Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

SEC Memorandum Circular No. 7
Series of 2015

STANDARDS AND RULES FOR ACCREDITATION OF SPECIAL ACCESSING ENTITIES TO THE CREDIT INFORMATION SYSTEM

Pursuant to Republic Act No. 9510 or the Credit Information System Act, the Credit Information Corporation shall accredit Special Accessing Entities in accordance with the following standards and rules promulgated by the Securities and Exchange Commission:

PART I.

GENERAL PROVISIONS

RULE I. TITLE, SCOPE AND CONSTRUCTION

SEC. 1-1.Title. – These rules shall be known as the "The Standards and Rules for Establishing Special Accessing Entities to the Credit Information System".

SEC. 1-2. Scope and Coverage. - These rules shall apply to Applicants seeking to establish and operate a Special Accessing Entity, in accordance with the procedure as herein set forth.

SEC. 1-3. Application Period. - The Corporation shall prescribe a period for the acceptance of applications for accreditation to establish and operate a Special Accessing Entity; provided, that the said application period is not less than one (1) month and that the opening of such period is announced in the Corporation's website and published in a newspaper of general circulation for a period of at least one (1) week.

SEC. 1-4. Definitions. – For the purpose of these rules, the following terms shall mean:

a. "*Applicant*" refers to a stock corporation, whether incorporated locally or abroad, that applies for accreditation with the Corporation for the purpose of establishing and operating a Special Accessing Entity. Such applicant may be formed for some private purpose, benefit, or end, and engaged in the credit bureau business.

b. "*Commission*" refers to the Securities and Exchange Commission.

c. "*Corporation*" refers to the Credit Information Corporation (CIC) established under Section 5 of Republic Act No. 9510 also known as the "Credit Information System Act".

d. "Credit Bureau Business" refers to the business of providing credit reports, ratings and other similar credit information products and services.

e. "*Relevant Government Agencies*" refers to the Department of Finance, Department of Trade and Industry, Bangko Sentral ng Pilipinas, Insurance Commission and the Cooperative Development Authority.

f. "*Special Accessing Entity*" or "SAE" refers to a duly accredited private corporation, incorporated in the Philippines, engaged ***primarily*** in the Credit Bureau Business.

g. "*Subscription Agreement*" is the contract entered into between the Corporation and the Special Accessing Entity, that specifies the terms and conditions of their accreditation with the Corporation.

h. "*Subsidiary*" refers to a corporation that is owned and controlled by the Applicant because of its equity ownership of not less than fifty one percent (51%).

RULE II. REQUIREMENTS

SEC. 2-1. Qualifications of Applicant. – The Corporation shall take into account the capability of the Applicant to establish and operate a Special Accessing Entity in terms of financial resources, technical expertise and reputation. The accreditation process shall include but not be limited to an assessment of the ownership structure, governance, key personnel, business model, risk management and consumer protection framework.

An Applicant, who must be engaged in the Credit Bureau Business, may file for accreditation to establish and operate a Special Accessing Entity under either of the following terms:

a. If the Applicant is a corporation incorporated in the Philippines, it may file for the accreditation to operate itself or establish a Subsidiary to operate as a Special Accessing Entity subject to the undertaking that it will comply with post-qualification requirements on its form, capitalization or corporate registration to maintain its accreditation.

b. If the Applicant is a corporation incorporated abroad, it may file for accreditation to establish a Subsidiary which will operate as a Special Accessing Entity. This Subsidiary, as a post-qualification requirement, shall be incorporated in the Philippines in accordance with the form and capitalization herein prescribed, and shall be majority-owned and controlled by the Applicant.

SEC. 2-2. Documentary Submissions.– The following documents shall be submitted by the Applicant to the Corporation within the application period set by the Corporation:

a. Duly Accomplished and Subscribed Accreditation Application Form;

b. Certified true copy of Certificate of Incorporation if the Applicant is a domestic corporation or Authenticated Proof of Corporate Existence if the Applicant is a foreign corporation;

c. Certified true copy of Articles of Incorporation and By-Laws as well as their amendments, if any;

d. For Applicants who are corporations incorporated in the Philippines, certified true copies of the latest General Information Sheet (GIS) and SEC Clearance;

e. For Applicants who are corporations incorporated abroad, Company Profile and Authenticated Certificate of no Derogatory Record from the relevant corporate registry or regulatory agency(s), if applicable;

f. Board Resolutions indicating:

i. Authorization for the Applicant to apply for accreditation with the Corporation; and

ii. Authorized signatory/ies of the Applicant and subsequently, if accredited, to the Subscription Agreement with the Corporation.

g. Certified true copy of Audited Financial Statements stamped received by the Bureau of Internal Revenue or relevant Tax Authority for the last three (3) years from the date of application. If the Applicant has been in operation for less than three years, it shall submit the audited annual/interim financial statements for the years/period in operation. If an Applicant has majority or controlling stockholders that are corporations or juridical entities themselves, audited financial statements of said corporate stockholders for the last three (3) years shall also be submitted;

h. Business Plan for the operation of a Special Accessing Entity, for at least the next three (3) years, which shall contain the following information:

   i. description of products currently offered, if any, and/or products to be offered once accredited, and intended pricing models;
   ii. marketing and financial sustainability plan, including information on target consumers whether by demographics or geographic considerations including channels of distribution;
   iii. short-term and long-term business expansion plans for credit-related operations, local and/or abroad;
   iv. detailed track record in credit-related operations, local and/ or abroad;
   v. expected growth and profitability and the detailed justifications of the assumptions used for such projections;
   vi. other information relevant to its intention to operate a Special Accessing Entity in the Philippines.

i. Organizational structure and projected staffing requirements to implement its Business Plan;

j. Curriculum Vitae of the members of the Board of Directors and top Corporate Officers of the Applicant, and in the case of Applicants who will form Subsidiaries, the Curriculum Vitae as well of those intended to occupy such positions in the said Subsidiary;

k. Detailed information on the technical descriptions and/or specifications of internal Security Policies, Communications and Technology Infrastructure, and Procedures to ensure the confidentiality, integrity and security of the credit data to be processed;

l. The manuals or internal guidelines/handbooks on the following internal corporate policies and procedures of the Applicant and the corresponding Secretary's Certificates of the Board Resolutions approving or authorizing the same:

    i. Good governance
    ii. Risk Management
    iii. Information Security
    iv. Operational Policies and Procedures

m. Payment of licensing and processing fees as may be prescribed by the CIC.

RULE III. CRITERIA FOR ACCREDITATION

SEC. 3-1. Organizational and Technical Capability Criteria - Applicants shall be evaluated based on merit under the following accreditation criteria:

A. Established experience and capability to operate a successful credit bureau business, whether locally or internationally, as measured through:

    i. number of years (at least three (3) years) and commercial scale of operating a credit bureau business;
    ii. market share;
    iii. client base;
    iv. product quality and development;
    v. pricing;
    vi. financial growth and sustainability;
    vii. customer service;
    viii. adoption of industry best practices; and
    ix. track record of compliance with relevant laws, rules and regulations including other markets where it operates.

B. Adoption and implementation of up-to-date, relevant and appropriate technology for:

i. security;
ii. infrastructure;
iii. security of premises;
iv. internal control procedures and systems to protect confidential data from improper, unauthorized or accidental access, use and loss and to ensure business continuity and data retention in case of service interruptions.

C. Good governance structure and risk management framework that is clearly defined and implemented through its previous operations in the credit bureau business;

D. Competent, educated and highly-experienced corporate officers, key personnel and staff to operate the credit bureau business and the capability to implement a comprehensive training and education program for the development of local credit bureau professionals and staff; and

E. Feasibility and commercial soundness of the Business Plan and overall fitness of the Applicant to operate a Special Accessing Entity in the Philippines, with an emphasis on the detail, practicality, clarity, innovativeness and comprehensiveness of the individual undertakings or projects in the Business Plan on such matters as providing relevant credit products and services tailored to the local market, and developing and improving the local credit bureau business industry.

SEC. 3-2. Form of Special Accessing Entity – Only a Corporation incorporated in the Philippines that is engaged primarily in the Credit Bureau Business can be a Special Accessing Entity.

The Special Accessing Entity must have a minimum paid-up capital stock of Sixty Million Pesos (P60,000,000.00).

SEC. 3-3. Additional Criteria –The Commission, *motu proprio* or upon the recommendation of the Corporation, in coordination with the relevant government agencies,reserves the right to modify, add or remove any criteria for the accreditation of Special Accessing Entities, subject to prior notice.

RULE IV. PROCEDURE FOR ACCREDITATION

SEC. 4-1. Procedure. – The procedure for accreditation shall be as follows:

1. The Applicant shall submit the complete documentary requirements to the Corporation within the designated application period as declared by the Corporation and pay a non-refundable application fee as prescribed by the CIC.

2. The Corporation shall refer the application to an appropriate department or committee which will review the same based on the criteria herein stated within the evaluation period, as determined by the Corporation which shall not exceed two (2) months. The appropriate department or committee may request for additional documents or information from the Applicants, provided that such documents or information will be used for a fair and accurate comparison of all the Applicants with respect to their qualifications regarding certain criteria for accreditation.

3. Thereafter, on or before the expiration of the evaluation period, an Evaluation Report will be prepared by the appropriate department or committee containing its assessment and recommendations concerning which Applicants should be accredited. The Board of Directors of the Corporation, at its discretion, may require the appropriate department or committee to submit a Supplemental Evaluation Report should there be additional information needed in order to properly assess an Applicant for accreditation. The Evaluation Report and Supplemental Evaluation report are merely recommendatory and not binding on the Board of Directors of the Corporation.

4. Within fifteen (15) working days from receipt by the Corporation of the Evaluation Report or Supplemental Evaluation Report, whichever is later, the Board of Directors of the Corporation shall deliberate and decide which of the Applicants will be granted accreditation to establish and operate a Special Accessing Entity.

5. The number of Special Accessing Entities at any given time shall be solely determined by the Board of Directors of the Corporation to ensure the availability of reliable credit information in the most efficient and cost-effective manner and the financial viability of the credit bureau industry.

6. Applicants with denied applications shall be informed of the denial and the reasons for the same. However, this benefit does not extend to access to the Evaluation or Supplemental Evaluation Reports which are deemed confidential

due to the sensitive trade or proprietary information which may be contained therein.

7. Provided that the desired number of Special Accessing Entities, as determined by the Board of the Directors of the Corporation, has not yet been met, applicants with denied applications or revoked accreditation may re-apply anew within six (6) months after the receipt of the denial of their application or revocation of their accreditation, or when the application process is again opened by the Corporation.

8. Any decision of the Corporation concerning the grant of Accreditation of Special Accessing Entities shall be final.

RULE V. POST-QUALIFICATION, EXECUTION OF CONTRACT, AND MAINTENANCE OF THE ACCREDITATION

SEC. 5-1. Post-qualification - Within three (3) months from receipt of the grant of accreditation, the Applicant undertakes to comply with the following requirements concerning the form and capitalization of the Special Accessing Entity it will operate:

a. If the Applicant is a corporation incorporated in the Philippines, which will operate itself or establish a Subsidiary as a Special Accessing Entity, it must comply with post-qualification requirements on its form, capitalization or corporate purpose;

b. If the Applicant is a corporation incorporated abroad, it shall form a Subsidiary incorporated in the Philippines in accordance with the form and capitalization prescribed, and shall be majority-owned and-controlled by the Applicant.

SEC. 5-2. Execution of Contract. – Notwithstanding the issuance of the accreditation, the execution of the Subscription contract between the Special Accessing Entity and the Corporation shall be subject to the following conditions:

a. Incorporation of the Special Accessing Entity in the Philippines in accordance with the minimum paid-up capital requirement within three (3) months from the receipt of the grant of accreditation.

b. In the case where the Applicant itself is a Philippine corporation which will operate as a Special Accessing Entity, it must comply with required form or minimum paid-up capital requirement within three (3) months from the receipt of the grant of accreditation;

c. Within ten (10) days from receipt of the grant of accreditation, the Applicant shall post a performance security bond in the amount of Three Hundred Thousand Pesos (PHP300,000.00) in favor of the Corporation, which shall be forfeited in the event of non-execution of the Subscription Agreement for causes not due to the fault of the Corporation.

SEC. 5-3. Change of Controlling Interest. - Any change in the ownership or control of the Special Accessing Entity shall be a ground for the suspension or revocation of its accreditation unless the Corporation finds that the new owner or holder of controlling interest is compliant with the above-mentioned criteria for accreditation and that the public interest is served.

SEC. 5-4. Maintenance. – The accreditation granted to operate the Special Accessing Entity shall be on the following terms:

1. The accreditation granted by the Corporation shall be valid for five (5) years, commencing from the date as stated in the Subscription Agreement unless sooner revoked or suspended.

2. Payment of the yearly subscription fee as determined by the Corporation and approved by the Commission.

3. Ongoing Supervision of the Special Accessing Entity by the Corporation.

4. The processing, accessing, dissemination and storage of credit data obtained from the Corporation must wholly be done within the Philippine jurisdiction. If the Applicant has data processing facilities offshore, it must ensure that such are maintained separately from the data processing facilities utilized by its Special Accessing Entity.

SEC. 5-5. Suspension and Revocation. - The following shall be grounds for the suspension or revocation of the accreditation, at the discretion of the Corporation, after notice and hearing:

a. Failure to implement the Business Plan submitted or commence full operations within a period of six (6) months from receipt of the grant of accreditation;

b. Failure to submit the periodic reports required to be submitted to the Corporation pursuant to rules and guidelines to be issued by the Corporation;

c. Providing fraudulent or false information in procuring or maintaining its accreditation;

d. Violation of the confidentiality, or misuse, or destroying the integrity of the consolidated credit information received from the Corporation;

e. Violation of the terms and conditions of the Subscription Agreement with the Corporation; or

f. Violation of the Republic Act No. 9510 or its implementing rules and regulations and such other issuances by the Commission and/or the Corporation.

SEC. 5-6. CONTINUING RIGHT TO INFORMATION. – The issuance of an accreditation shall be without prejudice to the Corporation's continuing right to request for information or documents which it may deem necessary for the maintenance of the accreditation.

RULE VI. EFFECTIVITY

SEC. 6-1. Effectivity. – These Rules shall take effect fifteen (15) days after publication in two (2) newspapers of general circulation. The Commission Secretary shall immediately file three (3) certified copies of these Rules with the University of the Philippines Law Center, and one (1) certified copy each with the Department of Finance and the Supreme Court of the Philippines.

Mandaluyong City, 10 July 2015.

TERESITA J. HERBOSA
Chairperson