



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 711

Series of 2011

Subject: Amendments to the Manual of Regulations for Non-Bank Financial Institutions – Pawnshops (Circular No. 656 dated 2 June 2009)

The Monetary Board, in its Resolution No. 25 dated 6 January 2011, approved the attached amendments to Manual of Regulations for Non-Bank Financial Institutions – Pawnshops issued as Circular No. 656 dated 2 June 2009.

Existing rules and regulations specifically affected by the provisions of this Circular are hereby repealed, amended or modified accordingly.

This Circular shall take effect fifteen (15) days after publication in the Official Gazette or in newspaper of general circulation.

FOR THE MONETARY BOARD:

A handwritten signature in black ink, appearing to read "Amando M. Tetangco, Jr.", is written over the printed name.

AMANDO M. TETANGCO, JR.
Governor

28 January 2011

Att: A/S

Amendments to the Manual of Regulations for Non-Bank Financial Institutions - Pawnshops (Circular No. 656 dated 2 June 2009) as approved under MB Resolution No. 25 dated 6 January 2011

Section 1. Item "d" of Subsection 4101P.4 on the Requirements to Register with BSP is hereby amended to read as follows:

- d. Personal Data Sheet (using BSP-prescribed form FOR PAWNSHOPS) with passport size picture duly accomplished by the proprietor or partners or directors, PRESIDENT AND MANAGER OR OFFICER-IN-CHARGE OF THE HEAD OFFICE; and

Section 2. The heading of Subsection 4101P.5 is changed from "Anti-Money Laundering Seminar/Training" to "Pawnshop Regulations Briefing and Anti-Money Laundering ACT Seminar" and its provisions are amended to read as follows:

As a prerequisite for the issuance by the BSP of the AOR, THE PROPRIETOR, PARTNER, DIRECTOR, PRESIDENT AS WELL AS MANAGER OR OFFICER-IN-CHARGE OF THE HEAD OFFICE AND BRANCH shall have attended the: (A) BRIEFING ON PAWNSHOP REGULATIONS CONDUCTED BY THE BSP OR ANY ACCREDITED SERVICE PROVIDER; AND (B) SEMINAR ON the Anti-Money Laundering Act as prescribed in Subsection 4691P.1.

Section 3. The heading of Subsection 4101P.6 is changed from "BSP Processing and Registration Fees" to "Processing and Annual Fees" and is amended to read as follows:

§4101P.6 Processing and ANNUAL Fees

EVERY PAWNSHOP HEAD OFFICE SHALL PAY A ONE-TIME PROCESSING FEE OF P1,000.00 FOR THE INITIAL REGISTRATION, AND P500.00 ANNUAL FEE UPON APPROVAL OF APPLICATION FOR REGISTRATION. THEREAFTER, THE ANNUAL FEE SHALL BE PAID NOT LATER THAN 31 MARCH OF EVERY YEAR.

Section 4. Subsections 4101P.7 and 4101P.8 on "Renewal of BSP Registration of Pawnshop Head Office" and "Branches and Documentary Requirements to Renew BSP Registration", respectively, are deleted.

Section 5. The title of Subsection 4107P.1 is changed from "SANCTIONS" to "CAPITAL BUILD-UP PROGRAM" and its second paragraph is deleted.

Section 6. The heading of Section 4141P is changed from "Bonding of Officers and Employees" to "Safeguarding of Pawnshop Assets" and its provisions are amended to read as follows:

Section 4141P SAFEGUARDING OF PAWNSHOP ASSETS. IN ORDER TO SAFEGUARD PAWNSHOP'S ASSETS (PAWNED ITEMS) AND MITIGATE THE RISK OF LOSS ARISING FROM MALFEASANCE OR FRAUDULENT PRACTICES OF THEIR EMPLOYEES, PAWNSHOPS SHALL ADOPT ANY OF THE FOLLOWING MEASURES:

- a. BONDING OF ACCOUNTABLE OFFICERS/EMPLOYEES WITH REPUTABLE INSURANCE/SURETY COMPANIES ACCREDITED BY THE INSURANCE COMMISSIONER; OR
- b. EQUIVALENT SELF-INSURANCE MECHANISM ACCEPTABLE TO BSP.

Section 7. The heading of Section 4142P is hereby amended to read as follows:

Section 4142P Definitions, Qualifications and Duties and Responsibilities of Proprietor/Partners/Directors/Officers.

Section 8. Item “e” of Subsection 4142P.1 defining the term “officers” is amended to read as follows:

- e. Officers - are those persons whose duties as such are defined in the by-laws (for corporations) or those who are generally known to be the officers of the pawnshop either thru announcement, representation, publication or any kind of communication made by the pawnshop. THE TERM OFFICER SHALL INCLUDE BUT NOT LIMITED TO THE FOLLOWING: THE PROPRIETOR, MANAGING PARTNER, PRESIDENT, AND MANAGER OR OFFICER-IN-CHARGE OF HEAD OFFICE OR BRANCH.

Section 9. The heading, opening paragraph, items “c”, “d” and the closing paragraph of Subsection 4142P.2 are amended to read as follows:

General Qualifications of a proprietor, partner, director, PRESIDENT, AND manager or officer-in-charge OF HEAD OFFICE OR BRANCH. Any person can be a proprietor, partner, director, PRESIDENT, manager or officer-in-charge of a pawnshop’s HEAD OFFICE OR BRANCH, provided he/she:

X x x.

- c. Must not be included in the BSP Watchlist; and
- d. Must not possess any derogatory information from the National Bureau of Investigation (NBI). The NBI clearance shall be submitted pursuant to Subsections 4101P.4 and 4151P.4.

THE NBI CLEARANCE SHALL ALSO BE REQUIRED FOR ANY NEWLY ELECTED/APPOINTED DIRECTOR, PRESIDENT, MANAGER OR OFFICER-IN-CHARGE AND NEWLY ACCEPTED PARTNER OR DIRECTOR OF AN EXISTING PAWNSHOP.

Section 10. The title of Subsection 4142P.3 is changed from “Qualification of a Director” to “Corporate Governance” and its provisions are amended to read as follows:

A CORPORATE PAWNSHOP WITH TOTAL RESOURCES OF AT LEAST P50 MILLION

SHALL COMPLY WITH the Securities and Exchange Commission requirements on Corporate Governance, AND AS PROOF OF COMPLIANCE, THE SAID CORPORATE PAWNSHOP SHALL SUBMIT TO THE BSP A NOTARIZED CERTIFICATION TO THAT EFFECT.

Section 11. Certain provisions on Subsection 4143P.1 on the "Disqualification of Directors and Officers" are amended and added, to read as follows:

Without prejudice to x x x, the following are disqualified from being 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 a court for offenses involving dishonesty or breach of trust such as, BUT NOT LIMITED TO, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, ROBBERY, FALSIFICATION, BRIBERY, VIOLATION OF B.P. BLG. 22, VIOLATION OF ANTI-GRAFT AND CORRUPT PRACTICES ACT AND PROHIBITED ACTS AND TRANSACTIONS UNDER SECTION 7 OF R.A. NO. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFFICIALS AND EMPLOYEES);
2. PERSONS WHO HAVE BEEN CONVICTED BY FINAL JUDGMENT OF A COURT SENTENCING THEM TO SERVE A MAXIMUM TERM OF IMPRISONMENT OF MORE THAN SIX YEARS;
3. Persons who have been convicted by final judgment of the court for violation of banking laws, RULES AND REGULATIONS;
4. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;
5. Directors, officers or employees of closed banks/quasi-banks/trust entities who were FOUND TO BE CULPABLE for such institution's closure as determined by the Monetary Board;
6. DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS, TRUST ENTITIES FOUND BY THE MONETARY BOARD AS ADMINISTRATIVELY LIABLE FOR VIOLATION OF BANKING OR OTHER RELEVANT LAWS, RULES AND REGULATIONS WHERE A PENALTY OF REMOVAL FROM OFFICE IS IMPOSED, AND WHICH FINDING OF THE MONETARY BOARD HAS BECOME FINAL AND EXECUTORY; OR
7. DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS, TRUST ENTITIES OR ANY PERSON FOUND BY THE MONETARY BOARD TO BE UNFIT FOR THE POSITION OF DIRECTOR OR OFFICER BECAUSE THEY WERE FOUND

ADMINISTRATIVELY LIABLE BY ANOTHER GOVERNMENT AGENCY FOR VIOLATION OF BANKING OR OTHER RELEVANT LAWS, RULES AND REGULATIONS OR ANY OFFENSE/VIOLATION INVOLVING DISHONESTY OR BREACH OF TRUST, AND WHICH FINDING OF SAID GOVERNMENT AGENCY HAS BECOME FINAL AND EXECUTORY.

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 OR ANY MATERIAL INFORMATION to the appropriate supervising and examining department when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;
2. Director who have been x x x during said incumbency. THIS disqualification applies only for purposes OF THE IMMEDIATELY SUCCEEDING ELECTION;
3. X x x
4. Persons WHO HAVE BEEN CONVICTED BY A COURT for offenses involving dishonesty OR breach of trust SUCH AS, BUT NOT LIMITED TO, ESTAFA, EMBEZZLEMENT, EXTORTION, FORGERY, MALVERSATION, SWINDLING, THEFT, ROBBERY, FALSIFICATION, BRIBERY, VIOLATION OF B.P. BLG. 22, VIOLATION OF ANTI-GRAFT AND CORRUPT PRACTICES ACT AND PROHIBITED ACTS AND TRANSACTIONS UNDER SECTION 7 OF R.A. NO. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFFICIALS AND EMPLOYEES), violation of banking laws, RULES AND REGULATIONS OR THOSE SENTENCED TO SERVE A MAXIMUM TERM OF IMPRISONMENT OF MORE THAN SIX YEARS but whose conviction has not yet become final and executory;
5. X x x;
6. X x x;
7. Persons dismissed/terminated from employment in the institutions under the supervision of the BSP. 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;
8. X x x;
9. Persons with derogatory records AS CERTIFIED BY, OR ON THE OFFICIAL

FILES OF, the JUDICIARY, National Bureau of Investigation, PHILIPPINE NATIONAL Police, QUASI-JUDICIAL BODIES, OTHER GOVERNMENT AGENCIES, INTERNATIONAL POLICE, monetary authorities AND SIMILAR AGENCIES OR AUTHORITIES of FOREIGN countries FOR IRREGULARITIES OR violationS of any law, rules and regulations THAT WOULD adversely affect the integrity of the director/officer or the ability to EFFECTIVELY discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/VIOLATIONS OR AFTER A LAPSE OF FIVE (5) YEARS FROM THE TIME THE COMPLAINT, WHICH WAS THE BASIS OF THE DEROGATORY RECORD, WAS INITIATED;

10. DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS AND TRUST ENTITIES FOUND BY THE MONETARY BOARD AS ADMINISTRATIVELY LIABLE FOR VIOLATION OF BANKING OR OTHER RELEVANT LAWS, RULES AND REGULATIONS WHERE A PENALTY OF REMOVAL FROM OFFICE IS IMPOSED, AND WHICH FINDING OF THE MONETARY BOARD IS PENDING APPEAL BEFORE THE APPELLATE COURT, UNLESS EXECUTION OR ENFORCEMENT THEREOF IS RESTRAINED BY THE COURT;
11. DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS, AND TRUST ENTITIES OR ANY PERSON FOUND BY THE MONETARY BOARD TO BE UNFIT FOR THE POSITION OF DIRECTOR OR OFFICER BECAUSE THEY WERE FOUND ADMINISTRATIVELY LIABLE BY ANOTHER GOVERNMENT AGENCY FOR VIOLATION OF BANKING OR OTHER RELEVANT LAWS, RULES AND REGULATIONS, OR ANY OFFENSE/VIOLATION INVOLVING DISHONESTY OR BREACH OF TRUST, AND WHICH FINDING OF SAID GOVERNMENT AGENCY IS PENDING APPEAL BEFORE THE APPELLATE COURT, UNLESS EXECUTION OR ENFORCEMENT THEREOF IS RESTRAINED BY THE COURT; OR
12. DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS, TRUST ENTITIES FOUND BY THE MONETARY BOARD AS ADMINISTRATIVELY LIABLE FOR VIOLATION OF BANKING OR OTHER RELEVANT LAWS, RULES AND REGULATIONS WHERE A PENALTY OF SUSPENSION FROM OFFICE OR FINE IS IMPOSED, REGARDLESS WHETHER THE FINDING OF THE MONETARY BOARD IS FINAL AND EXECUTORY OR PENDING APPEAL BEFORE THE APPELLATE COURT, UNLESS EXECUTION OR ENFORCEMENT THEREOF IS RESTRAINED BY THE COURT. THE DISQUALIFICATION SHALL BE IN EFFECT DURING THE PERIOD OF SUSPENSION OR SO LONG AS THE FINE IS NOT FULLY PAID.

Section 12. The following shall be added as last sentence of Section 4151P on the establishment of branch offices:

A NEW PAWNSHOP APPLYING FOR AN AOR THAT HAS COMPLIED WITH THE MINIMUM PAID-IN CAPITAL OF P100,000.00 MAY OPEN ONE (1) BRANCH IF IT SO DESIRES, SUBJECT TO COMPLIANCE WITH THE APPLICABLE BRANCHING REQUIREMENTS.

Section 13. Items "b" and "c" of Subsection 4151P.3 on the basis for establishment of branches are amended as follows; item "d" is deleted; and the former item "e" shall become item "d".

- b. has unpaid ANNUAL FEE or penalty assessed by the BSP;
- c. has not complied with the required prudential capital ratio as prescribed in Section 4107P; OR
- d. X x x.

Section 14. Item "c" of Subsection 4151P.4 on "Documentary Requirements" shall be deleted; items "d; e; and f" shall become items "c", "d" and "e", respectively; and the new item "d" shall now read as follows:

d. Personal data sheet (using BSP-prescribed form FOR PAWNSHOPS) with passport size picture duly accomplished by the proposed branch manager or officer-in-charge; and

e. x x x

Section 15. The heading of Subsection 4151P.5 is changed from "Processing and Registration Fees" to "Processing and Annual Fees", and is amended to read as follows:

EVERY BRANCH OF A PAWNSHOP SHALL PAY A ONE-TIME processing fee OF P1,000.00, AND P500.00 ANNUAL fee UPON APPROVAL OF APPLICATION FOR REGISTRATION. THEREAFTER, THE ANNUAL FEE SHALL BE PAID NOT LATER THAN 31 MARCH OF EVERY YEAR.

Subsection 4151P.6 on "Renewal of Registration" is deleted. Subsections 4151P.7 and 4151P.8 shall be renumbered Subsections 4151P.6 and 4151P.7, respectively.

Section 16. A new paragraph shall be added as last paragraph of the Section 4156P to read as follows:

DURING BUSINESS DAYS AND HOURS, THE PAWNSHOP HEAD OFFICE AND EVERY BRANCH SHALL HAVE AT LEAST ONE (1) PERSONNEL, (MANAGER OR OFFICER-IN-CHARGE, IF ANY) THAT HAS ATTENDED THE BRIEFING ON PAWNSHOP REGULATIONS AND AMLA SEMINAR MENTIONED IN SUBSECTION 4101P.5.

Section 17. Fourth paragraph of Section 4161P on "Records" is amended and items "a" to "d" thereof are deleted and to read as follows:

Pawnshops may use any form of loans extended and loans paid registers as long as they contain spaces and columns for information enumerated in Section 11 of P.D. No. 114.

Section 18. The second paragraph of Subsection 4161P.4 on "Retention of Records" is amended to read as follows:

A pawnshop that does not have records, ledgers, registers, books or documents or THAT 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.

Section 19. The heading of Subsection 4162P.3 is changed to "Definition Relevant to Reports to BSP".

Section 20. The following shall be added as last paragraph to Section 4163P on report on crimes and losses:

SHOULD A CRIME OR LOSS RESULT IN A DEFICIENCY IN THE MINIMUM CAPITAL AND/OR PRUDENTIAL CAPITAL REQUIRED UNDER SECTIONS 4106P AND 4107P, THE PAWNSHOP SHALL SUBMIT A CAPITAL BUILD UP PROGRAM IN ACCORDANCE WITH SECTION 4107P.1.

Section 21. Section 4164P on "Audited Financial Statements (AFS)" is amended to read as follows:

PAWNSHOPS SHALL SUBMIT A COPY OF THE AFS, AS DULY RECEIVED BY THE BIR, TO THE BSP NOT LATER THAN 30 JUNE FOLLOWING THE REFERENCE CALENDAR YEAR. THIS REQUIREMENT WILL APPLY ONLY TO PAWNSHOPS WHOSE TOTAL ASSETS IS AT LEAST P50.0 MILLION AS OF REFERENCE YEAR.

Subsections 4164P.1 to 4164P.3 are deleted.

Section 22. Section 4165P that requires corporate pawnshops to submit a copy of General Information Sheet is deleted.

Section 23. The heading of Subsection 4171P.3 is changed to "Safekeeping of Records and Insurance of Premises" and its provisions are amended to read as follows:

§4171P.3 Safekeeping of Records and Insurance of Premises. Vital records for the current year must be kept inside the safe or vault when not in use. Vital records are pawn ticket duplicates, loan paid and loan extended registers or loan paid and extended vouchers. 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.

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 AND furniture, fixtures and equipment of pawnshops must be insured against fire.

Section 24. Item "e" of Subsection 4181P.2 on "Use of Registered Name in Signage, Pawn Tickets and Other Forms" is deleted while items "a", "b" and "c" of same Subsection are amended to read as follows:

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 FROM THE 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 AND OTHER SIMILAR DOCUMENTS 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 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 pawn tickets, official receipts, stationery AND OTHER SIMILAR DOCUMENTS.
- c. A pawnshop that is a subsidiary or affiliate of another pawnshop shall likewise indicate such relationship in the pawn tickets, official receipts, stationery AND OTHER SIMILAR DOCUMENTS.

Xxx.

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

Section 25. The heading of Subsection 4184P.2 is changed to "Processing and Annual Fees" and its provisions are amended to read as follows:

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

Section 26. Item "c" of Subsection 4301P.2 on "Pawnshop Prohibitions" is amended to read as follows:

- c. Re-pledge/re-pawn the pawned article.

Section 27. Relevant to Subsection 4301P.3 on "Know Your Pawner",

- a. The first bullet item enumerating the valid IDs should be amended to read as follows –

PASSPORT, INCLUDING THOSE ISSUED BY FOREIGN GOVERNMENTS.

- b. The following shall be added as last paragraph –

EVERY PAWNSHOP SHALL MAINTAIN RECORDS CONTAINING ALL THE INFORMATION REQUIRED UNDER THIS SUBSECTION AND SECTION 11 OF PRESIDENTIAL DECREE NO. 114 FOR EACH OF THEIR CLIENTS.

Section 28. The last paragraph of Section 4303P is amended to read as follows:

No pawnshop shall collect interest on loans in advance for a period LONGER THAN THE ORIGINAL TERM AGREED UPON AS INDICATED IN THE PAWN TICKET.

Section 29. The heading of Section 4321P shall be "Acceptable Security and Safekeeping of Pawns" and the following sentence shall be added to the second paragraph:

ALL PAWNS, EXCEPT THOSE WHICH ARE KEPT INSIDE THE VAULT OR SAFE, MUST BE INSURED AGAINST FIRE.

Section 30. Items "e", "f" and "s" of Section 4323P on pawnticket information are deleted; items "g" to "s" shall be items "e" to "q", respectively; items "a", "d" and "p" are amended to read as follows:

Pawnshops shall at the time of the loan, deliver to each pawner a pawn ticket which shall contain the following:

- a. The business/registered name, address, TELEPHONE NUMBER, tax identification number, business days and hours, of the pawnshop. The business name indicated in the pawn ticket shall be in accordance with the provisions of Section 4181P.2;

X x x

d. Pawner's CONTACT NUMBER;

X x x

P. SIGNATURE OR THUMBMARK OF THE PAWNER;

X x x

q. X x x.

Section 31. Subsection 4323P.1 prescribing stipulations in pawn ticket is amended and its last paragraph thereof is deleted and to read as follows:

§Subsection 4323P.1 STIPULATIONS in Pawn Ticket. The contents of the standard pawn ticket, prescribed for pawnshops pursuant to the requirements of P.D. No. 114, and the "Standard Terms and Conditions" thereof, are in Appendices P-4 (FRONT) and P-4a (BACK).

ADDITIONAL STIPULATIONS/INFORMATION ENUMERATED UNDER APPENDIX P-4b, which pawnshops may wish to incorporate IN THEIR PAWN TICKETS, MAY BE INCLUDED WITHOUT PRIOR APPROVAL FROM THE BSP.

THE FONT SIZE FOR THE STIPULATIONS AT THE BACK OF THE PAWN TICKET SHALL NOT BE SMALLER THAN "ARIAL NARROW 8". ADDITIONAL STIPULATIONS WHICH MAY BE INCLUDED AT THE BACK OF THE PAWN TICKET SHALL ALSO BE PRINTED IN THE PRESCRIBED FONT SIZE.

Pawn ticket shall not be smaller than 8 INCHES x 5 INCHES. THE SIZE OF THE PAWN TICKET MAY HAVE TO BE LARGER TO ACCOMMODATE ADDITIONAL STIPULATIONS THAT SHOULD ALSO BE PRINTED NOT SMALLER THAN "ARIAL NARROW 8".

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.

Section 32. The title of Section 4324 is changed to "Notices to the Pawner and to the Public", and is amended to read as follows:

a. ON OR BEFORE THE EXPIRATION OF THE NINETY (90)-DAY GRACE PERIOD, A

PAWNSHOP SHALL NOTIFY A PAWNER IN WRITING THAT THE PAWN SHALL BE SOLD OR OTHERWISE be DISPOSED OF, IN THE EVENT 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 mode of notification AGREED UPON BY THE PAWNER AND THE PAWNSHOP AS indicated AT THE BACK OF the pawn ticket at the time the loan was granted which may be through text/SMS message, electronic mail, FAX 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.

IN CASE NO SPECIFIC MODE OF NOTIFICATION IS AGREED UPON AND INDICATED AT THE BACK OF THE PAWN TICKET, THE MODE OF NOTIFICATION SHALL BE BY ORDINARY MAIL. PAWNSHOPS SHALL EXERT REASONABLE EFFORT TO NOTIFY THE PAWNER AND PUT ON RECORD IF IT IS UNABLE TO DO SO. PAWNSHOPS SHALL MAINTAIN PROOF OF THE NOTICE TO PAWNER.

b. If upon the expiration x x x.

In remote areas x x x place of business.

Section 33. Subsection 4324P.1 on Poster is amended to read as follows:

Pawnshops shall post conspicuously at the principal place of business and branches an abstract (Appendix P-8) which shall be not be smaller than 8.5 x 11 inches.

Section 34. The following provisions relative to sanctions are deleted:

- a. Subsection 4106P.1 for failure to comply with the minimum paid-in capital;
- b. The 2nd paragraph of Subsection 4107P.1 for failure to comply with prudential capital ratio;
- c. Subsection 4141P.1 for failure to post bonds for its accountable officers and employees;
- d. The third paragraph of Section 4156P for failure to display the original copy of the AOR/AO and business days and hours of pawnshops and for transacting business outside the pawnshops' registered place of business or premises;
- e. Items "b" to "f" of subsection 4162P.3 relative to BSP reports such as submission of faulty, delayed, false reports on statements;
- f. Subsection 4181P.3 pertaining to the use of Registered/Business Name;

- g. Subsections 4183P.2 and 4183P.3 on delisting of Pawnshops due to failure to submit financial report and due to other reason;
- h. Section 4299P on other borrowings;
- i. Subsection 4301P.4 for violation of requirements on maintenance of records;
- j. Subsection 4302P.1 for violations of loan limit;
- k. Subsection 4303P.4 for violating rules on interest and other charges and redemption of pawned item;
- l. Subsection 4305P.2 for violating rules on pawner's right to redeem pawn;
- m. Subsection 4322P.1 for violating rules requiring surrender of pawnticket in case of redemption of pawned item;
- n. Subsection 4323P.2 for violations of pawnticket regulations;
- o. Subsection 4324P.2 for violating requirement to notify pawner and the public of sale of pawned item.
- p. Subsection 4651P.2 on refusal to permit examination by BSP;
- q. Subsection 4691P.9 on violation of Section 9 of R.A. No. 9160; and
- r. Section 4699P on administrative sanctions in relation to violations on the rules on pawnshop, P.D. No. 114, or Monetary Board directives.

Section 35. Sections 4199P and 4399P on "General Provisions on Sanctions" for violations of the pawnshop rules and regulations are hereby amended to read as follows:

UNLESS OTHERWISE PROVIDED, VIOLATIONS OF ANY PROVISION HEREOF MAY SUBJECT A PAWNSHOP, ITS PROPRIETOR, DIRECTORS, TRUSTEES, PARTNERS, PRESIDENT, MANAGERS OR OFFICERS-IN-CHARGE, WHERE APPLICABLE, TO SANCTIONS WHICH MAY INCLUDE THE FOLLOWING:

- a. WARNING/REPRIMAND;
- b. SUSPENSION OF AOR/AO;
- c. SUSPENSION OF BRANCHING PRIVILEGE;
- d. DISQUALIFICATION OF PROPRIETOR, PARTNER, DIRECTOR, PRESIDENT, MANAGER OR OFFICER-IN-CHARGE;
- e. MONETARY PENALTY NOT TO EXCEED P1,000.00 PER VIOLATION, PER OFFICE, PER DAY; AND
- f. REVOCATION OF AOR/AO.

THE IMPOSITION OF THE ABOVE SANCTIONS IS without prejudice to whatever legal action the BSP may pursue under SECTION 18 OF PRESIDENTIAL DECREE NO. 114 (PAWNSHOP REGULATIONS ACT), and other applicable laws against the pawnshop, its proprietor, partners, incorporators, stockholders, directors, president and officers.

A pawnshop WHOSE AOR/AO IS SUSPENDED OR REVOKED shall be reported to the Office of the Mayor of the concerned city or municipality, for appropriate action. IT IS UNDERSTOOD THAT IN CASE THE AOR OF A HEAD OFFICE IS REVOKED, THE AO OF ALL BRANCHES OF SAID PAWNSHOP ARE LIKEWISE REVOKED.

Any pawnshop that is found operating AS A FOREIGN EXCHANGE DEALER/MONEY CHANGER AND/OR REMITTANCE AGENT that does not have a COR issued by the BSP for such activity is considered operating such activities illegally AND SHALL BE REPORTED TO THE OFFICE OF THE MAYOR IN ACCORDANCE WITH THE RULES ABOVE.

Section 36. Subsection 4691P.2 of Anti-Money Laundering Program is hereby amended to read as follows:

§4691P.2. Every pawnshop is required to formulate an anti-money laundering prevention program as prescribed in Appendix 5.

Section 37. Item No. 8 of Appendix P-4b is hereby amended to read as follows:

8. For purposes of computing the amount of interest for pledge loans paid after maturity date, a fraction OF THE ORIGINAL TERM OF THE LOAN AGREED UPON AS INDICATED AT THE FACE OF THE PAWN TICKET SHALL BE CONSIDERED AS ONE FULL TERM.

Section 38. Transitory Provisions.

1. THE ANNUAL FEE SHALL COMMENCE FOR THE YEAR 2010. IT SHALL BE COLLECTED FROM ALL PAWNSHOP'S HEAD OFFICES AND BRANCHES REGISTERED AS OF 31 DECEMBER 2009. THE DEADLINE FOR PAYMENT OF THE ANNUAL FEE FOR 2010 IS 31 MARCH 2011.

2. PAWNSHOP HEAD OFFICES AND BRANCHES THAT HAVE PAID THE REGISTRATION FEE/RENEWAL OF REGISTRATION FEE OF P3,000.00 PURSUANT TO SUBSECTION 4101P.6 OF BSP CIRCULAR NO. 656 WHICH TOOK EFFECT ON 25 JUNE 2009, SHALL BE CONSIDERED TO HAVE PAID THE ANNUAL FEE FOR SIX (6) YEARS STARTING 2010.

3. A PAWNSHOP MAY USE PAWN TICKETS BEARING A RUBBER-STAMP OF ITS REGISTERED AND TRADE NAME ON THE PAWN TICKET UNTIL 30 JUNE 2011. STARTING 1 JULY 2011, ALL PAWNSHOPS SHALL ONLY USE PRE-PRINTED PAWN TICKETS IN ACCORDANCE WITH THESE RULES.