



Republic of the Philippines  
**Securities and Exchange Commission**  
Secretariat Building, PICC Complex,  
Roxas Boulevard, Pasay City

**Corporate Governance and Finance Department**

## NOTICE

The Commission invites comments on the attached draft of the Amended Implementing Rules and Regulations (IRR) of Republic Act No. 8556 or the Financing Company Act of 1998.

To ensure that all relevant organizations and shareholders, especially those from the private sector, are able to take part in the drafting of the amendments in the IRR, we are exposing the same for public comments. For the early implementation of the Amended IRR, please submit your duly signed written comment and/or suggestions **on or before August 15, 2017** by any of the following means of communication:

Letter	Addressed to: <b>Director Justina F. Callangan</b> Corporate Governance and Finance Department (CGFD) Ground floor, North Wing Hall, Secretariat Bldg. PICC Complex, Vicente Sotto St., 1307 Pasay City
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**AMENDED RULES AND REGULATIONS TO IMPLEMENT THE PROVISIONS  
OF REPUBLIC ACT NO. 8556 (THE FINANCING COMPANY ACT of 1998)**

To effectively carry out the provisions of Republic Act No. 8556 (The Financing Company Act of 1998), the Securities and Exchange Commission, pursuant to the powers vested in it under said Act, Republic Act No. 1143 and Presidential Decree No. 902-A, as amended, hereby promulgate the following **amended** rules and regulations:

**SECTION 1. Definition of Terms**

The following definition of terms shall apply for purposes of these Rules:

- a) "Financing companies" are corporations, except banks, investment houses, savings and loan associations, insurance companies, cooperatives, and other financial institutions organized or operating under other special laws, which are primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises, by direct lending or by discounting or factoring commercial papers or accounts receivable, or by buying and selling contracts, leases, chattel mortgages or other evidence of indebtedness, or by financial leasing of movable as well as immovable property;
- b) **"Branch", "Agency", "Extension office", "Satellite Office", or "Unit" is a place separate and outside the Head Office, where financing activities and business decisions conducted in the Head Office are likewise performed;**
- c) **"Off-site location" such as but not limited to "point-of-sale" (POS), "merchant" or "kiosk", is a place where the financing company has existing agreement with a third party allowing it to offer, promote, market its finance products and services to the latter's clients and to assist, disseminate, collect and process the information of said clients.**
- d) "Commission" shall mean the office of the Securities and Exchange Commission of the Philippines;
- e) "Funds" shall mean total assets inclusive of valuation reserves and deferred income but shall not include investments in real estate, in shares of stock of real estate development corporations or in real estate based projects, leasehold rights and improvements, fixed assets, foreclosed properties and prepayments.
- f) "Credit" shall mean any loan, mortgage, financial lease, deed of trust, advance or discount, any conditional sales contract, contract to sell, or sale or contract of sale of property or service, either for present or future delivery, under which, part of

all or the price is payable subsequent to the making of such sale or contract; any contract, any option, demand, lien or pledge, or to the other claims against, or for the delivery of, property or money, any purchase, or other acquisition of or any credit upon the security of, any obligation or claim arising out of the foregoing, and any transaction or series of transactions having similar purpose or effect;

- g) "Financial leasing" is a mode of extending credit through a non-cancellable lease contract under which the lessor purchases or acquires, at the instance of the lessee, machinery, equipment, motor vehicles, appliances, business and office machines, and other movable or immovable property in consideration of the periodic payment by the lessee of a fixed amount of money sufficient to amortize at least seventy percent (70%) of the purchase price or acquisition cost, including any incidental expenses and a margin of profit over an obligatory period of not less than two (2) years during which the lessee has the right to hold and use the leased property with the right to expense the lease rentals paid to the lessor and bears the cost of repairs, maintenance, insurance and preservation thereof, but with no obligation or option on his part to purchase the leased property from the owner-lessor at the end of the lease contract;
- h) "Purchase discount" is the difference between the value of the receivable purchased or credits assigned, and the net amount paid by the financing company for such purchase or assignment, exclusive of fees, service charges, interest and other charges incident to the extension of credit;
- i) "Lease rentals" shall refer to the periodic payments made by the lessee to the lessor under Section 1 (e), above;
- j) "Receivable financing" is a mode of extending credit through the purchase by, or assignment, to a financing company of evidence of indebtedness or open accounts by discounting or factoring;
- k) "Discounting" is a type of receivables financing whereby evidence of indebtedness of a third party, such as installment contracts, promissory notes, and similar instruments, are purchased by, or assigned to, a financing company in an amount or for a consideration less than their face value;
- l) "Factoring" is a type of receivables financing whereby open accounts, not evidenced by a written promise to pay supported by documents such as but not limited to invoices of manufacturers and suppliers, delivery receipts and similar documents, are purchased by, or assigned to, a financing company in an amount or for a consideration less than the outstanding balance of the open accounts;

- m) "Paid-up capital" refers to the amount paid for the subscription of stock in a corporation including the amount paid in excess of par value;
- n) "Networth" is the excess of assets over liabilities, net of appraisal surplus, unbooked valuation reserves, capital adjustments, overstatement of assets and unrecorded liabilities;
- o) **"Digital Financing" refers to financing through the use of digital infrastructure such as mobile or internet and involving very limited in-person contact and interference.**

SECTION 2. *Form of Organization.* – Financing companies shall be organized in the form of stock corporation in accordance with the provisions of the Corporation Code of the Philippines, subject to the following:

a. **Equity ownership**

**A Lending Company may be owned up to One hundred percent (100%) by foreign nationals (as amended by R.A. 10881).**

b. **Minimum capital requirements:**

**1. 40% Foreign owned:**

- i. **P10,000,000.00 for financing companies located in Metro Manila and Other 1st Class Cities**
- ii. **P5,000,000.00 for financing companies located in other classes of Cities**
- iii. **P2,500,000.00 for financing companies located in Municipalities**

**2. More than 40% Foreign Owned:**

- i. **US \$250,000.00 or its Philippine peso equivalent\* for financing companies located in Metro Manila and Other 1st Class Cities**

ii. US \$225,000.00 or its Philippine peso equivalent\* for financing companies located in other classes of Cities

iii. US \$200,000.00 or its Philippine peso equivalent\* for financing companies located in Municipalities

\*Networth shall not be less than minimum paid-up capital requirements.

Financing Companies duly existing and in operation before the effectivity of this Act shall comply with the minimum capital requirement within one (1) year from the date of the said effectivity.

c. Other Requirements:

i. Where land is concerned, the Financing Company shall comply with the constitutional provision on foreign ownership of land (Article XII, Section 7).

ii. Foreign Financing Companies shall be required to hire at least sixty percent (60%) Filipino employees with rights and privileges provided for under the Labor Code of the Philippines and other applicable laws.

iii. The corporate-name of financing companies shall contain the term "financing company", "finance company", or "finance and investment company" or other title or word(s) descriptive of their operations and activities as a financing company.

iv. In accordance with the provision of Section 23 of the Corporation Code, the majority of the Board of Directors of Financing Companies established under the provisions of RA 10881 shall be residents of the Philippines.

SECTION 3. *Rights and Powers.* – Financing companies shall have the following powers: –

a. Engage in quasi-banking and money market operations with the prior approval of the Bangko Sentral ng Pilipinas;

b. Engage in trust operations subject to the provisions of the General Banking Act upon prior approval by the Bangko Sentral ng Pilipinas;

- c. Issue bonds and other capital instruments subject to pertinent laws, rules and regulations;
- d. Rediscount their paper with government financial institutions subject to relevant laws, rules and regulations;
- e. Participate in special loan or credit programs sponsored by or made available through government financial institutions;
- f. Provide foreign currency loans and leases to enterprises that earn foreign currency by exports or other means, subject to existing laws and rules and regulations promulgated by the Bangko Sentral ng Pilipinas.

The Commission shall allow the inclusion of the foregoing rights and powers in the Articles of Incorporation of a financing company after submission by the applicant financing company of the appropriate license/authority issued by the government agency involved.

#### SECTION 4. *Requirements for Registration.* –

- a. Registration papers to be submitted to the Commission

Any stock corporation may be registered as a financing company by filing with the Commission an original plus (+) three (3) copies of an application to operate as a financing company under R.A. 8556, signed under oath by its President, together with the following documents in the prescribed forms:

- 1. All documents required for registration as a corporation;

- 2. **Information Sheet of registrant company;**

- 2.1. **The company should disclose therein if it will market its financial products as follows:**

- a. **Traditional Marketing:**

- a.1. By securing a CA for a **branch, agency, extension office, satellite office, or unit;**

- b. Digital Marketing in accordance with Section 8 (b) of this Rules);
  - c. Through an Off-site location such as POS.
3. The following documents are required and shall apply both to new and existing Financing Companies:
- 1. Cover Sheet
  - 2. Application Form
  - 3. Notarized Personal Information Sheet of Directors & officers using the prescribed format by the Commission.
  - 4. For Filipino Directors and Officers:
    - i. Original copy of NBI clearance with right thumb print and reflecting the residential address as stated in the Information Sheet & Articles of Incorporation;
    - ii. Application Form;
    - iii. Personal Information Sheet of each of the directors and officers regardless of position;
    - iv. Bank credit information to be issued by his depository or creditor bank(s), if any;

For Foreign Directors and Officers:

- i. Original copy of NBI Clearance with right thumb print and reflecting the residential address as stated in the Information Sheet & Articles of Incorporation/General Information Sheet (GIS), if applicable;
- ii. Original and Photocopy of the following:
  - a. Alien Certificate of Registration Identification Card (ACR i-Card) or Special Resident Retiree's Visa (SRRV); or

**b. Immigration Certificate of Registration**

**Subject to determination of the Department of Foreign Affairs (DFA), Bureau of Immigration (BI) and the Philippine Retirement of Authority (PRA), only authorized and valid ACR i-Card/SRRV shall be recognized by the Commission.**

**In case the issuance of the authorized ACR i-Card/SRRV is pending before the appropriate agency, the concerned incorporator or shareholder shall submit a proof of filing of the application for ACR i-Card/SRRV and submit said ACR i-Card/SRRV to the Commission within thirty (30) days after its issuance.**

- iii. **Original and Photocopy of Passport showing valid visa or stay in the Philippines;**
  - iv. **Original copy and Photocopy of Clearance from the Bureau of Immigration.**
5. **Clearance from the Bangko Sentral ng Pilipinas, if the applicant financing company is a subsidiary or affiliate of a bank and/or non-bank financial institution with quasi-banking license.**
6. **Manual on Corporate Governance shall be required if the following conditions exist:**
- a. **if the foreign participation in voting stock is more than forty percent (40%); or**
  - b. **if the total assets amount to at least Fifty Million (Php 50,000,000.00) or more; or**
  - c. **if the corporation is a commercial paper issuer, either exempt or registered.**
7. **Manual on Anti-Money Laundering shall be required if:**
- a. **Foreign participation in voting stock is more than forty percent (40%); or**
  - b. **If the total assets amount to at least Ten Million (Php 10,000,000.00) or more**



8. **Board Resolution on the Adoption of the Manuals Certified by the Corporate Secretary;**
9. **Format of Disclosure Statement on Loan/Credit Transactions indicating the name of the Company;**
10. **Notarized Bank Certificate of Deposit of the Paid-up Capital;**

**As additional requirements for Existing Financing Company Applicants, the following documents shall be required:**

- a. **Report of an Independent CPA on the conduct and result of the verification procedures required under SEC Memorandum Circular No. 6, Series of 2008 (MC6S08);**
- b. **Management Representation under MC6S08;**
- c. **Latest GIS;**
- d. **Latest required Audited Financial Statements; or Notarized Interim Financial Statements signed by the President and Treasurer;**
- e. **All documents required for Filing of Amended Articles of Incorporation/Certificate of Increase in Capital Stock; and**
- f. **Monitoring Clearance from the appropriate Department.**

11. Such other documents as may be required by the Commission.

b) **Publication of Notice and Order**

Upon receipt of the above registration papers of a proposed financing company, the Commission shall cause the Notice and Order to be published by the applicant company at its expense in a newspaper of general circulation in the Philippines once a week for two (2) consecutive weeks.

The Notice and Order shall state, among others, the name of the proposed financing company, the capital structure, and the names and residences of its directors.

c) Opposition to Registration

Any interested party may oppose the registration of a financing company in writing, personally or through counsel, within fifteen (15) days after the last date of the publication of the Notice and Order. If the Commission finds that the requirements of R.A. 8556, its implementing rules and regulations and other pertinent laws have been complied with and that no valid reason exists for the disapproval of the application, the Commission shall issue a Certificate of Authority to Operate as a Financing Company.

*SECTION 5. Issuance of Certificate of Filing of Articles of Incorporation and By-Laws: Certificate of Authority to Operate and Commencement of Operations. –*

- a. The Commission shall register the Articles of Incorporation and issue the Certificate of Authority to Operate as Financing Company to any proposed financing company if it is satisfied that the establishment of such company will promote public interest and convenience and:
  1. All the requirements of R.A. 8556, other existing laws, and applicable rules and regulations to engage in the business for which the applicant is proposed to be incorporated, or organized, have been complied with;
  2. The organization, direction and administration of the applicant, as well as the integrity and responsibility of the organizers and administrators, reasonably assure the protection of the interest of the general public; and
  3. Proof of the publication of Notice and Order for registration is in accordance with Sec. 4 (b) hereof.
- b. A corporation that has been duly registered and granted a Certificate of Authority to Operate as a Financing Company in accordance with law and this Rules shall commence operations within one hundred twenty (120)

days from date of grant of such certificate. Failure to operate within the one hundred twenty (120) day period shall subject the financing company to a fine of not less than Ten Thousand (P10,000.00) Pesos.

- c. Notwithstanding failure to operate as aforesated, a financing company may be granted a grace period of another sixty (60) days from the expiry date of the first one hundred twenty (120) days within which to commence operations. Failure to operate within the extended period shall empower the Commission, after notice and hearing, to revoke its Certificate of Authority.

SECTION 6. *Branches, Agencies, Extension Offices, Satellite Offices or Units.* –

- a. Certificate of Authority – No financing company shall establish or operate a **Branch, Agency, Extension Office, Satellite Office, or Unit** without a prior Certificate of Authority (CA) to be issued by the Commission. The application for a CA filed under this section shall be accompanied by the following documents:
  1. **Information sheet of the proposed Branch, Agency, Extension Office, Satellite Office, or Unit**;
  2. **Application Form**;
  3. **Information Sheet**;
  4. **Original NBI clearance of the Branch Manager, Administrative Officer and Cashier with right thumb print and reflecting the residential address as stated in the Information Sheet**;
  5. **Clearance from the Bangko Sentral ng Pilipinas, if the applicant financing company is a subsidiary or affiliate of a bank and/or non-bank financial institution with quasi-banking license.**
  6. **Monitoring Clearance from the appropriate Department.**
  7. **Registration Documents (i.e., Articles of Incorporation, Amended Articles of Incorporation, Certificate of Increase of Capital Stock, Certificate of Authority of Head Office, Latest General Information Sheet, Latest Audited Financial Statements/Interim Financial Statements)**

8. **Such other documents as may be required by the Commission.**

The above application shall be published in accordance with the provisions of Sec. 4(b) of these Rules.

- b. Evaluation Guideposts – The number of **Branch, Agency, Extension office, Satellite Office, or Unit** to be established shall depend upon the capacity of the company to conduct expanded operations and/or upon the capacity of the area wherein the proposed **Branch, Agency, Extension office, Satellite Office, or Unit** will be established to absorb new entities engaged in financing, as may be determined by the Commission.
- c. Additional Capital Requirement – A financing company shall be required to put up minimum additional capital for each **Branch, Agency, Extension office, Satellite Office, or Unit** as follows:

Location of Branch or Additional Capital Required Agency or Extension Office or Unit

Metro Manila and Other 1st Class Cities	P1,000,000
Other classes of cities	P500,000
Municipalities	P250,000

For a financing company granted with special rights and powers mentioned in Section 3 hereof additional capital required shall be based on letter (c) above or on the capitalization requirement under the rules and regulations promulgated by the appropriate government agency, whichever is higher.

- d. Prescribed Period to Operate – Such **Branch, Agency, Extension office, Satellite Office, or Unit** shall operate within one hundred twenty (120) days from the issuance of the Certificate of Authority (CA) and failure to operate within such period shall subject said **Branch, Agency, Extension office, Satellite Office, or Unit** to a fine of not less than Ten Thousand

(P10,000.00) Pesos or revocation of the CA, after due hearing at the discretion of the Commission.

- e. Term of Authority to Operate – The CA to operate a **Branch, Agency, Extension office, Satellite Office, or Unit** shall be coterminous with that of the Head Office.

**SECTION 7. Off-site location. –**

- a. **Reporting Requirement - A financing company shall report to the Commission the address of its Off-site location/s and pay the fees under Section 10 hereof at least thirty (30) days before their actual operation.**

**Financing companies with existing Off-site location/s prior to the approval of this Implementing Rules and Regulation (IRR) shall report the address of its Off-site location/s and pay the corresponding fees within sixty (60) days from the approval of this Amended IRR.**

- b. **Activities Allowed - A financing company shall only perform the following activities in its Off-site location/s:**
  - 1. **Offer, market, promote its products and services to the public by way of display of tarpaulin or any other similar material or make available/distribute product brochures;**
  - 2. **Conduct customer due diligence, or “Know-your-Client” (KYC) procedure as required by law;**
  - 3. **Advise and/or assist clients in filling up loan applications;**
  - 4. **Transmit said loan applications electronically to the Head Office, or Branch, Agency, Extension Office, Satellite Office or Unit for evaluation and approval;**
  - 5. **Disclose, explain and/or provide, prior to the consummation of the transaction, printed copy of the loan document containing the information required by law to be disclosed;**
  - 6. **Such other analogous activities except underwriting, credit verification and scoring, approval or disapproval of loan application and collections.**

## SECTION 8. Digital Financing

- a. Financing companies may do Digital Financing under the following terms and conditions:
- b. Thirty (30) days prior to engaging in Digital Financing, financing companies shall submit to the Commission a written notice of such intent together with a description of the process and system that will be used for Digital Financing, which shall include, but not limited to the following:
  1. Electronic signature process (e.g. One time password);
  2. Electronic customer due diligence procedure;
  3. Disbursement of loan amount, if applicable;
  4. Process with e-shops, if applicable.
- c. Obligations of Financing companies engaged in Digital financing:
  1. Develop and use electronic signature in accordance with Republic Act No. 8792 (Electronic Commerce Act) to confirm and execute contracts pertaining to Digital financing services.
  2. Conduct customer due diligence through the use of Information and Communication Technology in accordance with Republic Act 9160, as amended (Anti-Money Laundering Act) and its Revised Implementing Rules and Regulations.
  3. Ensure the integrity and security of electronic documents pertaining to Digital financing services under the Republic Act No. 10173 (Data Privacy Act of 2012).

## SECTION 9. Applicability of Bangko Sentral ng Pilipinas Regulations.

The following financing companies, including their **Branches, Agencies, Extension offices, Satellite Offices, or Units**, shall be subject to applicable rules and regulations of the Bangko Sentral ng Pilipinas (BSP) and must comply with BSP requirements prior to issuance by the Commission of the Certificate of Authority to Operate, as a Financing Company:

- a. Financing companies with quasi banking license;
- b. Financing companies that are subsidiaries/affiliates of banks;
- c. Financing companies that are subsidiaries/affiliates of non-bank financial intermediaries with quasi-banking license;
- d. Financing companies with authority to engage in trust operations;

#### SECTION 10.Fees

A license fee of 1/10 of 1% of the paid up capital of the financing company shall be charged for the issuance of a Certificate of Authority to Operate as a Finance Company.

A license fee of 1/10 of 1% of the capital of the Branch, Agency, Extension Office, Satellite Office or Unit shall likewise be charged for the issuance of original Certificate of Authority to each Branch, Agency, Extension Office, Satellite Office or Unit of a financing company.

A fee of P1,000 for every city (in Metro Manila city or other 1<sup>st</sup> class cities) where Off-site location/s are situated.

A fee of P500 for every city (other classes of city) where Off-site location/s are situated.

A fee of P250 for every municipality where Off-site location/s are situated.

As approved by the Commission, an annual fee of 1/8 of 1% of the required paid-up capital shall be shall be charged and be paid not later than forty five (45) days before the anniversary date of the Certificate of Authority to Operate as a Financing Company and for as long as its license to operate is in effect.

SECTION 11.Loans and Investments. – Unless otherwise authorized by the Commission:

- a. The total investment of a financing company in real estate and in shares of stock in a real estate development corporation and other real estate based projects shall not at any time exceed twenty-five (25%) percent of its networth.

- b. More than fifty (50%) percent of the funds of a financing company shall be used or invested in financing company activities; Provided, that in the computation of the amount of funds used or invested in financing company activities, investments in government securities with maturity of not more than one (1) year and special savings deposits shall be taken into consideration;
- c. The total credit that a financing company may extend to its directors, officers, and stockholders shall not exceed fifteen (15%) percent of its networth. For purposes of this Section, loans and other credit extended by a financing company to the following related interests shall be deemed to have been extended to its directors, officers, and stockholders:
  - 1. Spouse or relatives within the first degree of consanguinity or affinity, or relatives by legal adoption, of the officer, director or stockholder of the financing company;
  - 2. Partnerships in which a director or officer or stockholder of the financing company, or their spouse or relatives referred to in (c) (1 ) of this Section, is a general partner;
  - 3. Corporations where a director or officer or stockholder of the financing company, or their spouse or relatives referred to in (c) (1) of this Section, is also a director or officer of the corporation;
  - 4. Corporations where more than twenty (20%) percent of its subscribed capital stock is owned by a director or officer or stockholder of the financing company or their spouse or relatives referred to in (c) (1 ) of this Section;
  - 5. Corporations wholly or majority-owned or controlled by entities mentioned in (c)(2), (c)(3) and (c)(4) of this Section.
- d. The total credit that a financing company may extend to any person, company, corporation or firm shall not exceed thirty (30%) percent of its net worth.
- e. Unless collected, interest income shall not be recognized on loans and lease receivables that remain outstanding beyond their maturity dates.



- f. A 100% allowance for probable losses should be set up for the following:
1. Clean loans and advances past due for a period of more than six (6) months;
  2. Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50% without the borrower offering additional collateral for the loans;
  3. Past due loans secured by real estate mortgage title which is subject to an adverse claim rendering settlement through foreclosure doubtful;
  4. When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;
  5. Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues;
  6. Accounts receivable past due for 361 days or more;

SECTION 12. *Conveyance of Evidence of Indebtedness and Financed Receivables.* —

- a. The negotiation, sale or assignment by financing companies of evidence of indebtedness shall be in accordance with the rules of the Commission on registration of commercial papers and with the 19-lender limit allowed a financing company without quasi-banking license pursuant to Republic Act No. 337.
- b. Accounts which have been factored or discounted by, the lease receivables of, and other evidence of indebtedness (not covered in item a, above) issued or negotiated to, a financing company shall not be sold, assigned or transferred in any manner except to banks including their trust accounts, trust companies, non-bank financial intermediaries authorized to engage in quasi-banking functions, investment houses including their trust accounts, financing companies, investment companies, non-stock savings and loan associations, insurance companies, government financial institutions, pension and retirement funds approved by the Bureau of Internal Revenue, educational assistance funds established by the National

Government; Provided: That the negotiation of evidence of indebtedness to pension funds or educational assistance funds shall be on a recourse basis.

SECTION **13.** *Required Networth for Operating Financing Companies.* – The company's networth shall be maintained at an amount not less than that required under Sections 2(b) and 6(c) hereof.

SECTION **14.** *Prohibitions.* –

- a. No corporation shall be allowed to include discounting, factoring and leasing as herein defined as one of its secondary purposes.
- b. Unless so authorized under R.A. No. 8556, no person, association, partnership or corporation shall:
  1. Engage in the business of a financing company;
  2. Hold itself out to be a financing company, either through advertisement in whatever form, whether in its stationery, commercial paper or other document, or through other representations;
  3. Make use of trade or firm name containing the words "Financing" or "Leasing" or "Finance and Leasing" or "Finance and Investment" or any other designation that would give the impression that it is engaged in the business of a financing or leasing company;

SECTION **15.** *Periodic Reports.* – Every financing company shall file with the Commission, the following reports:

- a. Within one hundred twenty (120) days after the end of the fiscal year, four (4) copies of the audited financial statements;
- b. Any change in the membership or composition of the board of directors, officers from the rank of vice president and up or their equivalent, **Branch** manager, cashier and administrative officer shall be reported to the Commission within seven (7) working days thereafter, and the requirements prescribed under Section 4(a)(3) and (5) and Section 6(a)(3)

and (4) hereof shall be submitted within thirty (30) working days from date of the aforesaid change;

- c. A Semestral report that is in accordance with the prescribed form approved by the Commission.
- d. **A Compliance form that shall be submitted in June 1 of the year following the due date of the submission of the Anti-Money Laundering Operating Manual (Manual) and every three (3) years thereafter or as determined by the Commission.**
- e. Such other reports as the Commission and/or the Bangko Sentral ng Pilipinas may require.

The reports shall be signed under oath by the company's principal executive officer and principal financial officer.

SECTION **16.** *Administrative Sanctions.* – If the Commission finds that there is a violation of R.A. 8556, of these Rules and Regulations, of the terms and conditions of the Certificate of Authority to Operate as a Financing Company, of any Commission order, decision or ruling, or the financing company refuses to have its books of accounts audited, or continuously fails to comply with SEC requirements, the Commission shall, in its discretion, impose any or all of the following sanctions:

- a. Suspension or revocation of the Certificate of Authority to Operate as a Financing Company after proper notice and hearing;
- b. A basic fine of not less than Ten Thousand Pesos (P10,000) and P100 for each day of continuing violation, but in no case shall the total fine be more than One Hundred Thousand Pesos (P100,000) per category of violation;
- c. Other sanctions within the power of the Commission.

The imposition of the foregoing administrative sanctions shall not preclude the institution of appropriate action against the officers and directors of the financing company or any person who might have participated therein, directly or indirectly, in violation of R.A. 8556 and this Rules and Regulations.

SECTION **17.** *Cease and Desist Order.* – The Commission, after proper investigation or verification, motu proprio, or upon verified complaint by an aggrieved

party, may issue a Cease and Desist Order without the necessity of a prior hearing if in its judgment the act or practice, unless restrained, may cause grave or irreparable injury or prejudice to the investing public or may amount to fraud or violation of the requirements of R.A. 8556 and the rules and regulations of the Commission.

The issuance of such Cease and Desist Order automatically suspends the authority to operate as a financing company.

Immediately upon the issuance of such Order, the Commission shall furnish the parties involved with a copy thereof and schedule a hearing not later than fifteen (15) days after service of notice. The Commission shall, within thirty (30) days upon submission of the case for resolution, decide on whether to lift the Cease and Desist Order **and/or** to impose the administrative sanctions provided for in Section 14.

SECTION 18. *Repealing Clause*. – These Rules and Regulations supersede the NEW RULES AND REGULATIONS TO IMPLEMENT THE PROVISIONS OF R.A. 5980 ( THE FINANCING COMPANY ACT) AS AMENDED dated October 16, 1991 **and the Rules and Regulations to Implement the Provisions of Republic Act No. 8556 (the Financing Company Act of 1998) dated May 20, 1999**. All other rules, regulations, orders memorandum circulars of the Commission which are inconsistent herewith are hereby repealed or modified accordingly.

SECTION 19. *Transitory Provision*. – Any corporation/partnership which at the time of the effectivity of these Rules has been registered and licensed by the Commission to operate as a financing company, shall be considered as registered and licensed under the provisions of these Rules and shall be governed by the provisions hereof; Provided, however, that financing companies with existing Certificate of Authority shall surrender the same to the Commission upon payment of the annual fee pursuant to Section 10 hereof to be replaced by a New Certificate of Authority and, Provided, That where such corporation/partnership is affected by the new provisions hereof, said corporation/partnership shall, unless otherwise herein provided, be given a period of not more than one (1) year from the effectivity of these Rules within which to comply with the same.

SECTION 20. *Effectivity*. – These rules and regulations shall take effect fifteen (15) days after publication in two (2) newspapers of general circulation in the Philippines.