

2010 AMENDED RULES AND REGULATIONS LOCALLY GROWN LEAF TOBACCO

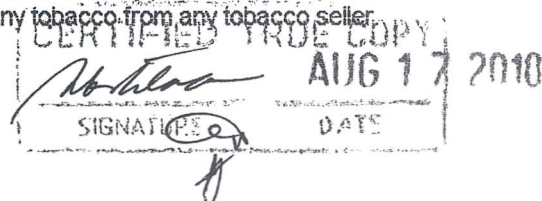
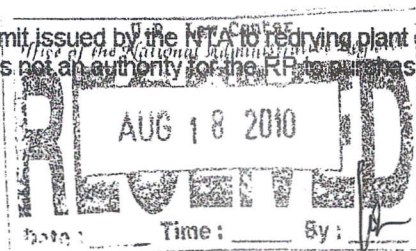
GOVERNING THE TRADING AND REDRYING OF

Pursuant to the authority vested to the National Tobacco Administration (NTA) by virtue of Executive Order No. 245, Section 32 of Presidential Decree No. 1481, and Section 5, paragraph (c) of Presidential Decree No. 1143, the following rules and regulations governing the trading of locally grown leaf tobacco are hereby promulgated, for the information and guidance of all concerned.

REGULATION I - GENERAL PROVISIONS

Rule. 1. Definition of Terms - As used in these Rules and Regulations:

- a. Accountable Record/Columnar Book (ARCB) - refers to an accountable book assigned to each TC to be used by the NTA designated inspector in recording tobacco acceptances.
- b. Administrator - refers to the Chief Executive Officer of the NTA.
- c. Batek/Udlot/Tugko - refers to the upper leaf of a native/dark leaf tobacco produced in the Visayas and Mindanao regions.
- d. Branch Office Tobacco Production and Regulation Officers - refers to the branch office employees who are tasked to implement these rules and regulations.
- e. Burley/Bright Air-Cured Leaf Tobacco - refers to a type of tobacco, which undergoes air-curing processes and is used as blending material in the manufacture of cigarettes and cigars.
- f. Central Office Tobacco Production and Regulation Officers (CO-TPROs) - refers to the central office employees who are tasked to formulate, recommend and monitor the adoption/implementation of rules and regulations governing the trading of locally grown leaf tobacco.
- g. Certificate of Authority (COA) - refers to a written authority issued by the NTA to an FR, either independent or acting as agent of a TC, to gather, collect, purchase and/or deliver the leaf tobacco produce of the tobacco farmer-producers.
- h. Certificate of Inspection (COI) - refers to a serially numbered certificate issued by the NTA to TC/WTD/RP/CM for the actual inspection of tobacco delivered, accepted and/or shipped.
- i. Certificate of Purchase (COP) - refers to a serially numbered accountable form to be accomplished by the FR which identifies the leaf tobacco gathered/collected/purchased from the tobacco farmer-producer and delivered to the duly licensed TC, indicating the date of purchase, name of the farmer-producer, name of buyer, place of origin, volume and value of each grades and the total purchase price, and attached to the PIV.
- j. Cigar/Cigarette Manufacturers (CMs) - refers to a local entity engaged in the manufacture of cigars and cigarettes for domestic and international consumptions, and duly licensed by the NTA to purchase leaf tobacco from the WTD/s.
- k. Competitiveness Enhancement Fee (CEF) - refers to the fee paid by the CMs for actual purchases of locally grown tobacco to support the production of quality Philippine tobacco to be globally competitive.
- l. Composite Team - refers to a group of NTA officials created by the NTA Administrator with the primary function to review/study and recommend specific modification/action of these rules and regulations and/or the systems and procedures, in coordination with the Regulation Department.
- m. Deputy Administrator for Operations (DAOP) - the second highest official of the NTA who is tasked to assist the NTA Administrator in the effective enforcement and implementation of these rules and regulations.
- n. Dry Weight - weight of tobacco after undergoing re-drying process.
- o. Farmer-Cooperator (FC) - refers to a tobacco farmer, individually or as member of a cluster who had been contracted to produce tobacco by a WTD/TC under a Memorandum of Agreement.
- p. Farmer Leader (FL) - refers to any person, who must be a tobacco farmer himself/herself, duly designated by the principal buyer to supervise the members of his/her cluster in the production and marketing of their tobacco produce.
- q. Field Representative (FR) - refers to any person, either acting as agent of a TC or operating independently, including "viajeros", who is duly authorized by the NTA to gather/collect/purchase the leaf tobacco produce of the farmer outside the TC and deliver the same to the TC. A farmer leader who delivers tobacco more than the estimated production of his cluster at the maximum volume of production, per hectare, as hereinafter provided, and/or any person who merely gives financing assistance to his cluster members is likewise considered as a Field Representative.
- r. Financial Guarantee - refers to a duly notarized written undertaking by a WTD that the TC operating under its Purchase Commitment is financially qualified and capable and assumes the payment of all the leaf tobacco accepted by the TC.
- s. Green/Fresh Weight - refers to the farm-gate weight of cured tobacco and without having undergone any further processing.
- t. License to Buy - refers to a license issued by the NTA to qualified TC to buy leaf tobacco.
- u. Manos - refers to a bundle/pack of leaf tobacco containing 100 leaves per bundle/pack.
- v. Marketing Agreement (MA) - refers to the written contract by and among the NTA, the farmer-cooperator and the WTD/TC wherein the tobacco Farmer-Cooperator commits to sell his tobacco to the WTD/TC and the latter commits to purchase all the quality and/or usable tobacco produce of the former, while the NTA renders technical and marketing assistance to the FC.
- w. National Tobacco Administration (NTA) - a government agency mandated to administer and regulate the Philippine tobacco industry.
- x. NTA Board - refers to the policy-making body of the Agency.
- y. NTA Branch Office (NTA BO) - refers to any of the branch offices of the NTA located at the tobacco producing provinces and headed by a Branch Manager, which is tasked to implement and enforce this rules and regulations.
- z. NTA Classifier/Grader - refers to an NTA official/employee who had undergone training and gained expertise on tobacco grading and classification and duly assigned or designated by the NTA Administrator to supervise/monitor the classifying/grading of leaf tobacco.
- aa. Native/Dark Air-Cured Leaf Tobacco - refers to a type of leaf tobacco, which undergoes air-curing process and used as cigar filler, chewing tobacco, cigar binders/wrappers and/or substitute/alternative component of locally manufactured low-priced cigarettes.
- bb. NTA Designated Inspector - NTA personnel who is issued with a designation and authority to conduct actual inspection of all tobacco acceptances and deliveries/shipments.
- cc. Paldo - refers to a bale of leaf tobacco containing 50 to 60 kilograms of leaf tobacco.
- dd. Pack Weight - the weight of tobacco after having been packed which shall further undergo redrying process ;
- ee. Pasta - refers to the lower leaves that are shredded into three (3) millimeter wide and sold as raw material for chewing tobacco and cigarette making.
- ff. Permit to Purchase - refers to a permit issued by the NTA to WTD and CM to purchase leaf tobacco on wholesale basis from TCs or other WTDs.
- gg. Permit to Redry - refers to a permit issued by the NTA to redrying plant operator to redry/process/thresh/pack leaf tobacco of TCs or WTDs. [a permit to redry is not an authority for the FR to purchase any tobacco from any tobacco seller.



- hh. Purchase Commitment – is a duly notarized written undertaking issued by the WTD in favor of the NTA to buy or caused to be procured a quantity equal to the estimated purchases of all his/her identified contracted or independent Farmer-Cooperators or Field Representatives and to pay liquidated damages to the NTA the amount not less than ten percent (10%) of the value of the unpurchased quantity due to any reason.
- ii. Purchase Invoice Voucher (PIV) – refers to an accountable form that identifies the leaf tobacco purchased by the TC, indicating the name of farmer-seller, source of the tobacco, the weight, grade, total price per grade, total market value of the tobacco sold, time of arrival and payment of the sales proceeds of the tobacco and name and signature of TC operator/authorized representative.
- jj. Regulation Department (RD) – refers to the department of the NTA which acts as the regulatory arm of the agency.
- kk. Request For Inspection (RFI) – refers to the written request submitted by TC/WTD/RP to NTA for the inspection of every tobacco delivered/ shipped, accepted and redried.
- ll. Redrying Plant (RP) – refers to a company duly licensed by the NTA to redry, process, thresh and/or pack leaf tobacco.
- mm. Sapod/Lulang/Barot – refers to the lower leaf of a native/dark leaf tobacco produced in the Visayas and Mindanao regions.
- nn. Tabo System – refers to the leaf tobacco trading system, conducted thru an auction, at a designated place within a municipality.
- oo. Tally-In-Sheet (TIS) – refers to an NTA prescribed Form used by WTD/RP/CM for every tobacco purchased/redried.
- pp. Tally-Out-Sheet (TOS) – refers to an NTA prescribed Form used by TC/WTD/RP for every tobacco delivery/shipment.
- qq. Tobacco Farmer – refers to a person whose stock of leaf tobacco is the product of the land tilled by him.
- rr. Trading Center (TC) - refers to the place, (building or warehouse), including its accessories/facilities, which is used for buying, selling, baling, grading, weighing, paying and/or storing leaf tobacco in accordance with these rules and regulations.
- ss. Trading Rules and Regulations (TRR) – refers to the rules and regulations governing the trading, wholesale, and redrying of locally grown leaf tobacco.
- tt. Viajero – refers to a leaf tobacco buyer, other than a leaf tobacco BF/TC operator, who buys native/dark type of leaf tobacco directly from the tobacco farmer-producer and sells, delivers, transports and ships the same to other barangay/s, municipality/ies, province/s or other leaf tobacco buyers.
- uu. Virginia/Flue-Cured Leaf Tobacco - refers to a type of leaf tobacco, which undergoes flue-curing processes and used as blending material in the manufacture of cigarettes.
- vv. Wholesale Tobacco Dealer (WTD) - refers to the tobacco company which, under a purchase commitment, commits to purchase the leaf tobacco bought by the licensed TC on Wholesale Basis.

REGULATION II - JURISDICTION AND GENERAL FUNCTIONS

For the effective enforcement of these Rules and Regulations:

Rule 1. The NTA Board of Directors shall:

- a) Adopt policies in the promulgation of appropriate leaf tobacco trading rules and regulations in consultation with the management; and
- b) Adopt policies in the promulgation and prescription of tobacco grade descriptions/classifications and floor prices.

Rule 2. The NTA Administrator shall:

- a) Approve Licenses/Authority to tobacco buyers from the tobacco farmer-producers and Permit to Purchase/Redry after compliance with the requirements prescribed under these rules and regulations.
- b) Primarily responsible for the proper, effective and efficient implementation of the trading rules and regulations, particularly, on the rules relating to the proper classification and grading, accurate weighing, prompt payment and proper documentation of tobacco acceptances; and
- c) Prosecute criminal offenses and impose appropriate administrative sanctions and/or fines to erring WTD/RP/TC/FR/Tobacco Farmers for violations of the herein trading rules and regulations.

REGULATION III – NTA LICENSE TO ENGAGE IN THE TRADING OF LEAF TOBACCO BY TRADING CENTERS

Rule 1. Who May Apply For License To Buy Leaf Tobacco – Any person of legal age and having the legal capacity to enter into contract, a corporation, partnership, company, cooperative, or any other juridical entity, and duly licensed to do business in the Philippines, may apply for a License to Buy leaf tobacco from the: (1) tobacco farmer-producer/s and FCs under his/her MA; and, (2) Identified Contracted or Independent FRs, subject to the provisions of Rules 2 and 4, hereof, and after paying the required processing and licensing fees, the amount of which shall be computed on the basis of the average volume of tobacco purchases/acceptances for the last three (3) trading seasons or estimated production of his contracted FCs and purchases of his identified contracted or independent FRs for the trading season/year applied for, whichever is higher.

The amount to be paid for the processing and licensing fees shall be determined in accordance with the following table, to wit:

Volume of Tobacco Purchased/Accepted	Amount
A. For Virginia or Burley Tobacco	
250,000 kilograms and below	PhP 5,625.00(*)
250,001– 350,000 kilograms	6,750.00
350,001– 450,000 kilograms	7,875.00
Above 450,000 kilograms	9,000.00
B. Native/Dark Leaf Tobacco	
250,000 kilograms and below	PhP 1,968.75(*)
250,001– 350,000 kilograms	2,362.50
350,001– 450,000 kilograms	2,756.25
Above 450,000 kilograms	3,150.00

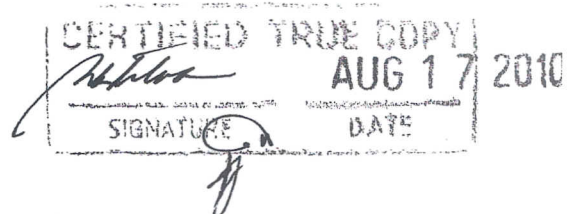
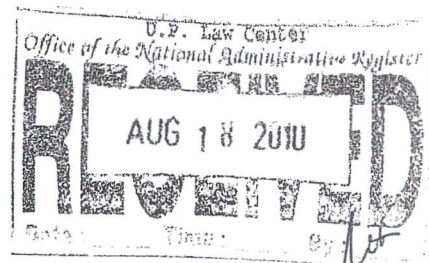
(*) covers new trading centers

Rule 2. Where And When To File Application For License To Buy Tobacco – Application for license to buy tobacco shall be filed with the NTA Administrator, through the NTA BO concerned where the TC operates. It shall be filed on or before the deadline set in a Memorandum Circular to be issued by the NTA Administrator.

A surcharge of fifty percent (50%) of the annual License / Permit Fee shall be assessed for applications filed after the deadlines set. In case of provinces/regions with no NTA BO, the application may be filed with the NTA Administrator, through the authorized TPRO deployed/assigned to the Province /municipalities concerned.

Rule 3. Requirements To Support The Application For License To Buy Leaf Tobacco - An application (RD Form No. 1) for the issuance of a License to Buy leaf tobacco, shall be filed with the Branch Office where the TC is located, and the same shall be supported by the following:

- a) Duly accomplished Information Sheet (RD Form No. 2) of the TC operator;



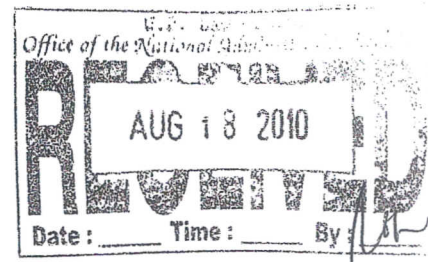
- b) Designation Order (RD Form No. 3) from the principal buyer/corporation, as the duly authorized operator of such TC, if the TC is a corporation or operates under the corporate name of a principal buyer;
- c) Clearance (RD Form No. 4) from the Branch Office as to where the trading center is located and as to the payment of R & R fees and other obligations (For renewal);
- d) Photocopy of Articles of Incorporation/By-Laws, if the applicant is a corporation (For new applicant);
- e) Photocopy of audited financial statements, and/or income Tax Returns of the TC operator or the corporation, for the two (2) past preceding calendar/fiscal year;
- f) Duly notarized financial guarantee (RD Form No. 5) issued by a WTD/PB;
- g) Vicinity/location and floor plan of the trading center, indicating its total area, location and dimension of the different service areas (For new applicant);
- h) Photocopy of the Mayor's Permit for the current year/or Proof of Payment (O.R.) issued by the municipality where Buyer applied for a Mayor's Permit.

Rule 4. Evaluation of Application and Issuance of License/Permit to Buy Leaf Tobacco – The BO shall pre-process the application upon receipt of the full payment of the corresponding processing/licensing fees. The BO shall endorse the application to the DAOP, thru the RD within five (5) days from receipt of the application, for further verification and evaluation.

If the application is found in order, the RD shall issue and recommend the Permit to Buy, thru the DAOP for the approval of the NTA Administrator. Immediately upon the approval of the License to Buy, the RD shall issue the license to the Applicant, through the Branch Office concerned.

Rule 5. Validity of License – A License to Buy shall be valid only for each type of tobacco applied for and does not authorize the TC to purchase other tobacco types and shall be valid for a period of one (1) tobacco trading season, which shall be as follows:

- A. Virginia/Flue-Cured leaf tobacco - February 16 to July 31
- B. Burley/Bright Air-Cured Leaf Tobacco
 - Region I & Mindoro - March 1 to August 31
 - Region II - May 1 to October 31
 - Visayas & Mindanao - June 1 to December 31
- C. Native/Dark Air-Cured Leaf Tobacco
 - Region I - April 1 to December 31
 - Region II - May 1 to December 31
 - Visayas & Mindanao - July 1 to December 31
 - Misamis Oriental - February 1 to May 31



Opening and closing of trading operations shall be simultaneous to all TCs. However, opening and closing of trading operations earlier or later than the aforesaid period may be undertaken upon prior written request by the TC and duly approved by the NTA Administrator, provided, that early or late closing should not be undertaken beyond fifteen (15) days before or after the official trading period as afore stated.

REGULATION IV – TRADING OF LEAF TOBACCO

Rule 1. The Following Are Qualified To Buy Leaf Tobacco:

- a. Any person, who is engaged in tobacco contract growing and duly licensed and issued with permit/s, license/s or certificate of authority by the NTA, may buy leaf tobacco from his/her identified contracted and/or independent farmers and from his/her identified contracted or independent NTA-authorized FRs; and
- b. The NTA, in case of abnormal market conditions/contingencies, subject to the availability of funds.

Rule 2. Time, Place and Duration of Trading – The buying of leaf tobacco at the TC shall be from 8:00 a.m. to 5:00 p.m., Monday to Friday, except, if any of the said days is declared as an official holiday. However, the buying at the TC outside the official working days may be allowed upon written request by the TC operator filed at least twenty-four (24) hours prior to the conduct of such operations, and duly approved by the BO Manager concerned.

If in case trading operation extends beyond the official business hours or working days, there shall be a designated inspector to supervise the trading operations. In which case the concerned TC Operator shall be responsible for the payment of overtime pay for the services rendered by the NTA-designated inspector, the BO concerned shall adopt a scheme in the assignment of inspectors to undertake overtime services to supervise the trading operations beyond the official business hours or outside the official working day/s. Notwithstanding any provision of these rules and regulations to the contrary, only a FR, authorized by a TC, may be allowed to buy tobacco (a) in remote areas or places where farmers find great difficulty in transporting their produce to the nearest trading center or, (b) in a municipality where there is no TC actually operating. In both cases, a RFI shall be submitted by the TC/FR to the concerned NTA BO at least 72 hours before actual operation, provided further, that the remote area or place where the FR intends to purchase/collect/gather leaf tobacco should be located within the province of the NTA Branch Office, which issued the COA.

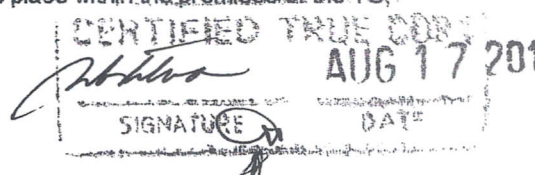
Rule 3. Location And Use Of The Trading Center – The TC shall be located in a place adjacent to a street or thoroughfare, permitting easy access to it by the farmer-producer/seller. The TC warehouse/building shall be used solely for leaf tobacco trading. Other business activities conducted within the premises of the trading center may also be allowed, provided, such activities will not in any way, hamper/obstruct the regular tobacco trading operations.

Rule 4. Requirements Before Buying – Before buying leaf tobacco, a TC shall:

- a) Make available all the prescribed trading forms, such as PIV, duly registered with the BIR, Purchase Books and TOS;
- b) Submit to the NTA BO, the name/s and facsimile signature/s of the TC operator/manager, his/her tobacco grader/s, weigher/s, and the TC official, if any, who may be authorized/designated by the TC operator, to sign in his behalf;
- c) Put up in front of the trading center, a signboard measuring 3 feet x 6 feet containing, the name and address of the TC, the corresponding NTA license number, its regular business hours and days of trading (e.g., "Open for business 8:00 am to 5:00 p.m., Monday to Friday, 8:00 am to 12:00 noon, Saturdays and Sundays"), and other information which the TC operator may decide to include;
- d) Display conspicuously inside the TC, the NTA duly approved and certified samples of leaf tobacco that should meet/approximate the standard and specifications/descriptions of each official grade/s, as prescribed by the NTA, and shall be kept in an appropriate display board that is visible to the public and should be changed every fifteen (15) days, or earlier, in case of sudden deterioration or change of the quality of the samples, particularly, in the color, thereof;
- e) Install weighing scale/s that is scientifically calibrated and sealed by the NTA - BO.

The installed weighing scale/s shall be inspected and calibrated annually by the NTA, in collaboration with, the Department of Science and Technology (DOST), and periodically be monitored by NTA accredited calibrators/TPROs, as to the accuracy of such weighing scale/s, at least twice during the trading season by the accredited TPRO.

- f) Exhibit the original copy of the NTA License To Buy leaf tobacco in a conspicuous place within the premises of the TC;



- g) Hire sufficient number of TC personnel to accomplish these rules and regulations. the NTA-prescribed trading forms in accordance with
- h) Provide permanent/adequate space for the NTA bulletin/board/s, in a conspicuous place, within the premises of the TC; and
- i) Undergo periodic orientation seminar on the TRR, which shall be conducted by the RD, to be assisted by the concerned NTA Department/BO/Division/Unit.

Rule 5. Trading Of Leaf Tobacco Under The Tobacco Contract Growing System (TCGS) Production and/or Marketing Agreement

- a) Tobacco production and/or marketing arrangement entered into by and between the tobacco farmer and buyer must be covered by a written contract or Marketing Agreement (MA) (RD Form No. 7).
- b) The tobacco buyer firm (BF) shall buy the tobacco produce at current prevailing market prices. In no case, however, that the prevailing buying prices shall not be lower than the tobacco floor prices per grade set by the government. The tobacco buyer may provide additional incentives to farmer-cooperators (FCs) to motivate good performance, to include good agricultural practices, productivity, quality, grading, delivery, repayment performance and non-tobacco related materials, among others.
- c) All leaf tobacco under this program shall be personally delivered by the FC to the TC/WTD/FR with whom he/she has entered into an MA, and shall be accompanied by the NTA technician assigned and / or shall be gathered/collected by authorized contracting Buyer Firm and correspondingly issue COP to the FCs.
- d) In case, the FC is selling his tobacco produce to another WTD/TC/FR, he/she shall likewise present a duly notarized waiver or certificate of first refusal issued by the WTD/TC/FR with whom he/she has entered into an MA.
- e) After the weighing and grading of the tobacco delivered by the FC, the TC operator shall issue immediately to the FC the farmer's copy [of PIV/computer print-out for the purpose of payment of the sales proceeds of his leaf tobacco produced/sold.
- f) The contracting buyers cashier shall deduct from the sales proceeds of the leaf tobacco sold, the amount of tobacco production assistance (including interest and service fee) due to the NTA/contracting buyer, in accordance with the schedule of loan repayment and shall remit within 24 hours to the NTA/buyer firm the collected production assistance from FCs.
- g) In the event that the FC decides to sell his leaf tobacco produce to another registered FR, prior notice shall be given to the NTA technician assigned thereat and to the contracting buyer, on the intended date or schedule of sale. The said FR shall issue a properly accomplished COP, and the amount of tobacco production assistance collected and deducted, corresponding to the periodic amortization for the loan granted by the NTA/BF, duly signed by the said FC. All collections/deductions made shall be recorded and signed by the FR. The FR/Assisting Technician shall remit within 24 hours to the NTA/Tobacco Buyer the collected production assistance from FCs.
- h) All FRs and FLS who are authorized by the contracting buyer to gather/collect/purchase leaf tobacco of the FC, shall, in addition to the required COA, shall carry with him a notarized **Special Authority (RD Form No. 9)**, issued by the contracting buyer, which shall be presented to the FC when gathering/collecting/purchasing his/her leaf tobacco and in deducting/collecting the amount of tobacco production assistance due from him /her.
- i) The NTA-BO Manager concerned and all FC shall be furnished by the contracting buyers with a copy of the Special Authority issued to their -authorized FR/s, prior to the commencement of its operations.
- j) The FR shall not be allowed to sell/transfer/deliver his tobacco produce to other FR without a Special Authority issued by the TC/WTD, unless he/she has already settled all his monetary obligations by showing his/her Proof of full payment with the NTA and/or with the TC/WTD/FR, with whom he/she has an MA.
- k) FRs without the required Special Authority are not authorized to buy the leaf tobacco produce of the FC who has availed of a financial assistance from the NTA and/or from any contracting buyer, nor shall induce an FC to sell his/her tobacco produce, by offering a better price. However, if he intends to sell/deliver his produce to other buyers, the FC must first secure a duly notarized "Waiver" or "Certificate of First Refusal" (RD Form No. 9) from the contracting buyer, with whom he/she has an MA. Said Waiver or Certificate shall be accomplished in four (4) copies to be distributed as follows:
 - Original - Farmer Seller/producer
 - Duplicate - Branch Office
 - Triplicate - Second buyer
 - Quadruplicate - Regulation Department
- l) All FCs who have availed of any tobacco production assistance from the NTA and/or from the contracting buyer shall properly maintain and carry his record book at all times for reconciliation and validation purposes.
- m) All tobacco areas of an FC and even the nearest of kin within the first degree of consanguinity or affinity are not allowed to be contracted/covered by any two (2) or more different tobacco buyers.

Any violation of the provision/s of the MA shall be subject to the provisions of Regulation XIV, hereof, without prejudice to the filing of any appropriate case/s by the aggrieved party to protect, preserve and/or promote their interest under the circumstances.

Rule 6. Classification Of Tobacco - The tobacco farmer-producer/seller/FR shall bring/sell his leaf tobacco produce/purchases to a TC, properly bundled/baled and classified in accordance with the grading standards prescribed by the TC as approved by the NTA. However, for cigar-filler type tobacco, the farmer-producer/FR may sell his tobacco produce/purchases in sticks, for fermentation purposes.

Rule 7. Procedure in the Grading Of Tobacco - The grading of the leaf tobacco shall be done in the presence of the tobacco farmer-producer/FR, and the appropriate grade/s shall be in accordance with the grade descriptions prescribed by the TC as approved by the NTA. The set of the NTA - approved and certified leaf tobacco samples displayed at the TC shall be used as basis in determining the proper grade. Issues that may arise between the tobacco buyer and seller/FR in the grading and classification shall be subject to mediation and arbitration proceedings under Regulation XIII, hereof.

Rule 8. Order of Buying/Acceptance - buying/acceptance of tobacco shall be attended strictly on a "first come, first serve" basis. It shall be recorded chronologically in the incoming logbook of the TC and the ARCB (RD Form No. 10) of the NTA Designated Inspector/ TPRO.

Rule 9. Weighing of the Leaf Tobacco - The leaf tobacco shall be weighed on a duly calibrated weighing scale installed by the TC. Weighing of leaf tobacco shall be done in the presence of the farmer-producer/seller/FR.

Rule 10. Determination of Net Weight - The net weight of the leaf tobacco, which shall be the basis of payment, shall be determined by deducting the weight of the baling material/s, which is equivalent to two (2) kilos, if it is a jute sack. If appropriate, the "open-baling system" is recommended. The use of plastic sacks or sticks shall no longer be allowed. For cigar-filler type sold in sticks, the net weight of the leaf tobacco shall be determined by deducting the weight of the sticks, which is equivalent to 5% of the total weight of 100 sticks.

Rule 11. Pricing of Leaf Tobacco - The leaf tobacco shall be bought at the current prevailing market prices but not lower than the prescribed floor price corresponding to a particular grade, as agreed upon in a Tobacco Tripartite Consultative Conference.

Rule 12. Procedure in the Documentation and Recording of Tobacco Acceptances and Deliveries of the TC - During the tobacco trading operations, there shall be NTA Designated Inspector/ TPRO to supervise and monitor the tobacco acceptances of the

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SIGNATURE: *[Signature]* DATE: _____

TC and deliveries to WTD. An RD-Controlled ARCB (RD Form No. 10) shall be assigned for each TC to be used by the NTA Designated Inspectors/TPROs to record all tobacco acceptances of the TC concerned. The ARCB should indicate the following information, to wit: (1) date; (2) time of arrival; (3) name of seller; (4) address of seller; (5) volume of acceptance; (6) source/s of tobacco; (7) name and signature of the NTA designated inspector and TC representative; and (8) remarks. At the end of the business operations for the day, the ARCB shall be closed and signed by the NTA Designated Inspector and witnessed/attested by the TC representative to be turned-over to the next NTA Designated Inspector who shall likewise record all transactions after the closing of the ARCB by the preceding inspector.

In case the tobacco are purchased within the jurisdiction of a particular NTA BO and are directly delivered to another province or area of jurisdiction of another NTA BO, the place of delivery shall be responsible in the recording of the acceptance in the ARCB, provided, however, that the place of origin is clearly indicated. Likewise, the processing of the shipment documents (i.e. RFI and Request for Local Permit To Transport/Special Permit To Buy (RD Form No. 11), COI/PTT (RD Form No. 11a), which shall be undertaken at the place of origin. The COI/PTT shall be accomplished in triplicate copies to be distributed as follows;

- Original – Applicant
- Duplicate – Branch Office
- Triplicate – Regulation Department

Rule 13. Purchase Invoice Voucher (PIV) – Every leaf tobacco purchased from a tobacco farmer-producer shall be covered by a PIV that is duly registered with the BIR as inspected and verified by the NTA. Upon, acceptance, the TC operator shall immediately accomplish the PIV in triplicate copies and issue the same as follows:

- Original - Farmer-Seller/Field Representative
- Duplicate - Buyer
- Triplicate - NTA-BO/RD

In case the TC, which uses digital/computerized-weighing scales would not be able to immediately issue the PIV, the computer print out, if it is serially numbered and complies with the NTA-prescribed PIV form, shall be the one to be distributed in accordance with paragraph 1 hereof, subject to the accomplishment of the PIV form to be submitted not later than seven (7) days from date of purchase.

The same computer print out, duly reconciled with the ARCB, may be used as basis in the computation of tobacco acceptances and billing of R&R fees' purposes.

The PIV shall indicate the name of the TC, its business address, BIR registration number, name of tobacco farmer/seller/field representative, whoever personally delivered/sold the tobacco produced to the TC, date of transaction, source of the tobacco, as to barangay, municipality and province, grade/s of the tobacco, gross weight and the corresponding deduction/s, if any, net weight of each grade, the corresponding buying price, per kilogram, for each grade, the purchase value for each grade, the total purchase value for the grades, name and signature of the TC operator/Representative, the time of its arrival at the TC and the time/date of payment and the serial number of COP, if any.

To avoid delays in the issuance of PIVs due to reconciliation of grades, the data contained in the computer print out issued earlier by the buyer firm shall be the same grade/data may be used and the NTA BO shall do the reconciliation upon receipt of the PIVs.

During the trading operations, the NTA trading official/employee shall immediately, but not later than seven (7) days from the date of purchase, gather/collect the PIVs and COPs used by the leaf tobacco TC and submit the same to the NTA BO which shall reconcile the grades and record chronologically in the Purchase Book, the following information and data:

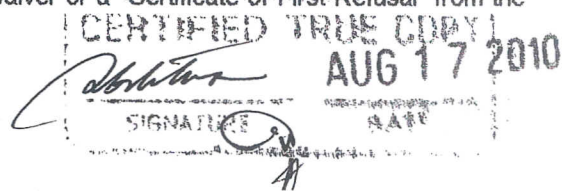
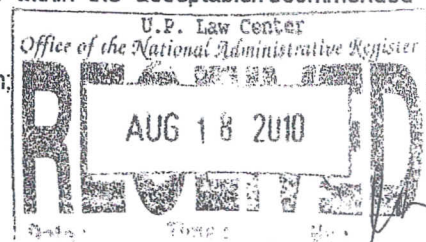
- Date of transaction
- Serial number/s of the PIV and COP
- Name of Farmer-Producer-Seller AND FR
- Source of the tobacco (Barangay, Municipality, Province)
- Volume, grade and value of the leaf tobacco

Rule 14. Permit to Transport – For NTA BOs which require the issuance of a Permit to Transport (RD Form No.11a (National)/11b(Local)), in addition to the COI/PTT (RD Form No. 11a), all FRs/FLs operating under its jurisdiction shall secure a Request for Inspection/PTT (RD Form No.11) from the NTA BO concerned such permit for every tobacco to be delivered to another area of jurisdiction other than the FRs/FLs registered province/area of operation. The permit shall indicate the volume and source of tobacco, place of destination and name of shipper and consignee and shall serve as a gate pass to be presented at the designated tobacco inspection points.

Rule 15. Supervision and Enforcement – During the leaf tobacco trading season, the Administrator and/or his authorized representative shall designate and assign a Roving Team to oversee the proper, effective and efficient enforcement/implementation of these trading rules and regulations at the TC level, particularly, on the proper grading, proper weighing, prompt payment and proper documentation of leaf tobacco acceptances.

Rule 16. Specific Prohibitions in the Trading of Leaf Tobacco – The following or similar acts or circumstances are considered prohibited in the trading of locally grown leaf tobacco, to wit:

- a) Buying and selling outside the period provided in Regulation III hereof, unless with prior written authority from the NTA;
- b) Selling and buying tobacco without license from the NTA;
- c) Buying and selling of tobacco between or among TCs;
- d) Selling and delivering tobacco directly from TC to CM;
- e) Buying and selling of tobacco with non-tobacco related materials (NTRM);
- f) Buying/accepting/selling of unclassified tobacco at the TC, except for cigar-filler type tobacco for fermentation purposes;
- g) Spraying of water on leaf tobacco, except for cigar-filler tobacco, provided it is within the acceptable/recommended percentage of moisture content of not more than 18%;
- h) Deducting shrinkage allowances or handling losses;
- i) Delivering tobacco from TC to WTD/RP or from WTD/RP to CM without NTA inspection;
- j) Buying of tobacco by WTDs directly from tobacco farmers;
- k) Selling and buying of tobacco between WTDs and FRs;
- l) Buying of tobacco by RPs;
- m) Delivering tobacco by TC to WTD more than its acceptances;
- n) Buying and selling among farmer-producers under an MA.
- o) Delivering of tobacco by farmer-seller/FL more than 20% his/her expected volume of individual or cluster production based on the actual area planted as recorded by the concerned NTA BO;
- p) Buying/Selling of tobacco by FRs without the issuance of the COP;
- q) Buying of tobacco by TC/WTD/FRs from tobacco farmers with a MA without the required Special Authority and/or Waiver or Certificate of First Refusal from the TC/WTD/FR where the tobacco farmer has marketing tie-up;
- r) Selling of tobacco by farmers to another TC / FR without first securing a waiver or a "Certificate of First Refusal" from the TC/WTD/PB/FR with whom he has an MA; and



- s) Buying of leaf tobacco by CMs without NTA Permit to Buy; and
 t) Buying and accepting tobacco more than the estimated maximum volume of production as per submitted list of farmers and area planted, without a Special Permit to Buy.

REGULATION V - PAYMENT OF TOBACCO

Rule 1. Manner of Payment – All leaf tobacco purchased by TC shall be paid in cash. Payment in the form of check shall be allowed, provided that there is a bank or other facility for encashment within the province where the TC is located, and that such mode of payment is acceptable to the tobacco farmer-producer/FR.

Rule 2. Time of Payment - The TC shall pay the tobacco farmer-producer-seller/FR, immediately after the grading and weighing of the delivered leaf tobacco. However, if payment cannot be made promptly due to fortuitous event or circumstances beyond the control of the TC, payment shall be made within forty-eight (48) hours, after the normal conditions are restored.

Rule 3. Place of Payment - The place of payment shall be at the TC. Payment in a place other than the TC may be allowed, if the payment cannot be effected at the TC by reason of the deterioration of the peace and order conditions in that place or any other cause beyond the control of both parties. No payment shall be effected in any bar/disco house or drinking establishment, gambling or other similar places.

REGULATION VI – LICENSING OF FIELD REPRESENTATIVES

Rule 1. Who may Apply as Field Representative - Any person of legal age and having legal capacity to enter into contract may apply for a COA to gather/collect/purchase leaf tobacco from the tobacco farmer-producers under his/her Marketing Agreement and deliver the same to the TC also, with which he/she entered a Marketing Agreement, subject to the provisions of Rule 3 hereof and after paying the prescribed licensing fees in accordance with the following table based from the consolidated volume of tobacco purchased/accepted per province, from the immediately preceding trading season, to wit:

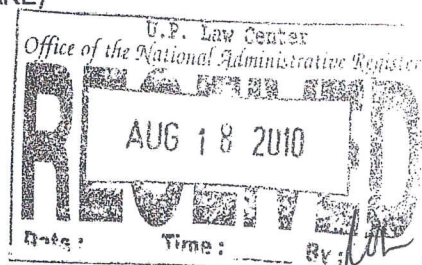
Volume	Amount
5,000 KG and BELOW	PhP 1,000.00(^)
5,001 – 10,000 KG	1,500.00
10,001– 20,000 KG	2,000.00
20,001 – 30,000 KG	2,500.00
30,001 – 40,000 KG	3,000.00
40,001 - 50,000 KG	3,500.00
50,001-100,000 KG	4,500.00
100,001-250,000 KG	5,625.00

(^)- applies to new applicant

However, the total acceptances/deliveries of FR shall be limited to a maximum of 250,000 kgs. Otherwise, he/she shall be assessed with processing/licensing fees corresponding to TCs, and the provisions of Regulation III shall be followed.

Rule 2. Special Permit to Buy Leaf Tobacco – the maximum production, per hectare, per tobacco type, shall be as follows:

TYPE/SUB-TYPE	MAXIMUM AVERAGE YIELD (KG/HECTARE)
A. VIRGINIA	
NEUTRAL FLAVOR	1,950
IMPROVED/FULL FLAVOR	2,350
B. BURLEY	
NEUTRAL FLAVOR	2,150
IMPROVED FLAVOR	2,100
C. NATIVE	
CIGAR FILLER/WRAPPER	2,300
BATEK	2,050



The aforesaid maximum average production, per hectare shall be the basis in assessing the estimated acceptances/purchases of the FR. A 5% increase/decrease from the estimated production for all tobacco type, shall be allowed in the computation of actual production and in the event that the buyer/FR exceeds the aforesaid maximum average yield as per submitted list of FCs and area planted, the NTA shall notify the buyer/FR of such excess and require him/her to pay R&R fee, plus administrative penalty of P3.00, per kilogram.

Tobacco purchases outside of the pre-determined area of coverage and/or non-contract growing areas, shall be subject to **Special Permit to Buy (RD Form No. 12)**, which is valid only on the day of purchase and to the location/area, type of tobacco and volume, specifically applied for, and require him/her to pay processing fee equivalent to the excess volume of tobacco leaf accepted/purchased. Application (RD Form No. 11) for a Special Permit to Buy must be supported by a Waiver or Certificate of First Refusal (RD Form No. 9) from other contracting buyers/FRs, if said tobacco is covered by another MA. Every Special Permit to Buy for a specified quantity of tobacco leaf intended to be purchased shall be subject to the payment of processing fees on the amount indicated in the table under Rule 1 hereof, plus the corresponding R&R Fees.

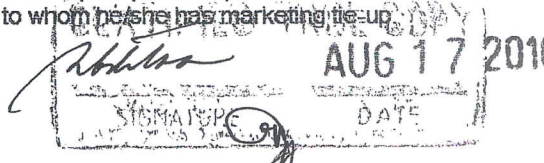
Rule 3. Where to File Application as Field Representative – An application for the issuance of a COA shall be filed with the BO where the FR intends to operate on or before January 15 of each year or any date to be determined by the NTA.

- a. The FR shall apply for separate COA for each type of tobacco intended to be purchased;
- b. All applications for COA shall be filed through NTA-Branch Office (NTA-BO) where the FR intends to operate and that within a period of five (5) days from receipt of the application, the NTA BO shall endorse the same to the Deputy Administrator for Operations (DAOP), thru the Regulation Department (RD), for further verification and evaluation. If the application is found in order, the RD shall issue the COA and recommend the same, thru the DAOP, for approval of the Administrator. Immediately upon the approval of the application for COA, the RD shall issue the same to the applicant, through the NTA BO concerned.
- c. In case of delay in the issuance of COA by the NTA, the official receipt issued by the NTA BO indicating full payment of the required registration fee as provided in Rule 1, Regulation VI, may be used by the applicant as his temporary COA for a period of seven (7) days from the date of its issuance by the NTA, pending the issuance of the duly approved COA.
- d. The FR shall be allowed to apply for more than one (1) COA corresponding to the tobacco type, provided that each COA application is supported with the pre-determined area and farmer coverage under his MOA/Contract Growing Agreement. However, a FR shall be allowed to purchase tobacco only within the area/place as pre-determined in his COA application and, correspondingly limited to the volume of production of his FCs' area of coverage, and if the FR will only sell his tobacco to another area of jurisdiction, she/he shall not be required to secure a license to SELL from the NTA.

Such COA shall bear the latest 1½ x 1½ inch (passport size) photo of the person named therein and carried by him at anytime when gathering/collecting/buying/selling leaf tobacco.

Rule 4. Requirements To Support the Application of a Field Representative/“Viajeros”:

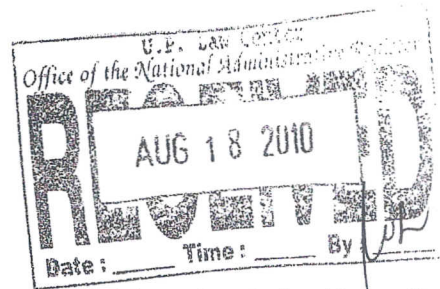
- a) Duly accomplished Application for COA (RD Form No. 13) and latest photo (1½ x 1½ in. passport size)
- b) Duly notarized special authority (RD Form No. 8) issued by the contracting TC to whom he/she has marketing tie-up.



- c) COP (RD Form No. ___) secured at cost from the NTA- BO where the FR applied for COA;
- d) Duplicate copies of COP, issued for the last preceding trading season and / or clearance (RD Form No. 4) from BO/FD Manager, if FR has no TC affiliation (Renewal). In case of non-submission, the estimated volume of production based on the List of Farmer-Cooperators, attached to the current year COA application, shall be used in the assessment of fees to be paid by the FR.
- e) List of registered tobacco farmer-cooperators (RD Form No. 6) under his/her MA and not otherwise contracted by any NTA-licensed buyer/s;
- f) Duly accomplished Marketing Agreement (RD Form No. 7).

Rule 5. Validity of Certificate of Authority– The COA shall be valid for a period of one (1) tobacco trading season, which shall be as follows:

A. Virginia leaf tobacco	-	February 16 to July 31
B. Burley Leaf Tobacco		
Region I & Mindoro	-	March 1 to August 31
Region II	-	May 1 to October 31
Visayas & Mindanao	-	June 1 to December 31
C. Native/dark Leaf Tobacco		
Region I	-	April 1 to December 31
Region II	-	May 1 to December 31
Visayas & Mindanao	-	July 1 to December 31
Misamis Oriental	-	February 1 to May 31



Opening and closing of trading operations shall be simultaneous to all FRs. For early planting, the official opening shall not be earlier than February 16. For the traditional crop, it should not be earlier than March 16.

However, opening and closing of trading operations earlier or later than the aforesaid period may be undertaken upon prior written request by the FR and duly approved by the NTA Administrator. Provided, that earlier or late closing should be undertaken not earlier or later than fifteen (15) days before or after the period as afore stated.

Rule 6. Effectivity of COA – the COA shall be valid only within the province of the NTA BO which issued the COA. However, when the FR has an existing contract growing agreement with FCs in other province/s, as listed/submitted in his application, he/she shall be allowed to purchase/gather/collect only the total volume of tobacco produce of his/her FCs, provided that he/she applies for another COA from the NTA BO of the said province.

Rule 7. Certificate of Purchase (COP) – Every leaf tobacco bought/gathered/collected by an FR from a tobacco farmer-producer shall be covered by a properly accomplished COP, in quadruplicate copies, to be distributed as follows:

White Copy	-	Trading Center (to be attached to the PIV)
Pink Copy	-	Branch Office
Blue Copy	-	Field Representative
Green Copy	-	Farmer-Seller

In case the tobacco is traded/transferred from one (1) FR to another, the COP issued by the selling FR shall be the one to be submitted by the buying FR to the TC operator and shall be attached to the PIV. The serial number of accompanying COP issued should be indicated in the PIV.

The TC operator must not accept any tobacco from the FR without the corresponding COP duly accomplished and signed by the tobacco farmer-seller.

Rule 8. Native/dark leaf tobacco trading by the viajeros in the Visayas and Mindanao Areas - Before buying leaf tobacco, a "viajero", shall secure a COA by filing the properly accomplished prescribed application form with the NTA authorized TPROs deployed in their respective provinces/municipalities concerned, and pay the corresponding processing and registration fees, in the amount of FIVE HUNDRED PESOS (PhP 500.00).

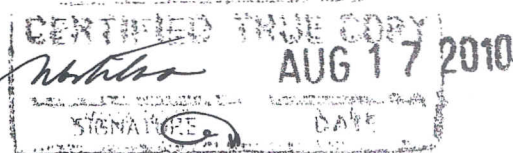
The COA, shall be valid for one (1) trading season, the period of which shall be in accordance with the provision of Rule 4 of Regulation VI, hereof. If the "Viajero" intends to buy leaf tobacco in Luzon, Rule 1 of Regulation VI shall apply.

Only NTA licensed "viajeros" are allowed to buy leaf tobacco directly from the tobacco farmer-producers within the province/s as indicated in his/her Certificate of Authority issued by NTA, subject to the following rules:

- The copy of COA shall be carried personally by the "viajero" at all times, when buying / selling native/dark leaf tobacco.
- Buying of tobacco may be in "manos" or "paldos", provided, that there shall be a corresponding equivalent volume in kilos of the "manos" or "paldos" which shall be properly indicated in the COP to be issued by the "viajero", to the native/dark leaf tobacco farmer-producer/seller.
- The tobacco farmer-producer/seller shall be paid within 24 hours after the consummation of the sale or before the delivery / release of the tobacco from his bodega/storage.
- The "viajero" shall secure a **Certificate of Inspection/Permit to Transport** (RD Form No. 11a) from the NTA Authorized TPROs deployed in their respective provinces/municipalities, before transporting any leaf tobacco purchased, to other barangay, municipality or province, indicating therein that the corresponding research & regulation fees for the native leaf tobacco purchased, are fully paid to the NTA Authorized TPROs, which shall issue the corresponding official receipt/s.
- The "viajero" shall not buy leaf tobacco produced by a tobacco farmer-producer covered by a tobacco contract growing project supervised by the NTA, unless the contracted buyer refuses to buy the subject tobacco and show a "Waiver/Certificate Of First Refusal".

Rule 9. Tabo System of Tobacco Trading – Buying and selling of native leaf tobacco under a "tabo system" shall follow the rules stipulated herein:

- Any local government unit (LGU) which operates or intends to operate a tabo system of native/dark leaf tobacco trading shall notify the NTA through the Authorized TPROs concerned, by providing the following data / information:
 - Copy of the Resolution of the "Sangguniang Bayan/Barangay" concerned, to operate a "tabo" system for native/dark leaf tobacco trading;
 - Location plan of the place/s where the "tabo system" shall be conducted;
 - Floor plan of the building, indicating its total area, location and dimension of the different service area/s; and
 - Designated day/s and time of "tabo" native/dark leaf tobacco trading.
- Native/dark leaf tobacco farmer-producer/s and NTA licensed native/dark leaf tobacco buyers-"Viajeros" shall be allowed to participate in the "tabo" system of native/dark leaf tobacco trading.
- During the designated day/s and time of "tabo" system of native/dark leaf tobacco trading, an NTA official/employee and/or a Roving Team shall be assigned to oversee the trading activity/ies thereat.



d) The native/dark leaf tobacco purchased/auctioned thereat shall be properly weighed on a duly-calibrated weighing scale in the presence of the tobacco farmer-producer and NTA Roving Team/Authorized TPROs, who, thereafter, issue a Certificate of Inspection and the corresponding official receipt for the payment of the Research & Regulation Fees.

REGULATION VII – RESEARCH AND REGULATION FEES

Rule 1. Research & Regulation Fees - The Research & Regulation Fees (R&R) rate, per kilogram, shall be determined by the NTA in consultation with the stakeholders of the tobacco industry and mutually agreed upon by them and implemented through a Memorandum Circular to be issued by the NTA. The R&R fee shall be paid by the licensed leaf tobacco buyers for every kilogram (farm-gate weight) of leaf tobacco purchased/accepted, with no shrinkage allowance to be deducted therefrom.

Rule 2. The Basis of the R&R Fees - The basis of the R & R fees shall be the total monthly acceptances/purchases of leaf tobacco, as recorded in the ARCB, as reconciled with the PIV, whichever is higher. In case the FR or "Viajero" does not have any TC tie-up, within twenty four (24) hours after issuance of COP to the farmer seller/s, shall correspondingly pay the R&R fees of the total volume purchased based from his/her issued COP to the concerned NTA-BO cashier.

Rule 3. Billing and Collection Of R&R Fees - The BO Manager shall be responsible for the billing and collection of the R&R fees on or before the 10th day of the month following the month of purchase/acceptance of the leaf tobacco.

Rule 4. Payment of R & R Fees - The TC shall pay the R&R fees to the BO where such TC is operating/located within three (3) days from receipt of the notice. Late payments of R&R Fees shall be subject to the provisions of Regulation XIV hereof.

Rule 5. Remittance of R & R Fees - All collection on R&R Fees and penalties, if any, shall be deposited by the concerned BO to the NTA-Central Office's On-Line Bank Account, in accordance with the generally accepted principles of accounting and auditing standards.

Rule 6. Authorized Collecting Agent - In the case of provinces without existing NTA BO, the billing, collection and remittance of R&R fees herein provided shall be undertaken by the NTA authorized TPROs, and shall correspondingly issue an O.R. for every collection made.

REGULATION VIII – TRADING AND DELIVERY OF LEAF TOBACCO BY WHOLESALE TOBACCO DEALERS (WTDS)

Rule 1. Who may Engage in the Purchase of Leaf Tobacco - Any person may apply for a "Permit To Purchase" from the NTA, through the BO, after compliance with the following requirements and full payment of the processing and license fee of Eleven Thousand Two Hundred Fifty Pesos (PhP11,250.00).

- a) Duly accomplished **Application Form (RD Form No. 1)**;
- b) Certified list of TC that shall operate under its **Financial Guarantee (RD Form No. 5)** and the duly authorized signatories in all trading documents;
- c) **Purchase commitment (RD Form No. 14)**, not less than the volume of acceptances /purchases of the preceding trading year;

Rule 2. Manner of Purchase- WTDs are authorized to purchase leaf tobacco deliveries from TC/WTD/FC, provided, that every delivery shall be supported by a COI and PTT, TIS, Control Sheet/Inventory Report, BIR Tobacco Delivery Permit (Guia) indicating therein, the volume / net weight of the tobacco purchased, date of purchase and place of origin.

Rule 3. Conditions of Purchase Commitments - Every Purchase Commitment to be executed by the WTD shall be duly notarized. It shall contain an undertaking to buy or caused to be procured a quantity equal to the estimated purchases of all its identified Trading Centers operating under its Financial Guarantee.

Rule 4. Validity of Permit to Purchase - A Permit to Purchase issued to WTDs shall be valid only for purchases from TC and other WTDs and shall not in any manner authorize the WTD Operator to purchase directly from the farmers and /or FRs.

REGULATION IX – LICENSING OF REDRYING PLANTS

Rule 1. Who may Engage in the Redrying of Leaf Tobacco - Any natural/juridical person may engage in the redrying of leaf tobacco by securing from the NTA a "Permit to Redry", after full payment of the processing and license fee of PhP 11,250.00 and upon submission of the following requirements:

- a) Duly accomplished **Application Form (RD Form No. 1)**; and
- b) List of NTA-licensed TC/WTD with whom it will enter into a service contract for redrying (**RD Form No. 15**).

Rule 2. Manner of Redrying -an RP is authorized to redry leaf tobacco of TCs/WTDs, provided, that every delivery shall be supported by a TIS, control sheet/inventory report, GUIA, PTT and COI indicating therein the volume/net weight of the tobacco to be redried, the date of delivery and place of origin.

Rule 3. Validity of Permit to Redry - A permit to redry shall be valid only for purposes of redrying, threshing, packing and processing of leaf tobacco and shall not in any manner authorize the RP to purchase leaf tobacco from any seller.

In case the RP intends to purchase tobacco from TCs or tobacco farmers, he/she shall be required to secure the necessary License to Buy as Trading Center and Permit to Purchase as WTD and submit the documentary requirements as provided in Regulations III and VIII of these rules and regulations.

REGULATION X – PROVISIONS COMMON TO WTDs AND RPs

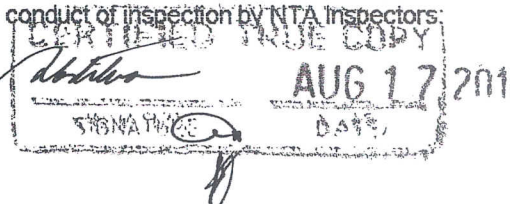
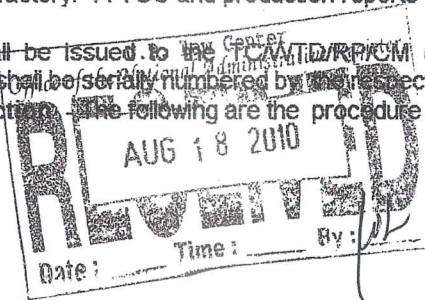
Rule 1. Requirements for Documentation, Monitoring and Supervision - All WTD/RP/CM shall be required to:

- a) Allow the NTA to enter into its trading areas, re-drying and/or manufacturing plants and similar premises for purposes of inspection, monitoring and supervision;
- b) Submit to the NTA, through the BO (area of jurisdiction) the TIS, TOS and production reports for every delivery/acceptance/job orders; and
- c) Install at least one (1) unit of weighing scale to be regularly calibrated by the NTA, in collaboration with the DOST.

Rule 2. Procedure in the Documentation of Trading from TC to WTD/RP/CM, by and among WTDs/RPs and from WTD/RP to CM - The following procedure shall govern the trading of tobacco from TCs to WTD/RP/CM, by and among WTD/RP and from WTD/RP to CM, to wit:

- a) Before any TC delivers tobacco to WTD/RP, it shall file a Request for Inspection (RFI) and/or Request for Permit to Transport (RFPTT) (**RD Form No. 11**) with the NTA at least 24 hours prior to the loading;
- b) The WTD/RP/CM shall notify the NTA of the arrival of the tobacco and shall within twenty four (24) hours request for an inspection of accepted tobacco and before delivery of the tobacco to other WTD/RP/CM. The tobacco delivered to WTD/Manufacturing plant/factory shall be evidenced by a TOS and COI;
- c) The RPs shall within twenty four (24) hours likewise request for inspection of leaf tobacco received for redrying and shall issue production report per job order and shall likewise request for an inspection of tobacco accepted for redrying and before delivery of the tobacco to other WTD/CM plant/factory. A TOS and production reports shall accompany the documents of the tobacco delivered to WTD/CM; and
- d) A COI/PTT (**RD Form No. 11a**) shall be issued to the WTD/RP/CM upon actual inspection of the tobacco to be delivered/accepted. All COI/PTT forms shall be serially numbered by the respective BOs.

Rule 3. Procedure in the Conduct of Inspection - The following are the procedure in the conduct of inspection by NTA Inspectors:



- a) Inspectors shall conduct actual physical inspection of loading/unloading of incoming/outgoing leaf tobacco based on faxed information given by branch office of origin and/or requested shipping forms from tobacco company and make random sampling (at least 1 bale for every 20 bales) as to the actual weight of each bale loaded/unloaded. The average weight of the bales thus sampled shall be the basis for the computation of the total kilos of tobacco loaded/unloaded;
- b) TC/WTD/RP/CM shall not load/unload any tobacco without the presence of NTA-designated Inspector/s;
- c) Inspector shall reconcile actual inspection as to volume vis-à-vis the shipping documents, i.e., TOS, Stock Inventory/Inventory Report/Purchase Order/Job Order, GUIA COI/PTT from the BO of origin;
- d) Inspector shall prepare incident report for any violation of these rules and regulations within twenty four (24) hours to be submitted to concerned BO Manager, copy furnished the central office thru the RD, which shall correspondingly report to the Administrator through the Deputy Administrator for Operations (DAOP);
- e) If shipping documents and actual inspection are in order, Inspector shall issue the COI/PTT to TC/WTD/RP/CM representative;
- f) Inspector shall advise the concerned BO/RD within 24 hours after inspection, thru the fastest means of communication, of the expected arrival of the tobacco and furnish copies of necessary shipping documents.

REGULATION XI – COMPETITIVENESS ENHANCEMENT FEE (CEF)

Rule 1. Competitiveness Enhancement Fee - There shall be a Competitiveness Enhancement Fee (CEF) for every kilogram of tobacco delivered to local CM, which shall be collected from and paid by the local CM based on the following schedule:

Green/Fresh Weight	Pack Weight	Dry Weight
PhP0.60/kg	PhP1.00/kg	PhP1.66/kg

Rule 2. The Basis of the CEF Fees – The basis of the CEF fees shall be the total deliveries of leaf tobacco, on a per shipment basis, made by Wholesale Tobacco Dealers (WTDs), as per COI issued, and as reconciled with the TOS of WTD/RP, whichever is higher.

Rule 3. Billing and Collection of CEF Fees – The Central/BO where the accepting CM is located shall be responsible for the billing and collection of the CEF. The NTA Finance Manager, shall prepare a Notice of Billing of CEF within twenty-four (24) hours upon receipt of notice of the actual delivery and inspection of tobacco to CM by the RD.

Rule 4. Payment of CEF - The CM shall pay the CEF fees to the Central Office/BO where such CM is located, within three (3) days immediately upon receipt of the billing. Late payments of CEF shall be subject to the provisions of Regulation XIV hereof.

Rule 5. Remittance of CEF - All collection on CEF and/or penalties, paid to the BO shall be deposited to the NTA–Central Office's On-Line Bank Account, in accordance with generally accepted principles of accounting and auditing standards.

REGULATION XII – REGISTRATION OF FARMERS AND FARMER LEADERS (FL)

Rule 1. Who may Apply for Registration – Any tobacco farmer/FL may apply for registration and issuance of a farmer or FL's identification card. The NTA Branch Office, in its own initiative, shall require the registration of tobacco farmers who were not able to file an application for registration.

Rule 2. Form and Contents of Application – Application for registration and issuance of id card shall be accomplished and filed with the NTA-Branch Office in triplicate copies in the prescribed form and stating particularly the following:

- a) Full name and address of applicant;
- b) Applicant's citizenship, age, sex, and civil status;
- c) Location and size in hectares of the area being cultivated by him or in case of helper and curer, the names and addresses of farmers for whom they have rendered services;
- d) Estimated quantity of tobacco produced or received as share, as the case may be, by the applicant; and
- e) The name of WTD/TC/FR with whom he/she had entered into a ma, if any.

Together with the application shall be submitted two (2) I.D. size pictures of the applicant taken within the immediately preceding six months.

Rule 3. Where to File Application – An application for registration shall be filed with the NTA branch office in the province where the applicant resides. No fee shall be collected from any applicant for registration.

Rule 4. Evaluation and Verification – Upon receipt of the application, the manager of the NTA Branch Office shall cause the evaluation and verification of the information contained therein and shall inform the applicant of any deficiency.

Rule 5. Farmers' and FLs' Information System – The NTA, through the corporate planning department, shall collate all evaluated and verified applications and shall maintain a farmers' and FLs' information system which shall serve as database for programming/planning purposes.

Rule 6. Issuance of NTA ID cards to Farmer's and FL's – After satisfactory showing that the applicant is a bonafide farmer or FL, the NTA Branch Manager, through the Manager of the Regulation Department, shall issue to him the necessary farmer's or FL's identification card. The NTA shall charge the farmer and the FL the amount of Php50.00 and Php100.00, respectively, to defray the administrative cost for the issuance of the NTA ID card.

Rule 7. Temporary Farmer's ID Card – Pending the receipt of his farmer or FL's ID card, the NTA Branch Office may issue to him a temporary ID card subject to the following terms and conditions.

- a) That his application upon verification and evaluation has been found to be in order;
- b) That the temporary ID shall be valid only for 30 days;
- c) That it shall entitle the holder to all the privileges granted by the NTA farmer or FL's ID card for the duration of its effectivity; and
- d) That the temporary ID shall be surrendered upon its expiration or upon the issuance to him of the NTA farmer's ID card.

Rule 8. Privileges of Farmer's and FL's who are Holders of NTA ID Card – The NTA ID card issued to a farmer/FL shall entitle him from the date of the issuance:

- a) The right to sell or offer for sale his tobacco stocks to any licensed buyer; provided, that, when he delivers tobacco for sale, he shall bring and exhibit his farmer's ID card to the licensed buyer; provided, further, that no farmer shall sell tobacco in excess of his estimated tobacco production as indicated in his registration or farmer's or FL's ID card;
- b) Farmer's ID card issued by NTA shall also entitle him to apply for production and facility loans under the TCGs and such other credit assistance the nta may hereafter provide for tobacco farmers.

Rule 9. Validity of Farmer's and FL's NTA ID Card – A farmer's and FLs ID card shall remain valid for as long as the holder possesses all the qualifications of a farmer/FL as defined herein.

Rule 10. Cancellation or Suspension of Farmer's and FL's NTA ID Card – A farmer's and FLs' ID card may be voided, cancelled or suspended for any of the ground and in accordance with the procedure prescribed for cancellation of license to buy tobacco under Regulation XIV.

REGULATION XIII – MEDIATION AND ARBITRATION

Rule 1. Mediation – In case of disagreement as to the grading and classification of leaf tobacco between the farmer-seller and the TC operator, the NTA official and/or employee assigned at the trading center shall immediately endeavor to make both parties concerned to come to an agreement.

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The NTA, at the request of the aggrieved party, may intervene for purposes of mediation, in any dispute between the FC and TC as to any matter pertaining to the application or interpretation of any contract for production or marketing agreement.

Rule 2. Arbitration – If mediation fails, the NTA official and/or employee shall advise the seller [or the aggrieved party in a contract or agreement] that he may request for arbitration or he may withdraw his tobacco from the trading center.

Rule 3. Arbitration Procedure – If arbitration is requested, the following shall be followed:

- a) The NTA official and/or employee shall inform the TC operator that arbitration is requested and shall direct the segregation of the tobacco in question;
- b) The NTA official and/or employee shall designate an arbiter, another NTA official and/or employee present within the TC premises, provided that if one is not available, the NTA official and/or employee, who mediated, himself, shall act as arbiter;
- c) The Arbiter shall immediately inspect, examine and determine the grades of the tobacco subject of arbitration using as basis the official grades prescribed and/or recommended by the NTA, [in case of contract dispute, the NTA official shall determine the legality or propriety of the provisions in question and if necessary refer the same to the nta legal counsel for appropriate legal advice];
- d) The Arbiter shall forthwith prepare his written decision indicating therein, among others, the disputed grades and the grades given by him or the proper interpretation of any questioned provision of any contract or agreement; and
- e) The Arbiter's decision shall be immediately become final and executory and binding to both parties.

REGULATION XIV – OFFENSES AND PENALTIES

Notwithstanding the provisions of any law or regulation to the contrary, and for purposes of carrying out the provisions of this rules and regulations, the following acts or omission are hereby considered as serious, less serious, and light offenses and corresponding penalties therefore are herein prescribed:

(1) Specific Offenses:

(a) Serious Offenses. — Any of the following acts or omissions shall constitute as serious offense:

- (a.1) buying and selling of tobacco at prices lower than the prescribed floor prices;
- (a.2) deducting shrinkage allowances or handling losses from the weight of the tobacco sold;
- (a.3) buying and selling of tobacco from farmers or other authorized sellers without a license; and
- (a.4) knowingly and deliberately using tampered/inaccurate weighing scale;

The offender shall, upon conviction, be punished by imprisonment of not less than four (4) years and one day nor more than five (5) years, and/or a fine of not less than fifty thousand pesos (PhP50,000.00) nor more than one hundred thousand pesos (PhP100,000.00).

(b) Less Serious Offenses. - Any of the following acts of omission shall constitute a less serious offense:

- (b.1) buying of tobacco from farmers and other authorized sellers outside trading centers except when prior authority is given by the NTA/TC/WTD;
- (b.2) failure or refusal to issue prescribed invoice or receipt covering tobacco purchases;
- (b.3) buying unclassified tobacco or tobacco in sticks, except for cigar filler tobacco grown in Region II for fermentation purposes;
- (b.4) buying and selling of tobacco by using false, fictitious, or another person's license, permit or identification card;
- (b.5) selling or buying tobacco with an expired, suspended or cancelled license, permit or accreditation; and
- (b.6) hindering or obstructing any NTA official or employee in the course of his duties, including refusal to furnish information or copies of documents relating to any tobacco or to permit the inspection of a tobacco.

The offender shall, upon conviction, be punished by imprisonment of not less than one year and one day to three years and/or by a fine of not less than thirty thousand pesos (PhP30,000.00) nor more than fifty thousand pesos (PhP50,000.00).

(c) Light Offenses. — Any other violation of the provisions of these rules and regulations to be promulgated by the NTA for which no specific penalty is prescribed and which is not punished by any other existing law shall be considered a light offense, with the corresponding penalties, as follows:

(c.1) The offender shall, upon conviction, be punished by imprisonment of not less than two months and one day nor more than six months and/or a fine of not more than five thousand pesos nor less than two thousand pesos.

(c.2) Violation committed by farmer-seller will be fined PhP 10,000.00 & blacklisting

(c.3) Additional Administrative Penalties for Other Light Offenses. – In addition to the penalties herein above-stated, the violator may be imposed with following penalties, to wit:

(c.3.1) The license of any buyer found guilty of serious, less serious or light offense, shall also be suspended/cancelled/revoked and shall not be renewed during the pendency of any investigation or prosecution for the commission of any such offenses.

(c.3.2) Any tobacco found to be violative of any provisions of these rules and regulations shall be confiscated and/or detained and shall be released only upon compliance with the provisions hereof within five (5) days from notice. Any confiscated/detained tobacco which are unclaimed within fifteen (15) days from last day of compliance period shall be deemed abandoned and shall be disposed of at the discretion of the NTA.

However, where a person has been convicted by any court of the Philippines for an offense in respect of any such tobacco, the said court may declare such tobacco to be forfeited in favor of the Republic of the Philippines, where upon it may be destroyed or otherwise disposed of as the court directs.

(c.3.3) If the offender is a public officer or employee, including an official or employee of the NTA, he shall, upon conviction, be disqualified from holding public office.

(c.3.4) In case the deliveries of TC to WTD/RP/CM exceeds its total acceptances and deliveries to WTD/RP/CM outside its purchase commitment, a fine equivalent to 25% of the gross value of the excess tobacco delivered/sold shall be imposed, plus the corresponding R&R fees and penalty for late payments as hereinafter provided.

(c.3.5) Acts or omissions for which no specific penalties are provided for under this TRR but are punishable by any other existing law shall be punished under such law.

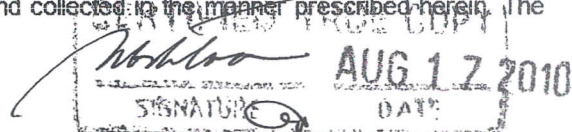
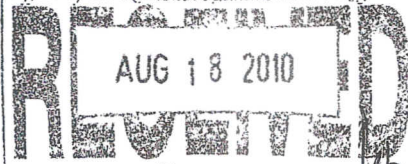
If any act or omission constitutes an offense under these rules and regulations as well as a violation of another existing law or regulation, the law that imposes a heavier penalty shall be applied.

If the violation or offense is committed by a corporation, partnership, association, cooperative or other juridical entity, the penalties provided for under this TRR shall be imposed upon the directors, officers, graders, employees or other officials or persons therein responsible for the offense; Provided, That if the offender is an alien, he shall be deported immediately without further proceedings.

The prosecution of any offense under this TRR shall be without prejudice to the civil or administrative liabilities of the offender.

(c.3.6) In case the R & R or CEF fees are not paid within the reglamentary period prescribed herein, a penalty of three percent (3%) per month, compounded monthly, shall be imposed, paid and collected in the manner prescribed herein. The

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penalty of three percent (3%) per month shall be computed from the day immediately following the day the principal R & R Fees become due.

(c.3.7) Any violation of the provision/s of the Marketing Agreement or any of the herein provisions of this Regulation, by the NTA/TC/WTD/PB-financed tobacco farmer-producer and/or by the WTD/PB/TC operator, shall be considered as unfair tobacco trading practice, subject to the following administrative sanctions and/or fines, in addition to the civil liability that may arise there from in favor of the injured party, to wit:

a. An NTA/TC/WTD/PB-financed tobacco farmer-producer who violates the provision/s of the MA and/or any of the provisions of this Regulation, shall be blacklisted by the NTA and shall be disqualified as a beneficiary of any future production and facility assistance that the NTA may grant and shall pay an additional fine of three percent (3%) per month, of the unpaid loans; and

b. Any WTD/PB/TC operator who violates the same shall be blacklisted from participating in any project/s of similar nature and/or immediate revocation of its license to Buy/Operate and shall pay additional fine of PhP10,000.00.

(c.3.8) Violations of the prohibitions enumerated in Rule 16, Regulation IV and Rule 1, Regulation XI shall be subject to the imposition of penalties provided in c.3.1 of the foregoing regulation.

(c.3.9) Tobacco acceptances in excess of the estimated production of the TC's identified FCs and purchases of identified contracted or independent FRs shall be subject to a penalty of PhP3.00 per kilogram of excess tobacco accepted, whether justified or not. If not justified, the excess tobacco shall be further confiscated at the disposal of the NTA, without prejudice to the imposition of other applicable administrative penalty provided in the foregoing regulation.

REGULATION XV – TRANSITORY AND MISCELLANEOUS PROVISIONS AND EFFECTIVITY

Rule 1. NTA Composite Team – The NTA Administrator may create an NTA Composite Team to Review the foregoing rules and regulations and/or the systems and procedures as may hereafter formulated. In coordination with the RD, the Composite Team shall have the duty to study and recommend specific modification/action in these rules and regulations subject to the approval of the NTA Administrator.

Rule 2. Creation of a Provincial Inspection Team (PIT) – In cases of verified violation with any provision of the TRR, the NTA Administrator may create a Provincial Inspection Team (PIT) composed of the Branch Manager, as Chairperson, the Provincial Director of the Philippine National Police (PNP), as the Co-Chairperson, and the Chief Agriculturist, as member. The PIT can deputize Branch Office's TPROs and Police Officers to monitor the tobacco in question, its movement, can confiscate, inspect and/or detain any tobacco. Police Officers shall be entitled to reasonable honorarium for actual duty/services rendered outside their regular working hours.

Rule 3. Powers of the PIT and Procedures for Inspection

(a) When a verified violation occurs, the PIT, may (1) enter any premises, vessel, boat, car, trucks, other conveyance used for the storage, processing, grading, packing, redrying, selling or offering for sale, shipping, or transporting of the tobacco and inspect such; and (2) stop for inspection, any conveyance that he/she believes to contain questionable tobacco.

(b) For the purpose of inspecting a tobacco, the PIT may detain it at the risk of its owner and after detaining it. The PIT shall forthwith notify the owner of the detained tobacco by the fastest means of communication or such other means as the circumstances may warrant.

(c) No person shall hinder or obstruct, in any manner, an inspector or a grader or members of the PIT, in the conduct of his duties.

Rule 4. Detention and Forfeiture of Tobacco by the PIT - Any tobacco, which in the opinion of the PIT an offense against this rules and regulations has been committed, may be placed under detention at the risk and expense of the owner by the RT, until such time as the owner of the tobacco complies with this rules and regulations, and/or where a person is convicted of an offense with respect to detained tobacco, the convicting court may declare such tobacco to be forfeited to the Republic of the Philippines, whereupon it may be destroyed or otherwise disposed of as the court directs.

However, the PIT shall undertake the foregoing inspection functions as a team and no individual inspection and monitoring shall be conducted in the absence of any one representative.

Rule 5. Monitoring and Evaluation in the Implementation of the Trading Rules and Regulations – The RD shall be responsible in the monitoring on the effectiveness and relevance of the provisions of this TRR in coordination with the Composite Team, where they shall conduct validation/evaluation of the implementation of the systems and procedures and the provisions of this rules and regulations by the NTA Branch Offices.

Rule 6. Effectivity- These Amended Trading Rules and Regulations shall take effect upon approval of the NTA board of directors.

BY THE AUTHORITY OF THE NTA BOARD OF DIRECTORS:

(SGD.) CARLITOS S. ENCARNACION
Administrator/Vice-Chairman of the Governing Board

Approved by the NTA Board of Directors on 09 February 2010 under Resolution No. 133-2010.

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