



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR

MEMORANDUM NO. M-2017- 003

To : ALL PAWNSHOPS

Subject : OPERATIONAL GUIDELINES ON BANGKO SENTRAL NG PILIPINAS' (BSP's) SUPERVISION ON PAWNSHOPS

Pursuant to Monetary Board Resolution No. 2061 dated 17 November 2016, approving the Amendments to the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) – Pawnshop (P) Regulations, the following operational guidelines shall govern the implementation of the pertinent provisions of the MORNBFI-P Regulations, as amended by BSP Circular No. 938 dated 23 December 2016:

I. GUIDELINES ON THE QUALIFICATION, DISQUALIFICATION AND WATCHLISTING OF PROPRIETORS/PARTNERS/DIRECTORS AND OFFICERS OF PAWNSHOPS

A. *Definitions, Qualifications, and Duties and Responsibilities of Proprietor/Partners/Directors/Officers.* The following shall be the definitions and qualifications, duties and responsibilities of proprietor/partners/ directors/officers.

Definitions.

1. *Proprietor* is the person who owns the pawnshop business and named as such in the Certificate of Registration issued by the DTI and in the business permit issued by the city/municipality where the pawnshop business is established or operating.
2. *Partners* are the persons named in the articles of partnership.
3. *Incorporators* are those mentioned as such in the articles of incorporation as originally forming and composing the corporation and who are signatories thereof.
4. *Directors* – Directors shall include:
 - a. directors who are named as such in the articles of incorporation;
 - b. directors duly elected in subsequent meetings of the pawnshop's stockholders; and
 - c. 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.

5. *Officers/Managers* - 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.

B. *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:

1. *Permanently disqualified.*

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

- a. 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);
- b. Persons who have been convicted by final judgment of the court sentencing them to serve a maximum term of imprisonment of more than six (6) years;
- c. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations;
- d. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;
- e. Directors, officers or employees of closed BSP-supervised financial institutions (FIs) who were found to be culpable for such institution's closure as determined by the Monetary Board;
- f. Directors and officers of BSP-supervised FIs 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
- g. Directors and officers of BSP-supervised FIs 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.

2. *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:

- a. 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 or rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;
- b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and

special, of the board of directors during their incumbency, or any twelve (12)-month period during said incumbency. This disqualification applies only for purposes of the immediately succeeding election;

c. Persons who are delinquent in the payment of their obligations as defined hereunder:

i. *Delinquency in the payment of obligations* means that an obligation of a person with the institution where he/she is a director or officer, or at least two (2) obligations with other FIs, under different credit lines or loan contracts, are past due pursuant to Secs. X306, 4308Q, 4306S of the Manual of Regulations and Section 48 of Circular No. 938, dated 23 December 2016;

ii. *Obligations* shall include all borrowings from any FI obtained by:

(1) 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;

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

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

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

(5) 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 "(1)", "(2)" and "(4)".

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

d. 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 (6) years but whose conviction has not yet become final and executory;

e. Directors/trustees and officers of closed institutions under the supervisory and regulatory powers of the BSP pending their clearance by the Monetary Board;

f. 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;

g. Persons dismissed/terminated from employment in the institutions under the supervision of the BSP. This disqualification shall be in effect until they have been cleared themselves of involvement in the alleged irregularity or upon

clearance, on their request, from the Monetary Board after showing good and justifiable reasons;

- h. Those under preventive suspension;
- i. Persons with derogatory records as certified by, or on the official files of, the judiciary, NBI, PNP, 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;
- j. Directors and officers of BSP-supervised FIs 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;
- k. Directors and officers of BSP-supervised FIs 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
- l. Directors and officers of BSP-supervised FIs 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.

C. *Persons disqualified from becoming officers.*

1. The disqualifications for directors mentioned in Item I.B shall likewise apply to officers, except those stated in Item I.B.2.b.
2. 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.

D. Disqualification procedures.

1. The board of directors/trustees and management of every pawnshop shall be responsible for determining the existence of the ground for disqualification of the pawnshop's directors/trustees/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/trustee/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.
2. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Items I.B and I.C, 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 fifteen (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.
3. Upon receipt of the reply/explanation of the director/trustee/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/trustee/officer concerned shall be afforded to defend/clear himself/herself.
4. If no reply has been received from the director/trustee/officer concerned upon the expiration of the period prescribed under Item "2" 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.
5. If the grounds for disqualification is delinquency in the payment of obligation, the concerned director/trustee or officer shall be given a period of thirty (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.
6. For directors/trustees/officers of closed pawnshops, 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 the 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 department of the SES 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.

7. 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/trustee/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/trustee/officer concerned does not warrant disqualification.
8. 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 "1", "2", "3" and "4" above.
9. Upon approval by the Monetary Board, the concerned directors/trustees/officers 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.
10. 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/trustee/officer involved.
11. 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 Items I.B and I.C shall be afforded the procedural due process prescribed above.
12. Whenever a director/trustee/officer is cleared in the process mentioned under Item "3" 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.

- E. *Effect of possession of disqualifications.*** Directors/trustees/officers elected or appointed possessing any of the disqualifications as enumerated herein, shall vacate their respective positions immediately.
- F. *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 officer 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:
1. *Watchlist categories.* Watchlisting shall be categorized as follows:
 - a. Disqualification File "A" (Permanent) - Directors/trustees/officers/employees permanently disqualified by the Monetary Board from holding a director/trustee/officer position.
 - b. Disqualification File "B" (Temporary) - Directors/trustees/officers/employees temporarily disqualified by the Monetary Board from holding a director/trustee/officer position.
 2. *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 the courts, institutions under the supervisory and regulatory powers of the BSP, NBI or other administrative agencies shall first be approved by the Monetary Board.
 3. *Notification of directors/trustees/officers/employees.* Upon approval by the Monetary Board, the concerned director/trustee/officer/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.
 4. *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, or 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 of the MORNBF1 – Q Regulations*.

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 and appointed officers. Pawnshops must obtain the said authorization on an individual basis.

5. *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:

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 executory, 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.

- G. *Applicability of the guidelines on the disqualification of directors/officers to the managing proprietor and managing partner of a pawnshop (in the case of a sole proprietorship/partnership).*** The foregoing disqualification and watchlisting provisions of these guidelines 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 this purpose, 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 Authority to Operate shall be cancelled and the pawnshop shall be removed from the BSP Registry of Pawnshops.

II. GUIDELINES ON THE MAINTENANCE OF RECORDS AND REPORTS OF PAWNSHOPS

Pawnshops shall maintain records and submit required reports to the BSP in accordance with the following guidelines:

- A. *Maintenance of records.*** The accounting period of pawnshops shall be on 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.

A pawnshop that uses a computerized system may record its loan transactions in individual loan extended vouchers which shall contain the same information and/or equivalent controls necessary to comply with Section 11 of P.D. No. 114 in lieu of the loan extended and loans paid registers.

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

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 *Annex P-1*.

2. ***Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS).*** All records and reports of pawnshops shall conform to the PFRS/PAS.

3. ***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 backup 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 Bangko Sentral examination upon request.

- B. ***Reporting obligations to the BSP.*** Pawnshop operators shall submit to the appropriate department of the SES the reports listed in *Annex P-2* in the forms as may be prescribed by the Deputy Governor (DG), SES.

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

1. ***Categories of and signatories to reports.*** Reports required to be submitted to the Bangko Sentral 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 Bangko Sentral in *Annex P-2*.

The pawnshop operator, or his/her duly designated representative, shall sign the reports required to be submitted to the BSP; provided that, in case of duly designated representatives, the pawnshop operator shall retain responsibility for the accuracy and timeliness of the report. Reports submitted in electronic media shall be subject to the same requirements or equivalent controls.

A report submitted to the Bangko Sentral under the signature of an officer who is not authorized in accordance with the requirements in this guidelines shall be considered as not being submitted.

2. **Manner of filing.** The submission of the reports shall be effected through modalities acceptable to the Bangko Sentral.
- C. **Report on Crimes/Losses.** Pawnshop operators shall submit a report on crimes and losses within five (5) working days from the date of the incident or discovery and in accordance with the guidelines in *Annex P-3*.
- D. **Audited Financial Statements (AFS)/Annual Report of Pawnshops.** Pawnshop operators shall submit a copy of the AFS to the BSP not later than 30 June following the reference calendar year.

III. MINIMUM INTERNAL CONTROL STANDARDS

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.

The following minimum internal control standards that pawnshops are expected to be observed by pawnshops in their operations:

A. *Proper accounting records.*

1. 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.
2. Records should be kept up-to-date and shall contain sufficient detail so that an audit trail is established.

B. *Number control.* The following forms, instruments and accounts must be number-controlled:

1. Pawn tickets;
2. Official receipts; and
3. Expense vouchers.

C. *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.

D. *Bonding of accountable officers/employees.* In order to safeguard pawnshop's assets (pawned items) and mitigate the risk of loss arising from malfeasance or fraudulent practices of their employees, pawnshop operators shall adopt any of the following measures:

1. Bonding of accountable officers/employees with reputable insurance/surety companies accredited by the Insurance Commissioner; or
2. Equivalent self-insurance mechanism acceptable to Bangko Sentral.

IV. GUIDELINES ON CHANGE OF NAME OF PAWNSHOPS AND USE OF REGISTERED/ BUSINESS NAME IN SIGNAGE, PAWN TICKETS AND OTHER FORMS

A. *Change of registered/business name.* A pawnshop shall not change its registered/business name without submitting the following documents to the appropriate department of the BSP within ten (10) working days before effecting such change:

1. Certificate of Registration from DTI or SEC, as the case may be, indicating the new business/registered name; and
2. Original BSP Authority to Operate issued under the old name.

A new BSP Authority to Operate shall be issued indicating the new registered/ business name of the pawnshop.

The metal plate/s issued by the BSP to the pawnshop under its original name shall be surrendered for the issuance of new metal plate/s indicating the new registered/business name. The BSP reserves the right to collect a reasonable amount to cover the cost of production/issuance of the metal plate/s.

B. *Use of registered business name in signage, pawn tickets and other forms.* The following guidelines shall be observed with respect to the use of the business/registered name in the signage, pawn ticket and other forms of a pawnshop:

1. 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.
2. A pawnshop that uses or will use a name that is different from its registered name 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.

3. 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.

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.

4. 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.

V. STANDARD PAWN TICKET FORMAT

A. Front of pawn ticket:

BUSINESS/REGISTERED NAME
Address
Telephone Number
Taxpayer Identification Number

Serial No.

Original

Name of Pawner:		Amount of Loan:	
Address of Pawner:		Interest:	
		Service Charge (in amount):	
		Other Charges, if any:	
		Net Proceeds:	
Appraised Value of Pawn:		Effective Interest Rate in percent: _____ Per annum ☐ Per month ☐ Others ☐	
Date Loan Granted:			
Maturity Date:		Penalty Interest, if any:	
Expiry Date of Redemption:			
Description of the Pawn:			

B. Back of pawn ticket:

TERMS AND CONDITIONS OF STANDARD PAWN TICKET

1. The pawner 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. This loan is renewable for such amount and period as may be agreed upon between the pawnshop and the pawner subject to the same requirements for a new loan.

4. Upon maturity of this loan, as indicated above, the pawner 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.
5. 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.
6. The pawnshop shall notify the pawner of any change in its business address/location.
7. The pawner shall advise the pawnshop of any change of address/contact number/e-mail address.
8. The pawnshop shall send a reminder to the pawner 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 pawner on or before the maturity date. The pawnshop shall have the right to sell or dispose of the pawn if the pawner fails to redeem it within the ninety (90) day grace period.
9. This ticket shall be surrendered at maturity date upon payment of the loan. In case of loss or destruction of this ticket, the pawner 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.
10. The pawner 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.
11. In case of pre-payment of this loan by pawner, the interest collected in advance shall accrue in full to the pawnshop.
12. The pawner 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 pawner.

(Signature or Thumb mark)
Pawner

(Signature)
Pawnshop's Authorized Representative

C. Additional stipulations/information which pawnshops may wish to incorporate in their pawn tickets without prior approval of the BSP:

STANDARD ADDITIONAL STIPULATIONS IN PAWN TICKETS

On the 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 renew¹) my pawn covered by this pawn ticket.

¹ As pawnshop may opt to allow/include in the pawn ticket.

Signature of Representative
(Signed in the presence of pawner)

Signature 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 binanggit sa papel na ito.

Lagda ng Kinatawan
(Nilagdaan sa harap ng nagsangla)

Lagda 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

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, two percent (2%) 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 two percent (2%) 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, two percent (2%) 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.

VI. GUIDELINES ON THE REDEMPTION OF PAWNS WITHIN THE NINETY (90)-DAY GRACE PERIOD

The following guidelines shall govern the redemption of pawns within ninety (90) days from maturity:

- A. On or before the expiration of the maturity date, a pawnshop shall notify a pawner in writing that the pawn shall be sold or otherwise 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 Bangko Sentral 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 of the ninety (90)-day grace period, the pawner fails to redeem his pawn, the pawnshop may sell or dispose of the pawn, provided, however, that the pawnshop 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 and such publication was done at least 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:

1. Name and address of the pawnshop; and
2. 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.

For information and guidance.



NESTOR A. ESPENILLA, JR.
Deputy Governor

27 January 2017

CHART OF ACCOUNTS AND DESCRIPTION OF LOAN REGISTER OF PAWNSHOPS

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) 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 payments 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 paid; and
- (f) Signature or thumbmark of the pawner and the name of the pawner written by and signature of the witness to the thumbmarking.

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.

LIST OF REPORTS REQUIRED FROM PAWNSHOPS

<u>Category</u>	<u>Form No.</u>	<u>MOR Ref.</u>	<u>Report Title</u>	<u>Frequency</u>	<u>Submission Deadline</u>	<u>Submission Procedure</u>
A-2	BSP 7-26-02C	Sec. 4136P	Statement of Condition (SOC) (Head office with no branch)	Annually	30-Apr	Supervisory Data Center (SDC)
			Consolidated Statement of Condition (Head office and branches) - List of Branches	-do-	-do-	-do-
A-3	BSP 7-26-03C	Sec. 4136P	Statement of Income and Expenses (Head office with no branch)	-do-	-do-	-do-
			Consolidated Statement of Income and Expenses (Head office and branches)	-do-	-do-	-do-
B	Unnumbered (no prescribed form)	Sec. 4136P	Audited Financial Statement (AFS) for the previous year ended prepared by an external auditor together with actions taken on the financial audit report.	-do-	June 30 of the following reference year	Appropriate department of the Supervision and Examination Sector (SES)
B	Unnumbered	Sec. 4136P	Report on Crimes/Losses	As crime or incident occurs	5th business day from knowledge of crime/incident	Appropriate department of the SES
A-2	Unnumbered	Sec. 4191P	Report on Suspicious Transactions	As transaction occurs	5th business day from date of transaction/knowledge	Anti- Money Laundering Council
A-2	Unnumbered	Sec. 4191P	Report on Covered Transactions	As transaction occurs	5th business day from date of transaction/knowledge	Anti- Money Laundering Council
A-3	Unnumbered	Sec. 4136P	Report on Borrowings of BSP Personnel	Quarterly	15 business days after end of reference quarter	SDC

REPORTING GUIDELINES ON CRIMES/LOSSES

1. Pawnshops shall report on the following matters through the appropriate department of the Supervision and Examination Sector (SES):

- 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 to the appropriate department of the SES within five (5) business days from the date of the incident or discovery.

The following information/documents shall be submitted together with the report:

- i. 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;
- ii. Police report on the investigation of the fire/robbery incident;
- iii. Proof of notification in writing to all concerned pawners about the incident; and
- iv. Plan of settlement of pawners' claim for lost pawned items, if any.

- b. Where a thorough investigation and evaluation of facts is necessary to complete the report, an initial report submitted within the five (5) business day deadline may be accepted: *Provided*, That a complete report is submitted not later than fifteen (15) business days from termination of investigation.

Attached as Annex P-3-a is the reporting template for Report on Crimes and Losses.

Deadline : Not later than five (5) business days from knowledge of crime/incident
 Submission : Appropriate Department of the Supervision and Examination Sector (SES)

Instruction: Do not leave any item blank. If an item is not applicable, Please indicate NA or Not Applicable

Please fill-up with format dd-mm-yyyy,
 Reference No.:

(Name of Pawnshop)

REPORT ON CRIMES AND LOSSES

Name and Location of Office

Name of Branch/Department:	Complete Address (include zip code):
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Type of Report

Relevant Dates

Initial ☐ Follow-up (indicate the initial ref. no.) _____ ☐ Final (indicate the initial ref. no.) _____	Date of Occurrence From _____ To _____ Date of Knowledge _____ Date of Termination of Investigation _____
--	--

Nature of Crime/Loss

Outcome ☐ Consummated ☐ Attempted/Frustrated	Classification ☐ Estafa ☐ Theft ☐ Falsification	☐ Robbery ☐ Negligence	☐ Other Crimes (specify) _____ ☐ Non-Crime Related Loss (specify) _____
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Brief Description of the Crime/Incident

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Amount Involved

☐ Actual (final) Amount involved _____ (Please leave blank the spaces below if crime is only attempted/frustrated) Recoverable _____ Probable Loss _____	☐ Estimated (Initial) _____ ☐ Insured ☐ Not Insured Amount Insured _____ Kind of Insurance/Bond Surety _____
---	---

Person/Entity/Property Involved

(If the space provided below is not enough, use a separate sheet as attachment)

☐ Perpetrator/s:

☐ Insider:

Name (Last, First, Middle, Maiden Name)	TIN	Position		Home/Last Known Address(es)
		Officer (O) or Non-Officer (NO)	Complete Designation	
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

☐ Outsider:

Name	Remark (e.g., Client, Client's Representative, walk-in customer)
_____	_____
_____	_____

Action(s) Taken on Involved Outsider: _____

Property Involved: _____

☐ Victim/s:

(Use a separate sheet if needed)

☐ Insider:

Name (Last, First, Middle, Maiden Name)	TIN	Position		Home/Last Known Address(es)
		Officer (O) or Non-Officer (NO)	Complete Designation	
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

☐ Outsider:

Name	Remark (e.g., Client, Client's Representative, walk-in customer)
_____	_____
_____	_____

Action(s) Taken/Sanction(s) imposed on involved personnel:

(If the space provided below is not enough, use a separate sheet as attachment)

Name _____
(Last, First, Middle, Maiden Name)

☐ Preventive Suspension

☐ Termination/Dismissal

☐ Others (Specify under "Other Relevant Information" below)

Effective Date

Reason(s) Cited in the Decision

Committee/officer approving the sanction: _____

If a case was filed against the involved personnel:

Case Type _____ Case Number _____
Status of the Case _____
Court Judgment (if convicted, state whether final and executory or not) _____

Other Relevant Information

(Include involved persons who are secondarily liable for the execution of the crime due to his negligence and non-adherence to policies, disposition of the case, violation of internal control policies, and/or steps taken to prevent recurrence of the crime/incident)

Certified Correct:

(Signature of Compliance Officer or
Authorized Personnel over Printed Name)

(Date of Report)