECTION 10- ENTRY AND LIQUIDATION OF RAW MATERIALS SHALL BE SUBJECT TO THE PERTINENT RULES AND REGULATIONS OF THE BUREAU OF CUSTOMS.

**RULE VII
EFFECTIVITY**

Section 1- Effectivity

These rules shall be effective starting January 01, 2006 after its publication in one newspaper of general circulation.

Section 2- Transitory Provision

License to import raw materials, license to operate Bonded Manufacturing Warehouse/ Common Bonded Manufacturing Warehouse and accreditation of subcontractors previously issued by the GTEB are hereby recognized during their period of validity.

Application for import licenses, new and/or renewal of BMW/CBMW licenses, accreditation as member of CBMWs and accreditation/registration of subcontractors shall be filed with the GTIS-SC effective January 1, 2006.

Section 3- Consultation with Industry Associations

The GTIS-SC shall consult the garment industry, through its various associations, on all policies, amendments and/or procedures, which are not stipulated in these Rules and Regulations. All new policies, procedures and/or amendments shall be published in at least one newspaper of general circulation, posted at the GTIS-SC Bulletin Board, and sent to all industry associations.

In all cases, any policy, procedure and/or amendment to be adopted shall take effect fifteen (15) days after date of publication.

Section 4 – Reservation Clause

Nothing herein shall be construed as precluding the GTIS-SC from enforcing these Rules, in conducting inspection, investigation, evaluation, assessment and operations audit of the activities enunciated herein, and in prescribing other requirements.

Section 5 – Separability Clause

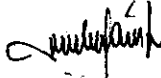
If, for any reason, any section or provision of these Rules is declared null and void by the competent authority, no other section, provision, or part thereof shall be affected, and the same shall remain in full force and effect.

Section 6 – Repealing Clause

All previous Rules and Regulations inconsistent herewith are hereby repealed, amended, or modified accordingly.

Done this 27th day of December 2005.

Makati, Metro Manila


PETER B. FAVILA
Secretary

TF