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PART I

ORGANIZATION, MANAGEMENT AND ADMINISTRATION

A. SCOPE OF AUTHORITY

Section 4101P Basic Law Governing Pawnshops.
P.D. No. 114, known as the Pawnshop Regulation Act, regulates the establishment and operation of pawnshops.

§4101P.1 Scope of Authority of Pawnshops. A duly organized and licensed pawnshop has, in general, the power to engage in the business of lending money on the security of personal property within the framework and limitations of P.D. No. 114 and the following regulations, subject to the regulatory and supervisory powers of the Bangko Sentral ng Pilipinas (BSP).

§4101P.2 Form of Organization. A pawnshop may be established as a single proprietorship, a partnership or a corporation.

Only Filipino citizens may establish and own a pawnshop organized as a single proprietorship. A pawnshop established as a single proprietorship by non-Filipino owner prior to January 29, 1973 may continue as such during the lifetime of the registered owner.

If a pawnshop is organized as a partnership, at least seventy percent (70%) of its capital shall be owned by Filipino citizens. Pawnshops established as partnerships prior to January 29, 1973, with non-Filipino partners whose aggregate holdings amount to more than thirty percent (30%) of the capital may retain the percentage of their aggregate holdings as of January 29, 1973, and said percentage shall not be increased, but may be reduced, and once reduced shall not be increased thereafter beyond thirty percent (30%) of the capital stock of such pawnshop.

In the case of a pawnshop organized as a corporation, at least seventy percent (70%) of the voting stock therein shall be owned by citizens of the Philippines, or if there be no capital stock, at least seventy percent (70%) of the members entitled to vote shall be citizens of the Philippines.
Pawnshops registered as corporations with foreign equity participation in excess of thirty percent (30%) of the voting stock, or members entitled to vote, of the pawnshop may retain the percentage of foreign equity as of January 29, 1973, and said percentage shall not be increased, but may be reduced and once reduced, shall not be increased thereafter beyond thirty percent (30%) of the voting stock, or number of members entitled to vote, of such pawnshop.

The percentage of foreign-owned voting stock in a pawnshop corporation shall be determined by the citizenship of its individual stockholders. If the voting stock in a pawnshop corporation is held by another corporation, the percentage of foreign ownership in that pawnshop shall be computed on the basis of the foreign citizenship of the individuals owning voting stock in, or members entitled to vote of, the stockholder corporation.

§4101P.3 Organizational requirements. Any person or entity desiring to establish a pawnshop shall register with the Department of Trade and Industry (DTI), in the case of a single proprietorship; or with the Securities and Exchange Commission (SEC), in the case of a partnership/corporation.

Pawnshops with foreign equity participation shall also register with the Board of Investments.

After registering with the DTI or with the SEC, the single proprietorship or the partnership/corporation, as the case may be, shall secure a business license from the city or municipality where the pawnshop is to be established and operated, in accordance with the requirements of the pertinent ordinance in that city or municipality.

§4101P.4 Requirement to Register with BSP. Pursuant to Section 6 of P.D. 114, which requires pawnbrokers to register with the BSP before commencing actual business operations, every pawnshop shall submit to the BSP an Information Sheet on the entity (using BSP-prescribed form) duly accomplished by the proprietor/managing partner/president under oath that shall be the basis for the issuance by the BSP of an Acknowledgement of Registration (AOR). The Information Sheet shall be accompanied by the following documents:
a. A Certificate of Registration (COR) of business name from the DTI, in case of a sole proprietorship;

b. 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;

c. City/municipal license/business license/mayor’s permit for the current period;

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

e. Such other documents that may be required by the BSP that are enumerated in a list attached to the Information Sheet.

No application for registration shall be accepted from a person or entity other than the proprietor, partner, or incorporator of a pawnshop unless the person or entity applying on behalf of the proprietor, partner or incorporator submits a duly executed and notarized special power of attorney authorizing the person or entity to act on behalf of the proprietor, partner, or incorporator. In the case of a corporate applicant, a certified true copy of the board resolution authorizing the person or entity shall likewise be submitted.

A pawnshop shall commence actual operations within six (6) months from the date of issuance of the AOR. Failure to commence actual operations within the aforementioned six (6) months period shall render the BSP AOR as automatically cancelled.

The pawnshop shall notify the BSP in writing of the start of operations within five (5) business days from the actual start of operations.
Any pawnshop that is found operating that does not have a current business permit issued by the city or municipality where it is located and an AOR issued by the BSP is considered operating illegally. Such pawnshop shall be reported to the Office of the Mayor of the concerned city or municipality, for appropriate action, without prejudice to whatever legal action the BSP may pursue under Section 18 of PD No. 114 and other applicable laws against the pawnshop, its proprietor, partners, incorporators, stockholders, directors, president and officers.

§4101P.5 Anti-Money Laundering Seminar/Training. As a prerequisite for the issuance by the BSP of the AOR, the officer(s) as well as the personnel directly involved in pawnshop operations shall submit proof that he/she has attended a seminar on the Anti-Money Laundering Act as prescribed in Subsection 4691P.1.

§4101P.6 BSP Processing and Registration Fees. A non-refundable processing fee in the amount of P1,000.00 shall be collected from a person or entity applying to register a pawnshop upon completion of the documentary requirements in Subsection 4101P.4.

In addition to the processing fee, P3,000.00 shall be collected every pawnshop unit as registration fee which shall be valid for a period of 3 years.

§4101P.7 Renewal of BSP Registration of Pawnshop Head Office and Branches. The registration with BSP of a pawnshop head office and each of its branches, if any, shall be valid for a period of three (3) years from the date of issuance of the Acknowledgement of Registration (AOR) of a pawnshop head office and Authority to Operate (AO) of a pawnshop branch.

Every pawnshop shall renew its AOR and/or AO after three (3) years on the anniversary month when it was originally registered and a renewal fee of P3,000.00 shall be collected for each pawnshop office.

A pawnshop that renews its AOR and/or AO after the prescribed period of renewal shall pay, in addition to the P3,000.00 renewal fee, a fine of P500.00 for each pawnshop office.
A pawnshop that fails to renew its AOR and/or AO within six (6) months after the anniversary month shall render the AOR and/or AO automatically cancelled as provided in Subsection 4183P.3.

Pawnshops established prior to the effectivity of these rules shall renew the BSP AOR of its head office and/or AO of branches not later than date shown in the following schedule:

<table>
<thead>
<tr>
<th>Number of Offices</th>
<th>Deadline for Renewal</th>
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<tbody>
<tr>
<td>First 25 offices</td>
<td>31 March 2010</td>
</tr>
<tr>
<td>26th to 50th offices</td>
<td>30 June 2010</td>
</tr>
<tr>
<td>51st to 75th offices</td>
<td>30 September 2010</td>
</tr>
<tr>
<td>76th to 100th offices</td>
<td>31 December 2010</td>
</tr>
<tr>
<td>101st onward</td>
<td>30 June 2011</td>
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</tbody>
</table>

Pawnshops with over 100 offices may spread the renewal of their AOR and/or AO as may be arranged with the BSP. Renewal(s) made after the above deadlines or after the dates arranged with the BSP shall be subject to a fine of P500.00 for each pawnshop office.

Subsequent renewals shall be made after three (3) years based on the anniversary month of the renewal in the preceding paragraph.

§4101P.8 Documentary requirements to renew BSP registration. A pawnshop shall submit an Application for the renewal of its AOR and/or AO which Application shall be accompanied by the following documents:

a. City/municipal license/business license/ mayor’s permit for the current period;

b. Unexpired registration of business name with DTI, in the case of a sole proprietorship;

c. Updated Personal data sheet (using BSP-prescribed form) with passport size picture duly accomplished by the proprietor or partners or incorporators, directors, officers, individual stockholders owning 10% or more of voting stock and branch managers or officers-in-charge, as may be applicable; and

d. Such other documents that may be required by the BSP that are enumerated in a list attached to the Application for Renewal of AOR/AO.
Section 4102P  Definition of Terms

a. Pawnshop shall refer to a person or entity engaged in the business of lending money on personal property that is physically delivered to the pawnshop premises as loan collateral. The term shall be synonymous and may be used interchangeably, with pawnbroker or pawnbrokerage.

b. Pawner shall refer to the borrower of a pawnshop.

c. Pawnee shall refer to the pawnshop or pawnbroker.

d. Pawn is the personal property delivered by the pawner to the pawnee as security for a loan,

e. Pawn ticket is the pawnbroker’s receipt for a pawn and shall not be considered as an official receipt for amounts collected.

f. Property shall include only such personal property which can be physically delivered to the control and possession of the pawnee.

g. Voting stock is that portion of the authorized capital which is subscribed and entitled to vote.

h. Vital records shall consist of the Loans Extended/Paid Registers, General Ledger/Journal, that may be in electronic form, covering the current and at least the preceding five (5) years of operation, unused accountable forms and permanent records, e.g., articles of incorporation/co-partnership, by-laws, stock certificates, etc.

i. Bulky pawns shall refer to household appliances, office machines and the like, which occupy considerable amount of space i.e., measuring at least 1.5 x 1.5 x 0.5 feet.

j. Premises shall refer to the area where the pawnshop conducts its business and maintains office. It includes office or storage spaces maintained and/or used by the pawnshop which are adjacent to the pawnshop’s location.

Sections 4103P – 4105P (Reserved)
B. CAPITALIZATION

Section 4106P Capital of Pawnshops. Every pawnshop shall have a minimum paid-in capital of ₱100,000.

A pawnshop’s paid-in capital may be in the form of:

a. Cash;

b. Tangible properties, including real estate and improvements thereon; and

c. A combination of cash and tangible properties.

Tangible properties shall be limited to those that are necessary for the conduct of the pawnshop business. They may be valued at fair value which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction. The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified appraisers.

The value of the tangible properties contributed as capital shall not exceed twenty-five percent (25%) of said paid-capital and surplus/accumulated surplus. For pawnshops existing as at 29 January 1973 whose value of properties exceed the prescribed ratio, such percentage may be retained or reduced but shall not be increased thereafter. Should the ratio, on the other hand, fall below the prescribed level, it may be increased but not beyond twenty-five percent (25%).

§4106P.1 Sanctions. The following sanctions shall be imposed on pawnshops that fail to comply with the minimum paid-in capital:

a. Suspension of branching privilege; or

b. Cancellation of BSP AOR as a pawnshop.

Section 4107P Prudential Capital Ratio. The minimum capital ratio of a pawnshop, expressed as a percentage of total capital to pledge loans, shall not be less than fifty percent (50%), provided that total pledge loans shall not exceed ₱3,000,000.00. If and when the pledge loans exceed ₱3,000,000.00, additional capital of 30% of pledge loans in excess of ₱3,000,000.00 shall be required.
For this purpose, the term total capital shall be defined as total assets minus: (a) total liabilities; (b) deferred tax assets, (c) unbooked valuation reserves; and (d) other capital adjustments as may be required by the BSP. Any appraisal surplus or appreciation credit as a result of appreciation or an increase in book value of the assets of the pawnshop shall be excluded.

§4107P.1 Sanctions. Any pawnshop that fails to comply with the prudential capital requirement shall submit within thirty (30) days from date of notice from the BSP, a Letter of Undertaking to implement a capital build-up program for a period not to exceed one (1) year from date of undertaking.

The following sanctions shall be imposed on any pawnshop that fails to submit a Letter of Undertaking or implement the Letter of Undertaking:

a. Suspension of branching privileges; or
b. Revocation of BSP Registration as a pawnshop.

Sections 4108P – 4110P (Reserved)

C. to F. (RESERVED)

Sections 4111P – 4140P (Reserved)

G. PROPRIETOR/PARTNERS/DIRECTORS, OFFICERS AND EMPLOYEES

Section 4141P Bonding of Officers and Employees. Accountable officers and employees of pawnshops, especially those who have access to pawned articles, shall be required to post bonds with reputable insurance/surety companies accredited by the Insurance Commissioner.
§4141P.1 Sanctions. A pawnshop that fails to post bonds for its accountable officers and employees shall be subject to the following sanctions:

a. Warning for the first three (3) offense, whether incurred at the main office or branch, if the pawnshop has any;

b. For succeeding offenses, fine of ₱500.00 per day of non-compliance per officer/employee, from the time the pawnshop was informed of the violation until such time that the pawnshop shall have secured a bond.

Section 4142P Definitions, Qualifications and Responsibilities and Duties of Proprietor/Partners/Incorporators/Directors/Officers. For purposes of this Section the following shall be the definition and qualifications, responsibilities and duties of proprietor/partners/incorporators/directors/officers.

§4142P.1 Definitions

a. Proprietor is the person named in the Certificate of Registration issued by the DTI and in the city/municipal license and mayor’s permit as the owner of the business.

b. Partners are the persons named in the articles of partnership.

c. Incorporators are those mentioned as such in the articles of incorporation as originally forming and composing the corporation and who are signatories thereof.

d. Directors – Directors shall include:

   (1) directors who are named as such in the articles of incorporation;

   (2) directors duly elected in subsequent meetings of the pawnshop’s stockholders; and

   (3) those elected to fill vacancies in the board of directors.

The number of members of the board of directors, pursuant to Section 10 of Batas Pambansa No. 68, shall be at least five (5), and a maximum of fifteen (15) directors.
§4142P.2 General Qualifications of a proprietor, partner, incorporator, director, officer including branch manager or officer-in-charge. Any person can be a proprietor, partner, incorporator, director, officer, branch manager or officer-in-charge of a pawnshop 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 Subsection 4691P.1;

c. Must not be included in the BSP Watchlist of directors and officers; and

d. Must not possess any derogatory information from the National Bureau of Investigation (NBI) and the Barangay where the person resides and where the pawnshop conducts business. The NBI clearance and Barangay clearance shall be submitted pursuant to Subsections 4101P.4 and 4151P.4.

Proprietors, partners, stockholders, directors, officers including branch managers or officers-in-charge of pawnshops established prior to (indicate the date of effectivity of these rules) shall submit the NBI and Barangay clearances when the pawnshops apply for the renewal of their BSP AOR and/or AO as prescribed in Subsection 4101P.8.

§4142P.3 Qualifications of a director. In addition to the requirements of Subsection 4142P.2 a, c and d above, a director must have attended a special seminar on corporate governance conducted by a service provider accredited by the SEC or BSP.

Section 4143P Disqualification of Directors and Officers. The following regulations shall govern the disqualification of pawnshop directors and officers.
§4143P.1 Persons disqualified from becoming directors. Without prejudice to specific provisions of law prescribing disqualifications for directors/trustees, the following are disqualified from becoming directors of pawnshops:

a. Permanently disqualified

Directors/trustees/officers/employees permanently disqualified by the Monetary Board from holding a director position:

(1) Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;

(2) Persons who have been convicted by final judgment of the court for violation of banking laws and/or relevant laws of other financial institutions (FIs) under the supervisory and regulatory authority of the BSP;

(3) Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract; or

(4) Directors/trustees, officers of closed institutions under the supervisory and regulatory authority of the BSP who were responsible for such institutions’ closure as determined by the Monetary Board.

b. Temporarily disqualified

Directors/officers/employees disqualified by the Monetary Board from holding a director/trustee position for a specific/indefinite period of time. Included are:

(1) Persons who refuse to fully disclose the extent of their business interest to the appropriate department of the SES when required pursuant to a provision of law or a circular, memorandum or rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;

(2) Directors who have been absent or who have not participated for whatever reasons in more than 50% of all meetings, both regular and special, of the board of directors during their incumbency or any 12 month period during said incumbency. The disqualification applies for purposes of the succeeding election;

(3) Persons who are delinquent in the payment of their obligations as defined hereunder:
(a) Delinquency in the payment of obligations means that an obligation of a person with the institution where he/she is a director/trustee or officer, or at least two (2) obligations with other FIs under different credit lines or loan contracts, are past due pursuant to Sections X306, 4308Q, 4306S and 4305P.

(b) Obligations shall include all borrowings from any FI obtained by:

(i) A director/trustee or officer for his own account or as representative or agent of others or where he/she acts as guarantor endorser or surety for loans from such FIs;

(ii) The spouse or child under the parental authority of the director/trustee or officer;

(iii) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director/trustee or officer;

(iv) A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and

(v) A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing items (i), (ii), and (iv);

This disqualification shall be in effect as long as the delinquency persists.

(4) Persons convicted for offenses involving dishonesty, breach of trust or violation of banking laws and/or relevant laws of other FIs under the supervision of the BSP but whose conviction has not yet become final and executory;

(5) Directors/trustees and officers of closed institutions under the supervisory and regulatory authority of the BSP pending their clearance by the Monetary Board;

(6) Directors/trustees disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board or the appropriate department of the SES of such directors'/trustees' election/reelection;
(7) Persons dismissed from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of the SES of their disqualification;

(8) Those under preventive suspension; and

(9) Persons with derogatory records with the NBI, court, police Interpol and monetary authority (central bank) of other countries (for foreign directors/trustees and officers) involving violation of any law, rule or regulation of the Government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of a director or officer. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity.

(As amended by Circular No. 584 dated 28 September 2007)

§4143P.2 Persons disqualified from becoming officers

a. The disqualification for directors mentioned in Subsection 4143P.1 shall likewise apply to officers, except those stated in Item “b(2)”; 

b. Except as may be authorized by the Monetary Board or the Governor, the spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of chairman, president, executive vice-president or any position of equivalent rank, general manager, treasurer, chief cashier or chief accountant is disqualified from holding or being elected or appointed to any of said positions in the same pawnshop and the spouse or relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier or accountant of a branch or office of a pawnshop is disqualified from holding or being appointed to any of said positions in the same branch or office.

§4143P.3 Disqualification Procedures
a. The board of directors and management of every pawnshop shall be responsible for determining the existence of the ground for disqualification of the pawnshop’s directors/officer or employee and for reporting the same to the BSP. While the concerned pawnshop may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a pawnshop director/officer/employee from being elected/appointed as director/trustee/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution shall be reported to the appropriate department of the SES of the BSP within 72 hours from knowledge thereof.

b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsections 4143P.1 and 4143P.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within 15 calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.

c. Upon receipt of the reply/explanation of the director/officer concerned, the appropriate department of SES shall proceed to evaluate the case. The director/officer concerned shall be afforded to defend/clear himself/herself.

d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence.

e. If the grounds for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of 30 calendar days within which to settle said obligation or, restore it to current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.
f. For directors/trustees/officers of closed banks, the concerned department of the SES shall make appropriate recommendation to the Monetary Board clearing said directors/trustees/officers when there is no pending case/complaint or evidence against them. When there is evidence that a director/trustee/officer has committed irregularity, the appropriate department of SES shall make recommendation to the Monetary Board that his/her case be referred to the Office of Special Investigation (OSI) for further investigation and that he/she be included in the master list of temporarily disqualified persons until the final resolution of his/her case. Directors/trustee/officer with pending cases/complaints shall also be included in said master list of temporarily disqualified persons upon approval by the Monetary Board until the final resolution of their cases. If the director/trustee/officer is cleared from involvement in any irregularity, the appropriate SES department shall recommend to the Monetary Board his/her delisting. On the other hand, if the director/trustee/officer concerned is found to be responsible for the closure of the institution, the concerned department of the SES shall recommend to the Monetary Board his/her delisting from the disqualified persons and his/her inclusion in the master list of permanently disqualified persons.

g. If the disqualification is based on dismissal from employment for cause, the appropriate department of the SES shall, as much as practicable, endeavor to establish the specific acts or omissions constituting the offense of the ultimate facts which resulted in the dismissal to be able to determine if the disqualification of the director/officer concerned is warranted or not. The evaluation of the case shall be made for the purpose of determining if disqualification would be appropriate and not for the purpose of passing judgment on the findings and decision of the entity concerned. The appropriate department of the SES may decide to recommend to the Monetary Board a penalty lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/officer concerned does not warrant disqualification.

h. All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the procedures provided in items “a”, “b”, “c” and “d” above.
i. Upon approval by the Monetary Board, the concerned directors/officer shall be informed by the appropriate department of the SES in writing either by personal service or through registered mail with registry return receipt card, at his/her last known address of his/her disqualification from being elected/appointed as director/trustee/officer in any FI under the supervision of BSP and/or of his/her inclusion in the master list of watchlisted persons so disqualified.

j. The board of directors/trustees of the concerned institution shall be immediately informed of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. Within seventy-two (72) hours thereafter, the corporate secretary shall report to the Governor of the BSP through the appropriate department of the SES the action taken by the board on the director/officer involved.

k. Persons who are elected or appointed as director/trustee or officer in any of the BSP-supervised institutions for the first time but are subject to any of the grounds for disqualification provided for under Subsecs. 4143P.1 and 4143P.2 shall be afforded the procedural due process prescribed above.

l. Whenever a director/trustee/officer is cleared in the process mentioned under item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director/trustees or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/trustee/officer and his/her delisting from the masterlist or watchlisted persons.

(As amended by Circular No. 584 dated 28 September 2007)

§4143P.4 Effect of possession of disqualifications. Directors/officers elected or appointed possessing any of the disqualifications as enumerated herein, shall vacate their respective positions immediately.

§4143P.5 (Reserved)
§4143P.6 Watchlisting. To provide the BSP with a central information file to be used as reference in passing upon and reviewing the qualifications of persons elected or appointed as directors/trustees or officers of an institution under the supervisory and regulatory powers of the BSP, the SES shall maintain a watchlist of disqualified directors/trustees/officers under the following procedures:

a. Watchlist categories. Watchlisting shall be categorized as follows:

(1) Disqualification File “A” (Permanent) – Directors/trustees/officers/employees permanently disqualified by the Monetary Board from holding a director/trustee/officer position.

(2) Disqualification File “B” (Temporary) – Directors/trustees/officers/employees temporarily disqualified by the Monetary Board from holding a director/trustee/officer position.

b. Inclusion of directors/trustees/officers/employees in the watchlist. Upon recommendation by the appropriate department of the SES, the inclusion of directors/trustees/officers/employees in watchlist disqualification files “A” and “B” on the basis of decisions, actions or reports of courts, institutions under the supervisory and regulatory powers of the BSP, NBI or other administrative agencies shall first be approved by the Monetary Board.

c. Notification of directors/trustee/officers/employees. Upon approval by the Monetary Board, the concerned director/trustee/employee shall be informed through registered mail, with registry return receipt card, at his last known address of his inclusion in the masterlist of watchlisted persons disqualified to be a director/trustee/officer in any institution under the supervisory and regulatory powers of the BSP.

d. Confidentiality. Watchlisting shall be for internal use only and may not be accessed or queried upon by outside parties including such institutions under the supervisory and regulatory powers of the BSP, except with the authority of the person concerned and with the approval of the Deputy Governor, SES, the Governor, of the Monetary Board.
The BSP will disclose information on its watchlist files only upon submission of a duly accomplished and notarized authorization from the concerned person and approval of such request by the Deputy Governor, SES or the Governor or the Monetary Board. The prescribed authorization form to be submitted to the concerned department of the SES is in Appendix Q-45.

Pawnshops can gain access to information in the said watchlist for the sole purpose of screening their applicants for hiring and/or confirming their elected directors/trustees and appointed officers. Pawnshops must obtain the said authorization on an individual basis.

e. Delisting. All delistings shall be approved by the Monetary Board upon recommendation of the appropriate department of the SES except in cases of persons known to be dead where delisting shall be automatic upon proof of death and need not be elevated to the Monetary Board. Delisting may be approved by the Monetary Board in the following cases:

(1) Watchlist – Disqualification File “B” (Temporary) –
(a) After the lapse of the specific period of disqualification;
(b) When the conviction by the court for crimes involving dishonesty, breach of trust and/or violation of banking laws becomes final and executor, in which case the director/trustee/officer/employee is relisted to watchlist – Disqualification File “A” (Permanent); or
(c) Upon favorable decision or clearance by the appropriate body, i.e., court, NBI, institutions under the supervisory and regulatory powers of the BSP, or such other agency/body where the concerned individual had derogatory record.

Directors/trustees/officers/employees delisted from the Watchlist – Disqualification File “B” other than those upgraded to watchlist – Disqualification File “A” shall be eligible for re-employment with any institution under the supervisory and regulatory powers of the BSP.

§4143P.7 Applicability of Section 4143P to the proprietor and managing partner of a pawnshop (in the case of a sole proprietorship/partnership). The foregoing disqualification and watchlisting provisions of this Section shall apply, where practicable, to the managing proprietor or managing partner of a pawnshop that is a sole proprietorship or partnership, in which case, the BSP shall initiate the disqualification proceedings against the managing proprietor/managing partner. For purposes of this subsection, a managing proprietor or managing partner shall refer to a person directly involved in the operation of a pawnshop business.

In case the disqualification shall cause the dissolution of the proprietorship or partnership, the AOR and AO, if any, shall be cancelled and the pawnshop shall be removed from the BSP List of Registered Pawnshops as prescribed in Subsection 4183P.2.

Sections 4144P – 4150P (Reserved)

H. BRANCH OFFICES

Section 4151P Establishment of Branch Offices. In line with Section 6 of P.D. No. 114 which requires pawnshops to register with the BSP before commencing actual business operations, no pawnshop shall open, maintain or operate a branch office without first applying for and obtaining from the BSP, through the appropriate supervising and examining department, an Authority to Operate (AO) such branch which shall be processed in accordance with the following guidelines.

§4151P.1 Definition of Branch Office. As used in these rules, the term “branch office” refers to any place of business outside the head or main office of a pawnshop where pawnshop operations and transactions are conducted under the control and supervision of the head or main office.

§4151P.2 Operations and functions. The operations and transactions of a branch office shall likewise be subject to the provisions of P.D. No. 114 governing the operations and transactions of a head or main office, as well as by other pertinent laws, BSP rules and regulations.
The primary purpose of branching is to provide additional source of credit to small borrowers not served by banks and other financial institutions.

§4151P.3 Basis for Establishment. Branch offices shall be allowed on the basis of the head office’s ability to conduct operations in accordance with PD 114 and BSP rules and regulations. The BSP department concerned shall not process an application for branching of a pawnshop if any of the following conditions:

a. has an approved but unopened branch;

b. has an unpaid penalty assessed by the BSP;

c. has not complied with the required prudential capital ratio as prescribed in Section 4107P;

d. has not complied with the required renewal of BSP AOR and/or AO as prescribed in § 4101P.7; and

e. has not submitted any of the periodic reports listed in Appendix P-2.

§4151P.4 Documentary requirements. A pawnshop that intends to open a branch office shall submit to the BSP an Application (using a BSP-prescribed form) duly accomplished and signed by the proprietor/managing partner/president under oath that shall be the basis for the issuance by the BSP an Authority to Operate (AO). The following documents shall be submitted together with every application for a branch office:

a. Duly notarized certification from the head office as to its compliance with the minimum amount of capital under Sections 4106P and 4107P;

b. Certified true copy of the board resolution authorizing the establishment of the branch (in case of corporation);

c. Information on branch location, facilities (such as vault) and insurance coverage thereon;

d. City/municipal license/business license/mayor’s permit from the city or municipality where the pawnshop branch is to be established;

e. Personal data sheet (using BSP-prescribed form) with passport size picture duly accomplished by the proposed branch manager or officer-in-charge; and
f. Such other documents that may be required by the BSP for the evaluation of the branch application as enumerated in a list attached to the Application form.

§4151P.5 Processing and Registration Fees. A non-refundable processing fee of ₱1,000.00 shall be collected from a person or entity applying to establish a pawnshop branch upon completion of the documentary requirements in Subsection 4151P.4.

In addition to the processing fee, ₱3,000.00 shall be collected from such person or entity as registration fee which is valid for a period of 3 years.

§4151P.6 Renewal of BSP Registration. Every branch of a pawnshop shall be subject to the provisions of Subsection 4101P.7 on renewal of BSP Registration.

§4151P.7 Date of opening for business. The pawnshop branch shall commence actual operations within six (6) months from the date of issuance of the AO. Failure to commence actual operations within the aforementioned six (6) months period shall render the BSP AO as automatically cancelled.

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

§4151P.8 Pawnshop branches without business permit and AO considered operating illegally. Any pawnshop branch that is found operating that does not have a current business permit issued by the city or municipality where it is located and an AO issued by the BSP is considered operating illegally. Such pawnshop shall be reported to the Office of the Mayor of the concerned city or municipality, for appropriate action, without prejudice to whatever legal action the BSP may pursue under Section 18 of PD No. 114 and other applicable laws against the pawnshop, its proprietor, partners, stockholders, directors and president or officer of equivalent rank.

Sections 4152P – 4155P (Reserved)
I. BUSINESS DAYS AND HOURS

Section 4156P Business Days and Hours. Pawnshops, including their branches, shall transact business at a minimum of five (5) days a week, for a minimum of six (6) hours a day to be selected by them. They may, at their discretion, remain open beyond the aforesaid requirement as they deem it necessary.

The business hours and business days shall be printed on the face of the pawn ticket and shall be posted together with the original BSP AOR/AO conspicuously at all times within the premises of the pawnshop, preferably at the window or door that is clearly visible to the pawning public.

Failure to display the original copy of the AOR/AO and the business days and hours shall subject the pawnshop to the following administrative sanctions:

a. Warning for the first three (3) offences of the pawnshop main office and/or its branches, if there is any;

b. Penalty of ₱300.00 each for the succeeding three (3) offenses; and

c. Cancellation of the AOR or AO, for a subsequent offense. Once the AOR of the main office is cancelled, the Authority to Operate (AO) of the branch(es) is/are likewise cancelled.

Pawnshops shall only transact business in the pawnshops’ registered place of business or premises of the head office and branches, if any. Transacting business outside the pawnshops’ registered place of business or premises shall be a ground for cancellation of pawnshop’s AOR or AO, as the case may be.

Sections 4157P – 4160P (Reserved)

J. RECORDS AND REPORTS

Section 4161P Records. The accounting period of pawnshops shall be on a calendar year basis.

The accounting records of pawnshops shall consist of records of original entry and books of final entry.
The records of original entry shall consist of pawn tickets, official receipts, vouchers and other supporting documents. The books of final entry shall consist of the general ledger, subsidiary ledgers and registers of loans extended and loans paid.

Pawnshops may use any form of loans extended and loans paid registers as long as they contain spaces and columns for the following information enumerated in Section 11 of P.D. No. 114, as well as the data required by the BSP:

(a) name of the pawner;
(b) amount of principal loan;
(c) pawn ticket number;
(d) signature of the pawner.

A pawnshop that uses a computerized system may record its loan transactions in individual loan extended vouchers which shall contain the same information necessary to comply with Section 11 of PD No. 114 in lieu of the loan extended and loans paid registers. Such pawnshops shall periodically compile or bind the loan extended vouchers and shall be made available for BSP examination upon request.

The Description of Loan Registers of Pawnshops provided in Appendix P-1 shall be followed.

§4161P.1 Uniform System of Accounts. Pawnshops shall strictly adopt/implement the Uniform System of Accounts prescribed for pawnshops in the recording of daily transactions including reportorial requirements.

The Uniform Chart of Accounts for Pawnshops is provided in Appendix P-1.

§4161P.2 Philippine Financial Reporting Standards/Philippine Accounting Standards. Statement of policy. It is the policy of the BSP to promote fairness, transparency and accuracy in financial reporting. It is in this light that the BSP aims to adopt all Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) issued by the Accounting Standards Council (ASC) to the greatest extent possible.
Pawnshops shall adopt the PFRS and PAS which are in accordance with generally acceptable accounting principles in recording transactions and in the preparation of financial statements and reports to BSP. However, in cases where there are differences between BSP regulations and PFRS/PAS as when more than one (1) option are allowed or certain minimum limits are prescribed by the PFRS/PAS, the option or limit prescribed by BSP regulations shall be adopted by all banks/financial institutions.

For purposes hereof, the PFRS/PAS shall refer to issuances of the Accounting Standards Council and approved by the Professional Regulation Commission (PRC).

*Accounting treatment for prudential reporting.* For prudential reporting, financial institutions shall adopt in all respect the PFRS and PAS except as follows:

a. In preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated on a line-by-line basis; while insurance and non financial allied subsidiaries shall be accounted for using the equity method. Financial/non-financial allied/non-allied associates shall be accounted for using equity method in accordance with the provisions of PAS 28 “Investments in Associates”.

b. For purposes of preparing separate financial statements, financial/non-financial allied/non-allied subsidiaries/associates, shall also be accounted for using the equity method; and

c. Financial institutions shall be required to meet the BSP recommended valuation reserves.

Notwithstanding the exceptions in Items “a”, “b” and “c”, the audited annual financial statements required to be submitted to the BSP in accordance with Appendix P-2 shall in all respect be PFRS/PAS compliant: Provided, That financial institutions shall submit to the BSP adjusting entries reconciling the balances in the financial statements for prudential reporting with that in the audited annual financial statements.
§4161P.3 **Accounting for Pawnshops Premises; Other Fixed Assets.** Pawnshop premises, furniture, fixture and equipment shall be accounted for using the cost model under PAS 16 “Property, Plant and Equipment”. (Circular No. 494 dated 20 September 2005)

§4161P.4 **Retention of Records.** Pawnshop records, ledgers, books and documents (including those in electronic media): (a) shall not be destroyed or disposed of for at least five (5) years; (b) shall have back-up hard and/or soft copy to allow reconstruction of records in case of loss or destruction due to fire and other fortuitous events; and (c) shall be made available for BSP examination upon request.

A pawnshop that does not have records, ledgers, registers, books or documents or refuses to permit access to its records, ledgers, registers, books or documents to an authorized BSP officer/examiner may be considered as refusal to permit an examination, the penalty for which shall be the revocation/cancellation of the pawnshop’s BSP registration under Subsection 4651P.2.

**Section 4162P Reports.** Pawnshops shall submit to the appropriate department of the BSP the reports listed in Appendix P-2 in the forms as may be prescribed by the Deputy Governor, SES, BSP.

Any change in, or amendment to, the articles of incorporation/co-partnership, by-laws or material documents required to be submitted to the BSP shall be reported by submitting copies of the amended articles of incorporation, by-laws or material document to the appropriate supervision and examination department of the BSP within fifteen (15) days following such change.

§4162P.1 **Categories and signatories of reports.** Reports required to be submitted to the BSP are classified into Categories A-1, A-2, A-3 and B reports as indicated in the list of reports required to be submitted to the BSP in Appendix P-2.

Appendix P-3-prescribes the signatories for each report category and the requirements on signatory authorization. Reports submitted in computer media shall be subject to the same requirements.
A report submitted to the BSP under the signature of an officer who is not authorized in accordance with the requirements in this Subsection shall be considered as not having submitted.

§4162P.2 Manner of filing. The submission of the reports shall be effected by filing them personally with the appropriate supervising and examining department of the BSP or with the BSP Regional Offices/Units, or by sending them by registered mail or special delivery through private couriers, unless otherwise specified in the circular or memorandum of the BSP.

§4162P.3 Sanctions
a. Definition of terms. For purposes of these rules, the following definitions shall apply:

(1) Report shall refer to any report or statement required of a pawnshop to be submitted to the BSP periodically or within a specified period.

(2) Faulty report shall refer to an inaccurate/improperly accomplished report.

(3) Willful delay or default in the submission of reports shall refer to the failure of a pawnshop to submit a report on time. Failure to submit a report on time due to fortuitous events, such as fire and other natural calamities and public disorders, including strike or lockout affecting a pawnshop as defined in the Labor Code or a national emergency affecting operations of pawnshops, shall not be considered as willful delay.

(4) False Statement shall refer to any untruthful data or information or falsehoods made in a report to the BSP or its authorized agents, with intent to deceive or mislead. Any false statement which tends to favor the pawnshop submitting the report shall be prima facie evidence of intent to deceive or mislead.

(5) Repeated violation shall mean the commission of the same offense for at least two (2) times.

(6) Persistent violation shall mean the commission of the same offense for at least three (3) times.

(7) Offense shall refer to submission of faulty report, willful delay in submission of reports, or making of false statements in reports.
(8) Continuing offenses/violations are acts, omissions or transactions entered into, in violations of laws, BSP rules and regulations, MB directives, and orders of the Governor which persist from the time the particular acts were committed or omitted or the transactions were entered into until the same were corrected/rectified by subsequent acts or transactions. They shall be penalized on a per calendar day basis from the time the acts were committed/omitted or the transactions were effected up to the time they were corrected/rectified.

(9) Transactional offenses/violations are acts, omissions or transactions entered into in violation of laws, BSP rules and regulations, MB directives, and orders of the Governor which cannot be corrected/rectified by subsequent acts or transactions. They shall be meted with one-time monetary penalty on a per transaction basis.

(10) Continuing penalty refers to the monetary penalty imposed on continuing offenses/violations on a per calendar day basis reckoned from the time the offense/violation occurred or was committed until the same was corrected/rectified.

(11) Transactional penalty refers to a one-time penalty imposed on transactional offense/violation.

b. Fine for submission of faulty report. Any pawnshop which submits a faulty report shall pay to the BSP a fine of P30 per calendar day which shall accrue beginning on the sixth business day from the day the written notice of faulty report is received by the pawnshop concerned until a correct report is submitted.

c. Fine for willful delay in submission of reports. Pawnshops incurring willful delay in the submission of required reports shall pay a fine in accordance with the following schedule:

I. For Categories A-1, A-2 and A-3 reports-
   Per calendar day of P 90 default until the report is filed

II. For Category B reports-
   Per calendar day of P30 default until the report is filed
Delay or default shall start to run on the day following the last day required for the submission of reports. However, should the last day of filing fall on a non-working day in the locality where the reporting pawnshop is situated, delay or default shall start to run on the day following the next working day. The due date/deadline for submission of reports to BSP as prescribed under Sec. 4162P governing the frequency and deadlines indicated in Appendix P-2 shall be automatically moved to the next business day whenever a half-day suspension of business operations in government offices is declared due to an emergency such as typhoon, floods, etc.

For the purpose of establishing delay or default, the date of acknowledgment by the appropriate supervising and examining department of the BSP or the BSP Regional Offices/Units appearing on the copies of such reports filed or submitted or the date of mailing postmarked on the envelope or the date of registry or special delivery receipt, as the case may be, shall be considered as the date of filing.

Delayed schedules or attachments and amendments shall be considered late reporting subject to the above penalties.

d. Fine for making false statements. Any pawnshop which makes a false statement in any of its reports to the BSP or its authorized agents shall pay to the BSP a fine in accordance with the following schedule:

(1) For the first and second offense, a fine payable on the business day following the receipt of BSP advice—
P300.00 and P60.00 for every calendar day of delay in payment until the fine is fully paid.

(2) For repeat violations—
P600.00 and P120.00 for every calendar day of delay in payment until the fine is fully paid.

(3) For persistent violations—
Suspension, after due hearing, of the pawnshop’s directors/officers/proprietor/managing partner

Any false statement made in a previous report which was not immediately known but was discovered only in later reports shall constitute only one (1) violation. The penalty shall operate on the sixth working day counted from receipt of notice of submission of a false statement from the BSP or its authorized agents until a correct statement is submitted.
e. Manner of collection and payment of fines. A pawnshop shall be billed by the appropriate supervising and examining department of the BSP. The pawnshop shall thereupon remit the amount of the fine to the BSP through the appropriate supervising and examining department.

Late payment of monetary penalty shall be subject to an additional charge of six percent (6%) per annum to be computed from the time said penalty becomes due and payable up to the time of actual payment. The penalty shall become due and payable fifteen (15) calendar days from receipt of the Statement of Account from BSP.

Failure of a pawnshop to effect the settlement of the full amount of the fine within a period of fifteen (15) days from receipt of the bill shall subject it to other administrative sanctions and/or to the penal provisions of P.D. No. 114.

f. Appeal to the Monetary Board. A one-time appeal or request for reconsideration on the monetary penalty approved by the Governor/MB to be imposed on the pawnshop, its directors and/or officers, in the case of a corporation; its partners, in the case of a partnership; its proprietor/owner, in the case of a sole-proprietorship, shall be allowed.

The appeal shall be filed with the appropriate department of the Supervision and Examination Sector of the BSP within fifteen (15) calendar days from receipt of the Statement of Account/billing letter. The appropriate department of SES shall evaluate the appeal or request for reconsideration of the entity/individual and make recommendations thereon within thirty (30) calendar days from receipt thereof.

The appeal or request for reconsideration of the monetary penalty approved by the Governor/MB shall be elevated to the MB for resolution/decision. The running of the monetary penalty period in case of continuing penalty and/or the period for computing additional charge shall be interrupted from the time the appeal or request for reconsideration was received by the appropriate department of the SES up to the time that the notice of the MB decision was received by the entity/individual concerned.

The imposition of the foregoing penalties shall be without prejudice to imposition of the other sanctions pursuant to Section 17 and 18 of P.D. No. 114.
Section 4163P  Report on crimes/losses. Pawnshops shall submit a report on crimes and losses in accordance with Appendix P-2 together with the following:

a. Notarized list of lost pawned articles, indicating the pawn ticket number, name of the pawner, date loan granted, brief description of pawn, and amount of loan;

b. Police report on the investigation of the fire/robbery incident;

c. Proof of notification in writing to all concerned pawners about the incident; and

d. Plan of settlement of pawners’ claim for lost pawned items, if any.

Section 4164P  Audited Financial Statements/Annual Report of Pawnshops. The following rules shall govern the submission of audited financial statements (annual reports) by pawnshops.

§4164P.1 Financial audit. Every pawnshop shall cause an annual financial audit and a report of such audit shall be made and submitted to the appropriate supervising and examining department of the BSP not later than 30 June following the reference calendar year.

The financial audit of a pawnshop with total consolidated assets of at least ₱50 million shall be conducted by an external auditor who is in the list of accredited external auditors of the Securities and Exchange Commission or the Office of the Insurance Commissioner (OIC) or in the list of BSP-selected external auditors.

The proprietor, partners or the board of directors, in a regular or special meeting, (in the case of a corporation), shall consider and act on the financial audit report. A copy of the action/s taken on the report by the proprietor/partner, while in the case of a corporation, its board resolution which shall show, among other things, the names of the directors who are present and absent, shall be included in the financial audit report to be submitted to the BSP every 30 June.
The proprietor, partner or board of directors shall also consider and act on the Letter of Comments (LOC) submitted by the external auditor. A copy of the LOC together with the action/s taken on the findings and recommendations by the proprietor/ partners, while in case of corporation, its board resolution which shall show the names of the directors present and absent shall be made available to the BSP upon request.

§4164P.2 Disclosure of external auditor’s adverse findings to the Bangko Sentral

- **Findings to be disclosed.** Pawnshops shall require their external auditors to report to the BSP any matter adversely affecting the condition or soundness of the pawnshop, such as, but not limited to:

  1. Any serious irregularity, including those involving fraud or dishonesty, that may jeopardize the interest of the public;
  2. Losses incurred which substantially reduce the capital funds of the pawnshop;
  3. Capital deficiency as prescribed in Sections 4106P and 4107P; and
  4. Inability of the auditor to confirm the physical presence of pawned items.

The disclosure of information by the external auditor to the BSP shall not be a ground for civil, criminal or disciplinary proceedings against the former.

Pawnshop management shall be present during discussions or at least be informed of the adverse findings in order to preserve the concerns of the supervisory authority and external auditors regarding the confidentiality of information.

§4164P.3 Sanction. An auditing firm or external auditor who fails to report to the BSP any matter adversely affecting the condition or soundness of the pawnshop shall be referred to the SEC, OIC or to the appropriate supervising department of the BSP, as the case may be, for appropriate action.

Section 4165P General Information Sheet.
Pawnshops organized as a corporation shall submit to the Supervisory Data Center of the BSP a copy of the general information sheet duly stamped received by the SEC five (5) days from submission to SEC.
K. INTERNAL CONTROL

Section 4171P Internal Control System. The following provisions are the minimum internal control standards for pawnshops to help promote effective control system.

§4171P.1 Proper accounting records
   a. All pawnshops shall maintain proper and adequate accounting records which include reconciliation of due to/from head office/branches, if the pawnshop has several offices.
   b. Records should be kept up-to-date and shall contain sufficient detail so that an audit trail is established.

§4171P.2 Number control.
   The following are the forms, instruments and accounts that shall be number-controlled:
      (1) Pawn tickets;
      (2) Official receipts; and
      (3) Expense vouchers.

§4171P.3 Safekeeping of Pawns and Records and Insurance of Premises. Except for bulky pawns, all pawns shall be placed inside a tamper-proof sealed envelope or plastic bag and must be kept inside the safe or concrete vault. Bulky pawns may be placed outside the safe or vault but within the pawnshop premises.

   Vital records for the current year must be kept inside the safe or vault when not in use. Other pawnshop records/documents may be placed in filing cabinets/shelves outside the vault or safe but within the pawnshop premises.
For this purpose, a pawnshop's vault, i.e., its walls, ceiling and floor shall be made of steel-reinforced concrete or such other equally safe materials/specifications. Vault doors shall be made of steel or other drill and torch-resistant materials. Safes should be sufficiently heavy or be securely anchored to the floor of the premises. The door shall be equipped with a combination lock and the body shall consist of steel with an ultimate tensile strength of 50,000 pounds per square inch or its equivalent in the metric system.

Vital records kept in electronic media including back-up copies thereof shall be kept in safes or vaults designed to protect them from damage due to fire or other fortuitous events.

The pawnshop premises, furniture, fixtures and equipment and all pawns of the pawnshops, except those which are kept inside a fireproof vault, must be insured against fire.

§4171P.4 Miscellaneous. Every pawnshop shall adopt minimum internal control measures to safeguard the assets of the pawnshop. Such measures may include but is not limited to, dual control, check and balance and internal audit. No employee shall be permitted to process a transaction affecting his own account.

Section 4172P Separation of Pawnshop Business from Other Business. A pawnshop that is at the same time engaged in another business not directly related to the business of a pawnshop, shall keep such business distinct and separate from the pawnshop operation.

Allowable corollary business activities of pawnshops shall include acting as foreign exchange dealer/money changer and/or as remittance agent, acting as bills payment agent for utility companies and other entities and such other activities as may be allowed by the BSP.

A pawnshop must secure the necessary business permit from the city or municipality for the corollary business. A pawnshop that will engage in the business of a foreign exchange dealer/money changer or act as a remittance agent shall register with the BSP before engaging in such business pursuant to Circular No. 471 dated 24 January 2005.
The pawnshop should be able to show in its financial statements the appropriate accounts as well as the income or loss pertaining to the corollary business.

Sections 4173P – 4180P (Reserved)

L. MISCELLANEOUS PROVISIONS

Section 4181P Registered/Business Name. The registered name of a pawnshop shall refer to the name appearing in the Certificate of Registration (COR) of business name from the DTI, in the case of a sole proprietorship, or in the Articles of Partnership/Incorporation and By-Laws duly registered with the SEC, in the case of a partnership or corporation. In case, the registered name shall include the word “pawnshop” to reflect the nature of business it is engaged in.

Conversely, 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 without having first complied with the provisions of P.D. 114 and these regulations.

A pawnshop that shall use/uses a name that is different from its registered name with DTI or SEC shall cause to have such name to also appear parenthetically under its registered name in the certificate of registration with DTI or articles of partnership/incorporation and by-laws with SEC, as well as in the business permit issued by the city or municipality.

§4181P.1 Change of Registered/Business Name. A pawnshop shall not change its registered/business name without submitting the following documents to the appropriate supervising and examining department:

a. Certificate of Registration from DTI or SEC, as the case may be, indicating the new business/registered name;

b. Mayor’s/municipal license/permit; and

c. Original BSP Acknowledgement of Registration of Head Office (AOR) and/or Authority to Operate (AO) issued under the old name.
A new BSP AOR and/or AO shall be issued indicating the new registered/business name of the pawnshop.

§4181P.2 Use of Registered/Business Name in Signage, Pawn Tickets and Other Forms. The following regulations shall be observed with respect to the use of the business/registered name in the signage, pawn ticket and other forms of a pawnshop:

a. As a general rule, the registered name appearing in the Certificate of Registration of DTI or SEC, as the case may be, shall be used consistently in the pawnshop’s signage and in all documents including pawn tickets, official receipts, stationery, etc. of the pawnshop.

b. A pawnshop that uses or will use a name that is different from its registered name as mentioned in Section 4181P above or that uses or will use a name already registered and being used by another pawnshop shall indicate parenthetically under the such name, the registered name of the pawnshop with the DTI or SEC, as the case may be, with the words “owned and operated by” before the registered name in the pawnshop’s signage, pawn tickets, official receipts, stationery, etc.

c. A pawnshop that is a subsidiary or affiliate of another pawnshop shall likewise indicate such relationship in the signage, pawn tickets, official receipts, stationery, etc.

A subsidiary is a corporation more than fifty percent (50%) of the voting stock of which is owned by another corporation; while an affiliate is a corporation less than fifty (50%) of the voting stock of which is owned by another corporation.

d. The exact address of the pawnshop shall be indicated consistently in all pawnshop documents (e.g., pawn tickets, official receipts, stationery, etc.) and in the business permit issued by the city or municipality.

e. All pawnshops using a signage prior to the effectivity of this regulation, which signage does not conform to the provisions of this Subsection shall be given 90 days from effectivity date to replace said signage.
§4181P.3 **Sanctions.** A pawnshop that fails to comply with the foregoing provisions shall be subject to the following administrative sanctions as may be determined by the Monetary Board:

a. Reprimand or warning on the proprietor, managing partner, directors or officers, as the case may be, for not more than two (2) offenses;

b. Suspension of operations of the pawnshop for a certain period;

c. Suspension of managing proprietor, managing partner, directors or officers for a certain period;

d. Fine of ₱500.00 at a single instance; and

e. Such other sanction/s as the Monetary Board may deem warranted.

**Section 4182P Transfer/Relocation of Business.** The following shall govern the transfer/relocation of pawnshops.

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 existing regulations. A notice of transfer shall be submitted to the appropriate supervising and examining department within ten (10) days before the effectivity of such transfer.

A pawnshop may transfer its place of business from one location to another within the territorial limits of the city or municipality upon compliance with the following requirements:

a. Notice of transfer shall be published in English and in Filipino or in the local dialect in two (2) daily newspapers of general circulation in the city or municipality where the pawnshop is closing business, and posted in English and Filipino or in the local dialect for one (1) month after date of publication in a conspicuous place in the premises to be vacated and to be transferred to;

b. The notice shall be published for at least three (3) consecutive days, the last day of which shall be five (5) days before the actual transfer; and

c. Notice shall contain the following information:

(1) Date of transfer;
(2) Address of the premises to be vacated; and
(3) Address of the premises to which pawnshop intends to transfer.

In remote areas where newspapers are not available, the publication requirement shall be complied with by posting notices at the city hall or municipal building of the city or municipality where the pawnshop has its place of business.

§4182P.1 Documentary requirements for transfer within the same city/municipality. The following documents shall be filed with the appropriate supervising and examining department of the BSP in connection with transfer of location within the same city or municipality:

a. A certification signed by the proprietor/managing partner/president informing the appropriate supervising and examining department of the BSP of the intended transfer and that the requirements prescribed under Section 4182P have been complied with;
b. Copy of notice of transfer duly acknowledged by the DTI and by the licensing authority of the locality where the pawnshop is operating;
c. Sample copy of the pawn ticket bearing the new address;
d. Sketch of pawnshop’s new location;
e. Original BSP AOR and/or AO issued to the pawnshop, or an affidavit in case of loss;
f. Board Resolution authorizing the transfer of the pawnshop (in case of corporations)

§4182P.2 Documentary requirements for transfer outside the city/municipality. A pawnshop that intends to transfer/relocate its business outside the city or municipality where it is located shall comply with the following:

(1) requirements on closure of business under Section 4183P; and
(2) requirements for the establishment and registration of a new pawnshop or branch under Subsections 4101P.4 and 4151P.4, respectively, where applicable.
Section 4183P  Closure of Pawnshops. The following rules shall govern the closure of pawnshops:

§4183P.1 Voluntary Closure. Voluntary closure of a pawnshop may be effected only after three (3) months following the maturity of any loan or pledge, or before any pawn shall have been sold or disposed of and after it has complied with the following requirements:

1) Submission of the following documentary requirement within thirty calendar (30) days after the provision of Subsection 4183P.1:

a. Notarized statement stating that:
   i) The pawnshop’s books of accounts, reports, records and documents shall be preserved for at least five (5) years from date of last entry;
   ii) All unused accountable forms have been destroyed to prevent their unauthorized use;
   iii) Proprietor/partners/president of the pawnshop shall be held liable for present or future claims arising from its pawnbroking transactions; and
   iv) All outstanding pawns have been redeemed/ sold at public auction, or otherwise disposed of, in accordance with law.

b. Copy of the pawnshop’s application for retirement of business approved by the licensing authority of the city or municipality where the pawnshop operated.

c. Original BSP AOR and/or AO issued to the pawnshop.

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

§4183P.2 Delisting of Pawnshops/Involuntary Closure.

A pawnshop that fails to submit the required financial reports for three (3) consecutive years, starting from the 2009 financial reports, shall be considered to have ceased operations and shall be delisted from the BSP List of Registered Pawnshops starting 2012.

It may be reinstated in the BSP Registry, if within 30 business days from the date of BSP notification, it:

a) submits the 3-year required reports; and

b) pays a fine of P100,000.00 for delayed reporting.
If no action/advice is received from the pawnshop after the lapse of the 30-day deadline, the BSP Registration shall be automatically cancelled and the city or municipality shall be informed of the delisted pawnshops operating within their area of jurisdiction, for appropriate action.

The appropriate supervising and examining department of the BSP shall not register any new pawnshop whose owner(s), partner(s) or stockholder(s) owned a pawnshop that has been delisted from the Registry for non-submission of the financial reports, unless the fine of P100,000 shall have been paid.

For this purpose, the term partner(s) and stockholder(s) shall refer to those partner(s) or stockholder(s) who have controlling ownership/interest and management of the pawnshop. If said owner(s), partner(s) or stockholder(s) shall use another person to establish a new pawnshop, such pawnshop shall also be delisted from the Registry.

§4183P.3 Other grounds for delisting. Aside from failure to submit financial reports, pawnshops may also be delisted from the BSP List of Registered Pawnshops in the following cases:

a. Failure to comply with the minimum capital as prescribed in Sections 4106P and 4107P;

b. Failure to post in conspicuous place the BSP AOR and/or AO as prescribed in Section 4156;

c. Failure to start operations within six (6) months from date of issuance of the BSP AOR and/or AO as prescribed in Subsections 4101P.4 and 4151P.7;

d. Failure to renew the BSP AOR and/or AO as prescribed in Subsection 4101P.7;

e. Disqualification of managing proprietor/managing partner as provided in Subsection 4143P.7;

f. Refusal to permit BSP examination as prescribed in Subsection 4651P.2;

g. Cancellation of registration by the SEC, in case of corporations and partnerships;

h. Cancellation of DTI registration of business/ trade name for failure to renew registration after the expiry of the five-year period, in case of sole proprietorship;
i. Cancellation of business license/permit by the city or municipality; and

j. Conducting pawnbrokering activities outside the pawnshop premises.

Pawnshops that cease to operate but fail to comply with the closure requirements under Subsection 4183P.1 shall still be subject to the reportorial requirements and the imposition of penalty for delayed/non-submission of reports.

The city or municipality shall be informed of the delisted pawnshops operating within their area of jurisdiction, for appropriate action.

Section 4184P Transfer of Ownership. No pawnshop proprietor/partners/stockholders shall transfer ownership over the pawnshop business without securing prior BSP approval.

§4184P.1 Requirements for Transfer of Ownership. The owner(s) shall file the following documents ten (10) days before transferring the ownership of the pawnshop:

(1) Notarized statement by owner/managing partner/president or its equivalent rank 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 owner/managing partner/president shall be held accountable for present and future claims arising from transactions of the pawnshop under the former owner (new owner may assume this liability, in which case, he/she 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) Copy of pawnshop’s notice of retirement of business acknowledged by the licensing authority where the pawnshop operated.
(3) Original BSP AOR and/or AO issued to the pawnshop, or an affidavit in case of loss.

(4) Payment of Bangko Sentral assessment on the pawnshop, if any, such as for non-submission or delayed submission of required reports.

If the vendee shall continue the operation of the pawnshop, he shall comply with the provisions of Subsections 4101P.3 and 4142P.2. The vendee shall also submit a copy of the duly executed contract affecting the transfer of ownership.

§4184P.2 Processing and Registration Fees. A pawnshop that is the subject of change of ownership shall be subject to the BSP processing and registration fees under Subsection 4101P.6.

Section 4185P Processing Fee for Replacement of AOR/AO. A non-refundable processing fee of ₱300.00 shall be collected from each pawnshop that will request for a replacement AOR or AO due to: (a) loss of AOR/AO; (b) change of business/registered name under Subsection 4181P.1; and (c) transfer of location or address under Subsection 4182P.

Sections 4186P – 4189P (Reserved)

Section 4190P Duties and Responsibilities of Pawnshops and their Directors/Officers in Cases of Outsourcing of Pawnshop Functions. The rules on outsourcing of banking functions as shown in Appendix Q-37 shall be adopted in so far as they are applicable to pawnshops.

Sections 4191P – 4198P (Reserved)

Section 4199P General Provision on Sanctions The imposition of administrative sanctions pursuant to Section 17 of PD No. 114 for violation of the provisions of this Part shall be without prejudice to any action that may be taken under Section 18 of P.D. No. 114.
P A R T    II
BORROWING OPERATIONS

A. – J. (RESERVED)

Sections 4201P – 4284P (Reserved)

K. OTHER BORROWINGS

Section 4285P  SEC Registration of Borrowing. Borrowing by any pawnshop through the issuance of any instrument shall be subject to the registration provisions of Section 8 of the Securities Regulation Code (SRC) and the applicable implementing rules and regulations of the Securities and Exchange Commission. While borrowing from 19 individuals or less is exempt from the registration requirement under Sec. 10 of the SRC, Rule 10-1 of the SEC implementing rules and regulations still requires SEC to be notified of the issuance of the debt instrument.

Section 4286P  Borrowing Constituting Quasi-Banking Functions. Borrowing from twenty (20) or more lenders for the purpose of relending or purchase of receivables or other obligations constitutes quasi-banking. A pawnshop cannot engage in quasi-banking unless it meets the pre-qualification requirements under the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) - Quasi-Banks and obtains authority or a separate license to engage in quasi-banking from the BSP.

Sections 4287P – 4298P (Reserved)

Section 4299P  General Provision on Sanctions. Any violation of the provisions of this Part may be a ground for the revocation of the AOR that shall require the winding down of the pawnshop business and shall be subject to the applicable sanctions under Section 36 and 37 of R.A. No. 7653 (New Central Bank Act) and/or R.A. No. 8799 (Securities Regulation Code).
PART III

LOANS AND INVESTMENTS

A. LOANS IN GENERAL

Section 4301P Grant of Loans. The following regulations shall be observed in the grant of loans by pawnshops.

§4301P.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 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”, ensuring always that there is no ground to suspect that the article/s offered as pawn was an object of robbery or theft.

§4301P.2 Prohibitions. Pawnshop owners/managers/officers/directors/employees shall not:

a. Use pawned articles for themselves or allowing 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;

b. Grant loans to minors or incompetent persons; or

c. Re-pledge/re-pawn the pawned article in his possession to another pawnshop or lending entity.

§4301P.3 Know your pawner. Pawnshops who transact with any pawner for the first time shall require the pawner to present the original and submit a clear copy of at least one (1) valid photo-bearing identification document (ID) issued by an official authority.

The valid ID should indicate the address where the pawner resides, otherwise, pawner shall be required to present, together with the valid ID, a barangay certification or a copy of a billing statement that indicates the address where the pawner resides.
For this purpose, the term “official authority” shall refer to any of the following:

(i) Government of the Republic of the Philippines;
(ii) its political subdivisions and instrumentalities;
(iii) Government-owned and/or controlled corporations (GOCCs); and
(iv) private entities or institutions registered with or supervised or regulated either by the BSP or the SEC or the Insurance Commission (IC).

Valid IDs include the following:

- Passport
- Driver’s License
- Professional Regulation Commission (PRC) ID
- National Bureau of Investigation (NBI) Clearance
- Police Clearance
- Postal ID
- Voter’s ID
- Barangay Certification
- Government Service Insurance System (GSIS) e-Card
- Social Security System (SSS) Card
- Senior Citizen Card
- Overseas Workers Welfare Administration (OWWA) ID
- OFW ID
- Seaman’s Book
- Alien Certification of Registration/Immigrant Certificate of Registration
- Government Office and GOCC ID, e.g., Armed Forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID)
- Certification from the National Council for the Welfare of Disabled Persons (NCWDP)
- Department of Social Welfare and Development (DSWD) Certification
- Integrated Bar of the Philippines ID
- Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC
The foregoing shall be in addition to the customer identification requirements under Rule 9.1.c of the Revised Implementing Rules and Regulations (RIRRS) of R.A. No. 9160, as amended (Anti-Money Laundering Act), which requires pawnshop to obtain the following minimum information/documents from pawners:

1. Name;
2. Present address;
3. Permanent address;
4. Date and place of birth;
5. Nationality;
6. Nature of work and name of employer or nature of self-employment/business;
7. Contact numbers; and
8. Specimen signature.

A copy of the ID, barangay certificate and/or billing statement shall be kept by pawnshops for convenience of the pawner who continues to transact with the pawnshop but said documents should be updated at least every three (3) years.

Pawnshops shall post excerpts of the above requirements conspicuously in its principal place of business and branches. The poster (shown as Appendix 7) shall not be smaller than 8.5 x 11 inches.

§4301P.4 Sanctions. Any pawnshop that violates any of the foregoing provisions as determined by BSP in the spot checking of pawnshops or whenever a complaint brought to the attention of BSP is found to be true, shall be imposed the following sanctions:

a. Fine of ₱500.00 for each of the first three (3) offenses;

b. Fine of ₱1,000.00 for the next three (3) offenses;

c. For subsequent violation, cancellation of BSP Acknowledgement of Registration (AOR) or Authority to Operate (AO) issued to the pawnshop head office or branch, as the case may be, and issuance of a letter to the concerned city or municipality advising them of the cancellation of the BSP AOR/AO and recommending the revocation of their business/mayor’s permit(s). It is understood that if the AOR of the HO is cancelled, the AO of the branch/es is/are likewise cancelled; and
d. Such other sanctions as the Monetary Board may deem warranted.

A pawnshop that fails to post the requirements of §4301P.3 as determined in the spot checking done by BSP shall be imposed the following sanctions:

a. Warning for the first three (3) offences;

b. Penalty of ₱300.00 each for the succeeding three (3) offenses;

c. Penalty of ₱750.00 each for the next three (3) offenses; and

d. Cancellation of the AOR or AO, for a subsequent offense. Once the AOR of the main office is cancelled, the Authority to Operate (AO) of the branch/es is/are likewise cancelled.

Section 4302P Loan Limit. Pawnshops may grant such amount of loans as may be agreed upon between the parties. The amount of loan shall in no case be less than thirty percent (30%) of the appraised value of the security offered, unless the pawner manifests in writing that he is applying for a lesser amount. Pawnshops shall not under-appraise the security offered for the loan to circumvent the restriction prescribed by this Section.

§4302P.1 Sanctions. Any pawnshop that violates the foregoing provisions as determined by BSP in the spot checking of pawnshops or whenever a complaint brought to the attention of BSP is found to be true, shall be imposed the following sanctions:

a. Fine of ₱500.00 for each of the first three (3) offenses;

b. Fine of ₱1,000.00 each for the next three (3) offenses;

c. For subsequent violation, cancellation of BSP Acknowledgement of Registration (AOR) or Authority to Operate (AO) issued to the pawnshop head office or branch, as the case may be, and issuance of a letter to the concerned city or municipality advising them of the cancellation of the BSP AOR/AO and recommending the revocation of their business/mayor’s permit(s). It is understood that if the AOR of the HO is cancelled, the AO of the branch/es is/are likewise cancelled; and

d. Such other sanctions as the Monetary Board may deem warranted.
Section 4303P Interest and Surcharges. The rate of interest including surcharges on any loan or forbearance of money extended by a pawnshop shall not be subject to any ceiling. However, pursuant to a decision of the Supreme Court (case of Medel, et al vs Court of Appeals, GR No. 131622 dated 27 November 1998) the interest rate shall not be iniquitous, unconscionable, or contrary to morals, if not against the law as may be determined by the Court.

No pawnshop shall collect interest on loans in advance for a period of more than one (1) year.

§4303P.1 Rate of interest in the absence of stipulation. The rate of interest for a loan or forbearance of money in the absence of an expressed contract as to such rate of interest, shall be twelve percent (12%) per annum.

§4303P.2 Other Charges. In addition to interest, pawnshops may impose a maximum service charge of five pesos (₱5.00), but in no case to exceed one percent (1%) of the principal loan. No other charges, such as but not limited to insurance premium for the safekeeping and conservation of the pawned item, shall be collected.

§4303P.3 Posting of Interest Rate and Other Charges. Pawnshops shall post conspicuously in its principal place of business and branches the interest rate in percent, specifying therein if such interest rate is yearly, monthly or daily, as well as the other charges, if any, to be charged by the pawnshop. The poster shall not be smaller than 8.5 x 11 inches.

§4303P.4 Sanctions. Any pawnshop that violates the foregoing provisions as determined by BSP in the spot checking of pawnshops or whenever a complaint brought to the attention of BSP is found to be true, shall be imposed the following sanctions:

a. Fine of ₱500.00 for each of the first three (3) offenses;

b. Fine of ₱1,000.00 for the next three (3) offenses;

c. For subsequent violation, cancellation of BSP Acknowledgement of Registration (AOR) or Authority to Operate (AO) issued to the pawnshop head office or branch, as the case may be, and issuance of a letter to the concerned city or municipality advising them of the cancellation of the BSP AOR/AO and recommending the
revocation of their business/mayor’s permit(s). It is understood that if the AOR of the HO is cancelled, the AO of the branch/es is/are likewise cancelled; and

d. Such other sanctions as the Monetary Board may deem warranted.

A pawnshop that fails to post the interest rate and other charges pursuant to Subsection 4303P.3 as determined in the spot checking done by BSP shall be imposed the following sanctions:

a. Warning for the first three (3) offenses;

b. Penalty of P300.00 each for the succeeding three (3) offenses;

c. Penalty of P750.00 for the next three (3) offenses; and

d. Cancellation of the AOR or AO, for a subsequent offense. Once the AOR of the main office is cancelled, the Authority to Operate (AO) of the branch(es) is/are likewise cancelled.

Section 4304P (Reserved)

Section 4305P Past Due Accounts; Renewal. A loan may be renewed for such amount and period as may be agreed upon between the pawnshop and the pawner, subject to the same conditions provided in this Part for new loans.

No loan shall be renewed or its maturity date extended unless a new pawn ticket as defined in Section 4102 shall be issued indicating the new term of the loan agreed upon by the pawnshop and the pawner.

§4305P.1 Right of pawner to redeem pawn within 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. The procedures to be followed in case the pawner fails to redeem his pawn are prescribed in Sec. 4324P.
If the maturity date of the loan or expiry date of redemption period falls on the pawnshop’s non-business day, a regular holiday or a special non-working holiday in the locality, then the maturity date of the loan or expiry date of redemption period shall be on the next business day.

If the pawnshop is closed on the maturity date of the loan or expiry of the redemption period, with or without prior notice to the pawner, then the maturity date of the loan or expiry of redemption period shall be on the next business day and the pawnshop shall not charge additional interest or surcharge to the pawner.

If the pawnshop is closed due to a robbery, then the maturity date of the pledge or expiry of redemption period shall be on the next business day when the pawnshop opens for business and the pawnshop shall not charge additional interest or surcharge to the pawners.

§4305P.2 Sanctions. Any pawnshop that violates the foregoing provisions as determined by BSP in the spot checking of pawnshops or whenever a complaint brought to the attention of BSP is found to be true, shall be imposed the following sanctions:

a. Fine of ₱500.00 for each of the first three (3) offenses;

b. Fine of ₱1,000.00 each for the next three (3) offenses;

c. For subsequent violation, cancellation of BSP Acknowledgement of Registration (AOR) or Authority to Operate (AO) issued to the pawnshop head office or branch, as the case may be, and issuance of a letter to the concerned city or municipality advising them of the cancellation of the BSP AOR/AO and recommending the revocation of their business/mayor’s permit(s). It is understood that if the AOR of the HO is cancelled, the AO of the branch/es is/are likewise cancelled; and

d. Such other sanctions as the Monetary Board may deem warranted.

Section 4306P Interest Accrual on Past Due Loans. Interest income on past due loans arising from discount amortization (and not from the contractual interest of the account) shall be accrued as provided in PAS 39. (Circular No. 494 dated 20 September 2005).
B. LOAN COLLATERAL/SECURITY

Section 4321P  Kinds of Security. 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.

Except for bulky pawns, pawns shall be placed in a tamper-proof sealed plastic envelop or bag which must be kept inside the safe or concrete vault. Bulky pawns may be placed outside the safe or vault but within the pawnshop premises.

Pawnshop owners 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 4322P  Redemption of Pawns. A pawnshop shall not release any pawn without first requiring the pawner to present and surrender the corresponding pawn ticket. If the pawn ticket was lost and could not be presented or surrendered, the pawnshop shall require the owner-pawner to execute and submit an affidavit of loss and shall ascertain the identity of the pawner, to ensure that the pawned item is released only to the owner-pawner.

The pawnshop shall return the pawn in the same condition when they were first pawned by pawner, upon full settlement of the loan.

§4322P.1  Sanctions. Whenever a pawnshop allows redemption of pawned items without the surrender of the corresponding original pawn ticket/affidavit of loss, the pawnshop shall be imposed the following sanctions:

a. Fine of ₱500.00 for each of the first three (3) offenses;

b. Fine of ₱1,000.00 for each of the next three (3) offenses;
c. For subsequent violation, cancellation of BSP Acknowledgement of Registration (AOR) or Authority to Operate (AO) issued to the pawnshop head office or branch, as the case may be, and issuance of a letter to the concerned city or municipality advising them of the cancellation of the BSP AOR/AO and recommending the revocation of their business/mayor’s permit(s). It is understood that if the AOR of the HO is cancelled, the AO of the branch/es is/are likewise cancelled; and

d. Such other sanctions as the Monetary Board may deem warranted.

Section 4323P 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, tax identification number, business days and hours, of the pawnshop. The business name indicated in the pawn ticket shall be in accordance with the provision of Section 4181P.2;

b. Name of pawner;

c. Pawner’s residential address;

d. Pawner’s telephone/mobile phone number and/or e-mail address, if applicable;

e. Preferred mode of notification (telephone, mobile phone, email or mail);

f. Description of the pawner (sex, date of birth, nationality, height, weight)

g. Date the loan was granted;

h. Amount of the principal loan and net proceeds;

i. Interest rate in percent, indicating if daily, monthly or annually;

j. Interest in absolute amount;

k. Service charge in amount;

l. Penalty interest in percent, if any;

m. Appraised value of pawn;

n. Period of maturity;

o. Description of the pawn;

p. Expiry date of the redemption period;

q. Signature of the pawnshop’s authorized representative;
r. ID presented; and
s. Such other terms and conditions as may be agreed upon between the pawnshop and the pawner.

No other document or instrument shall be used/issued by a pawnshop for any loan granted by it to a pawner/borrower.

§4323P.1 Additional Regulations on Pawn Ticket.
The contents on the face of the standard pawn ticket, prescribed for pawnshops pursuant to the requirements of P.D. No. 114, and the terms and conditions thereof, are in Appendices P-4 and P-4a. Unnecessary data shall be avoided.

Additional terms and conditions which pawnshops may wish to incorporate shall be subject to prior approval by the appropriate supervising and examining department of the BSP.

Pawn ticket shall not be smaller than 8 x 11”.

Pawn tickets shall at least be in duplicate. The first copy shall contain the word “Original” which shall be given to the pawner when the loan is granted and surrendered upon redemption of pawn, while the second copy shall be marked “Duplicate” which shall remain on file with the pawnshop.

Pawn tickets shall be serially numbered.

Pawnshops may choose the color or quality of the paper used as pawn ticket.

Standard Additional Stipulations and Stipulations not allowed in pawn tickets are in Appendices P-4-b and P-4-c.

§4323P.2 Sanctions. Any pawnshop which violates or fails to comply with the requirements of Subsec. 4323P.1 shall be imposed the following sanctions:

a. Fine of P500.00 for each of the first three (3) offenses;
b. Fine of P1,000.00 for each of the next three (3) offenses;
c. For subsequent violation, cancellation of BSP Acknowledgement of Registration (AOR) or Authority to
Operate (AO) issued to the pawnshop head office or branch, as the case may be, and issuance of a letter to the concerned city or municipality advising them of the cancellation of the BSP AOR/AO and recommending the revocation of their business/mayor’s permit(s). It is understood that if the AOR of the HO is cancelled, the AO of the branch/es is/are likewise cancelled; and
d. Such other sanctions as the Monetary Board may deem warranted.

The owner, partner, manager, or officer-in-charge of the pawnshop responsible for the violation or non-compliance shall be jointly liable with the pawnshop.

Section 4324P Reminder to Pawner; Notice to the Public. At least thirty (30) days before the expiration of the ninety (90)-day grace period allowed in Section 4305P, the pawnshop shall duly notify the pawner in writing that the pawn shall be sold or otherwise disposed of in the event that the pawner fails to redeem the pawn within the ninety (90)-day grace period, specifying in the same notification the date, hour and place where the sale shall take place.

The notice shall be sent through the preferred mode of notification indicated by the pawner in the pawn ticket at the time the loan was granted which may be through text/SMS message, electronic mail, or by mail to the residential address. If sent through text/SMS, the pawnshop shall obtain a report from the appropriate Telecommunications Company (TELCO) indicating that a text/SMS message was sent to the mobile phone number given by the pawner. The report of the TELCO shall be made available to BSP upon request.

If upon the expiration of the ninety (90)-day grace period, the pawner fails to redeem his pawn, the pawnshop may sell or dispose of the pawn only after it has published a notice of public auction of unredeemed articles held as security for loans in at least two (2) newspapers circulated in the city or municipality where the pawnshop has its place of business, six (6) days prior to the date set for the public auction.

The notice shall be in English, and in either Filipino or the local dialect and shall contain the following:
a. Name and address of the owner of the pawnshop; and
b. Date, hour and place of the auction sale.

In remote areas where newspapers are neither published nor circulated, the publication requirement shall be complied with by posting notices at the city hall or municipal building of the city or municipality and in two (2) other conspicuous public places where the pawnshop has its place of business.

§4324P.1 Poster. Pawnshops shall post conspicuously in the principal place of business and branches an abstract of the provision of Section 4324P (Appendix P-7) which shall be not be smaller than 8.5 x 11 inches.

§4324P.2 Sanctions. Any pawnshop which violates or fails to comply with the requirements of Subsec. 4324P.1 shall be imposed the following sanctions:

a. Fine of ₱500.00 for each of the first three (3) offenses;

b. Fine of ₱1,000.00 for each of the next three (3) offenses;

c. For subsequent violation, cancellation of BSP Acknowledgement of Registration (AOR) or Authority to Operate (AO) issued to the pawnshop head office or branch, as the case may be, and issuance of a letter to the concerned city or municipality advising them of the cancellation of the BSP AOR/AO and recommending the revocation of their business/mayor’s permit(s). It is understood that if the AOR of the HO is cancelled, the AO of the branch/es is/are likewise cancelled; and

d. Such other sanctions as the Monetary Board may deem warranted.

The owner, partner, manager, or officer-in-charge of the pawnshop responsible for the violation or non-compliance shall be jointly liable with the pawnshop.

A pawnshop that fails to post the abstract of Section 4324P as may be determined in the spot checking done by BSP shall be imposed the following sanctions:

a. Warning for the first three (3) offenses;

b. Penalty of ₱300.00 each for the succeeding three (3) offenses;

c. Penalty of ₱750 each for the next three (3) offenses; and
d. Cancellation of the AOR or AO, for a subsequent offense. Once the AOR of the main office is cancelled, the Authority to Operate (AO) of the branch(es) is/are likewise cancelled.

**Section 4325P Public Auction of Pawns.** No pawnshop shall sell or otherwise dispose of any article or thing received as security for a loan except by public auction at any of the following places:

a. Pawnshop’s place of business; or

b. Any public place within the territorial limits of the municipality or city where the pawnshop conducts its business.

The auction shall be conducted under the control and direction of a duly licensed auctioneer. In cities and municipalities where there is no duly licensed auctioneer, the public auction may be conducted by a notary public of the city or province where the pawnshop has its place of business.

The Auction Sheet/Book containing entries of auctioned pawned articles duly signed by the auctioneer or notary public under oath shall be maintained by the pawnshop.

§4325P.1 Auction of pawned items covered by a single pawn ticket. If one pawn ticket covers two or more pledged articles, and only one of the articles was sold during the auction, the pawnshop shall allocate the loan value for each article based on their appraised value.

Sections 4326P – 4335P (Reserved)

C. – J. (RESERVED)

Sections 4336P – 4395P (Reserved)

K. MISCELLANEOUS

Sections 4396P – 4398P (Reserved)
Section 4399P General Provision on Sanctions. Any violation of the provisions of this part shall be subject to Section 18 of P.D. No. 114.

The imposition of administrative sanctions pursuant to Section 17 of PD No. 114 for violation of the provisions of this Part shall be without prejudice to the imposition of other administrative sanctions and to the filing of a criminal case as provided for in other provisions of law.
PART IV

Sections 4401P – 4499P (Reserved)
PART V

Sections 4501P – 4599P (Reserved)
PART VI
MISCELLANEOUS

A. (RESERVED)

Section 4601P – 4650P (Reserved)

B. SUNDRY PROVISIONS

Section 4651P Visitatorial Powers of the Bangko Sentral. Pursuant to Section 17 of PD No. 114 granting the BSP visitatorial powers, the head of the appropriate supervising and examining department of the BSP and his duly designated representatives are authorized to conduct an examination, spot-checking, inspection, or investigation of the books, records, business affairs, administration, and financial condition of any pawnshop, whenever said official deems it necessary for the effective implementation of PD No. 114, and other pertinent rules and regulations. Said official and his duly designated representatives may administer oaths to any director, officer, or employee of the pawnshop.

For purposes of this Section and its Subsections, the words “examination”, “spot-checking”, “inspection” and “investigation”, may be used interchangeably.

If, upon such examination, the official or deputies shall establish that the pawnshop is violating or is not complying with the requirements of PD No. 114 and of the provisions of other pertinent rules and regulations, said official shall immediately inform the Monetary Board of his findings and recommendations, and the Monetary Board shall take appropriate action to stop such violation or non-compliance, and punish the pawnshop and/or the persons responsible.

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 may be subject to the visitatorial authority of the BSP to determine whether the establishment is engaged in the business of a pawnshop or in pawnbrokering.

Any establishment that is 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 that the BSP may take against the owners and operators of the establishment.

**§4651P.1 Refusal to Permit Examination.** Refusal to permit examination shall mean any act or omission which impedes, delays or obstructs the duly authorized BSP officer/examiner/employee from conducting an examination, including the act of refusing to accept or honor a letter of authority to examine presented by any officer/examiner/employee of the BSP and the act of refusing to present pawnshop’s vital records referred to in Section 4102 upon request by any officer/examiner/employee of the BSP.

**§4651P.2 Sanctions.** Whenever a pawnshop refuses to permit a BSP examination, the BSP officer/examiner/employee shall report the matter to the head of the appropriate supervising and examining department of the BSP, who shall then make a written demand upon the pawnshop concerned for such examination.

If the pawnshop continues to refuse said examination without any satisfactory explanation, the said department head shall recommend to the Monetary Board the revocation of the registration of the pawnshop’s AOR or AO, as the case may be. The Office of the Mayor of the concerned city or municipality shall be informed of the revocation to take appropriate action on the pawnshop without prejudice to whatever legal action that the BSP may take against the owners, operators and officers of the pawnshop.

An establishment which represents itself as a pawnshop or is suspected to be engaged in the business of a pawnshop or in pawnbroking that refuses to permit BSP examination shall be subject to whatever legal action that the BSP may take against the owners, operators and officers of the establishment.

**Sections 4652P - 4656P (Reserved)**

**Sec. 4657P  Batas Pambansa Blg. 344 – An Act to Enhance the Mobility Of Disabled Persons by Requiring Certain Buildings, Institutions, Establishments and Public Utilities to Install Facilities and Other Devices.** In order to promote the realization of the
rights of disabled persons to participate fully in the social life and the development of the societies in which they live and the enjoyment of the opportunities available to other citizens, no license or permit for the construction, repair or renovation of public and private buildings for public use, educational institutions, airports, sports and recreation centers and complexes, shopping centers or establishments, public parking places, workplaces, public utilities, shall be granted or issued unless the owner or operator thereof shall install and incorporate in such building, establishment or public utility, such architectural facilities or structural features as shall reasonably enhance the mobility of disabled persons such as sidewalks, ramps, railings and the like. If feasible, all such existing buildings, institutions, establishments, or public utilities may be renovated or altered to enable the disabled persons to have access to them.

Sections 4658P - 4659P (Reserved)

Sections 4658P – 4690P (Reserved)

Section 4691P Anti-Money Laundering Regulations. Banks, offshore banking units (OBUs), quasi-banks (QBIs), trust entities, non-stock savings and loan associations (NSSLAs), pawnshops, and all other institutions, including their subsidiaries and affiliates supervised and/or regulated by the BSP, otherwise known as “covered institutions” shall comply with the provisions of R.A. No. 9160, as amended, otherwise known as the “Anti-Money Laundering Act of 2001” and its Implementing Rules and Regulations (IRRs) in Appendix P-6 and those in Appendix P-5.

§4691P.1 Required Seminar/Training. Pawnshop personnel directly involved in pawnshop operations shall attend a seminar on the requirements of the anti-money laundering law, 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 provisions of this subsection shall also apply to officer(s) of the branch(es).

The officer(s) in-charge and the personnel who have attended the required seminar may echo the said training to all employees within thirty (30) calendar days from such attendance or as new employees are hired.
In case of pawnshops belonging to the same group of related companies, the training/seminars may be cascaded to other pawnshops within the group, subject to the following conditions:

1) training officers shall have attended the AMLA lectures conducted by the AMLC;

2) lecture materials to be used by training officers should be approved by the AML Examination Group of the BSP; and

3) training officers shall submit to the BSP, the list, under oath, of pawnshop personnel who have attended the lectures.

§4691P.2 Anti-Money Laundering Program. Every pawnshop is required to formulate an anti-money laundering prevention program as prescribed in Appendix 5 and to submit a plan of action to comply with anti-money laundering requirements within thirty (30) business days from opening of a pawnshop.

§4691P.3 – 4691P.8 (Reserved)

§4691P.9 Sanctions and penalties

a. Whenever a covered institution violates the provisions of Section 9 of R.A. No. 9160 of this Section, the officer(s) or other persons responsible for such violation shall be punished by a fine of not less than ₱50,000 nor more than ₱200,000 or by imprisonment of not less than two (2) years nor more than ten (10) years, or both, at the discretion of the court pursuant to Section 36 of R.A. No. 7653, otherwise known as “The New Central Bank Act”.

b. Without prejudice to the criminal sanctions prescribed above against the culpable persons, the Monetary Board may, at its discretion, impose upon any covered institution, its directors and/or officers for any violation of Section 9 of R.A. No. 9160, the administrative sanctions provided under Section 37 of R.A. No. 7653.

Sections 4692P - 4698P (Reserved)

Section 4699P Administrative Sanctions. The Monetary Board shall impose upon pawnshops, their owners, partners, directors and officers for any violation of the provisions of the rules on pawnshops, P.D. No.
114, pertinent laws or any order or instruction of the Monetary Board or its authorized official; or any commission of irregularities in the conduct of its business, the following administrative sanctions:

a. For a violation consummated at a single instance and not punishable on a per day basis, a fine of not more than ₱500.00; or for a violation which is continuing and punishable on a per-day basis, a fine of not more than ₱600.00 for every day of violation or non-compliance; and/or

b. Suspension or, after due hearing, removal of managing proprietor/managing partners/directors or officers. Provided that, in case the removal of managing proprietor/managing partners shall cause the dissolution of the proprietorship or partnership, the pawnshop shall be delisted from the BSP List of Registered Pawnshops as prescribed in Subsection 4183P.2.

For purposes of this Section, the phrase any commission of irregularities in the conduct of its business shall include any act or omission described hereunder.

1. Failure to produce pawn upon redemption or in any other case where the pawnshop has the obligation to produce the pawn.

2. Allowing the redemption of pawn without the surrender of the corresponding original pawn ticket/substitute pawn ticket/affidavit of loss.

3. Falsifying pawn tickets.

4. Actual collection of interest in advance and or service charges without reflecting the same on the pawn ticket.

5. Tampering or substitution of pawn.

6. Failure to issue official receipts for amounts collected.

7. Any other act or omission analogous to the above enumerated acts and omissions.

The imposition of administrative sanctions pursuant to Section 17 of PD No. 114 for violation of the provisions of this Part shall be without prejudice to any action that may be taken under Section 18 of P.D. No. 114.
A. General Ledger. The General Ledger is the controlling record of all subsidiary ledger accounts. The general ledger accounts shall be grouped as follows:

1. Assets - Asset accounts shall consist of the following:
   (a) Cash on hand and in banks;
   (b) Pledge loans;
   (c) Land;
   (d) Building;
   (e) Furniture and fixtures;
   (f) Office equipment;
   (g) Leasehold improvements;
   (h) Investment in securities; and
   (i) Other assets.
   Other assets shall include all assets not included in any of the above classification, such as prepaid expenses, advances, accounts receivables.

2. Liabilities - Liabilities represent obligations of the pawnshop, such as:
   (a) Loans payable;
   (b) Accounts payable; and
   (c) Other liabilities.
   Other liabilities are liabilities not included in the above classification, such as SSS Premiums and medicare, tax withheld, accruals.

3. Capital - Capital at the end of the year is the excess of assets over liabilities, or the sum of paid-in capital, surplus or retained earnings accounts and net income for the year. The accounts under this group shall consist of the following:
   (a) Capital/capital stock;
   (b) Drawings;
   (c) Retained earnings; and
   (d) Net income for the year.

4. Income - This account represents the "general ledger control" account for all income of the pawnshop. An "Income Subsidiary Ledger" shall be maintained and the total of this ledger shall equal the balance of "Income Control" account of the general ledger at all times.
   The "Income Subsidiary Ledger" shall contain the following accounts:
   (a) Interests - pledge loans;
   (b) Service charges;
   (c) Gain or loss at auction sale;
   (d) Interests on securities; and
   (e) Other income

5. Expenses - The expenses account shall include the following:
   (a) Salaries and allowances;
   (b) Interest on borrowed money;
   (c) Rental;
   (d) Depreciation;
   (e) Light and water;
   (f) Taxes and licenses;
   (g) SSS contribution;
   (h) Costs of telephone, postage and/or telegram;
   (i) Stationery and/or supplies; and
   (j) Miscellaneous expenses.

B. Registers. The following registers shall be maintained to trace loan transactions:

1. Loans Extended Register - Every pawnbroker shall keep a "Loans Extended Register" in which shall be entered in ink, at the time of each loan or pledge transaction, an accurate account and description in English, with corresponding translation in the local dialect, the following minimum data:
A pawnshop that uses a computerized system may record its loan transactions in individual loan extended vouchers which shall contain the same information enumerated above in lieu of the loan extended and loans paid registers. Such pawnshops shall periodically compile or bind the loan extended vouchers and shall be made available for BSP examination upon request.

(a) Date of transaction;
(b) Number of pawn ticket;
(c) Amount of money loaned or principal;
(d) Rate of interest to be paid, in percent;
(e) Service charge collected;
(f) Description of pawn;
(g) Appraised value of pawn;
(h) Name of pawner;
(i) Address of pawner;
(j) Description of the pawner, including:
   (i) Nationality;
   (ii) Sex; and
   (iii) General appearance; and
(k) Signature or thumbmark of the pawner and the name of the pawner written by and signature of the witness to the thumbmarking.

(2) Loans Paid Register – A “Loans Paid Register” shall be maintained in which shall be entered in ink, the principal and interest payment of loans. It shall contain the following minimum data:

(a) Date of payment;
(b) Number of pawn ticket;
(c) Name of pawner;
(d) Principal amount;
(e) Amount of interest; and
(f) Signature or thumbmark of the pawner and the name of the pawner written by and signature of the witness to the thumbmarking.
### LIST OF REPORTS REQUIRED FROM PAWNSHOPS
(Appendix to Section 4161P.1)

<table>
<thead>
<tr>
<th>Report Category</th>
<th>BSP Form No.</th>
<th>Subject of Report</th>
<th>Frequency of Reporting</th>
<th>Deadline of Submission</th>
<th>Other Instructions/Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>BSP 7-26-01.1C</td>
<td>General Information Sheet (for corporation)</td>
<td>Annually</td>
<td>5 days from submission to SEC</td>
<td>To be submitted to SEC within 30 calendar days from the date of annual stockholders’ meeting.</td>
</tr>
<tr>
<td>A-2</td>
<td>BSP 7-26-02C</td>
<td>Statement of Condition (SOC)</td>
<td>-do-</td>
<td>January 31</td>
<td>To be submitted to Supervisory Data Center. For pawnshops with branches, the SOC shall be submitted on a consolidated basis (i.e. head office plus branches) together with a list of all its branches in the report. Branches are not required to submit individual reports.</td>
</tr>
<tr>
<td>A-3</td>
<td>BSP 7-26-03C</td>
<td>Statement of Income and Expenses</td>
<td>-do-</td>
<td>-do-</td>
<td>-do-</td>
</tr>
<tr>
<td>B</td>
<td>Unnumbered (no prescribed form)</td>
<td>Audited Financial Statement (AFS) for the previous year ended prepared by an external auditor together with actions taken on the financial audit report</td>
<td>-do-</td>
<td>June 30 of the following reference calendar year</td>
<td>To be submitted to appropriate supervising and examining department. For pawnshops with assets of P50 million and above, the AFS shall be prepared by independent external auditors that are in the list of accredited external auditors of the Securities and Exchange Commission, Office of the Insurance Commissioner or in the list of BSP-selected external auditors.</td>
</tr>
<tr>
<td>Report Category</td>
<td>BSP Form No.</td>
<td>Subject of Report</td>
<td>Frequency of Reporting</td>
<td>Deadline of Submission</td>
<td>Other Instructions/Requirements</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------</td>
<td>--------------------------------------------------------</td>
<td>--------------------------------</td>
<td>-------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>B</td>
<td>Unnumbered</td>
<td>Report on Crimes/Losses</td>
<td>As crime or incident occurs</td>
<td>See Appendix P-2a for guidelines on reporting crimes and losses</td>
<td></td>
</tr>
<tr>
<td>A-2</td>
<td>Unnumbered</td>
<td>Report on Suspicious Transactions</td>
<td>As transaction occurs</td>
<td>10th business day from date of transaction/knowledge</td>
<td>To be submitted to the Anti-Money Laundering Council</td>
</tr>
<tr>
<td>A-2</td>
<td>Unnumbered</td>
<td>Report on Covered Transactions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B</td>
<td>Unnumbered</td>
<td>Plan of action to comply with Anti-Money Laundering requirements</td>
<td>-</td>
<td>30th business day from opening of the pawnshop. For existing pawnshops, 30 days from issuance of the amended Manual of Regulations for Pawnshops.</td>
<td>To be submitted to the appropriate supervising and examining department (SED)</td>
</tr>
<tr>
<td>A-2</td>
<td>Unnumbered</td>
<td>Certification of compliance with existing anti-money laundering regulations</td>
<td>Annually</td>
<td>20th business day after end of reference year</td>
<td>To be submitted to the appropriate supervising and examining department (SED)</td>
</tr>
</tbody>
</table>
REPORTING GUIDELINES ON CRIMES/LOSSES  
(Annex to Appendix P-2)

1. Pawnshops shall report on the following matters through the appropriate supervising and examining department:

   a. Crimes whether consummated, frustrated or attempted against pawned articles/property/facilities (such as robbery, theft, swindling or estafa, forgery and other deceits) and other crimes involving loss/destruction of pawn/property of the pawnshop: Provided, That if no pawned article is involved, the amount involved in each crime is P20,000 or more.

   Crimes involving the pawnshop personnel, regardless of whether or not such crimes involve the loss/destruction of pawned articles/property of the pawnshop, even if the amount involved is less than those above specified, shall likewise be reported to the BSP.

   b. Incidents involving material loss, destruction or damage to the institution's pawned articles/property/facilities, other than arising from a crime: Provided, That if no pawned article is involved, the amount involved per incident is P20,000 or more.

2. The following guidelines shall be observed in the preparation and submission of the report.

   a. The report shall be prepared in two (2) copies and shall be submitted within ten (10) business days from knowledge of the crime or incident, the original to the appropriate supervising department and the duplicate to the BSP Security Coordinator, thru the Director, Security Investigation and Transport Department.

   b. Where a thorough investigation and evaluation of facts is necessary to complete the report, an initial report submitted within the ten (10)-business day deadline may be accepted: Provided, That a complete report is submitted not later than fifteen (15) business days from termination of investigation.

(Sample format of Report on Crimes/Losses attached)
### REPORT ON CRIMES/LOSSSES

<table>
<thead>
<tr>
<th>Name and Location of Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Pawnshop:</td>
</tr>
<tr>
<td>Address:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nature and Brief Description of the Crime/Incident</th>
</tr>
</thead>
<tbody>
<tr>
<td>(State whether crime was consummated, frustrated or attempted)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Person(s)/Property Involved</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Date and time of Occurrence of Crime/Loss</th>
<th>Amount Involved</th>
<th>Amount and Kind of Insurance Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date when crime was discovered:</td>
<td>Actual:</td>
<td>Estimated:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Action Taken Upon Knowledge of Crime/Loss and/or Steps/Measures Taken to Prevent Recurrence of Similar Incident in the Future</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Other Relevant Information</th>
</tr>
</thead>
</table>

Certified Correct:

__________________________
Signature of Authorized Officer over Printed Name

__________________________
Designation: ________________

Date: ______________________
GUIDELINES ON PRESCRIBED REPORTS SIGNATORIES
AND SIGNATORY AUTHORIZATION
(Appendix to Subsec. 4162P.1)

Category A-1 reports shall be signed by the chief executive officer, or in his absence, by the executive vice-president, and by the comptroller, or in his absence, by the chief accountant, or by officers holding equivalent positions. The designated signatories in this category, including their specimen signatures, shall be contained in a resolution approved by the board of directors in the format prescribed in Annex P-3-a.

Category A-2 reports of head offices shall be signed by the president, executive vice-presidents, vice-presidents or officers holding equivalent positions. Such reports of other offices/units (such as branches) shall be signed by their respective managers/officers in charge. Likewise, the signing authority in this category shall be contained in a resolution approved by the board of directors in the format prescribed in Annex P-3-b.

Categories A-3 and B reports shall be signed by officers or their alternates, who shall be duly designated in a resolution approved by the board of directors in the format as prescribed in Annex P-3-c.

Copies of the board resolutions on the report signatory designations shall be submitted to the appropriate SED of the BSP within three (3) days from the date of resolution.

In the case of pawnshops organized as single proprietorship or partnership, the reports shall be signed by the proprietor or managing partner, as the case may be, in place of chief executive officer or president. Other signatories shall be authorized by the proprietor/managing partner in a letter of authority to be submitted to the appropriate SED of the BSP indicating the names, positions and specimen signatures of the designated signatories as well as the reports they are to sign.
FORMAT OF RESOLUTION FOR SIGNATORIES OF CATEGORY A-1 REPORTS

Resolution No. _____

Whereas, it is required under Subsection 4162P.1 of the revised BSP Manual of Regulations for Non-Bank Financial Institutions - Pawnshops, that Category A-1 reports be signed by the chief executive officer, or in his absence, by the executive vice-president, and by the comptroller, or in his absence, by the chief accountant, or by officers holding equivalent positions.

Whereas, it is also required that aforesaid officers of the institution be authorized under a resolution duly approved by the institution’s Board of Directors;

Whereas, we, the members of the Board of Directors of [Name of Pawnshop], are conscious that, in designating the officials who would sign said Category A-1 reports, we are actually empowering and authorizing said officers to represent and act for or in behalf of the Board of Directors in particular and [Name of Pawnshop] in general;

Whereas, this Board has full faith and confidence in the Institution's Chief Executive Officer, Executive Vice-President, Comptroller, and Chief Accountant, as the case may be, and, therefore, assumes responsibility for all the acts which may be performed by the aforesaid officers under their delegated authority;

Now, therefore, we, the members of the Board of Directors, resolve, as it is hereby resolved that:

1. Mr. [Name], President or Executive
   Specimen Signature
2. Mr. [Name], Executive Vice-President
   Specimen Signature
3. Mr. [Name], Comptroller or Chief
   Specimen Signature
4. Mr. [Name], Accountant
   Specimen Signature

are hereby authorized to sign Category A-1 reports of [Name of Pawnshop];

Done in the City of [City], Philippines, this [Day] day of [Month], 20__.

Chairman of the Board

[Signatures of Directors]

ATTESTED BY:

[Signature of Corporate Secretary]
FORMAT OF RESOLUTION FOR SIGNATORIES
OF CATEGORY A-2 REPORTS

Resolution No. _____

Whereas, it is required under Subsection 4162P.1 of the revised BSP Manual of Regulations for Non-Bank Financial Institutions - Pawnshops, that Category A-2 reports be signed by the president, executive vice-president, vice-president, or officer holding equivalent position and that such reports of other offices be signed by the respective manager/officer-in-charge;

Whereas, it is also required that aforesaid officers of the institution be authorized under a resolution duly approved by the institution’s Board of Directors;

Whereas, we, the members of the Board of Directors of (Name of Pawnshop), are conscious that, in designating the officials who would sign said Category A-2 reports, we are actually empowering and authorizing said officers to represent and act for or in behalf of the Board of Directors in particular and (Name of Pawnshop) in general;

Whereas, this Board has full faith and confidence in the Institution’s President (and/or the Executive Vice-President, etc. as the case may be) and, therefore, assumes responsibility for all the acts which may be performed by the aforesaid officers under their delegated authority;

Now, therefore, we, the members of the Board of Directors, resolve, as it is hereby resolved that:

<table>
<thead>
<tr>
<th>Name of Officer</th>
<th>Specimen Signature</th>
<th>Position Title</th>
<th>Report No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
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<td></td>
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<tr>
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</tr>
</tbody>
</table>

are hereby authorized to sign Category A-2 reports of (Name of Pawnshop);

Done in the City of __________________, Philippines, this _____ day of _________________, 20__.

_________________________
Chairman of the Board

_________________________  __________________________
Director                    Director

_________________________  __________________________
Director                    Director

_________________________  __________________________
Director                    Director

_________________________
ATTESTED BY:

_________________________
Corporate Secretary
FORMAT OF RESOLUTION FOR SIGNATORIES
OF CATEGORY A-3 and B REPORTS

Resolution No. ______

Whereas, it is required under Subsection 4162P.1 of the revised BSP Manual of Regulations for Non-Bank Financial Institutions (Pawnsshops), that Category A-3 and B reports be signed by officers or their alternates;

Whereas, it is also required that aforesaid officers of the institution be authorized under a resolution duly approved by the institution’s Board of Directors;

Whereas, we, the members of the Board of Directors of ______ (Name of Pawnshop), are conscious that, in designating the officials who would sign said Category A-3 and B reports, we are actually empowering and authorizing said officers to represent and act for or in behalf of the Board of Directors in particular and ______ (Name of Pawnshop) in general;

Whereas, this Board has full faith and confidence in the Institution’s Chief Executive Officer, Executive Vice-President, Comptroller, and Chief Accountant, as the case may be, and, therefore, assumes responsibility for all the acts which may be performed by the aforesaid officers under their delegated authority;

Now, therefore, we, the members of the Board of Directors, resolve, as it is hereby resolved that:

<table>
<thead>
<tr>
<th>Name of Authorized Signatory/Alternate</th>
<th>Specimen Signature</th>
<th>Position/Title</th>
<th>Report No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Authorized (Alternate)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Authorized (Alternate)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

are hereby authorized to sign Category A-3 and B reports of ______ (Name of Pawnshop)______;

Done in the City of __________________, Philippines, this _____ day of ________________, 20__.  

__________________________________________
Chairman of the Board

_________________________  __________________________
Director                  Director

_________________________  __________________________
Director                  Director

_________________________  __________________________
Director                  Director

ATTESTED BY:

_________________________
Corporate Secretary
# STANDARD PAWN TICKET

(Appendix to Subsection 4323P.1)

## BUSINESS/REGISTERED NAME

Address  
Taxpayer Identification Number  
Business Days and Hours

<table>
<thead>
<tr>
<th>Serial No. : 001</th>
<th>Amount of Loan</th>
<th>Original</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>Date Loan Granted</td>
<td>Maturation Date</td>
</tr>
<tr>
<td>Interest in absolute amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Charge in amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Proceeds</td>
<td>Expiry Date of Redemption</td>
<td>Interest Rate in percent :</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Please check :</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Per annum [ ] Per month[ ] Per day[ ]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Penalty interest in percent, if any</td>
</tr>
</tbody>
</table>

### Description of the Pawn

<table>
<thead>
<tr>
<th>Appraised Value</th>
</tr>
</thead>
</table>

### Information on the Pawner

<table>
<thead>
<tr>
<th>Name</th>
<th>Sex</th>
<th>Complete residential address</th>
<th>Date of Birth</th>
<th>Telephone/mobile phone No.</th>
<th>Nationality</th>
<th>E-mail address, if any</th>
<th>Height</th>
<th>Preferred Mode of notification:</th>
<th>Please check</th>
<th>Weight</th>
<th>ID Presented</th>
</tr>
</thead>
<tbody>
<tr>
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### TERMS AND CONDITIONS OF STANDARD PAWN TICKET

1. The pawnner hereby accepts the pawnshop’s appraisal as proper.
2. The pawnshop hereby agrees not to collect advance interest for a period of more than one (1) year.
3. The service charge is equivalent to one percent (1%) of the principal loan, but shall not exceed five pesos (P5.00). No other charges shall be collected.
4. This loan is renewable for such amount and period as may be agreed upon between the pawnshop and the pawnner subject to the same requirements for a new loan.
5. Upon maturity of this loan, as indicated above, the pawnner still has ninety (90) days from maturity date within which to redeem the pawn by paying the principal loan plus the interest that shall have accrued thereon.
6. The amount of interest due and payable after the maturity date of the loan up to the redemption period shall be computed upon redemption at the rate of interest provided above based on the sum of the principal loan and interest earned as of the date of maturity. Any additional penalty and/or interest shall also be computed in the same manner.
7. The pawnshop shall notify the pawnner of any change in its business address/location.
8. The pawnner shall advise the pawnshop of any change of address/contact number/e-mail address.
9. The pawnshop shall send a reminder to the pawnner in the preferred mode of notification given above, or at the new address/mobile phone number or e-mail address, if such was provided by the pawnner before the expiration of the ninety (90) day grace period. The pawnshop shall have the right to sell or dispose of the pawn if the pawnner fails to redeem it within the ninety (90) day grace period.
10. This ticket shall be surrendered at maturity date upon payment of the loan. In case of loss or destruction of this ticket, the pawnner hereby undertakes to personally present an affidavit to the pawnshop before the redemption period expires. The pawnshop has two (2) days to decide whether to accept (1) the affidavit in place of the original pawn ticket; or (2) to issue a substitute pawn ticket, thereby cancelling the original.
11. The pawnner shall not assign, sell or in any other way alienate the pawn securing this loan without prior written consent of the pawnshop. If the pawnshop agrees, the terms and conditions of this contract remain enforceable.
12. In case of pre-payment of this loan by pawnner, the interest collected in advance shall accrue in full to the pawnshop.
13. The pawnner shall not be entitled to the excess of the public auction sale price over the amount of principal, interest and service fee; neither shall the pawnshop be entitled to recover the deficiency from the pawnner.

(Signature or Thumbmark)  
Pawner  

(Signature)  
Pawnshop’s Authorized Representative
FORMAT OF STATEMENT OF UNDERSTANDING ON PAWNSHOP TRANSACTION
(Appendix to Subsection 4323P.1)

(Business Name of Pawnshop)

STATEMENT OF UNDERSTANDING

I ACKNOWLEDGE THAT I UNDERSTAND AND FULLY AGREE TO THE TERMS AND CONDITIONS OF THIS CONTRACT OF PLEDGE/PAWNSHOP TRANSACTION, AND TO THE FOLLOWING:

1. Agreement as to Interest Rates. The parties are generally free to agree in writing on the interest rates to be imposed in loans secured by pledge/pawned properties. In case of dispute, the regular courts of law have the vested power to determine the reasonableness and legality of interest rates.

2. Degree of Diligence Required of a Pawnshop. In accordance with Republic Act No. 386, as amended, the Civil Code of the Philippines, pawnshops shall take care of the thing pawned by exercising reasonable care and caution that an ordinary prudent person would as to his own property.
   a. Accountability in case of Fire. The office building/premises and all pawns in the pawnshop, except those which are kept inside a fireproof vault, are insured against fire in accordance with the pertinent regulations of the Bangko Sentral ng Pilipinas (BSP). The amount of indemnity shall be dependent on the insurance policy agreement between the pawnshop and the insurance company.
   b. Accountability in case of robbery and other fortuitous events. Any claim for restitution by pawners in case of loss, destruction or defect of the pawn due to robbery and other fortuitous event, with or without the fault or negligence of the pawnshop, its officers and directors, are cognizable by the regular courts.

I DECLARE UNDER THE PENALTY OF THE ANTI-FENCING LAW THAT I AM THE OWNER OF THE PROPERTY SUBJECT OF THIS AGREEMENT.

(Signature of Pawner over Printed Name)

Date ______________

Notice to Pawner: You are entitled to a copy of this paper which you shall sign.
STANDARD ADDITIONAL STIPULATIONS IN PAWN TICKETS
(Appendix to Subsection 4323P.1)

On Face of Pawn Ticket

1. Member: Chamber of Pawnbrokers of the Philippines

On Reverse Side of Pawn Ticket

1. I hereby authorize M________________, whose signature appears below, to redeem (or renew*) my pawn covered by this pawn ticket.

_______________________                   ____________________
Signature of Representative                 Signature of Pawner
(Signed in the presence of pawner)

Received by: ________________
Pawner/Authorized Representative
(Signed in the presence of pawnshop owner/employee)

2. Pinahihintulutan ko si G______________, na may lagda sa ibaba, para tubusin (o mapanibago*) ang aking sangla na binanngit sa papel na ito.

_______________________          ____________________
Lagda ng Kinatawan                       Lagda ng Nagsangla
(Nilagdaan sa harap ng nagsangla)

Tinatanggap ko ang bagay/mga bagay na binanggit sa papel na ito:

____________________________________
Lagda ng Tumanggap

3. Received the article(s) in the same condition when pawned and redeemed.

____________________
Pawner

4. Acknowledgment: I hereby declare that the above-mentioned article(s) are my personal property and are free from liens and encumbrances.

____________________
Pawner

*As pawnshop may opt to allow/include in the pawn ticket.
5. Venue of all judicial and administrative cases or proceedings and other legal incidents arising out of or in connection with this contract shall solely and exclusively be brought before appropriate courts, departments, offices or agencies of the government situated in (locality of pawnshop head office).

6. The authorized representative must present valid identification papers.

7. Upon expiration of the redemption period, the pawnshop has the right to open the sealed pawn for purposes of public auction.

8. For purposes of computing the amount of interest for pledge loans paid after maturity date, a fraction of (less than) a month shall be considered as one whole month.

9. Any one of the following:

   a. In case this loan is not paid on maturity date, the pawner hereby agrees to pay in addition to accrued interest, 2 percent per month of the principal, as liquidated damages. For purposes of computing the amount of liquidated damages, a fraction of a month shall be considered as one (1) full month.

   b. The pawnshop may at its sole option, allow redemption of pawn after expiration of the 90-day grace period. Provided the pawner shall pay the principal plus interest due at the rate prescribed herein and liquidated damages of 2 percent per month on the principal, counted after grace period. For purposes of computing the amount of liquidated damages, a fraction of a month shall be considered as one (1) full month.

   c. In case this loan is not paid on maturity date, the pawner hereby agrees to pay in addition to accrued interest, 2 percent per month of the principal, as liquidated damages. For purposes of computing the amount of liquidated damages, a fraction of a month shall be considered as one (1) full month.

      The pawnshop may, at its sole option, allow redemption of pawn after expiration of the 90-day grace period upon payment by the pawner of the loan principal plus interest due and liquidated damages at the rates and manner of computation herein prescribed.

10. The pawner shall hereby notify the pawnshop of his/her intention to redeem the pawn twenty-four (24) hours prior to actual redemption.
STIPULATIONS NOT ALLOWED IN STANDARD PAWN TICKETS
(Appendix to Subsection 4323P.1)

1. Advertisements such as “highest appraisal in town, dependable, honest”, or other similar terms.
2. Facsimile signature of authorized pawnshop representative.
3. “Terms and conditions accepted and payment received.”
4. “By ordinary or registered mail” in standard Term and Condition No. 9.
6. Additional features such as “demand for receipt”, “authorized by the Bangko Sentral ng Pilipinas” and heading of ticket as “pawnshop receipt”.

ANTI-MONEY LAUNDERING REGULATIONS
(Appendix to Section 4691P)

Banks, quasi-banks, trust entities and all other institutions, and their subsidiaries and affiliates supervised or regulated by the BSP (covered institutions) shall strictly comply with the provisions of Section 9 of R.A. No. 9160 and the following rules and regulations on anti-money laundering.

1. **Customer identification.** Covered institutions shall establish and record the true identity of its clients based on official documents. They shall maintain a system of verifying the true identity of their clients and, in case of corporate clients, require a system of verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf.

When establishing business relations or conducting transactions (particularly opening of deposit accounts, accepting deposit substitutes, entering into trust and other fiduciary transactions, renting of safety deposit boxes, performing remittances and other large cash transactions) covered institutions should take reasonable measures to establish and record the true identity of their clients. Said client identification may be based on official or other reliable documents and records.

a. In cases of corporate and other legal entities, the following measures should be taken, when necessary:

(1) Verification of the legal existence and structure of the client from the appropriate agency or from the client itself or both, proof of incorporation, including information concerning the customer’s name, legal form, address, directors, principal officers and provisions regulating the power behind the entity.

(2) Verification of the authority and identification of the person purporting to act on behalf of the client.

b. In case of doubt as to whether their purported clients or customers are acting for themselves or for another, reasonable measures should be taken to obtain the true identity of the persons on whose behalf an account is opened or a transaction conducted.

c. The provisions of existing laws to the contrary notwithstanding, anonymous accounts, accounts under fictitious names, and all other similar accounts shall be absolutely prohibited. In case where numbered accounts is allowed (i.e., peso and foreign currency non-checking numbered accounts), covered institutions should ensure that the client is identified in an official or other identifying documents.

The BSP may conduct annual testing solely limited to the determination of the existence and the identity of the owners of such accounts.

Covered institutions shall phase out within a period of one (1) year from 2 April 2001 or upon their maturity, whichever is earlier, anonymous accounts or accounts under fictitious names as well as numbered accounts being kept or managed by them, which are not expressly allowed under existing law.

d. The identity of existing clients or beneficial owners of deposits and other funds held or being managed by the covered institutions should be renewed/updated at least every other year.

e. All records of all transactions of covered institutions shall be maintained and safely stored for five (5) years from the dates of transactions. With respect to closed
4. Required reporting of certain transactions. If there is reasonable ground to believe that the funds are proceeds of an unlawful activity as defined under R.A. No. 9160 and/or its IRRs, the transactions involving such funds or attempts to transact the same, should be reported to the Anti-Money Laundering Council (AMLC) in accordance with Rules 5.2 and 5.3 of the AMLA IRRs.

a. Report on suspicious transactions. Banks shall report covered transactions and suspicious transactions, as defined in Rules 5.2 and 5.3 of the AMLA IRRs, to the AMLC using the forms prescribed by the AMLC. Reportable transactions shall include the following:

   (1) Outward remittances without visible lawful purpose;
   (2) Inward remittances without visible lawful purpose or without underlying trade transactions;
   (3) Unusual purchases of foreign exchange without visible lawful purpose;
   (4) Unusual sales of foreign exchange whose sources are not satisfactorily established;
   (5) Complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent or visible lawful purpose;
   (6) Funds being managed or held as deposit substitutes if there is reasonable ground to believe that the same are proceeds of criminal and other illegal activities; and
   (7) Suspicious Transaction Indicators or "Red Flags" as a guide in the submission to the AMLC of reports of suspicious transactions relating to potential or actual financing of terrorism.

b. Wire transfers between accounts, without visible economic or business purpose, especially if the wire transfers are effected through countries which are identified or connected with terrorist activities.

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1 Amended by AMLC Resolution No. 292 dated 11.20.03 (Annex P-5-b).
(b) Sources and/or beneficiaries of wire transfers are citizens of countries which are identified or connected with terrorist activities.
(c) Repetitive deposits or withdrawals that cannot be explained or do not make sense.
(d) Value of the transaction is over and above what the client is capable of earning.
(e) Client is conducting a transaction that is out of the ordinary for his known business interest.
(f) Deposits being made by individuals who have no known connection or relation with the account holder.
(g) An individual receiving remittances, but has no family members working in the country from which the remittance is made.
(h) Client was reported and/or mentioned in the news to be involved in terrorist activities.
(i) Client is under investigation by law enforcement agencies for possible involvement in terrorist activities.
(j) Transactions of individuals, companies or non-governmental organizations (NGOs) that are affiliated or related to people suspected of being connected to a terrorist group or a group that advocates violent overthrow of a government.
(k) Transactions of individuals, companies or NGOs that are suspected as being used to pay or receive funds from revolutionary taxes.
(l) The NGO does not appear to have expenses normally related to relief or humanitarian effort.
(m) The absence of contributions from donors located within the country of origin of the NGO.
(n) A mismatch between the pattern and size of financial transactions on the one hand and the stated purpose and activity of the NGO on the other.

(o) Incongruities between apparent sources and amount of funds raised or moved by the NGO.
(p) Any other transaction that is similar, identical or analogous to any of the foregoing.
(q) All other suspicious transactions/activities which can be reported without violating any law.

The report on suspicious transactions shall provide the following minimum information:
(a) Name or names of the parties involved.
(b) A brief description of the transaction or transactions.
(c) Date or date the transaction(s) occurred.
(d) Amount(s) involved in every transaction.
(e) Such other relevant information which can be of help to the authorities should there be an investigation.

b. Exemption from Bank Secrecy Law. When reporting covered transactions to the AMLC, covered institutions and their officers, employees, representatives, agents, advisors, consultants or associates shall not be deemed to have violated R.A. No. 1405, as amended; R.A. No. 6426, as amended; R.A. No. 8791 and other similar laws, but are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person the fact that a covered transaction report was made, the contents thereof, or any other information in relation thereto. In case of violation thereof, the concerned officer, employee, representative, agent, advisor, consultant or associate of the covered institution, shall be criminally liable. However, no administrative, criminal or civil proceedings, shall lie against any person for having made a covered transaction report in the regular performance of his duties and in good faith,
whether or not such reporting results in any criminal prosecution under R.A. 9160 or any other Philippine law.

C. Prohibition from disclosure of the covered transaction report. When reporting covered transactions to the AMLC, covered institutions and their officers, employees, representatives, agents, advisors, consultants or associates are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person, entity, the media, the fact that a covered transaction report was made, the contents thereof, or any other information in relation thereto. Neither may such reporting be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. In case of violation thereof, the concerned officer, employee, representative, agent, advisor, consultant or associate of the covered institution, or media shall be held criminally liable.

5. Certification of compliance with anti-money laundering regulations. Covered institution shall submit annually to the BSP thru the appropriate supervising and examining department a certification (Annex P-5-a) signed by the President or officer of equivalent rank and by their Compliance Officer to the effect that they have monitored compliance with existing anti-money laundering regulations.

The certification shall be submitted in accordance with Appendix P-2 and shall be considered a Category A-2 report.
CERTIFICATION OF COMPLIANCE
WITH ANTI-MONEY LAUNDERING REGULATIONS

CERTIFICATION

Pursuant to the provisions of Section 2 of BSP Circular No. 279 dated 2 April 2001, we hereby certify:

1. That we have monitored (Name of Pawnshop)'s compliance with R.A. No. 9160 (Anti-Money Laundering Act of 2001), as well as with BSP Circular Nos. 251, 253, 259 and 302;

2. That the Pawnshop is complying with the required customer identification, documentation of all new clients, and continued monitoring of customer’s activities;

3. That the Pawnshop is also complying with the requirement to record all transactions and to maintain such records including the record of customer identification for at least five (5) years;

4. That the Pawnshop does not maintain anonymous or fictitious accounts; and

5. That we conduct regular anti-money laundering training sessions for all Pawnshop officers and selected staff members holding sensitive positions.

(Name of President or officer of equivalent rank) ___________________ (Name of Compliance Officer) ___________________

SUBSCRIBED AND SWORN to before me, ______ this ______ day of _________, affiant/s exhibiting to me their Community Tax Certificate No.(s) as follows:

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Doc. No. ___________
Page No. ___________
Book No. ___________
Series of 20 ________

Notary Public
AMLC Resolution No. 292

RULES ON SUBMISSION OF COVERED TRANSACTION REPORTS AND SUSPICIOUS TRANSACTION REPORTS BY COVERED INSTITUTIONS

1. All covered institutions are required to file Suspicious Transaction Reports (STRs) on transactions involving all kinds of monetary instruments or property.

2. Banks shall file Covered Transaction Reports (CTRs) on transactions involving all kinds of monetary instruments or property, i.e., in cash or non-cash, whether in domestic or foreign currency.

3. Covered institutions, other than banks, shall file CTRs on transactions in cash or foreign currency or other monetary instruments (other than checks) or properties. Due to the nature of the transactions in the stock exchange, only the brokers-dealers shall be required to file CTRs and STRs. The PSE, PCD, SCCP and transfer agents are exempt from filing CTRs. They, are however, required to file STRs when the transactions that pass through them are deemed to be suspicious.

4. Where the covered institution engages in bulk transactions with a bank, i.e., deposits of premium payments in bulk or settlements of trade, and the bulk transactions do not distinguish clients and their respective transaction amounts, said covered institutions shall be required to file CTRs on its clients whose transactions exceed ₱500,000 and are included in the bulk transactions.

5. With respect to insurance companies, when the total amount of the premiums for the entire year, regardless of the mode of payment (monthly, quarterly, semi-annually or annually), exceeds ₱500,000, such amount shall be reported as a covered transaction, even if the amounts of the amortizations are less than the threshold amount. The CTR shall be filed upon payment of the first premium amount, regardless of the mode of payment. Under this rule, the insurance company shall file the CTR only once every year until the policy matures or rescinded, whichever comes first.

6. The submission of CTRs is deferred until the AMLC directs otherwise. Submission of STRs, however, are not deferred and covered institutions are mandated to submit such STRs when the circumstances so require.
REVISED IMPLEMENTING RULES AND REGULATIONS
R.A. NO. 9160, AS AMENDED BY R.A. NO. 9194
(Appendix to Sec. 4691P)

RULE 1
TITLE

Rule 1.a. Title. - These Rules shall be known and cited as the “Revised Rules and Regulations Implementing R.A. No. 9160”, (the Anti-Money Laundering Act of 2001 [AMLA]), as amended by R.A. No. 9194.

Rule 1.b. Purpose. - These Rules are promulgated to prescribe the procedures and guidelines for the implementation of the AMLA, as amended by R.A. No. 9194.

RULE 2
DECLARATION OF POLICY

Rule 2. Declaration of Policy. - It is hereby declared the policy of the State to protect the integrity and confidentiality of bank accounts and to ensure that the Philippines shall not be used as a money-laundering site for the proceeds of any unlawful activity. Consistent with its foreign policy, the Philippines shall extend cooperation in transnational investigations and prosecutions of persons involved in money laundering activities wherever committed.

RULE 3
DEFINITIONS

Rule 3. Definitions. – For purposes of this Act, the following terms are hereby defined as follows:

Rule 3.a. Covered Institution refers to:

Rule 3.a.1. Banks, offshore banking units, quasi-banks, trust entities, non-stock savings and loan associations, pawnshops, and all other institutions, including their subsidiaries and affiliates supervised and/or regulated by the Bangko Sentral ng Pilipinas (BSP).

(a) A subsidiary means an entity more than fifty percent (50%) of the outstanding voting stock of which is owned by a bank, quasi-bank, trust entity or any other institution supervised or regulated by the BSP.

(b) An affiliate means an entity at least twenty percent (20%) but not exceeding fifty percent (50%) of the voting stock of which is owned by a bank, quasi-bank, trust entity, or any other institution supervised and/or regulated by the BSP.

Rule 3.a.2. Insurance companies, insurance agents, insurance brokers, professional reinsurers, reinsurance brokers, holding companies, holding company systems and all other persons and entities supervised and/or regulated by the Insurance Commission (IC).

(a) An insurance company includes those entities authorized to transact insurance business in the Philippines, whether life or non-life, and whether domestic, domestically incorporated or branch of a foreign entity. A contract of insurance is an agreement whereby one undertakes for a consideration to indemnify another against loss, damage or liability arising from an unknown or contingent event. Transacting insurance business includes making or proposing to make, as insurer, any insurance contract, or as surety, any contract of suretyship as a vocation and not as merely incidental to any other legitimate business or activity of the surety, doing any kind of business specifically recognized as constituting the doing of an insurance business within the meaning of
Presidential Decree (P.D.) No. 612, as amended, including a reinsurance business and doing or proposing to do any business in substance equivalent to any of the foregoing in a manner designed to evade the provisions of P.D. No. 612, as amended.

(b) An insurance agent includes any person who solicits or obtains insurance on behalf of any insurance company or transmits for a person other than himself an application for a policy or contract of insurance to or from such company or offers or assumes to act in the negotiation of such insurance.

(c) An insurance broker includes any person who acts or aids in any manner in soliciting, negotiating or procuring the making of any insurance contract or in placing risk or taking out insurance, on behalf of an insured other than himself.

(d) A professional reinsurer includes any person, partnership, association or corporation that transacts solely and exclusively reinsurance business in the Philippines, whether domestic, domestically incorporated or a branch of a foreign entity. A contract of reinsurance is one by which an insurer procures a third person to insure him against loss or liability by reason of such original insurance.

(e) A reinsurance broker includes any person who, not being a duly authorized agent, employee or officer of an insurer in which any reinsurance is effected, acts or aids in any manner in negotiating contracts of reinsurance or placing risks of effecting reinsurance, for any insurance company authorized to do business in the Philippines.

(f) A holding company includes any person who directly or indirectly controls any authorized insurer. A holding company system includes a holding company together with its controlled insurers and controlled persons.

Rule 3.2.3. (i) Securities dealers, brokers, salesmen, associated persons of brokers or dealers, investment houses, investment agents and consultants, trading advisors, and other entities managing securities or rendering similar services, (ii) mutual funds or open-end investment companies, close-end investment companies, common trust funds, pre-need companies or issuers and other similar entities; (iii) foreign exchange corporations, money changers, money payment, remittance, and transfer companies and other similar entities, and (iv) other entities administering or otherwise dealing in currency, commodities or financial derivatives based thereon, valuable objects, cash substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC).

(a) A securities broker includes a person engaged in the business of buying and selling securities for the account of others.

(b) A securities dealer includes any person who buys and sells securities for his/her account in the ordinary course of business.

(c) A securities salesman includes a natural person, employed as such or as an agent, by a dealer, issuer or broker to buy and sell securities.

(d) An associated person of a broker or dealer includes an employee thereof who directly exercises control or supervisory authority, but does not include a salesman, or an agent or a person whose functions are solely clerical or ministerial.

(e) An investment house includes an enterprise which engages or purports to engage, whether regularly or on an isolated basis, in the underwriting of securities of another person or enterprise, including securities of the Government and its instrumentalities.
(f) A mutual fund or an open-end investment company includes an investment company which is offering for sale or has outstanding, any redeemable security of which it is the issuer.

(g) A closed-end investment company includes an investment company other than open-end investment company.

(h) A common trust fund includes a fund maintained by an entity authorized to perform trust functions under a written and formally established plan, exclusively for the collective investment and reinvestment of certain money representing participation in the plan received by it in its capacity as trustee, for the purpose of administration, holding or management of such funds and/or properties for the use, benefit or advantage of the trustor or of others known as beneficiaries.

(i) A pre-need company or issuer includes any corporation supervised and/or regulated by the SEC and is authorized or licensed to sell or offer for sale pre-need plans. Pre-need plans are contracts which provide for the performance of future service(s) or payment of future monetary consideration at the time of actual need, payable either in cash or installment by the planholder at prices stated in the contract with or without interest or insurance coverage and includes life, pension, education, internment and other plans, which the Commission may, from time to time, approve.

(j) A foreign exchange corporation includes any enterprise which engages or purports to engage, whether regularly or on an isolated basis, in the sale and purchase of foreign currency notes and such other foreign-currency denominated non-bank deposit transactions as may be authorized under its articles of incorporation.

(k) Investment Advisor/Agent/Consultant shall refer to any person:

(1) who for an advisory fee is engaged in the business of advising others, either directly or through circulars, reports, publications or writings, as to the value of any security and as to the advisability of trading in any security; or

(2) who for compensation and as part of a regular business, issues or promulgates, analyzes reports concerning the capital market, except:

(a) any bank or trust company;

(b) any journalist, reporter, columnist, editor, lawyer, accountant, teacher;

(c) the publisher of any bonafide newspaper, news, business or financial publication of general and regular circulation, including their employees;

(d) any contract market;

(e) such other person not within the intent of this definition, provided that the furnishing of such service by the foregoing persons is solely incidental to the conduct of their business or profession.

(3) any person who undertakes the management of portfolio securities of investment companies, including the arrangement of purchases, sales or exchanges of securities.

(l) A moneychanger includes any person in the business of buying or selling foreign currency notes.

(m) A money payment, remittance and transfer company includes any person offering to pay, remit or transfer or transmit money on behalf of any person to another person.

(n) “Customer” refers to any person or entity that keeps an account, or otherwise transacts business, with a covered institution and any person or entity on whose behalf an account is maintained or a transaction is conducted, as well as the beneficiary of said transactions. A customer also includes the beneficiary of a trust, an investment fund, a pension fund or a company or person whose assets are managed by an asset manager, or a grantor of a trust. It includes any insurance policy holder, whether actual or prospective.
(o) "Property" includes any thing or item of value, real or personal, tangible or intangible, or any interest therein or any benefit, privilege, claim or right with respect thereto.

Rule 3.b. Covered Transaction is a transaction in cash or other equivalent monetary instrument involving a total amount in excess of PhP500,000.00 within one (1) banking day.

Rule 3.b.1. Suspicious transactions are transactions, regardless of amount, where any of the following circumstances exists:
   (1) There is no underlying legal or trade obligation, purpose or economic justification;
   (2) The client is not properly identified;
   (3) The amount involved is not commensurate with the business or financial capacity of the client;
   (4) Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the act;
   (5) Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered institution;
   (6) The transaction is in any way related to an unlawful activity or any money laundering activity or offense under this act that is about to be, is being or has been committed; or
   (7) Any transaction that is similar, analogous or identical to any of the foregoing.

Rule 3.c. Monetary Instrument refers to:
   (1) Coins or currency of legal tender of the Philippines, or of any other country;
   (2) Drafts, checks and notes;
   (3) Securities or negotiable instruments, bonds, commercial papers, deposit certificates, trust certificates, custodial receipts or deposit substitute instruments, trading orders, transaction tickets and confirmations of sale or investments and money market instruments;
   (4) Contracts or policies of insurance, life or non-life, and contracts of suretyship; and
   (5) Other similar instruments where title thereto passes to another by endorsement, assignment or delivery.

Rule 3.d. Offender refers to any person who commits a money laundering offense.

Rule 3.e. Person refers to any natural or juridical person.

Rule 3.f. Proceeds refers to an amount derived or realized from an unlawful activity. It includes:
   (1) All material results, profits, effects and any amount realized from any unlawful activity;
   (2) All monetary, financial or economic means, devices, documents, papers or things used in or having any relation to any unlawful activity; and
   (3) All moneys, expenditures, payments, disbursements, costs, outlays, charges, accounts, refunds and other similar items for the financing, operations, and maintenance of any unlawful activity.

Rule 3.g. Supervising Authority refers to the BSP, the SEC and the IC. Where the BSP, SEC or IC supervision applies only to the registration of the covered institution, the BSP, the SEC or the IC, within the limits of the AMLA, shall have the authority to require and ask assistance from the government agency having regulatory power and/or licensing authority over said covered institution for the implementation and enforcement of the AMLA and these Rules.
Rule 3.h. *Transaction* refers to any act establishing any right or obligation or giving rise to any contractual or legal relationship between the parties thereto. It also includes any movement of funds by any means with a covered institution.

Rule 3.i. *Unlawful activity* refers to any act or omission or series or combination thereof involving or having relation, to the following:

(A) Kidnapping for ransom under Article 267 of Act No. 3815, otherwise known as the Revised Penal Code, as amended;

(1) Kidnapping for ransom

(B) Sections 4, 5, 6, 8, 9, 10, 12, 13, 14, 15 and 16 of R.A. No. 9165, otherwise known as the Comprehensive Dangerous Drugs Act of 2002;

(2) Importation of prohibited drugs;

(3) Sale of prohibited drugs;

(4) Administration of prohibited drugs;

(5) Delivery of prohibited drugs

(6) Distribution of prohibited drugs

(7) Transportation of prohibited drugs

(8) Maintenance of a Den, Dive or Resort for prohibited users

(9) Manufacture of prohibited drugs

(10) Possession of prohibited drugs

(11) Use of prohibited drugs

(12) Cultivation of plants which are sources of prohibited drugs

(13) Culture of plants which are sources of prohibited drugs

(C) Section 3 paragraphs b, c, e, g, h and i of R.A. No. 3019, as amended, otherwise known as the Anti-Graft and Corrupt Practices Act;

(14) Directly or indirectly requesting or receiving any gift, present, share, percentage or benefit for himself or for any other person in connection with any contract or transaction between the Government and any party, wherein the public officer in his official capacity has to intervene under the law;

(15) Directly or indirectly requesting or receiving any gift, present or other pecuniary or material benefit, for himself or for another, from any person for whom the public officer, in any manner or capacity, has secured or obtained, or will secure or obtain, any government permit or license, in consideration for the help given or to be given, without prejudice to Section 13 of R.A. No. 3019;

(16) Causing any undue injury to any party, including the government, or giving any private party any unwarranted benefits, advantage or preference in the discharge of his official, administrative or judicial functions through manifest partiality, evident bad faith or gross inexcusable negligence;

(17) Entering, on behalf of the government, into any contract or transaction manifestly and grossly disadvantageous to the same, whether or not the public officer profited or will profit thereby;

(18) Directly or indirectly having financial or pecuniary interest in any business contract or transaction in connection with which he intervenes or takes part in his official capacity, or in which he is prohibited by the Constitution or by any law from having any interest;

(19) Directly or indirectly becoming interested, for personal gain, or having material interest in any transaction or act requiring the approval of a board, panel or group of which he is a member, and which exercise of discretion in such approval, even if he votes against the same or he does not participate in the action of the board, committee, panel or group.

(D) Plunder under R.A. No. 7080, as amended;

(20) Plunder through misappropriation, conversion, misuse or malversation of
public funds or raids upon the public treasury;
(21) Plunder by receiving, directly or indirectly, any commission, kickbacks or any other form of pecuniary benefit from any person and/or entity in connection with any government contract or project or by reason of the office or position of the public officer concerned;
(22) Plunder by the illegal or fraudulent conveyance or disposition of assets belonging to the National Government or any of its subdivisions, agencies, instrumentalities or government-owned or controlled corporations or their subsidiaries;
(23) Plunder by obtaining, receiving or accepting, directly or indirectly, any shares of stock, equity or any other form of interest or participation including the promise of future employment in any business enterprise or undertaking;
(24) Plunder by establishing agricultural, industrial or commercial monopolies or other combinations and/or implementation of decrees and orders intended to benefit particular persons or special interests;
(25) Plunder by taking undue advantage of official position, authority, relationship, connection or influence to unjustly enrich himself or themselves at the expense and to the damage and prejudice of the Filipino people and the republic of the Philippines.

(E) Robbery and extortion under Articles 294, 295, 296, 299, 300, 301 and 302 of the Revised Penal Code, as amended;
(26) Robbery with violence or intimidation of persons;
(27) Robbery with physical injuries, committed in an uninhabited place and by a band, or with use of firearms on a street, road or alley;
(28) Robbery in an uninhabited house or public building or edifice devoted to worship.

(F) Jueteng and Masiao punished as illegal gambling under P.D. No. 1602;
(29) Jueteng;
(30) Masiao.

(G) Piracy on the high seas under the Revised Penal Code, as amended and P.D. No. 532;
(31) Piracy on the high seas;
(32) Piracy in inland Philippine waters;
(33) Aiding and abetting pirates and brigands.

(H) Qualified theft under Article 310 of the Revised Penal Code, as amended;
(34) Qualified theft.

(I) Swindling under Article 315 of the Revised Penal Code, as amended;
(35) Estafa with unfaithfulness or abuse of confidence by altering the substance, quality or quantity of anything of value which the offender shall deliver by virtue of an obligation to do so, even though such obligation be based on an immoral or illegal consideration;
(36) Estafa with unfaithfulness or abuse of confidence by misappropriating or converting, to the prejudice of another, money, goods or any other personal property received by the offender in trust or on commission, or for administration, or under any other obligation involving the duty to make delivery or to return the same, even though such obligation be totally or partially guaranteed by a bond; or by denying having received such money, goods, or other property;
(37) Estafa with unfaithfulness or abuse of confidence by taking undue advantage of the signature of the offended party in blank, and by writing any document above such signature in blank, to the prejudice of the offended party or any third person;
(38) Estafa by using a fictitious name, or falsely pretending to possess power, influence, qualifications, property, credit,
agency, business or imaginary transactions, or by means of other similar deceits;
(39) Estafa by altering the quality, fineness or weight of anything pertaining to his art or business;
(40) Estafa by pretending to have bribed any government employee;
(41) Estafa by postdating a check, or issuing a check in payment of an obligation when the offender has no funds in the bank, or his funds deposited therein were not sufficient to cover the amount of the check;
(42) Estafa by inducing another, by means of deceit, to sign any document;
(43) Estafa by resorting to some fraudulent practice to ensure success in a gambling game;
(44) Estafa by removing, concealing or destroying, in whole or in part, any court record, office files, document or any other papers.

(K) Violations under R.A. No. 8792, otherwise known as the Electronic Commerce Act of 2000:
K.1. Hacking or cracking, which refers to:
(55) unauthorized access into or interference in a computer system/server or information and communication system; or
(56) any access in order to corrupt, alter, steal, or destroy using a computer or other similar information and communication devices, without the knowledge and consent of the owner of the computer or information and communications system, including
(57) the introduction of computer viruses and the like, resulting in the corruption, destruction, alteration, theft or loss of electronic data messages or electronic documents;

K.2. Piracy, which refers to:
(58) the unauthorized copying, reproduction,
(59) the unauthorized dissemination, distribution,
(60) the unauthorized importation,
(61) the unauthorized use, removal, alteration, substitution, modification,
(62) the unauthorized storage, uploading, downloading, communication, making available to the public, or
(63) the unauthorized broadcasting, of protected material, electronic signature or copyrighted works including legally protected sound recordings or phonograms or information material on protected works, through the use of telecommunication networks, such as, but not limited to, the internet, in a manner that infringes intellectual property rights;

K.3. Violations of the Consumer Act or R.A. No. 7394 and other relevant or pertinent laws through transactions covered by or using electronic data messages or electronic documents:
(64) Sale of any consumer product that is not in conformity with standards under the Consumer Act;

(65) Sale of any product that has been banned by a rule under the Consumer Act;

(66) Sale of any adulterated or mislabeled product using electronic documents;

(67) Adulteration or misbranding of any consumer product;

(68) Forging, counterfeiting or simulating any mark, stamp, tag, label or other identification device;

(69) Revealing trade secrets;

(70) Alteration or removal of the labeling of any drug or device held for sale;

(71) Sale of any drug or device not registered in accordance with the provisions of the E-Commerce Act;

(72) Sale of any drug or device by any person not licensed in accordance with the provisions of the E-Commerce Act;

(73) Sale of any drug or device beyond its expiration date;

(74) Introduction into commerce of any mislabeled or banned hazardous substance;

(75) Alteration or removal of the labeling of a hazardous substance;

(76) Deceptive sales acts and practices;

(77) Unfair or unconscionable sales acts and practices;

(78) Fraudulent practices relative to weights and measures;

(79) False representations in advertisements as the existence of a warranty or guarantee;

(80) Violation of price tag requirements;

(81) Mislabeling consumer products;

(82) False, deceptive or misleading advertisements;

(83) Violation of required disclosures on consumer loans;

(84) Other violations of the provisions of the E-Commerce Act;

(L) Hijacking and other violations under R.A. No. 6235; destructive arson and murder, as defined under the Revised Penal Code, as amended, including those perpetrated by terrorists against non-combatant persons and similar targets;

(M) Fraudulent practices and other violations under R.A. No. 8799, otherwise known as the Securities Regulation Code of 2000;

(89) Sale, offer or distribution of securities within the Philippines without a registration statement duly filed with and approved by the SEC;

(90) Sale or offer to the public of any pre-need plan not in accordance with the rules and regulations which the SEC shall prescribe;

(91) Violation of reportorial requirements imposed upon issuers of securities;

(92) Manipulation of security prices by creating a false or misleading appearance of active trading in any listed security traded in an Exchange or any other trading market;

(93) Manipulation of security prices by effecting, alone or with others, a series of transactions in securities that raises their prices to induce the purchase of a security, whether of the same or different class, of the same issuer or of a controlling, controlled or commonly controlled company by others;

(94) Manipulation of security prices by effecting, alone or with others, a series of transactions in securities that depresses their price to induce the sale of a security, whether of the same or different class, of the same issuer or of a controlling, controlled or commonly controlled company by others;
(95) Manipulation of security prices by effecting, alone or with others, a series of transactions in securities that creates active trading to induce such a purchase or sale though manipulative devices such as marking the close, painting the tape, squeezing the float, hype and dump, boiler room operations and such other similar devices;

(96) Manipulation of security prices by circulating or disseminating information that the price of any security listed in an Exchange will or is likely to rise or fall because of manipulative market operations of any one or more persons conducted for the purpose of raising or depressing the price of the security for the purpose of inducing the purchase or sale of such security;

(97) Manipulation of security prices by making false or misleading statements with respect to any material fact, which he knew or had reasonable ground to believe was so false and misleading, for the purpose of inducing the purchase or sale of any security listed or traded in an Exchange;

(98) Manipulation of security prices by effecting, alone or with others, any series of transactions for the purchase and/or sale of any security traded in an Exchange for the purpose of pegging, fixing or stabilizing the price of such security, unless otherwise allowed by the Securities Regulation Code or by the rules of the SEC;

(99) Sale or purchase of any security using any manipulative deceptive device or contrivance;

(100) Execution of short sales or stop-loss order in connection with the purchase or sale of any security not in accordance with such rules and regulations as the SEC may prescribe as necessary and appropriate in the public interest or the protection of the investors;

(101) Employment of any device, scheme or artifice to defraud in connection with the purchase and sale of any securities;

(102) Obtaining money or property in connection with the purchase and sale of any security by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading;

(103) Engaging in any act, transaction, practice or course of action in the sale and purchase of any security which operates or would operate as a fraud or deceit upon any person;

(104) Insider trading;

(105) Engaging in the business of buying and selling securities in the Philippines as a broker or dealer, or acting as a salesman, or an associated person of any broker or dealer without any registration from the Commission;

(106) Employment by a broker or dealer of any salesman or associated person or by an issuer of any salesman, not registered with the SEC;

(107) Effecting any transaction in any security, or reporting such transaction, in an Exchange or using the facility of an Exchange which is not registered with the SEC;

(108) Making use of the facility of a clearing agency which is not registered with the SEC;

(109) Violations of margin requirements;

(110) Violations on, the restrictions on borrowings by members, brokers and dealers;

(111) Aiding and Abetting in any violations of the Securities Regulation Code;

(112) Hindering, obstructing or delaying the filing of any document required under the Securities Regulation Code or the rules and regulations of the SEC;
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(113) Violations of any of the provisions of the implementing rules and regulations of the SEC;
(114) Any other violations of any of the provisions of the Securities Regulation Code.

(N) Felonies or offenses of a similar nature to the afore-mentioned unlawful activities that are punishable under the penal laws of other countries.

In determining whether or not a felony or offense punishable under the penal laws of other countries, is “of a similar nature”, as to constitute the same as an unlawful activity under the AMLA, the nomenclature of said felony or offense need not be identical to any of the predicate crimes listed under Rule 3.i.

RULE 4
MONEY LAUNDERING OFFENSE

Rule 4.1. Money Laundering Offense.- Money laundering is a crime whereby the proceeds of an unlawful activity as herein defined are transacted, thereby making them appear to have originated from legitimate sources. It is committed by the following:

(a) Any person knowing that any monetary instrument or property represents, involves, or relates to, the proceeds of any unlawful activity, transacts or attempts to transact said monetary instrument or property.

(b) Any person knowing that any monetary instrument or property involves the proceeds of any unlawful activity, performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in paragraph (a) above.

(c) Any person knowing that any monetary instrument or property is required under this Act to be disclosed and filed with the Anti-Money Laundering Council (AMLC), fails to do so.

RULE 5
JURISDICTION OF MONEY LAUNDERING CASES AND MONEY LAUNDERING INVESTIGATION PROCEDURES

Rule 5.1. Jurisdiction of Money Laundering Cases. - The Regional Trial Courts shall have the jurisdiction to try all cases on money laundering. Those committed by public officers and private persons who are in conspiracy with such public officers shall be under the jurisdiction of the Sandiganbayan.

Rule 5.2. Investigation of Money Laundering Offenses. - The AMLC shall investigate:

(a) Suspicious transactions;
(b) Covered transactions deemed suspicious after an investigation conducted by the AMLC;
(c) Money laundering activities; and
(d) Other violations of this act.

Rule 5.3. Attempts at Transactions. - Section 4 (a) and (b) of the AMLA provides that any person who attempts to transact any monetary instrument or property representing, involving or relating to the proceeds of any unlawful activity shall be prosecuted for a money laundering offense. Accordingly, the reports required under Rule 9.3 (a) and (b) of these Rules shall include those pertaining to any attempt by any person to transact any monetary instrument or property representing, involving or relating to the proceeds of any unlawful activity.

RULE 6
PROSECUTION OF MONEY LAUNDERING

Rule 6.1. Prosecution of Money Laundering

(a) Any person may be charged with and convicted of both the offense of money
laundering and the unlawful activity as defined under Rule 3 (i) of the AMLA.

(b) Any proceeding relating to the unlawful activity shall be given precedence over the prosecution of any offense or violation under the AMLA without prejudice to the application Ex-Parte by the AMLC to the Court of Appeals for a Freeze Order with respect to the monetary instrument or property involved therein and resort to other remedies provided under the AMLA, the rules of court and other pertinent laws and rules.

Rule 6.2. When the AMLC finds, after investigation, that there is probable cause to charge any person with a money laundering offense under Section 4 of the AMLA, it shall cause a complaint to be filed, pursuant to Section 7 (4) of the AMLA, before the Department of Justice or the Ombudsman, which shall then conduct the preliminary investigation of the case.

Rule 6.3. After due notice and hearing in the preliminary investigation proceedings before the Department of Justice, or the Ombudsman, as the case may be, and the latter should find probable cause of a money laundering offense, it shall file the necessary information before the Regional Trial Courts or the Sandiganbayan.

Rule 6.4. Trial for the money laundering offense shall proceed in accordance with the Code of Criminal Procedure or the Rules of Procedure of the Sandiganbayan, as the case may be.

Rule 6.5. Knowledge of the offender that any monetary instrument or property represents, involves, or relates to the proceeds of an unlawful activity or that any monetary instrument or property is required under the AMLA to be disclosed and filed with the AMLC, may be established by direct evidence or inferred from the attendant circumstances.

Rule 6.6. All the elements of every money laundering offense under Section 4 of the AMLA must be proved by evidence beyond reasonable doubt, including the element of knowledge that the monetary instrument or property represents, involves or relates to the proceeds of any unlawful activity.

Rule 6.7. No element of the unlawful activity, however, including the identity of the perpetrators and the details of the actual commission of the unlawful activity need be established by proof beyond reasonable doubt. The elements of the offense of money laundering are separate and distinct from the elements of the felony or offense constituting the unlawful activity.

RULE 7
CREATION OF ANTI-MONEY LAUNDERING COUNCIL (AMLC)

Rule 7.1.a. Composition. - The Anti-Money Laundering Council is hereby created and shall be composed of the Governor of the BSP as Chairman, the Commissioner of the Insurance Commission and the Chairman of the SEC as members.

Rule 7.1.b. Unanimous Decision. - The AMLC shall act unanimously in discharging its functions as defined in the AMLA and in these Rules. However, in the case of the incapacity, absence or disability of any member to discharge his functions, the officer duly designated or authorized to discharge the functions of the Governor of the BSP, the Chairman of the SEC or the Insurance Commissioner, as the case may be, shall act in his stead in the AMLC.

Rule 7.2. Functions. - The functions of the AMLC are defined hereunder:

(1) to require and receive covered or suspicious transaction reports from covered institutions;
(2) to issue orders addressed to the appropriate Supervising Authority or the covered institution to determine the true identity of the owner of any monetary instrument or property subject to a covered or suspicious transaction report, or request for assistance from a foreign State, or believed by the Council, on the basis of substantial evidence, to be, in whole or in part, wherever located, representing, involving, or related to, directly or indirectly, in any manner or by any means, the proceeds of an unlawful activity;

(3) to institute civil forfeiture proceedings and all other remedial proceedings through the Office of the Solicitor General;

(4) to cause the filing of complaints with the Department of Justice or the Ombudsman for the prosecution of money laundering offenses;

(5) to investigate suspicious transactions and covered transactions deemed suspicious after an investigation by the AMLC, money laundering activities and other violations of this Act;

(6) to apply before the Court of Appeals, Ex-Parte, for the freezing of any monetary instrument or property alleged to be proceeds of any unlawful activity as defined under Section 3(i) hereof;

(7) to implement such measures as may be inherent, necessary, implied, incidental and justified under the AMLA to counteract money laundering. Subject to such limitations as provided for by law, the AMLC is authorized under Rule 7(7) of the AMLA to establish an information sharing system that will enable the AMLC to store, track and analyze money laundering transactions for the resolute prevention, detection and investigation of money laundering offenses. For this purpose, the AMLC shall install a computerized system that will be used in the creation and maintenance of an information database;

(8) to receive and take action in respect of any request from foreign states for assistance in their own anti-money laundering operations as provided in the AMLA. The AMLC is authorized under Sections 7(8) and 13(b) and (d) of the AMLA to receive and take action in respect of any request of foreign states for assistance in their own anti-money laundering operations, in respect of conventions, resolutions and other directives of the United Nations (UN), the UN Security Council, and other international organizations of which the Philippines is a member. However, the AMLC may refuse to comply with any such request, convention, resolution or directive where the action sought therein contravenes the provisions of the Constitution, or the execution thereof is likely to prejudice the national interest of the Philippines.

(9) to develop educational programs on the pernicious effects of money laundering, the methods and techniques used in money laundering, the viable means of preventing money laundering and the effective ways of prosecuting and punishing offenders.

(10) to enlist the assistance of any branch, department, bureau, office, agency or instrumentality of the government, including government-owned and -controlled corporations, in undertaking any and all anti-money laundering operations, which may include the use of its personnel, facilities and resources for the more resolute prevention, detection and investigation of money laundering offenses and prosecution of offenders. The AMLC may require the intelligence units of the Armed Forces of the Philippines, the Philippine National Police, the Department of Finance, the Department of Justice, as well as their attached agencies, and other domestic or transnational governmental or non-governmental organizations or groups to divulge to the AMLC all information that may, in any way, facilitate the resolute prevention,
investigation and prosecution of money laundering offenses and other violations of the AMLA.

(11) To impose administrative sanctions for the violation of laws, rules, regulations and orders and resolutions issued pursuant thereto.

Rule 7.3. Meetings. - The AMLC shall meet every first Monday of the month, or as often as may be necessary at the call of the Chairman.

RULE 8
CREATION OF A SECRETARIAT

Rule 8.1. The Executive Director. - The Secretariat shall be headed by an Executive Director who shall be appointed by the AMLC for a term of five (5) years. He must be a member of the Philippine Bar, at least thirty-five (35) years of age, must have served at least five (5) years either at the BSP, the SEC or the IC and of good moral character, unquestionable integrity and known probity. He shall be considered a regular employee of the BSP with the rank of Assistant Governor, and shall be entitled to such benefits and subject to such rules and regulations, as well as prohibitions, as are applicable to officers of similar rank.

Rule 8.2. Composition. - In organizing the Secretariat, the AMLC may choose from those who have served, continuously or cumulatively, for at least five (5) years in the BSP, the SEC or the IC. All members of the Secretariat shall be considered regular employees of the BSP and shall be entitled to such benefits and subject to such rules and regulations as are applicable to BSP employees of similar rank.

Rule 8.3. Detail and Secondment. - The AMLC is authorized under Section 7 (10) of the AMLA to enlist the assistance of the BSP, the SEC or the IC, or any other branch, department, bureau, office, agency or instrumentality of the government, including government-owned and controlled corporations, in undertaking any and all anti-money laundering operations. This includes the use of any member of their personnel who may be detailed or seconded to the AMLC, subject to existing laws and Civil Service Rules and Regulations. Detailed personnel shall continue to receive their salaries, benefits and emoluments from their respective mother units. Seconded personnel shall receive, in lieu of their respective compensation packages from their respective mother units, the salaries, emoluments and all other benefits to which their AMLC Secretariat positions are entitled to.

Rule 8.4. Confidentiality Provisions. - The members of the AMLC, the Executive Director, and all the members of the Secretariat, whether permanent, on detail or on secondment, shall not reveal, in any manner, any information known to them by reason of their office. This prohibition shall apply even after their separation from the AMLA. In case of violation of this provision, the person shall be punished in accordance with the pertinent provisions of the Central Bank Act.

RULE 9
PREVENTION OF MONEY LAUNDERING; CUSTOMER IDENTIFICATION REQUIREMENTS AND RECORD KEEPING

Rule 9.1. Customer Identification Requirements

Rule 9.1.a. Customer Identification. - Covered institutions shall establish and record the true identity of its clients based on official documents. They shall maintain a system of verifying the true identity of their clients and, in case of corporate clients, require a system of
verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf. Covered institutions shall establish appropriate systems and methods based on internationally compliant standards and adequate internal controls for verifying and recording the true and full identity of their customers.

Rule 9.1.b. Trustee, Nominee and Agent Accounts. - When dealing with customers who are acting as trustee, nominee, agent or in any capacity for and on behalf of another, covered institutions shall verify and record the true and full identity of the person(s) on whose behalf a transaction is being conducted. Covered institutions shall also establish and record the true and full identity of such trustees, nominees, agents and other persons and the nature of their capacity and duties. In case a covered institution has doubts as to whether such persons are being used as dummies in circumvention of existing laws, it shall immediately make the necessary inquiries to verify the status of the business relationship between the parties.

Rule 9.1.c. Minimum Information/Documents Required for Individual Customers. - Covered institutions shall require customers to produce original documents of identity issued by an official authority, bearing a photograph of the customer. Examples of such documents are identity cards and passports. The following minimum information/documents shall be obtained from individual customers:

1. Name;
2. Present address;
3. Permanent address;
4. Date and place of birth;
5. Nationality;
6. Nature of work and name of employer or nature of self-employment/business;
7. Contact numbers;
8. Tax identification number, Social Security System number or Government Service and Insurance System number;
9. Specimen signature;
10. Source of fund(s); and
11. Names of beneficiaries in case of insurance contracts and whenever applicable.

Rule 9.1.d. Minimum Information/Documents Required for Corporate and Juridical Entities. - Before establishing business relationships, covered institutions shall endeavor to ensure that the customer is a corporate or juridical entity which has not been or is not in the process of being, dissolved, wound up or voided, or that its business or operations has not been or is not in the process of being, closed, shut down, phased out, or terminated. Dealings with shell companies and corporations, being legal entities which have no business substance in their own right but through which financial transactions may be conducted, should be undertaken with extreme caution. The following minimum information/documents shall be obtained from customers that are corporate or juridical entities, including shell companies and corporations:

1. Articles of Incorporation/Partnership;
2. By-laws;
3. Official address or principal business address;
4. List of directors/partners;
5. List of principal stockholders owning at least two percent (2%) of the capital stock;
6. Contact numbers;
7. Beneficial owners, if any; and
8. Verification of the authority and identification of the person purporting to act on behalf of the client.
Rule 9.1.e. Prohibition Against Certain Accounts. Covered institutions shall maintain accounts only in the true and full name of the account owner or holder. The provisions of existing laws to the contrary notwithstanding, anonymous accounts, accounts under fictitious names, and all other similar accounts shall be absolutely prohibited.

Rule 9.1.f. Prohibition Against Opening of Accounts Without Face-to-face Contact. - No new accounts shall be opened and created without face-to-face contact and full compliance with the requirements under Rule 9.1.c of these Rules.

Rule 9.1.g. Numbered Accounts. - Peso and foreign currency non-checking numbered accounts shall be allowed. Provided, That the true identity of the customers of all peso and foreign currency non-checking numbered accounts are satisfactorily established based on official and other reliable documents and records, and that the information and documents required under the provisions of these Rules are obtained and recorded by the covered institution. No peso and foreign currency non-checking accounts shall be allowed without the establishment of such identity and in the manner herein provided. The BSP may conduct annual testing for the purpose of determining the existence and true identity of the owners of such accounts. The SEC and the IC may conduct similar testing more often than once a year and covering such other related purposes as may be allowed under their respective charters.

Rule 9.2. Record Keeping Requirements

Rule 9.2.a. Record Keeping: Kinds of Records and Period for Retention. - All records of all transactions of covered institutions shall be maintained and safely stored for five (5) years from the dates of transactions. Said records and files shall contain the full and true identity of the owners or holders of the accounts involved in the covered transactions and all other customer identification documents. Covered institutions shall undertake the necessary adequate security measures to ensure the confidentiality of such file. Covered institutions shall prepare and maintain documentation, in accordance with the aforementioned client identification requirements, on their customer accounts, relationships and transactions such that any account, relationship or transaction can be so reconstructed as to enable the AMLC, and/or the courts to establish an audit trail for money laundering.

Rule 9.2.b. Existing and New Accounts and New Transactions. - All records of existing and new accounts and of new transactions shall be maintained and safely stored for five (5) years from 17 October 2001 or from the dates of the accounts or transactions, whichever is later.

Rule 9.2.c. Closed Accounts. - With respect to closed accounts, the records on customer identification, account files and business correspondence shall be preserved and safely stored for at least five (5) years from the dates when they were closed.

Rule 9.2.d. Retention of Records in Case a Money Laundering Case has been Filed in Court. - If a money laundering case based on any record kept by the covered institution concerned has been filed in court, said file must be retained beyond the period stipulated in the three (3) immediately preceding sub-Rules, as the case may be, until it is confirmed that the case has been finally resolved or terminated by the court.

Rule 9.2.e. Form of Records. - Records shall be retained as originals in such forms as are admissible in court pursuant to
existing laws and the applicable rules promulgated by the Supreme Court.

**Rule 9.3. Reporting of Covered Transactions.**

**Rule 9.3.a. Period of Reporting Covered Transactions and Suspicious Transactions.**
- Covered institutions shall report to the AMLC all covered transactions and suspicious transactions within five (5) working days from occurrence thereof, unless the supervising authority concerned prescribes a longer period not exceeding ten (10) working days.

Should a transaction be determined to be both a covered and a suspicious transaction, the covered institution shall report the same as a suspicious transaction.

The reporting of covered transactions by covered institutions shall be deferred for a period of sixty (60) days after the effectivity of R.A. No. 9194, or as may be determined by the AMLC, in order to allow the covered institutions to configure their respective computer systems; provided that, all covered transactions during said deferment period shall be submitted thereafter.

**Rule 9.3.b. Covered and Suspicious Transaction Report Forms.**
- The Covered Transaction Report (CTR) and the Suspicious Transaction Report (STR) shall be in the forms prescribed by the AMLC.

**Rule 9.3.b.1.** Covered institutions shall use the existing forms for Covered Transaction Reports and Suspicious Transaction Reports, until such time as the AMLC has issued new sets of forms.

**Rule 9.3.b.2.** Covered Transaction Reports and Suspicious Transaction Reports shall be submitted in a secured manner to the AMLC in electronic form, either via diskettes, leased lines, or through internet facilities, with the corresponding hard copy for suspicious transactions. The final flow and procedures for such reporting shall be mapped out in the manual of operations to be issued by the AMLC.

**Rule 9.3.c. Exemption from Bank Secrecy Laws.** – When reporting covered or suspicious transactions to the AMLC, covered institutions and their officers and employees, shall not be deemed to have violated R.A. No. 1405, as amended, R.A. No. 6426, as amended, R.A. No. 8791 and other similar laws, but are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person the fact that a covered or suspicious transaction report was made, the contents thereof, or any other information in relation thereto. In case of violation thereof, the concerned officer and employee of the covered institution, shall be criminally liable.

**Rule 9.3.d. Confidentiality Provisions.**
- When reporting covered transactions or suspicious transactions to the AMLC, covered institutions and their employees, representatives, agents, advisors, consultants or associates are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person, entity, or the media, the fact that a covered transaction report was made, the contents thereof, or any other information in relation thereto. Neither may such reporting be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. In case of violation thereof, the concerned officer, employee, representative, agent, advisor, consultant or associate of the covered institution, or media shall be held criminally liable.
Rule 9.3.e. Safe Harbor Provisions. – No administrative, criminal or civil proceedings, shall lie against any person for having made a covered transaction report or a suspicious transaction report in the regular performance of his duties and in good faith, whether or not such reporting results in any criminal prosecution under this Act or any other Philippine law.

RULE 10
APPLICATION FOR FREEZE ORDERS

Rule 10.1. When the AMLC May Apply for the Freezing of Any Monetary Instrument or Property. –

(a) After an investigation conducted by the AMLC and upon determination that probable cause exists that a monetary instrument or property is in any way related to any unlawful activity as defined under Section 3 (i), the AMLC may file an Ex-Parte application before the Court of Appeals for the issuance of a freeze order on any monetary instrument or property subject thereof prior to the institution or in the course of, the criminal proceedings involving the unlawful activity to which said monetary instrument or property is any way related.

(b) Considering the intricate and diverse web of related and interlocking accounts pertaining to the monetary instrument(s) or property(ies) that any person may create in the different covered institutions, their branches and/or other units, the AMLC may apply to the Court of Appeals for the freezing, not only of the monetary instruments or properties in the names of the reported owner(s)/holder(s), and monetary instruments or properties named in the application of the AMLC but also all other related web of accounts pertaining to other monetary instruments and properties, the funds and sources of which originated from or are related to the monetary instrument(s) or property(ies) subject of the freeze order(s).

(c) The freeze order shall be effective for twenty (20) days unless extended by the Court of Appeals upon application by the AMLC.

Rule 10.2. Definition of Probable Cause. - Probable cause includes such facts and circumstances which would lead a reasonably discreet, prudent or cautious man to believe that an unlawful activity and/or a money laundering offense is about to be, is being or has been committed and that the account or any monetary instrument or property subject thereof sought to be frozen is in any way related to said unlawful activity and/or money laundering offense.

Rule 10.3. Duty of Covered Institution Upon Receipt Thereof. –

Rule 10.3.a. Upon receipt of the notice of the freeze order, the covered institution concerned shall immediately freeze the monetary instrument or property and related web of accounts subject thereof.

Rule 10.3.b. The covered institution shall likewise immediately furnish a copy of the notice of the freeze order upon the owner or holder of the monetary instrument or property or related web of accounts subject thereof.

Rule 10.3.c. Within twenty-four (24) hours from receipt of the freeze order, the covered institution concerned shall submit to the Court of Appeals and the AMLC, by personal delivery, a detailed written return on the freeze order, specifying all the pertinent and relevant information which shall include the following:

1. The account number(s);
2. The name(s) of the account owner(s) or holder(s);
3. The amount of the monetary instrument, property or related web of accounts as of the time they were frozen;
4. All relevant information as to the nature of the monetary instrument or property;
5. Any information on the related web of accounts pertaining to the monetary instrument or property subject of the freeze order; and
6. The time when the freeze thereon took effect.

Rule 10.4. Definition of Related Web of Accounts.
- Related Web of Accounts pertaining to the money instrument or property subject of the freeze order is defined as those accounts, the funds and sources of which originated from and/or are materially linked to the monetary instrument(s) or property(ies) subject of the freeze order(s).
- Upon receipt of the freeze order issued by the court of appeals and upon verification by the covered institution that the related web of accounts originated from and/or are materially linked to the monetary instrument or property subject of the freeze order, the covered institution shall freeze these related web of accounts wherever these funds may be found.
- The return of the covered institution as required under rule 10.3.c shall include the fact of such freezing and an explanation as to the grounds for the identification of the related web of accounts.

Rule 10.5. Extension of the Freeze Order.
- Before the twenty (20) day period of the freeze order issued by the court of appeals expires, the AMLC may apply in the same court for an extension of said period. Upon the timely filing of such application and pending the decision of the Court of Appeals to extend the period, said period shall be deemed suspended and the freeze order shall remain effective.
- However, the covered institution shall not lift the effects of the freeze order without securing official confirmation from the AMLC.

Rule 10.6. Prohibition Against Issuance of Freeze Orders Against Candidates for an Electoral Office During Election Period. - No assets shall be frozen to the prejudice of a candidate for an electoral office during an election period.

RULE 11
AUTHORITY TO INQUIRE INTO BANK DEPOSITS

Rule 11.1. Authority to Inquire into Bank Deposits with Court Order.
- Notwithstanding the provisions of R.A. No. 1405, as amended; R.A. No. 6426, as amended; R.A. No. 8791, and other laws, the AMLC may inquire into or examine any particular deposit or investment with any banking institution or non-bank financial institution and their subsidiaries and affiliates upon order of any competent court in cases of violation of this Act, when it has been established that there is probable cause that the deposits or investments involved are related to an unlawful activity as defined in Section 3 (i) hereof or a money laundering offense under Section 4 hereof; except in cases as provided under Rule 11.2.

Rule 11.2. Authority to Inquire into Bank Deposits Without Court Order.
- The AMLC may inquire into or examine deposit and investments with any banking institution or non-bank financial institution and their subsidiaries and affiliates without a Court Order where any of the following unlawful activities are involved:
  (a) Kidnapping for ransom under Article 267 of Act No. 3815, otherwise known as the Revised Penal Code, as amended;
  (b) Sections 4, 5, 6, 8, 9, 10, 12, 13, 14, 15 and 16 of R.A. No. 9165, otherwise known as the Comprehensive Dangerous Drugs Act of 2002;
  (c) Hijacking and other violations under R.A. No. 6235; destructive arson and murder, as defined under the Revised Penal Code;
Penal Code, as amended, including those perpetrated by terrorists against noncombatant persons and similar targets.

**Rule 11.2.a. Procedure For Examination Without A Court Order.** - Where any of the unlawful activities enumerated under the immediately preceding Rule 11.2 are involved, and there is probable cause that the deposits or investments with any banking or non-banking financial institution and their subsidiaries and affiliates are in anyway related to these unlawful activities the AMLC shall issue a resolution authorizing the inquiry into or examination of any deposit or investment with such banking or non-banking financial institution and their subsidiaries and affiliates concerned.

**Rule 11.2.b. Duty of the banking institution or non-banking institution upon receipt of the AMLC Resolution.** - The banking institution or the non-banking financial institution and their subsidiaries and affiliates shall, immediately upon receipt of the AMLC Resolution, allow the AMLC and/or its authorized representative(s) full access to all records pertaining to the deposit or investment account.

**Rule 11.3. - BSP Authority to Examine deposits and investments; Additional Exception to the Bank Secrecy Act.** - To ensure compliance with this act, the BSP may inquire into or examine any particular deposit or investment with any banking institution or non-bank financial institution and their subsidiaries and affiliates when the examination is made in the course of a periodic or special examination, in accordance with the rules of examination of the BSP.

**Rule 11.3.a. BSP Rules of Examination.** - The BSP shall promulgate its rules of examination for ensuring compliance by banks and non-bank financial institutions and their subsidiaries and affiliates with the AMLA and these rules.

Any findings of the BSP which may constitute a violation of any provision of this act shall be transmitted to the AMLC for appropriate action.

**RULE 12**

**FORFEITURE PROVISIONS**

**Rule 12.1. Authority to Institute Civil Forfeiture Proceedings.** – The AMLC is authorized under Section 7 (3) of the AMLA to institute civil forfeiture proceedings and all other remedial proceedings through the Office of the Solicitor General.

**Rule 12.2. When Civil Forfeiture May be Applied.** – When there is a Suspicious Transaction Report or a Covered Transaction Report deemed suspicious after investigation by the AMLC, and the court has, in a petition filed for the purpose, ordered the seizure of any monetary instrument or property, in whole or in part, directly or indirectly, related to said report, the Revised Rules of Court on civil forfeiture shall apply.

**Rule 12.3. Claim on Forfeited Assets.** - Where the court has issued an order of forfeiture of the monetary instrument or property in a criminal prosecution for any money laundering offense under Section 4 of the AMLA, the offender or any other person claiming an interest therein may apply, by verified petition, for a declaration that the same legitimately belongs to him, and for segregation or exclusion of the monetary instrument or property corresponding thereto. The verified petition shall be filed with the court which rendered the judgment of conviction and order of forfeiture within fifteen (15) days from the date of the order of forfeiture, in default of which the said order shall become final and
executory. This provision shall apply in both civil and criminal forfeiture.

Rule 12.4. Payment in Lieu of Forfeiture. Where the court has issued an order of forfeiture of the monetary instrument or property subject of a money laundering offense under Section 4 of the AMLA, and said order cannot be enforced because any particular monetary instrument or property cannot, with due diligence, be located, or it has been substantially altered, destroyed, diminished in value or otherwise rendered worthless by any act or omission, directly or indirectly, attributable to the offender, or it has been concealed, removed, converted or otherwise transferred to prevent the same from being found or to avoid forfeiture thereof, or it is located outside the Philippines or has been placed or brought outside the jurisdiction of the court, or it has been commingled with other monetary instruments or property belonging to either the offender himself or a third person or entity, thereby rendering the same difficult to identify or be segregated for purposes of forfeiture, the court may, instead of enforcing the order of forfeiture of the monetary instrument or property or part thereof or interest therein, accordingly order the convicted offender to pay an amount equal to the value of said monetary instrument or property. This provision shall apply in both civil and criminal forfeiture.

delaying the execution thereof. The principles of mutuality and reciprocity shall, for this purpose, be at all times recognized.

Rule 13.2. Powers of the AMLC to Act on a Request for Assistance from a Foreign State. - The AMLC may execute a request for assistance from a foreign state by: (1) tracking down, freezing, restraining and seizing assets alleged to be proceeds of any unlawful activity under the procedures laid down in the AMLA and in these Rules; (2) giving information needed by the foreign state within the procedures laid down in the AMLA and in these Rules; and (3) applying for an order of forfeiture of any monetary instrument or property in the court: Provided, That the court shall not issue such an order unless the application is accompanied by an authenticated copy of the order of a court in the requesting state ordering the forfeiture of said monetary instrument or property of a person who has been convicted of a money laundering offense in the requesting state, and a certification or an affidavit of a competent officer of the requesting state stating that the conviction and the order of forfeiture are final and that no further appeal lies in respect of either.

Rule 13.3. Obtaining Assistance from Foreign States. - The AMLC may make a request to any foreign state for assistance in (1) tracking down, freezing, restraining and seizing assets alleged to be proceeds of any unlawful activity; (2) obtaining information that it needs relating to any covered transaction, money laundering offense or any other matter directly or indirectly related thereto; (3) to the extent allowed by the law of the foreign state, applying with the proper court therein for an order to enter any premises belonging to or in the possession or control of, any or all of the persons named in said request,
and/or search any or all such persons named therein and/or remove any document, material or object named in said request. Provided, That the documents accompanying the request in support of the application have been duly authenticated in accordance with the applicable law or regulation of the foreign state; and (4) applying for an order of forfeiture of any monetary instrument or property in the proper court in the foreign state. Provided, That the request is accompanied by an authenticated copy of the order of the Regional Trial Court ordering the forfeiture of said monetary instrument or property of a convicted offender and an affidavit of the clerk of court stating that the conviction and the order of forfeiture are final and that no further appeal lies in respect of either.

Rule 13.4. Limitations on Requests for Mutual Assistance. - The AMLC may refuse to comply with any request for assistance where the action sought by the request contravenes any provision of the Constitution or the execution of a request is likely to prejudice the national interest of the Philippines, unless there is a treaty between the Philippines and the requesting state relating to the provision of assistance in relation to money laundering offenses.

Rule 13.5. Requirements for Requests for Mutual Assistance from Foreign States. A request for mutual assistance from a foreign state must (1) confirm that an investigation or prosecution is being conducted in respect of a money launderer named therein or that he has been convicted of any money laundering offense; (2) state the grounds on which any person is being investigated or prosecuted for money laundering or the details of his conviction; (3) give sufficient particulars as to the identity of said person; (4) give particulars sufficient to identify any covered institution believed to have any information, document, material or object which may be of assistance to the investigation or prosecution; (5) ask from the covered institution concerned any information, document, material or object which may be of assistance to the investigation or prosecution; (6) specify the manner in which and to whom said information, document, material or object obtained pursuant to said request, is to be produced; (7) give all the particulars necessary for the issuance by the court in the requested state of the writs, orders or processes needed by the requesting state; and (8) contain such other information as may assist in the execution of the request.

Rule 13.6. Authentication of Documents. - For purposes of Section 13 (i) of the AMLA and Section 7 of the AMLA, a document is authenticated if the same is signed or certified by a judge, magistrate or equivalent officer in or of the requesting state, and authenticated by the oath or affirmation of a witness or sealed with an official or public seal of a minister, secretary of state, or officer in or of, the government of the requesting state, or of the person administering the government or a department of the requesting territory, protectorate or colony. The certificate of authentication may also be made by a secretary of the embassy or legation, consul general, consul, vice consul, consular agent or any officer in the foreign service of the Philippines stationed in the foreign state in which the record is kept, and authenticated by the seal of his office.

Rule 13.7. Suppletory Application of the Revised Rules of Court.

Rule 13.7.1. For attachment of Philippine properties in the name of persons convicted of any unlawful activity as defined in Section 3 (i) of the AMLA,
execution and satisfaction of final judgments of forfeiture, application for examination of witnesses, procuring search warrants, production of bank documents and other materials and all other actions not specified in the AMLA and these Rules, and assistance for any of the aforementioned actions, which is subject of a request by a foreign state, resort may be had to the proceedings pertinent thereto under the Revised Rules of Court.

Rule 13.7.2. Authority to Assist the United Nations and other International Organizations and Foreign States. – The AMLC is authorized under Section 7 (8) and 13 (b) and (d) of the AMLA to receive and take action in respect of any request of foreign states for assistance in their own anti-money laundering operations. It is also authorized under Section 7 (7) of the AMLA to cooperate with the National Government and/or take appropriate action in respect of conventions, resolutions and other directives of the United Nations (UN), the UN Security Council, and other international organizations of which the Philippines is a member. However, the AMLC may refuse to comply with any such request, convention, resolution or directive where the action sought therein contravenes the provision of the Constitution or the execution thereof is likely to prejudice the national interest of the Philippines.

Rule 13.8. Extradition. – The Philippines shall negotiate for the inclusion of money laundering offenses as defined under Section 4 of the AMLA among the extraditable offenses in all future treaties. With respect, however, to the state parties that are signatories to the United Nations Convention Against Transnational Organized Crime that was ratified by the Philippine Senate on 22 October 2001, money laundering is deemed to be included as an extraditable offense in any extradition treaty existing between said state parties, and the Philippines shall include money laundering as an extraditable offense in every extradition treaty that may be concluded between the Philippines and any of said state parties in the future.

RULE 14

Penal Provisions


Rule 14.1.a. Penalties under Section 4 (a) of the AMLA. - The penalty of imprisonment ranging from seven (7) to fourteen (14) years and a fine of not less than Php3.0 Million but not more than twice the value of the monetary instrument or property involved in the offense, shall be imposed upon a person convicted under Section 4 (a) of the AMLA.

Rule 14.1.b. Penalties under Section 4 (b) of the AMLA. - The penalty of imprisonment from four (4) to seven (7) years and a fine of not less than Php1.5 Million but not more than Php3.0 Million, shall be imposed upon a person convicted under Section 4 (b) of the AMLA.

Rule 14.1.c. Penalties under Section 4 (c) of the AMLA. - The penalty of imprisonment from six (6) months to four (4) years or a fine of not less than Php100,000.00 but not more than Php500,000.00, or both, shall be imposed on a person convicted under Section 4(c) of the AMLA.

Rule 14.1.d. Administrative Sanctions. - (1) After due notice and hearing, the AMLC shall, at its discretion, impose fines upon any covered institution, its officers and employees, or any person who violates any of the provisions of R.A. No. 9160, as amended by
R.A. No. 9194 and rules, regulations, orders and resolutions issued pursuant thereto. The fines shall be in amounts as may be determined by the council, taking into consideration all the attendant circumstances, such as the nature and gravity of the violation or irregularity, but in no case shall such fines be less than PhP100,000.00 but not to exceed PhP500,000.00. The imposition of the administrative sanctions shall be without prejudice to the filing of criminal charges against the persons responsible for the violations.

Rule 14.2. Penalties for Failure to Keep Records. - The penalty of imprisonment from six (6) months to one (1) year or a fine of not less than PhP100,000.00 but not more than PhP500,000.00, or both, shall be imposed on a person convicted under Section 9 (b) of the AMLA.

Rule 14.3. Penalties for Malicious Reporting. - Any person who, with malice, or in bad faith, reports or files a completely unwarranted or false information relative to money laundering transaction against any person shall be subject to a penalty of six (6) months to four (4) years imprisonment and a fine of not less than PhP100,000.00 but not more than PhP500,000.00, at the discretion of the court: Provided, That the offender is not entitled to avail the benefits of the Probation Law.

Rule 14.4. Where Offender is a Juridical Person. - If the offender is a corporation, association, partnership or any juridical person, the penalty shall be imposed upon the responsible officers, as the case may be, who participated in, or allowed by their gross negligence the commission of the crime. If the offender is a juridical person, the court may suspend or revoke its license. If the offender is an alien, he shall, in addition to the penalties herein prescribed, be deported without further proceedings after serving the penalties herein prescribed. If the offender is a public official or employee, he shall, in addition to the penalties prescribed herein, suffer perpetual or temporary absolute disqualification from office, as the case may be.

Rule 14.5. Refusal by a Public Official or Employee to Testify. - Any public official or employee who is called upon to testify and refuses to do the same or purposely fails to testify shall suffer the same penalties prescribed herein.

Rule 14.6. Penalties for Breach of Confidentiality. - The punishment of imprisonment ranging from three (3) to eight (8) years and a fine of not less than PhP500,000.00 but not more than PhP1.0 Million, shall be imposed on a person convicted for a violation under Section 9(c). In case of a breach of confidentiality that is published or reported by media, the responsible reporter, writer, president, publisher, manager and editor-in-chief shall be liable under this act.

RULE 15
PROHIBITIONS AGAINST POLITICAL HARASSMENT

Rule 15.1. Prohibition against Political Persecution. - The AMLA and these Rules shall not be used for political persecution or harassment or as an instrument to hamper competition in trade and commerce. No case for money laundering may be filed to the prejudice of a candidate for an electoral office during an election period.

Rule 15.2. Provisional Remedies Application; Exception. –

Rule 15.2.a. - The AMLC may apply, in the course of the criminal proceedings, for provisional remedies to prevent the
monetary instrument or property subject thereof from being removed, concealed, converted, commingled with other property or otherwise to prevent its being found or taken by the applicant or otherwise placed or taken beyond the jurisdiction of the court. However, no assets shall be attached to the prejudice of a candidate for an electoral office during an election period.

**Rule 15.2.b.** - Where there is conviction for money laundering under Section 4 of the AMLA, the court shall issue a judgment of forfeiture in favor of the Government of the Philippines with respect to the monetary instrument or property found to be proceeds of one or more unlawful activities. However, no assets shall be forfeited to the prejudice of a candidate for an electoral office during an election period.

**RULE 16**

**RESTITUTION.**

**Rule 16.** Restitution. - Restitution for any aggrieved party shall be governed by the provisions of the New Civil Code.

**RULE 17**

**IMPLEMENTING RULES AND REGULATIONS AND MONEY LAUNDERING PREVENTION PROGRAMS**

**Rule 17.1. Implementing Rules and Regulations.** -

(a) Within thirty (30) days from the effectivity of R.A. No. 9160, as amended by R.A. No. 9194, the BSP, the Insurance Commission and the Securities and Exchange Commission shall promulgate the Implementing Rules and Regulations of the AMLA, which shall be submitted to the Congressional Oversight Committee for approval.

(b) The Supervising Authorities, the BSP, the SEC and the I.C. shall, under their own respective charters and regulatory authority, issue their Guidelines and Circulars on anti-money laundering to effectively implement the provisions of R.A. No. 9160, as amended by R.A. No. 9194.

**Rule 17.2. Money Laundering Prevention Programs.** -

**Rule 17.2.a.** Covered institutions shall formulate their respective money laundering prevention programs in accordance with Section 9 and other pertinent provisions of the AMLA and these Rules, including, but not limited to, information dissemination on money laundering activities and their prevention, detection and reporting, and the training of responsible officers and personnel of covered institutions, subject to such guidelines as may be prescribed by their respective supervising authority. Every covered institution shall submit its own money laundering program to the supervising authority concerned within the non-extendible period that the supervising authority has imposed in the exercise of its regulatory powers under its own charter.

**Rule 17.2.b.** Every money laundering program shall establish detailed procedures implementing a comprehensive, institution-wide “know-your-client” policy, set-up an effective dissemination of information on money laundering activities and their prevention, detection and reporting, adopt internal policies, procedures and controls, designate compliance officers at management level, institute adequate screening and recruitment procedures, and set-up an audit function to test the system.

**Rule 17.2.c.** Covered institutions shall adopt, as part of their money laundering programs, a system of flagging and monitoring transactions that qualify as suspicious transactions, regardless of amount or covered
transactions involving amounts below the threshold to facilitate the process of aggregating them for purposes of future reporting of such transactions to the AMLC when their aggregated amounts breach the threshold. All covered institutions, including banks insofar as non-deposit and non-government bond investment transactions are concerned, shall incorporate in their money laundering programs the provisions of these Rules and such other guidelines for reporting to the AMLC of all transactions that engender the reasonable belief that a money laundering offense is about to be, is being, or has been committed.

Rule 17.3. Training of Personnel. - Covered institutions shall provide all their responsible officers and personnel with efficient and effective training and continuing education programs to enable them to fully comply with all their obligations under the AMLA and these Rules.

Rule 17.4. Amendments. - These Rules or any portion thereof may be amended by unanimous vote of the members of the AMLC and submitted to the Congressional Oversight Committee as provided for under Section 19 of R.A. No. 9160, as amended by R.A. No. 9194.

RULE 18
CONGRESSIONAL OVERSIGHT COMMITTEE

Rule 18.1. Composition of Congressional Oversight Committee. - There is hereby created a Congressional Oversight Committee composed of seven (7) members from the Senate and seven (7) members from the House of Representatives. The members from the Senate shall be appointed by the Senate President based on the proportional representation of the parties or coalitions therein with at least two (2) Senators representing the minority. The members

from the House of Representatives shall be appointed by the Speaker also based on proportional representation of the parties or coalitions therein with at least two (2) members representing the minority.

Rule 18.2. Powers of the Congressional Oversight Committee. - The Oversight Committee shall have the power to promulgate its own rules, to oversee the implementation of this Act, and to review or revise the implementing rules issued by the Anti-Money Laundering Council within thirty (30) days from the promulgation of the said rules.

RULE 19
APPROPRIATIONS FOR AND BUDGET OF THE AMLC

Rule 19.1. Budget. - The budget of 25 Million Pesos appropriated by Congress under the AMLA shall be used to defray the initial operational expenses of the AMLC. Appropriations for succeeding years shall be included in the General Appropriations Act. The BSP shall advance the funds necessary to defray the capital outlay, maintenance and other operating expenses and personnel services of the AMLC subject to reimbursement from the budget of the AMLC as appropriated under the AMLA and subsequent appropriations.

Rule 19.2. Costs and Expenses. - The budget shall answer for indemnification for legal costs and expenses reasonably incurred for the services of external counsel in connection with any civil, criminal or administrative action, suit or proceedings to which members of the AMLC and the Executive Director and other members of the Secretariat may be made a party by reason of the performance of their functions or duties. The costs and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the AMLC in advance of the
final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the member to repay the amount advanced should it be ultimately determined that said member is not entitled to such indemnification.

RULE 20
SEPARABILITY CLAUSE

Rule 20. Separability Clause. – If any provision of these Rules or the application thereof to any person or circumstance is held to be invalid, the other provisions of these Rules, and the application of such provision or Rule to other persons or circumstances, shall not be affected thereby.

RULE 21
REPEALING CLAUSE

Rule 21. Repealing Clause. – All laws, decrees, executive orders, rules and regulations or parts thereof, including the relevant provisions of R.A. No. 1405, as amended; R.A. No. 6426, as amended; R.A. No. 8791, as amended, and other similar laws, as are inconsistent with the AMLA, are hereby repealed, amended or modified accordingly.

RULE 22
EFFECTIVITY OF THE RULES

Rule 22. Effectivity. – These Rules shall take effect after its approval by the Congressional Oversight Committee and fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

RULE 23
TRANSITORY PROVISIONS

Rule 23.1. - Transitory Provisions. - Existing freeze orders issued by the AMLC shall remain in force for a period of thirty (30) days after effectivity of this act, unless extended by the Court of Appeals.

Rule 23.2. - Effect of R.A. No. 9194 on Cases for Extension of Freeze Orders Resolved by the Court of Appeals. - All existing freeze orders which the Court of Appeals has extended shall remain effective, unless otherwise dissolved by the same court.
A pawner who transacts with a pawnshop for the first time shall be required to present the original and submit a clear copy of at least one (1) valid photo-bearing identification document (ID) issued by an official authority.

The valid ID should indicate the pawner’s residential address, otherwise, he/she is also required to present the original and submit a clear copy of a certification from the barangay where the pawner resides or a billing statement that indicates his/her residential address.

Valid IDs include the following:

- Passport
- Driver’s License
- Professional Regulation Commission (PRC) ID
- National Bureau of Investigation (NBI) Clearance
- Police Clearance
- Postal ID
- Voter’s ID
- Barangay Certification
- Government Service Insurance System (GSIS) e-Card
- Social Security System (SSS) Card
- Senior Citizen Card
- Overseas Workers Welfare Administration (OWWA) ID
- OFW ID
- Seaman’s Book
- Alien Certification of Registration/Immigrant Certificate of Registration
- Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID)
- Certification from the National Council for the Welfare of Disabled Persons (NCWDP)
- Department of Social Welfare and Development (DSWD) Certification
- Integrated Bar of the Philippines (IBP) ID
- Company IDs issued by private entities or institutions registered with or supervised or regulated either by the Bangko Sentral ng Pilipinas, Securities and Exchange Commission or Insurance Commission

The copy of the ID, barangay certificate or billing statement shall be kept by the pawnshop for convenience of the pawner who continues to transact with the pawnshop but said documents should be updated at least every three (3) years.
ABSTRACT OF “SECTION 13 AND 14 OF PD 114”  
(PAWNSHOP REGULATION ACT)  
(Appendix to Subsection 4324P.1)

Redemption of Pawn Items

- A pawner who fails to pay his obligation has ninety (90) days from maturity date to redeem the pawn by paying the principal and interest.

Disposition of Unredeemed Pawn Items

- Unredeemed pawn items shall be sold/disposed of only through public auction.

- Pawnner shall be notified of the public auction at least thirty (30) days before the expiration of the ninety (90)-day grace period through his/her preferred mode of notification.

- The notice to pawner shall contain the date, hour and place where the public auction shall be conducted.

- A pawnshop shall publish a notice of public auction in at least two newspapers circulated in the city or municipality where the pawnshop has its place of business six (6) days prior to the date of public auction. In remote areas where newspapers are neither published nor circulated, notice by newspaper publication shall be complied with by posting notices at the city or municipal hall and in two (2) other conspicuous public places where the pawnshop has its place of business.

- Pawnner may participate in the said public auction.