



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 938
Series of 2016

Subject: Amendments to the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) – Pawnshop (P) Regulations

The Monetary Board in its Resolution No. 2061 dated 17 November 2016, approved the amendments of the pertinent provisions of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) – Pawnshop (P) Regulations.

Section 1. The title of Part One shall be amended to read as follows:

**“PART ONE: PAWNSHOP BUSINESS
ORGANIZATION, MANAGEMENT AND ADMINISTRATION”**

Section 2. Sec. 4102P shall be renumbered to 4101P.2 and shall be amended to read as follows:

“§4101P.2. Definition of Terms.

- a. *Pawnshop operator* shall refer to a person or a juridical entity authorized by the Bangko Sentral to engage in pawnshop business.
- b. *Pawnshop business* shall refer to the business of lending money on personal property that is physically delivered to the control and possession of the pawnshop operator as loan collateral. The term shall be synonymous, and may be used interchangeably, with *pawnbroker* or *pawnbrokerage*.
- c. *Pawnshop office* shall refer to the area where the pawning business is conducted.
- d. *Pawner* shall refer to the borrower from a pawnshop.
- e. *Pawnee* shall refer to the pawnshop or pawnbroker.
- f. *Pawn* is the personal property delivered by the pawner to the pawnee as security for a loan.
- g. *Pawn ticket* is the pawnbroker’s receipt for a pawn.
- h. *Property* shall include only such personal property which can be physically delivered to the control and possession of the pawnee.”

Section 3. “Establishment and Organization” under Part One shall be added and cover Sections 4102P to 4110P.

Section 4. Section 4101P.2 shall be renumbered to 4102P and shall be amended to read as follows:

“Sec. 4102P. Form of organization. x x x

Only Filipino citizens may establish and own a pawnshop organized as a single proprietorship.

x x x”

Section 5. §4101P.4 shall be renumbered to 4103P and shall be amended to read as follows:

“Sec. 4103P. Authority to Operate from the BSP. Pursuant to Section 6 of P.D. No. 114, an operator securing BSP’s Authority to Operate a pawnshop business shall file an application with the appropriate department of the BSP. The application shall be signed by the proprietor/managing partner/president or officer of equivalent rank and shall be accompanied by the documents listed in *Appendix P-1*.

In considering the application to operate a pawnshop business, the BSP shall take into account the fitness and propriety of the pawnshop operator and/or its incorporators/directors/trustees/partners/officers. In determining whether a person is fit and proper to be an operator of a pawnshop business, regard shall be given to the following: integrity/probity, market reputation, competence, and financial capacity.”

Section 6. §4103P.1 on Classification of Pawnshop Operator License shall be added to read as follows:

“§4103P.1. Classification of pawnshop operator license. The following are the powers and scope of authorities of pawnshop operators, depending on the type of license issued by the BSP:

Type	Description
“A”	Basic pawnshop business with not more than ten (10) offices.
“B”	Basic pawnshop business with more than ten (10) offices and with or without BSP-registered corollary business activities, excluding remittance operations.
“C”	Basic pawnshop business with more than ten (10) offices and with BSP-registered corollary business activities including remittance operations.
“D”	Virtual pawnshop operators or those engaged in pawnshop business through electronic pawning (e-pawning) which refer to systems and processes that enable customers to pawn their personal property through electronic channels.

The BSP shall not issue the "B", "C" and "D" pawnshop operator licenses to single-proprietorship or partnership form of pawnshop operators."

Section 7. §4101P.5 shall be renumbered to §4103P.2 and shall be amended to read as follows:

"§4103P.2. Pawnshop regulations briefing and Anti-Money Laundering Act (AMLA) seminar. As a prerequisite for the issuance by the BSP of the Authority to Operate, the proprietor/partners/directors shall attend a briefing on pawnshop regulations and a seminar on AMLA, as amended, conducted by the Bangko Sentral or the Anti-Money Laundering Council, or their accredited service provider."

Section 8. §4142P.3 shall be renumbered to §4103P.3 and shall be amended to read as follows:

"§4103P.3. Corporate governance. A pawnshop operator organized as a corporation shall comply with the SEC requirements on corporate governance, if applicable, and as proof of compliance, the said corporate pawnshop operator shall submit to the BSP a notarized certification to that effect."

Section 9. Sec. 4184P shall be renumbered to Sec. 4104P and shall be amended to read as follows:

"Sec. 4104P. Transfer of ownership. No pawnshop operator organized as sole proprietorship shall transfer ownership over the pawnshop business without securing prior BSP approval. The pawnshop operator shall file the documents listed in *Appendix P-2* before transferring the ownership of the pawnshop business.

The owners/stockholders of a pawnshop operator organized as a partnership or corporation may transfer the ownership of the pawnshop business to another. However, a copy of the contract/agreement/arrangement shall be submitted to the appropriate department of the BSP before effecting the transfer if such transaction, in itself or in relation with other/previous transactions, will:

- (a) result in ownership or control of more than twenty percent (20%) interest in a pawnshop organized as a partnership or more than twenty percent (20%) of the voting shares of stock of a pawnshop organized as a corporation by any person whether natural or juridical, or which will enable such person to elect, or be elected as, a director of such pawnshop; or
- (b) effect a change in the majority ownership or control of the interests in a pawnshop organized as a partnership or the voting shares of stock of the pawnshop organized as a corporation from one (1) group of persons to another group."

Section 10. The title of Part Two shall be amended to read as follows:

“PART TWO – PAWNSHOP BUSINESS: PAWNSHOP OPERATIONS”

Section 11. “Capitalization” under Part One shall be renumbered and transferred to Part Two and shall cover Sections 4111P to 4115P and be amended to read as follows:

“A. CAPITALIZATION AND LEVERAGE”

Section 12. Sec. 4106P shall be renumbered to 4111P and shall be amended to read as follows:

“Sec. 4111P. Capital of pawnshops. Every pawnshop operator shall have a minimum paid-in capital in cash as follows:

Type of License	Amount of Capital
“A”	₱ 100,000
“B”	1,000,000
“C”	50,000,000
“D”	50,000,000

Section 13. Sec. 4107P shall be renumbered to 4112P and shall be amended to read as follows:

“Sec. 4112P. Maximum borrowings. The maximum borrowings of a pawnshop business, expressed as a percentage of total borrowings to pledge loans, shall not exceed fifty percent (50%): *Provided*, that borrowings shall not be from more than nineteen (19) creditors.

Borrowings for purposes of acquiring fixed assets used for business operations shall not be included in the abovementioned limit.”

Section 14. “G. Proprietor/Partners/Directors, Officers and Employees” under Part One shall be renumbered and transferred to Part Two and shall cover Secs. 4116P to 4120P and be amended to read as follows:

“B. MANAGEMENT”

Section 15. § 4142P.2 shall be renumbered to 4116P and shall be amended to read as follows:

“Sec. 4116P. General qualifications of a proprietor, partner, director or officer of pawnshops. Any person can be a proprietor, partner, director, or officer of pawnshops, provided he/she:

- a. Must have undergone a briefing on pawnshop regulations conducted by the BSP or any accredited service provider;

- b. Must have undergone a briefing on the Anti-Money Laundering Law (AMLA) as prescribed by Subsecs. 4103P.2 and 4191P.2; and
- c. Must not be included in the BSP Watchlist.

An NBI clearance shall also be required for any newly elected/appointed director, president, manager or officer-in-charge and newly accepted partner or director of pawnshop.

For purposes of this Section, the BSP shall provide for such other requirements and/or guidelines for the qualifications, disqualifications and watchlisting of proprietors/partners/directors/officers/employees of pawnshops.”

Section 16. “Commencement of Operations” shall be added under Part Two and shall cover Secs. 4121P to 4125P and read as follows:

“C. COMMENCEMENT OF OPERATIONS”

Section 17. Sec. 4121P on Commencement of Pawnshop Operations shall be added to read as follows:

“Sec. 4121P. Commencement of pawnshop operations. A pawnshop operator shall commence actual pawnshop business operations within six (6) months from the date of issuance of the Authority to Operate. Failure to commence actual pawnshop business operations within the aforementioned six (6)-month period shall render the BSP Authority to Operate as automatically cancelled.

The pawnshop operator shall notify the BSP in writing of the start of operations within five (5) business days from the actual start of operations.”

Section 18. “H. Branch Offices” under Part One shall be renumbered and transferred to Part Two and shall cover Secs. 4126P to 4130P and be amended to read as follows:

“D. PAWNSHOP OFFICES”

Section 19. Sec. 4151P shall be renumbered to 4126P and shall be amended to read as follows:

“Sec. 4126P. Registration with the city/municipality. The pawnshop operator shall secure a business permit from the city or municipality wherein a pawnshop office is to be established and operated, in accordance with the requirements of the pertinent ordinance in that city or municipality.”

Section 20. §4126P.1 on Notification and Metal Plate shall be added to read as follows:

"§4126P.1. Notification; metal plate. A pawnshop operator is allowed to establish and operate more than one (1) pawnshop office, provided, however, that it shall be the responsibility of the pawnshop operator to notify the BSP regarding each and every pawnshop office it operates within five (5) working days from the start of each office's operations.

Such notification shall include the exact address of the pawnshop office and the starting date of its actual operations and be submitted to the BSP with the following documents/information:

- a. Letter of Undertaking that the pawnshop office was established and shall operate within the framework and limitations of P.D. No. 114 and these regulations;
- b. Certified true copy of the certificates of attendance of the personnel designated in-charge of the pawnshop office in a briefing on pawnshop regulations and a seminar on AMLA, as amended, conducted by the Bangko Sentral or the Anti-Money Laundering Council, or its accredited service provider; and
- c. Certified true copy of the business permit from the city/municipality having territorial jurisdiction over the place of establishment and operation.

The notification shall be signed by the proprietor/managing partner/president or an officer of equivalent rank.

A metal plate bearing the unique registration number of the pawnshop office shall be issued to the pawnshop operator. Such metal plate shall be displayed permanently in a conspicuous place within the pawnshop office's premises. The BSP reserves the right to collect a reasonable amount to cover the cost of production/issuance of the metal plate."

Section 21. "I. Business Days and Hours" under Part One shall be renumbered and transferred to Part Two as "E. Business Days and Hours" and shall cover Secs. 4131P to 4135P.

Section 22. Sec. 4156P shall be renumbered to 4131P and shall be amended to read as follows:

"Sec. 4131P. Business days and hours. Pawnshops shall be open for business at least five (5) days a week and for at least six (6) hours a day."

The business hours and business days shall be posted conspicuously at all times within the premises of the pawnshop."

Section 23. "J. Records and Reports" under Part One shall be renumbered and transferred to Part Two as "F. Records and Reports" and shall cover Secs. 4136P to 4140P.

Section 24. Sec. 4161P shall be renumbered to 4136P and shall be amended to read as follows:

"Sec. 4136P. Records and reports. Pawnshops shall maintain records and submit required reports to the BSP. For purposes of this Section, the BSP shall provide for the guidelines on the maintenance of required records and the submission to the BSP of the required reports.

Pawnshop operators shall hire, and/or engage the services of, external auditors/auditing firm, who will assist in the preparation, and/or render an opinion on the fairness, of the pawnshop's financial statements. For holders of "B", "C" and "D" pawnshop operator license issued by the BSP, the external auditors/audit firm to be contracted shall be from the BSP list of selected auditors for supervised and/or regulated institutions."

Section 25. "K. Internal Control" under Part One shall be renumbered and transferred to Part Two as "G. Internal Control" and shall cover Secs. 4141P to 4145P.

Section 26. Sec. 4171P shall be renumbered to 4141P and shall be amended to read as follows:

"Sec. 4141P. Internal Control System. Pawnshops shall adopt an internal control system appropriate to the size and complexity of its business.

For purposes of this Section, the BSP shall provide for the minimum internal control standards that pawnshops are expected to observe in their operations."

Section 27. Sec. 4172P shall be renumbered to 4142P and shall be amended to read as follows:

"Sec. 4142P. Separation of pawnshop business from other businesses. A pawnshop may engage in corollary businesses as may be registered with the BSP, provided that such pawnshop shall maintain records of such business that allows distinction from the pawnshop operation.

Allowable corollary business activities of pawnshops shall include money changing and/or performing as remittance agent, as may be registered with the BSP. Pawnshops may also engage in other business activities such as acting as bills payment agent for utility companies and other entities, ticketing agent for airline companies, and other similar business activities provided that the appropriate department of the BSP shall be notified within five (5) working days from the date of actual engagement of the pawnshop in such business activity."

Section 28. "Risk Management" shall be added under Part Two and shall cover Secs. 4146P to 4150P.

Section 29. Sec. 4146P on Risk Management System shall be added to read as follows:

"Sec. 4146P. Risk management system. All pawnshops shall develop sound risk management policies and practices to ensure that risks associated with the operations of

a pawnshop business are identified, assessed, monitored, mitigated and controlled as well as to ensure the effective implementation of these regulations.

The risk management system framework stated under Part One – N. Risk Management of the MORNBFQ Regulations shall govern all pawnshops to the extent applicable.”

Section 30. Sec. 4193 shall be renumbered to 4147P and shall be amended to read as follows:

“Sec. 4147P. Information Technology Risk Management (ITRM). The enhanced guidelines on ITRM of non-bank financial institutions as shown in Section 4177Q shall be adopted insofar as they are applicable to pawnshops.”

Section 31. “Registered/Business Name” shall be added under Part Two and shall cover Secs. 4151P to 4155P.

Section 32. Sec. 4181P shall be renumbered to 4151P and shall be amended to read as follows:

“Sec. 4151P. Registered/business name. No person or entity shall advertise, use signage or hold itself out as being engaged in the business of a pawnshop or use in its business name the words “pawnshop”, “pawnbrokerage”, or words of similar import, or transact in any manner the business of a pawnshop unless so authorized to operate as such by the BSP.

For purposes of this Section, the BSP shall provide for the guidelines that shall govern the application for change of registered/business name and the use of registered/business name in signage, pawn tickets and other forms.”

Section 33. “Transfer/Relocation and Voluntary Closure of Business” shall be added under Part Two and shall cover Secs. 4156P to 4160P.

Section 34. Sec. 4182P shall be renumbered to 4156P and shall be amended to read as follows:

“Sec. 4156P. Transfer/Relocation of Business. Consistent with the requirements stated in Section 16 of P.D. No. 114, no pawnshop shall transfer or relocate its place of business within three (3) months following the maturity of any loan or pledge, or before any pawn shall have been sold or disposed of as provided under P.D. No. 114 and these regulations. The requirement for the publication of notice mandated under the same section of P.D. No 114 shall be strictly observed for such transfer/relocation of the pawnshop’s place of business.

A notice of transfer shall be submitted to the appropriate department of the SES within five (5) working days after the effectivity of such transfer. The metal plate issued for the transferred/relocated pawnshop office shall also be surrendered to the BSP for the

issuance of a new metal plate. The BSP reserves the right to collect a reasonable amount to cover the cost of production/issuance of said metal plate.”

Section 35. §4183P.1 shall be renumbered to Sec. 4157P and shall be amended to read as follows:

“Sec. 4157P. Voluntary closure of a pawnshop office. Voluntary closure of a pawnshop office may be effected only after compliance with the requirements under Section 16 of P.D. No. 114.

A notice of closure of a pawnshop office shall be submitted to the appropriate department of the SES within five (5) working days after the effectivity of such closure. The metal plate issued to such pawnshop office shall also be surrendered to the BSP.”

Section 36. Sec. 4158P on the Surrender of Pawnshop Operator License Due to Closure of Business shall be added to read as follows:

“Sec. 4158P. Surrender of pawnshop operator license due to closure of business. The surrender of pawnshop operator license may be effected only after the operator has complied with the requirements under Section 16 of P.D. No. 114 and the requirement in *Appendix P-3.*”

Section 37. “Outsourcing” shall be added under part Two and shall cover Secs. 4161P to 4165P.

Section 38. Sec. 4190P on Guidelines on Outsourcing shall be renumbered to 4161P.

Section 39. “L. Miscellaneous Provisions” under Part One and “K. Other Borrowings” under Part Two are hereby deleted.

Section 40. The following Sections shall be renumbered as follows:

Sec. 4301P	to	Sec. 4166P
Sec.4302P	to	Sec. 4167P
Sec. 4322P	to	Sec. 4170P
Sec. 4325P	to	Sec. 4181P

Section 41. Part Three on Loans and Investments shall be amended to read as follows:

“PART THREE – PAWNING OPERATIONS”

Section 42. “A. Loans in General” under Part Three shall be amended to read as follows and shall cover Secs. 4166P to 4175P:

“A. LOANS AND LOAN COLLATERAL/SECURITY”

Section 43. §4301P.1 shall be renumbered to 4166P.1 and shall be amended to read as follows:

“§4166P.1. *General guidelines.* A pawnshop shall extend a loan only if such is secured by personal property that could be physically delivered to the control and possession of the pawnshop.

Before accepting articles as pawn, the pawnshop must ascertain whether the pawner is the true and absolute owner of the article offered as pawn. In the conduct of business, a pawnshop shall be guided by the standard of diligence that is expected of “a good father of a family”.”

Section 44. Sec 4321P shall be renumbered to 4168P and shall be amended to read as follows:

“Sec. 4168P. *Acceptable security and safekeeping of pawns.* Only personal property that is capable of being physically delivered to the control and possession of the pawnshop shall be accepted as security for loans. Certain specified chattels, such as guns, knives, or similar weapons, whose reception in pawn is expressly prohibited by other laws, decrees, or regulations, shall not be accepted by pawnshops as security for loans.

The pawnshop shall be liable for any pawned item lost or destroyed arising out of their negligence, fault, delay in delivery or willful violation of the loan agreement.”

Section 45. §4301P.2 shall be renumbered to 4168P.1 and shall be amended to read as follows:

“§4168P.1. *Prohibitions.* Pawnshop operators shall not:

- a. Use pawned articles for themselves or allow employees to use said articles for any purpose without the express consent or authority of the pawner unless continued use is necessary to preserve the pawn; or
- b. Re-pledge/re-pawn the pawned article.”

Section 46. Sec. 4323P shall be renumbered to 4169P and shall be amended to read as follows:

“Sec. 4169P. *Pawn ticket.* Pawnshops shall, at the time of the loan, deliver to each pawner a pawn ticket which shall contain the following:

- a. The business/registered name, address, telephone number, tax identification number of the pawnshop. The business name indicated in the pawn ticket shall be in accordance with the provision of Sec. 4151P;
- b. Name and address of the pawner;
- c. Date the loan was granted;
- d. Amount of the principal loan and net proceeds;
- e. Effective interest rate in percent, indicating if monthly or annually;
- f. Service charge in amount;
- g. Penalty interest in percent, if any;

- h. Appraised value of pawn;
- i. Maturity date;
- j. Description of the pawn; and
- k. Expiry date of the redemption period.

Aside from the memorandum book, or its equivalent, required under Section 11 of P.D. No. 114 and the pawn ticket, no other document or instrument shall be used/issued by a pawnshop for any loan granted by it to a pawner/borrower.

A pawn ticket shall be issued for each pawned article received from the pawner.”

Section 47. §4323P.1 shall be renumbered to 4169P.1 and shall be amended to read as follows:

“§4169P.1. *Stipulations in pawn ticket.* The contents of the pawn ticket shall be in accordance to the requirements of Sec. 12 of P.D. No. 114.

For purposes of this Subsection, the BSP shall provide for the guidelines on the standard stipulations to be indicated in the pawn tickets.”

Section 48. Sec. 4305P shall be renumbered to 4171P and shall be amended to read as follows:

“Sec. 4171P. *Past due accounts; Renewal.* x x x

No loan shall be renewed or its maturity date extended unless a new pawn ticket as defined in §4101P.2 shall be issued indicating the new term of the loan agreed upon by the pawnshop and the pawner.”

Section 49. §4305P.1 shall be renumbered to 4171P.1 and shall be amended to read as follows:

“§4171P.1. *Right of pawner to redeem pawn within ninety (90) days from maturity.* A pawner who fails to pay or renew his loan with a pawnshop on the date it falls due shall have ninety (90) days from the date of maturity of the loan within which to redeem the pawn by paying the principal amount of the loan plus the amount of interest that shall have accrued thereon. The amount of interest due and payable after the maturity date of the loan shall be computed upon redemption based on the sum of the principal loan and interest earned as of the date of maturity.

In case of a pawned article that is subject to quick obsolescence, i.e., electronic gadgets, the pawner and the pawnee may agree on a shorter redemption period but the same shall not be less than thirty (30) days.

For purposes of this Subsection, the BSP may provide for the guidelines for the procedures to be followed in case a pawner fails to redeem his pawn on or before maturity date.”

Section 50. "B. Loan Collateral/Security" shall be amended to read as follows and shall cover Secs. 4176P to 4180P:

"B. INTEREST AND SURCHARGES"

Section 51. Sec. 4303P shall be renumbered to 4176P and shall be amended to read as follows:

"Sec. 4176P. Interest and Surcharges. The rate of interest including surcharges on any loan or forbearance of money extended by a pawnshop shall be in accordance with market conditions. However, such interest rate shall not be iniquitous, unconscionable, or contrary to morals, if not against the law as may be determined by the Court. These shall also be properly declared in accordance with the Truth in Lending Act.

x x x

In the absence of express contract as to such rate of interest, the rate of interest for the loan or forbearance of money or credit extended by a pawnshop shall be six percent (6%) per annum."

Section 52. §4303P.2 shall be renumbered to 4176P.1 and shall be amended to read as follows:

"§4176P.1. Other charges. In addition to interest, pawnshops may impose a maximum service charge of five pesos (P5.00), but in no case to exceed one percent (1%) of the principal loan. Other charges may be imposed provided these are fair and reasonable and are properly disclosed."

Section 53. Sec. 4401P shall be renumbered to 4186P and shall be amended to read as follows:

"Sec. 4186P. BSP regulations on financial consumer protection. Pawnshops shall adopt a system for promptly addressing the complaints of their customers.

The Financial Consumer Protection Framework of the Bangko Sentral as stated under Part Ten of the MORNBFI-Q Regulations shall be adopted insofar as these are applicable to the pawnshop's operations."

Section 54. Sec. 4187P on Disclosures and Subsections 4187P.1 on Interest Rates, 4187P.2 on Ninety-Day Grace Period, and 4187P.3 on Insurance, shall be added to read as follows:

"Sec. 4187P. Disclosures. Pawnshops shall post conspicuously at the pawnshop's premises an abstract containing the following:

"§4187P.1. Interest Rates. The annual effective interest rate in percent, specifying therein if such interest rate is yearly or monthly, as well as other charges, if any, to be paid by the pawner.

"§4187P.2. Ninety (90)-Day Grace Period. A pawner has ninety (90) days from maturity date to redeem the pawn by paying the principal and interest.

"§4187P.3. Insurance. The pawnshop's policy regarding the insurance of pawned items."

Section 55. Part Five on Anti-Money Laundering Regulations shall be added.

Section 56. Sec. 4691P shall be renumbered to 4191P and shall be amended to read as follows:

"Sec. 4191P. Anti-money laundering regulations. Pawnshops, including their subsidiaries and affiliates, if any, shall comply with the provisions of Part 8 of Q Regulations, R.A. No. 9160 (Anti-Money Laundering Act of 2001), as amended, and its Revised Implementing Rules and Regulations (RIRRs)."

Section 57. §4301P.3 shall be renumbered to §4191P.1 and shall be amended to read as follows:

"§4191P.1. Know your customer. Pawnshops who transact with any customer for the first time shall establish the true and full identity of the customer by requiring presentation of at least one (1) valid photo bearing identification document (ID) issued by an official authority or by other similarly reliable means.

Every pawnshop shall maintain records containing all the information required under Section 11 of P.D. No. 114, and Section 9(a) of R.A. 9160, as amended, for each of their customers."

Section 58. §4691P.1 shall be renumbered to §4191P.2 and shall be amended to read as follows:

"§4191P.2. Required seminar/training. Pawnshop personnel designated in-charge of a pawnshop office shall attend a seminar on the requirements of the AMLA, as amended, particularly on customer identification, record keeping and reporting of covered and suspicious transactions, to be conducted by the Anti-Money Laundering Council (AMLC) or by any of its recognized accredited service providers.

The officers and the personnel who have attended the required seminar shall echo the said training to other employees to ensure effective compliance."

Section 59. §4691P.2 shall be renumbered to §4191P.3.

Section 60. Part Six on Miscellaneous shall be amended to read as follows:

**"PART SIX – ELECTRONIC OPERATIONS
AND OTHER SERVICES"**

Section 61. Sec. 4641P shall be renumbered to 4196P and shall be amended to read as follows:

"Sec. 4196P. *Electronic services.* The guidelines concerning electronic activities as may be applicable, as found in Sec. 4701Q and its Subsections, shall be adopted by pawnshops."

Section 62. "B. Sundry Provisions" under Part Six is hereby deleted.

Section 63. Part Seven on Miscellaneous Pawnshop Regulations shall be added.

Section 64. "A. Supervisory Powers of the Bangko Sentral" shall be added under Part Seven and shall cover Secs. 4201P to 4205P.

Section 65. Sec. 4651P shall be renumbered to 4201P and shall be amended to read as follows:

"Sec. 4201P. *Supervisory powers of the Bangko Sentral.* x x x

Any business establishment which represents itself as a pawnshop and/or regularly grants loans against pawns/collaterals physically delivered to the establishment or is suspected to be a pawnshop or found to be operating as a pawnshop illegally shall be reported to the office of the city or municipal mayor where the establishment is located, for appropriate action, without prejudice to whatever legal action under Section 18 of P.D. No. 114 that may be taken against the owners and operators of the establishment."

Section 66. §4651P.1 shall be renumbered to 4201P.1 and shall be amended to read as follows:

"§4201P.1. *Refusal to permit examination.* Refusal to permit examination shall mean any act or omission which impedes, delays or obstructs the duly authorized Bangko Sentral officer/examiner/employee from conducting an examination or visitorial inspection, including the act of refusing to accept or honor a letter of authority to examine presented by any duly authorized officer/examiner/employee of the Bangko Sentral and the act of refusing to present pawnshop's records upon request."

Section 67. Sec. 4202P on Revocation of Authority to Operate shall be added to read as follows:

"Sec. 4202P. *Revocation of Authority to Operate.* In addition to Sec. 4211P, the BSP may revoke an Authority to Operate if it is determined that:

- (a) The operator, in case of pawnshops organized as sole proprietorship, no longer complies with the minimum criteria of a "fit and proper" person.

- (b) The operator contravened any of the conditions of its authority;
- (c) The operator has ceased to carry on pawnshop business operations;
- (d) Chronic failure/refusal of the operator to address complaints from the customers/public;
- (e) Failure to pay the annual supervision fees for three (3) consecutive years; and/or
- (f) Failure to submit required reports for three (3) consecutive years.

Section 68. "Supervision Fees and Other Fees/Charges" shall be added under Part Seven and shall cover Secs. 4206P to 4210P.

Section 69. Sec. 4206P on Filing/Licensing Fees shall be added to read as follows:

"Sec. 4206P. Filing/licensing fees. An operator securing BSP's Authority to Operate a pawnshop business shall pay a filing fee of ₱1,000.00 upon filing of an application and is non-refundable.

Upon approval of the application, as the case may be, the following licensing fee, depending on the type of license being applied for, shall be charged:

License	Fee
"A"	₱ 5,000
"B"	₱ 25,000
"C"	₱ 50,000
"D"	₱ 50,000

The amount of licensing fee to be assessed to the applicant shall be net of the filing fee paid.

The BSP reserves the right to collect other reasonable fees/charges to cover the cost of processing the applications of pawnshops."

Section 70. §4101P.6 shall be renumbered to Sec. 4207P and shall be amended to read as follows:

"Sec. 4207P. Annual supervision fees. The annual supervision fee (ASF) of five hundred pesos (₱500.00) per pawnshop office shall be paid by pawnshops not later than 31 March of every year.

Beginning year 2017, the total amount of ASF due from a pawnshop operator shall be based on the number of pawnshop offices as at the end of December of the immediately preceding year.

For purposes of this Section, the BSP shall issue the guidelines in the collection of the annual supervisory fees."

Section 71. "Other Miscellaneous Regulations" shall be added and shall cover Secs. 4211P to 4125P.

Section 72. Sec. 4650P shall be renumbered to 4211P.

Section 73. "General Provision on Sanctions" shall be added under Part Seven and shall cover Secs. 4211P to 4215P.

Section 74. Sec. 4216P on General Provision on Sanctions shall be added to read as follows:

"Sec. 4216P. General provision on sanctions. Any violation of the provisions of these regulations shall be subject to the administrative penalties under Section 37 of Republic Act No. 7653, as implemented by BSP Circular No. 875 or the BSP Supervisory Enforcement Policy, in relation to Section 17 of P.D. No. 114. Any administrative sanctions imposed by the BSP shall be without prejudice to the imposition of penalties under Section 18 of P.D. No. 114 and other applicable laws against the pawnshop, its proprietor, partners, directors, stockholders, president, officers and/or employees."

Section 75. "Transitory Provision" shall be added.

Section 76. §4107P.1 shall be renumbered to Sec. 4221P and shall be amended to read as follows:

"Sec. 4221P. Capital build-up and de-leveraging program. Pawnshops established and operating prior to the effectivity of these regulations shall comply with the minimum capitalization and borrowing limits prescribed under Sections 4111P and 4112P. Any pawnshop that does not meet these requirements shall submit an acceptable plan of compliance, for a period not to exceed one (1) year from date of submission, to the BSP along with the application for an Authority to Operate under Section 4103P within six (6) months from the effectivity of these regulations. Any delay in the submission of such plan shall be subject to appropriate sanctions."

Section 77. Appendix P-1 on Chart of Accounts and Description of Loan Register of Pawnshops shall be deleted and be replaced by Appendix P-1 on List of Documentary Requirements to Accompany an Application for an Authority to Operate a Pawnshop Business and shall be read as follows:

**"LIST OF DOCUMENTARY REQUIREMENTS TO ACCOMPANY
AN APPLICATION FOR AN AUTHORITY TO OPERATE
A PAWNSHOP BUSINESS**

The application for an Authority to Operate a new pawnshop business shall be accompanied by the following documents:

- a. Sworn Undertaking, in case of sole proprietorship, or sworn agreement, in case of partnership/corporation, to organize and operate a pawnshop business compliant with existing laws, rules and regulations;

- b. Personal data sheet (using BSP-prescribed form for pawnshops) with passport size picture duly accomplished by the proprietor or partners or incorporators, directors, officers, individual stockholders owning 10% or more of the voting stock, and the beneficial owners of the pawnshop;

Beneficial owner refers to natural person(s) who ultimately owns or controls the pawnshop. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.

- c. Sworn certification that the applicant has the financial capacity to organize and operate a pawnshop business.
- d. NBI Clearance for the proprietor/partners/incorporators/directors/principal officers;
- e. For corporate subscribers:
 - (1) Copy of the latest articles of incorporation and by-laws;
 - (2) List of General Information Sheet (GIS) filed with the Securities and Exchange Commission (SEC);
 - (3) List of major stockholders, including the corporation's ultimate beneficial owners, indicating the citizenship and the number, amount and percentage of the voting and non-voting shares held by them;
- f. Duly notarized authorization form, per *Appendix Q-45*, for querying the BSP watchlist file from the proprietor/partners/directors, president and proposed manager or officer-in-charge;
- g. A Certificate of Registration (COR) of business name from the DTI, in case of a sole proprietorship;
- h. Articles of Partnership/Incorporation and by-laws duly registered with the SEC, in the case of a partnership or a corporation which Articles shall indicate that the primary purpose of the partnership/corporation is to engage in the business of a pawnshop or a pawnbroker;
- i. Copy of the city/municipal license/business license/mayor's permit for the current period;
- j. Certified true copy/ies of the certificate/s evidencing attendance, or a sworn undertaking to attend, of proprietor/partners/incorporators/directors/president/manager/officer-in-charge in a briefing on pawnshop regulations and a seminar on AMLA, as amended, in accordance with Subsection 4103P.2; and
- k. Notarized special power of attorney authorizing a person/entity to apply for an authority to operate a pawnshop business in behalf of the proprietor/partnership/corporation. In the case of a corporate applicant, a certified true copy of the board resolution authorizing the person or entity shall likewise be submitted."

Section 78. Appendix P-2 on List of Reports Required from Pawnshops shall be deleted and be replaced by Appendix P-2 on Documentary Requirements for Transfer of Ownership of a Pawnshop Business with Type "A" License and shall be read as follows:

"DOCUMENTARY REQUIREMENTS FOR TRANSFER OF OWNERSHIP
OF A PAWNSHOP BUSINESS OPERATED BY A SOLE PROPRIETOR

The transferor pawnshop operator shall file the following documents with the appropriate department of the SES at least ten (10) working days before transferring the ownership of the pawnshop business:

- (1) Notarized statement by proprietor stating that:
 - a. The pawnshop's books of accounts, records and documents shall be preserved for five (5) years from date of last entries before the transfer of ownership;
 - b. All unused accountable forms such as official receipts and pawn tickets have been destroyed to prevent their unauthorized use.
 - c. The transferor pawnshop operator shall be liable for all claims arising from transactions of the pawnshop prior to the effective date of transfer, unless the transferee pawnshop operator assumes such liability, in which case, such transferee pawnshop operator shall submit a notarized statement to that effect.
 - d. All outstanding pawns have been redeemed or sold at public auction, or otherwise disposed of in accordance with law; or the owners of outstanding pawns have been notified by registered mail on the transfer of ownership of the pawnshop.
- (2) Original BSP Authority to Operate issued to the transferor pawnshop operator, or an affidavit in case of loss.
- (3) Payment of BSP assessment on the pawnshop, if any, such as for non-submission or delayed submission of required reports and/or annual supervisory fees.

If the transferee shall continue the operation of the pawnshop, he shall comply with the provisions of Section 4102P of these regulations. The transferee shall also submit a copy of the duly executed contract effecting the transfer of ownership."

Section 79. Appendix P-3 on Guidelines on Prescribed Reports Signatories and Signatory Authorization shall be deleted and replaced by Appendix P-3 on Documentary Requirements for the Surrender of Pawnshop Operator License and shall be read as follows:

**"DOCUMENTARY REQUIREMENTS FOR THE
SURRENDER OF PAWNSHOP OPERATOR LICENSE**

The following requirements must be submitted to the appropriate department of the SES for the surrender of the pawnshop operator license at least thirty (30) calendar days prior to the intended closure of business:

- (1) Notarized statement stating that:
 - a. The pawnshop's books of accounts, reports, records and documents shall be preserved for at least five (5) years from date of last entry;
 - b. All unused accountable forms have been destroyed to prevent their unauthorized use;

- c. Pawnshop operator shall be held liable for present or future claims arising from its pawnbroking transactions; and
- d. All outstanding pawns have been redeemed/sold at public auction, or otherwise disposed of, in accordance with law.

(2) Original BSP Authority to Operate issued to the pawnshop operator; and

(3) The metal plate/s issued by the BSP to the pawnshop.

Remittance of penalties or BSP assessments on the pawnshop, if any, such as for non-submission/delayed submission of required reports.”

Section 80. Sections 4141P, 4142P, 4143P, 4162P, 4163P, 4164P, 4183P, 4185P, 4192P, 4199P, 4285P, 4286P, 4306P, 4324P, 4399P, 4402P, 4403P, 4642P, 4657P and 4658P, and Subsections 4101P.3, 4142P.1, 4143P.1, 4143P.2, 4143P.3, 4143P.4, 4143P.5, 4143P.6, 4143P.7, 4151P.1, 4151P.2, 4151P.3, 4151P.4, 4151P.5, 4151P.6, 4151P.7, 4161P.1, 4161P.2, 4161P.3, 4161P.4, 4162P.1, 4162P.2, 4162P.3, 4164P.4, 4171P.1, 4171P.2, 4171P.3, 4171P.4, 4181P.1, 4181P.2, 4182P.1, 4182P.2, 4184P.1, 4184P.2, 4193P.1, 4193P.2, 4193P.3, 4193P.4, 4193P.5, 4193P.6, 4193P.7, 4193P.8, 4193P.9, 4303P.1, 4303P.3, 4303P.4, 4303P.5, 4324P.1, 4325P.1, 4401P.1, 4401P.2, 4402P.1, 4402P.2, 4402P.3, 4402P.4, 4402P.5, 4642P.1, 4642P.2, 4642P.3, 4642P.4, 4642P.5, 4642P.6, 4642P.7, 4642P.8, 4642P.9, 4642P.10, and 4642P.11, and Appendices P-4, P-4-a, P-4-b, P-4-c, P-7, P-8, P-9, and P-10, and Annexes P-2-a, P-3-a, P-3-b, and P-3-c, are hereby deleted.

Section 81. Transitory Provision. All existing pawnshop operators shall secure their Authority to Operate a pawnshop business from the BSP within one (1) year from the date of effectivity of these regulations. Upon the expiration of the transitory period, all Acknowledgment of Registrations (AORs) previously issued by the BSP shall be considered automatically revoked.

Existing pawnshop operators, organized as sole proprietorship and partnership with more than ten (10) offices, shall be allowed to register for Type “A” license to retain their business form, provided they shall not be allowed to open additional offices or additional corollary business activities. Should they decide to close existing office or corollary business, subsequent re-opening shall not be allowed unless it complies with these new regulations.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

23 December 2016