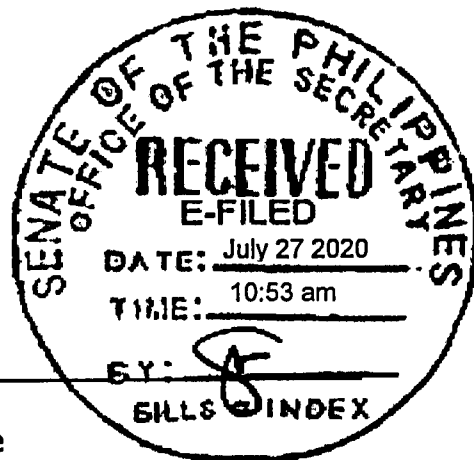


EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )

SENATE  
S. No. 1739



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Introduced by Senator Grace Poe

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**AN ACT  
ESTABLISHING A FRAMEWORK FOR THE PROTECTION OF FINANCIAL  
CONSUMERS, AND FOR OTHER PURPOSES**

*Explanatory Note*

E-commerce and electronic banking are on the rise. In addition, the Bangko Sentral ng Pilipinas (BSP) "targets to double number of Filipinos with bank accounts" to ramp up its "financial inclusion" efforts to double the number of Filipinos with formal bank accounts to 70% by 2023 from 2019's mere 35%.

Clearly, financial services of various forms and scope are at the forefront, to cope up with today's age marked by instantaneous access and convenient purchasing of various goods and services. It is in this regard that the BSP, together with the Financial Sector Forum (FSF) members, namely the Insurance Commission (IC), the Securities and Exchange Commission (SEC) and the Philippine Deposit Insurance Corporation (PDIC), seeks to institutionalize a "Financial Consumer Protection Act" that establishes a "comprehensive financial consumer protection framework covering a complex range of financial products and services, and delivery channels".

The scope of this proposed measure covers all "financial products or services" which are "developed or marketed by a Financial Service Provider which may include, but are not limited to savings, credit, insurance, investments, payments, remittances and other similar products and services", including all financial services "accessed and delivered through digital channels".

To better understand the real impact to be brought about by this proposed measure, the following data in relation to Filipinos' utilization of some pertinent "financial products or services" are noteworthy:

*On E-commerce Spending*

A 2019 research<sup>1</sup> showed that there are 69 million Filipinos who use the internet. Three quarters of said number already shop online. Particularly in the month of September 2019, internet users aged 16 to 64 reported performing the following activities:

- (a) searching online for a product or service to buy – 91%;
- (b) visiting an online retail store or site – 92%; and
- (c) purchasing a product or service online – 75%.

For the month of January 2019, e-commerce spending in the Philippines by category are as follows:

- (a) \$3.542 billion spent for travel and accommodation;
- (b) \$234 million spent for electronics and physical media;
- (c) \$203 million spent for fashion and beauty;
- (d) \$148 million spent for furniture and appliances;
- (e) \$128 million spent for toys, DIYs, and hobbies;
- (f) \$127 million spent for food and personal care;
- (g) \$119 million spent for video games; and
- (h) \$35 million spent for digital music.

### *The Insurance Industry in the Philippines*

In a report by Martha Jean Sanchez in 2019, she noted the following figures for various types of insurance availed of by Filipinos in 2017:

- (a) P32.3 billion spent for gross premiums for fire insurance;
- (b) P6.4 billion spent for gross premiums for marine and aviation insurance;
- (c) P22.3 billion spent for gross premiums for motor car insurance;
- (d) P16.1 billion spent for annual premiums for traditional life insurance; and
- (e) P97.8 billion spent for annual premiums for variable life insurance.

### *Remittances by Overseas Filipino Workers (OFWs)*

Personal remittances from OFWs reached a record high of \$33.5 billion in 2019, 3.9% higher than the \$32.2 billion recorded in 2018.

### *Automated Teller Machines (ATMs) and Electronic Banking*

According to BSP data, as of September 2019, there are a total of 21,440 Automated Teller Machines (ATMs) operated by BSP supervised/regulated banks. In addition, there are 82 BSP supervised/regulated banks that have electronic banking facilities.

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<sup>1</sup>“Digital 2019 Spotlight: Ecommerce In The Philippines” by Simon Kemp and Sarah Moey, 18 September 2019.

Filipino consumers of the above-cited examples of “financial products or services” must be protected as the rapid development of complex financial products, coupled with the use of advanced technologies, consumer fraud, abuse and misconduct have likewise increased. To illustrate, according to data by the BSP, for the first quarter of 2019, credit card complaints and electronic-banking concerns comprise 51% of the 3,392 complaints, inquiries, and requests received by the BSP. In 2018, the BSP received a total of 20,000 complaints, while it received a total of 10,930 complaints in 2017. Unauthorized transactions or withdrawals are the primary issues of credit card complaints and electronic banking, respectively. In addition, we often hear stories of Filipinos putting their life-long savings in investment scams, or suffering from or facing collection cases due to over indebtedness. These are just some of the abuses or misfortunes experienced by Filipino financial consumers.

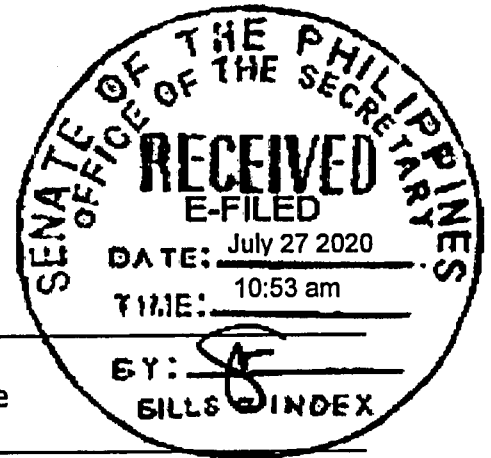
It is in this light that this legislative measure is being sought to be enacted into law – to establish a comprehensive financial consumer protection regime wherein financial inclusion, financial education, good governance and effective supervision all come into play. With this measure, financial regulators such as the BSP, IC and the SEC are sought to be provided with rule-making, surveillance and inspection, market monitoring, enforcement and adjudication powers relative to consumer protection. Holistically, this measure aims to inculcate a “shared responsibility” among the regulators, consumers and other stakeholders to ensure consumer protection.

In view of the foregoing, the immediate enactment into law of this legislative measure is hereby eagerly sought.

  
GRACE POE

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )

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**AN ACT  
ESTABLISHING A FRAMEWORK FOR THE PROTECTION OF FINANCIAL  
CONSUMERS, AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in  
Congress assembled:*

1 Section 1. *Short Title* – This Act shall be known as the “Financial Consumer  
2 Protection Act”.

3 Sec. 2. *Declaration of Policy*. – It is the policy of the State to ensure that  
4 appropriate mechanisms are in place to protect the interest of Financial Consumers  
5 under the conditions of transparency, fair and sound market conduct, and fair,  
6 reasonable and effective handling of Financial Consumer disputes, which are aligned  
7 with global best practices. These mechanisms reinforce confidence in the financial  
8 market and foster the stability of the Philippine financial system. Towards this end,  
9 the State shall implement measures to protect the following rights of financial  
10 consumers:

- 11 a. Right to equitable and fair treatment;
- 12 b. Right to disclosure and transparency of Financial Products and Services;
- 13 c. Right to protection of consumer assets against fraud and misuse;

- 1 d. Right to data privacy and protection;
- 2 e. Right to timely handling and redress of complaints.

3 **Sec. 3. *Definition of Terms.*** – As used in this Act, the following terms shall mean  
4 or be understood as follows:

- 5 a) *Financial Consumer* refers to a person or entity, or their duly-appointed  
6 representative, who is a purchaser, lessee, recipient or prospective  
7 purchaser, lessor or recipient of Financial Products or Services. It shall  
8 also refer to any person, natural or juridical, or micro, small or medium-  
9 sized enterprise that had or has current or prospective financial  
10 transaction with financial entities pertaining to Financial Products or  
11 Services;
- 12 b) *Financial Consumer Complaint* refers to an expression of dissatisfaction  
13 filed by a financial consumer against a financial service provider relative  
14 to a financial product or service in which a response or resolution is  
15 expected;
- 16 c) *Financial Products or Services* refer to financial products or services which  
17 are developed or marketed by a Financial Service Provider which may  
18 include, but are not limited to savings, credit, insurance, investments,  
19 payments, remittances and other similar products and services. This also  
20 includes digital financial services which pertain to the broad range of  
21 financial services accessed and delivered through digital channels;
- 22 d) *Financial Regulators* refer to the implementing government agencies of  
23 this Act, namely, the *Bangko Sentral ng Pilipinas (BSP)*, Securities and

1 Exchange Commission (SEC), Insurance Commission (IC) and the  
2 Cooperative Development Authority (CDA);

3 e) *Financial Service Provider* refers to a person, natural or juridical which  
4 provides financial products or services that are under the jurisdiction of  
5 Financial Regulators as defined in this Act. This term shall include  
6 Investment Advisers as defined under Section 7 of this Act;

7 f) *Investment fraud* refers to any form of deceptive solicitation of  
8 investments from the public. This includes schemes involving the promise  
9 or offer of profits or returns which are sourced from the investments or  
10 contributions made by the investors themselves, boiling room operations,  
11 and the offering or selling of investment schemes to the public without a  
12 license or permit from the SEC, unless such offering or selling involves  
13 exempt securities or exempt transactions as provided for under existing  
14 laws;

15 g) *Marketing* refers to the act of communicating, offering, promoting,  
16 advertising or delivering of Financial Products and Services by Financial  
17 Service Providers;

18 h) *Micro, Small or Medium-sized Enterprise (MSME)* refers to any business  
19 activity or enterprise engaged in industry, agri-business and/or services  
20 whether single proprietorship, cooperative, partnership or corporation as  
21 defined under R.A. No. 9501, as amended or the Magna Carta for Micro,  
22 Small or Medium-sized Enterprise. Such definition shall be subject to  
23 review and adjustment by the Magna Carta for Micro, Small or Medium-  
24 sized Enterprise (MSMED) Council;

- 1 i) *Responsible pricing* refers to the pricing, terms, and conditions of financial  
2 products and/or services that are set in a way that is both affordable to  
3 clients and sustainable for financial institutions by taking into account,  
4 among others, client needs and the pricing schemes of competitors;

5 Sec. 4. *Scope and Coverage.* – This Act applies to all Financial Products and  
6 Services offered or marketed by any Financial Service Provider.

7 Sec. 5. *Financial Regulators.* – The BSP, SEC and IC shall enforce the provisions  
8 of this Act on all Financial Service Providers under their jurisdiction by virtue of their  
9 respective charters, special laws and amendments thereto. The CDA shall be  
10 considered an implementing government agency of this Act only with respect to  
11 cooperatives offering financial services such as but not limited to savings and credit  
12 except insurance cooperatives which shall be under the jurisdiction of the IC for  
13 purposes of this Act.

14 Sec. 6. *Powers of the Financial Regulators.* – Financial Regulators under this Act  
15 shall have the following powers:

16 A. *Rule-making* – Financial Regulators shall have the authority to  
17 formulate their own standard and rules for the application of the  
18 provisions of this Act to the specific Financial Products or Services  
19 within their jurisdiction guided by internationally accepted standards  
20 and practices. Financial Regulators may also determine  
21 reasonableness of interest, charges or fees which a Financial Service  
22 Provider may demand, collect or receive for any service or product  
23 offered to consumers, except interest rates which shall be governed  
24 by the Usury Law. Likewise, they may issue their respective rules of

1 procedure concerning administrative actions arising from the  
2 implementation of this Act.

3 **B. *Surveillance and Examination*** – Financial Regulators may conduct  
4 off-site surveillance and on-site examination on their respective  
5 supervised Financial Service Providers to ascertain that the  
6 provisions of this Act are complied with. The examination for  
7 Financial Consumer protection compliance may be conducted  
8 separately from examination of prudential regulations compliance.  
9 The provisions on the conduct of examination and surveillance  
10 provided in the respective charters of Financial Regulators, and  
11 pertinent special laws shall be made applicable in the examination  
12 and surveillance under this Act.

13 The department heads and the examiners of the Financial Regulators  
14 shall be authorized to administer oaths to any director, officer, or  
15 employee of the supervised Financial Service Providers subject to  
16 their examination, and to compel the presentation of all books,  
17 documents, papers, or records necessary in their judgment to  
18 ascertain the facts relative to the compliance of Financial Service  
19 Providers to this Act.

20 The supervised Financial Service Provider shall afford to its  
21 respective Financial Regulator full opportunity to examine its records,  
22 and review its systems and procedures at any time during business  
23 hours when requested to do so by the Financial Regulator.



1 C. *Market Monitoring* – Financial Regulators shall have the authority to  
2 require their respective supervised Financial Service Providers and  
3 their third party agents/service providers to submit reports or  
4 documents, as needed, and to access relevant data about financial  
5 products, services and markets from other government agencies in  
6 connection with market monitoring.

7 D. *Enforcement* –Financial Regulators shall have the authority to  
8 impose enforcement actions on their respective supervised Financial  
9 Service Providers for non-compliance with this Act. Such  
10 enforcement actions may include, but are not limited to, the  
11 following:

12 1. Restriction on the ability of the supervised Financial Service  
13 Provider to continue to collect fees or charges in cases of  
14 excessive fees or charges imposed by the Financial Service  
15 Provider including all other interests, fees and charges covered  
16 under Republic Act No. 10870, otherwise known as the  
17 “Philippine Credit Card Industry Regulation Law” except interest  
18 rates which shall be governed by the Usury Law;

19 2. Disqualification and/or suspension of directors, officers or  
20 employees of the supervised Financial Service Provider  
21 responsible for violations of the provisions of this Act, its  
22 implementing regulations, or orders of the Financial Service  
23 Providers;

1           3. Imposition of fines, suspension, or penalties for any non-  
2           compliance with or breach of this Act, its implementing  
3           regulations, or orders of the Financial Service Providers;

4           4. Issuance of a cease and desist order to the Financial Service  
5           Provider without the necessity of a prior hearing if in the  
6           Financial Regulator's judgment, the act or practice, unless  
7           restrained, amounts to fraud or a violation the provisions of this  
8           Act and its implementing regulations or may unjustly cause  
9           grave or irreparable injury or prejudice to Financial Consumers.  
10          The Financial Service Provider shall be afforded an opportunity  
11          to defend its act or practice in a summary hearing before the  
12          Financial Regulator or its designated body, upon request made  
13          by the Financial Service Provider within five (5) calendar days  
14          from its receipt of the order. If no such hearing is requested  
15          within said period, the order shall be final. If a hearing is  
16          requested by the Financial Service Provider, the proceedings  
17          shall be conducted summarily without adhering to the technical  
18          rules of evidence, and all issues shall be determined primarily  
19          on the basis of records, after which the Financial Regulator may  
20          either reconsider or execute its order;

21          5. Suspension of operation of any supervised Financial Service  
22          Provider in relation to a particular Financial Product or Service  
23          when in the Financial Regulator's judgment based on findings, the

1 Financial Service Provider is operating in violation of the provisions  
2 of this Act and its implementing rules and regulations.

3 6. In any proceeding in which the financial regulators may impose a  
4 penalty for non-compliance with or breach of this Act and other  
5 existing laws under their jurisdiction, the financial regulators, in  
6 addition to the imposed fine, may enter an order requiring  
7 accounting and disgorgement of profits obtained, or losses  
8 avoided, as a result of a violation of this Act and other existing  
9 laws, including reasonable interest. The financial regulators are  
10 authorized to adopt rules, regulations, and orders concerning the  
11 creation and operation of a disgorgement fund, payments to  
12 financial consumers, rate of interest, period of accrual, and such  
13 other matters as deemed appropriate to implement this  
14 provision.

15 E. *Consumer Redress or Complaints Handling Mechanism* – Financial  
16 Regulators shall provide an efficient and effective consumer redress  
17 or complaints handling mechanism to address conflict/dissatisfaction  
18 from financial consumers arising from financial products or services.  
19 The financial consumer may avail of the mechanism prior to  
20 adjudication.

21 F. *Adjudication* - Financial Regulators shall have the authority to  
22 adjudicate all actions arising from or in connection with financial  
23 transactions that are purely civil in nature and the claim or relief  
24 prayed for by the Financial Consumer is solely for payment or

1 reimbursement of sum of money not exceeding the amount of  
2 P100,000.00 or as may be prescribed by the Financial Regulators.

3 The decision of the Financial Regulators in the adjudication shall be  
4 final and executory, and may not be restrained or set aside by the  
5 court except on petition for certiorari on the ground of lack or excess  
6 of jurisdiction of the Financial Regulators. The petition for certiorari  
7 may only be filed within ten (10) days from receipt by the aggrieved  
8 party of the decision. The adjudicatory power shall be exercised by  
9 the Head of the concerned Financial Regulator or a duly authorized  
10 officer or body; *Provided*, that in the case of BSP, the decision of the  
11 authorized officer or body is not appealable to the Monetary Board.

12 Financial Regulators may order the payment or reimbursement of money  
13 which is subject of the action filed before them. The Financial  
14 Regulators, in the exercise of their adjudicatory powers, shall have the  
15 power to issue *subpoena duces tecum* and summon witnesses to appear  
16 in its proceedings and in appropriate cases, order the examination,  
17 search and seizure of all documents, and books of accounts of any entity  
18 or person under investigation as may be necessary for the proper  
19 disposition of the cases before them. Further, Financial Regulators shall  
20 have the authority to punish for contempt, both direct and indirect, in  
21 accordance with the pertinent provisions of and penalties prescribed by  
22 the Rules of Court.

23 G. *Other Powers* - Financial Regulators may exercise such other powers as  
24 may be provided by their enabling laws or charters as well as those

1 which may be implied from, or which are necessary or incidental to the  
2 carrying out of, the express powers granted the Financial Regulators to  
3 achieve the objectives and purposes of these laws.

4 **Sec. 7. *Investment Adviser.*** – Investment Advisers shall be subject to the rules  
5 and regulation to be issued by the SEC.

6 Investment Adviser shall mean any person who, for compensation, engages in  
7 the business of advising others, either directly or through publications or writings, as  
8 to the value of investment products or as to the advisability of investing in, purchasing,  
9 or selling investment products, or who, for compensation and as part of a regular  
10 business, issues or promulgates analyses or reports concerning investment products;  
11 but does not include the following:

- 12 a) Trust Department/Unit of Banks;
- 13 b) Lawyer, accountant, engineer, or teacher whose performance of such  
14 services is solely incidental to the practice of his profession;
- 15 c) Any investment banker or broker dealer whose performance of such services  
16 is solely incidental to the conduct of his business as such investment banker  
17 or broker dealer and who receives no special compensation therefor;
- 18 d) The publisher of any bona fide newspaper, news magazine or business or  
19 financial publication of general and regular circulation;
- 20 e) Such other persons as the SEC may designate by rules and regulations or  
21 order.

22 **Section 8. Duties and responsibilities of Financial Service Providers –**

23 **A. *Board and Senior Management Oversight***– The Board of Directors (BOD)  
24 and Senior Management of Financial Service Providers shall oversee the

1 implementation of the Compliance Management System (CMS) of Financial  
2 Service Providers that effectively ensures conformity with this Act and shall  
3 provide the means by which Financial Service Providers shall identify, measure,  
4 monitor and control consumer protection risks inherent in its operations.

5 B. *Appropriate product design and delivery* – Financial Service Providers  
6 shall continuously evaluate their Financial Products and Services to ensure that  
7 they are appropriately targeted to the needs, understanding and capacity of  
8 both their markets and their clients. This shall include, among others, the  
9 following:

10 1. *Affordability and suitability assessments* – Financial Service  
11 Providers should have written procedures for determining whether  
12 a particular Financial Consumer product or service is suitable and  
13 affordable for a client. This shall include determination of whether  
14 the amount and terms of the offered financial product or service  
15 allow a client, in terms of the individual ability, to meet the  
16 obligations with a low probability of a serious hardship and  
17 reasonable prospect that the Financial Product or Service will  
18 provide value to its client. For the purpose of extending credit, this  
19 assessment will include measures to prevent over-indebtedness.

20 2. *Cooling-off period* – Financial Service Providers are expected to  
21 adopt a clear cooling-off policy, as may be prescribed by law or by  
22 rules and regulations issued by the relevant Financial Regulator  
23 upon its determination that a cooling-off period is necessary for a  
24 particular product subject of regulation by such Financial

1 Regulator. Such policy should, among others, provide a client with  
2 a cooling-off period that will allow a client to consider the costs and  
3 risks of a Financial Product or Service, free from the pressure of  
4 the sales team of the Financial Service Provider. The length of the  
5 cooling-off period should be individually determined by Financial  
6 Service Providers based on reasonable expectation of the time  
7 required for a client to fully evaluate all the terms and risks of the  
8 Financial Products or Service and contact concerned parties who  
9 may be affected by its terms and conditions, unless a minimum or  
10 fixed period is required by the Financial Regulator for compliance  
11 by the Financial Service Provider or to be incorporated in the terms  
12 of the Financial Product or Service. Short period transaction or  
13 contracts may be allowed to have no cooling-off period which shall  
14 be provided in the regulation by the Financial Regulators.

15 During the cooling-off period, the Financial Consumer may cancel  
16 or return the contract without penalty; however, nothing herein  
17 prevents the Financial Service Providers from recovering the  
18 processing fees incurred. The Financial Service Providers are  
19 prohibited from engaging in practices that unreasonably burden  
20 the Financial Consumer in the exercise of the right of cancellation  
21 during the cooling-off period. If the financial product is a contract  
22 of insurance, the right of return cannot be exercised after the  
23 Financial Consumer has made a claim under the contract of  
24 insurance.

1           3. *Prepayment of loans and other credit accommodations* – A  
2           borrower may, at any time prior to the agreed maturity date, prepay  
3           in whole or in part: Provided that any cost or fees charged to the  
4           borrower for such pre-payment shall be disclosed as required under  
5           the succeeding provision of this Section on transparency, disclosure  
6           and responsible pricing.

7           C. *Transparency, disclosure and responsible pricing* - Financial Service  
8           Providers must ensure that they adopt disclosure principles in their  
9           communications with Financial Consumers that will include the use of  
10          clear and concise language understood by the target clients. This must  
11          also include updated and accurate disclosure of information such as,  
12          pricing or any cost associated with the product or service that should  
13          be made in a consistent manner to facilitate comparison between similar  
14          Financial Products and Services across the industry.

15          Sufficient product disclosure must be provided before the contracting of  
16          the product or service to give the client enough basis and time for  
17          review. Any change in the terms of conditions of a product or service  
18          shall be provided to the client.

19          In their advertising materials, Financial Service Providers shall disclose  
20          the contact information of their consumer assistance unit providing  
21          consumer assistance and handling Financial Consumer Complaints.  
22          Financial Service Providers shall also disclose that they are regulated  
23          and the advertising materials must identify the relevant Financial  
24          Regulator.



1 Financial Service Providers are legally responsible for all statements  
2 made in the marketing and sales materials that they produce related to  
3 their products. Disclosure of information on Financial Products or  
4 Services shall be made available to the public by the Financial Service  
5 Provider through printed materials, mass media, websites or digital  
6 platforms.

7 D. *Responsible pricing* – in addition to the requirements of R.A. No. 3765  
8 or The Truth In Lending Act, Financial Service Providers are required to  
9 document the reasons for setting the price of each financial product or  
10 service. Where the pricing procedures of a Financial Service Provider  
11 are inadequate or unreasonably high, the concerned Financial Regulator  
12 shall impose appropriate corrective actions.

13 E. *Fair and respectful treatment of clients* – Financial Service Providers shall  
14 have the right to select their clients, *Provided*, that the selection and  
15 treatment of their clients shall not involve discrimination on the basis of  
16 a person's race, ethnicity, origin, gender, disability, sexual orientation,  
17 religious affiliation or political affiliation, *Provided further*, that Financial  
18 Service Providers are not precluded from instituting the necessary risk  
19 mitigating measures.

20 F. *Privacy and protection of client data* – Each Financial Service Provider  
21 must respect the privacy and protect the data of their clients. Consistent  
22 with the provisions of the Data Privacy Act, the Financial Regulators shall  
23 issue regulations governing the disclosure of client data to a third party.

1 Clients have the right to review their client data to ensure that inaccurate  
2 or deficient data is corrected or amended.

3 G. *Financial consumer protection assistance mechanism* – Each Financial  
4 Service Provider must establish a single consumer assistance unit to  
5 render free assistance to Financial Consumers on financial transactions  
6 concerns. This shall include handling of complaints, inquiries and  
7 requests.

8 Financial Consumers who are unsatisfied with the Financial Service  
9 Provider's handling of their complaints, inquiries and requests, may  
10 elevate their concerns to the Financial Regulator that supervises the  
11 Financial Service Provider concerned.

12 Sec. 9. *Bundling of Products.* – When a borrower is obliged by the Financial  
13 Service Provider to purchase any product, including an insurance policy, as a pre-  
14 condition for receiving a loan from the Financial Service Provider, the borrower should  
15 be free to choose the provider of the product and this information should be known  
16 to the borrower.

17 Sec. 10. *Training.* – Staff of Financial Service Providers who deal directly with  
18 Financial Consumers must receive adequate training, suitable for the complexity of  
19 the products or services they sell. Financial Service Providers must be qualified as  
20 appropriate for the complexity of the financial product or service they offer.

21 Sec. 11. *No waiver of rights.* – No provision of a contract for a Financial Product  
22 or Service shall be lawful or enforceable if such provision waives or otherwise deprives  
23 a client of a legal right to sue the Financial Service Provider, receive information, have

1 their complaints addressed and resolved, have their non-public client data protected  
2 or cancel the use of the Financial Product or Service without an unreasonable penalty.

3 **Sec. 12. *Non-exemption from compliance.*** – Notwithstanding any prior stipulation  
4 in a contract, financial entities shall not be exempted from compliance with the  
5 provisions of this Act, or deprive Financial Consumers of their rights under this Act.

6 **Sec. 13. *Liability of a Financial Service Provider on the acts or omissions of its***  
7 ***authorized representatives.*** – The Financial Service Provider shall be responsible for  
8 the acts or omissions of its directors, officers, employees or agents, in marketing and  
9 transacting with Financial Consumers of its Financial Products and Services.

10 **Sec. 14. *Prescription.*** – All actions or claims accruing under the provisions of this  
11 Act and the rules and regulations issued pursuant thereto shall prescribe within five  
12 (5) years from the time the Financial Consumer transaction was consummated, or  
13 within five (5) years from the discovery of deceit or non-disclosure of material facts.  
14 For insurance contracts, the prescriptive period for the commencement of action  
15 provided under the Insurance Code shall apply.

16 **Sec. 15. *Penalties.*** – Whenever a Financial Service Provider willfully violates any  
17 provision of this Act or any related rules, regulations, orders or instructions, issued by  
18 the Financial Regulators, the person or persons responsible for such violation shall be  
19 punished by imprisonment of not less than one (1) year but not more than five (5)  
20 years, or by a fine of not less than Fifty thousand (P50,000.00) pesos but not more  
21 than Two Million Pesos (P2,000,000.00), or both, at the discretion of the court. In  
22 addition, in case profit is gained or loss is avoided as a result of the violation, a fine  
23 of no more than three (3) times the profit gained or loss avoided may also be imposed.

1        *Sec. 16. Administrative Sanctions.* – The provisions on administrative sanctions  
2 of the respective charters of the Financial Regulators shall be made applicable to any  
3 Financial Service Provider, its directors, officers, employees or agents without  
4 prejudice to the enforcement actions provided under Section 6 (D) of this Act and the  
5 criminal sanctions provided under Section 15 of this Act, for any willful violation of this  
6 Act or any related rules, regulations, orders or instructions of the Financial Regulators,  
7 *Provided,* That in addition to the administrative sanctions that may be imposed, the  
8 authority of the Financial Service Provider to operate in relation to a particular Financial  
9 Products or Services may be suspended or cancelled by the Financial Regulator.

10        *Sec. 17. Repealing clause.* – All laws, executive orders, rules and regulations or  
11 parts thereof which are inconsistent with this Act are hereby repealed or amended  
12 accordingly. Articles 131 to 147 of Title IV of Republic Act No. 7394 are hereby  
13 repealed.

14        *Sec. 18. Transitory provision.* – The Financial Regulators shall prepare the  
15 necessary rules and regulations to implement the provisions of this Act within one (1)  
16 year from its effectivity.

17        *Sec. 19. Separability Clause.* – If any provision of this Act shall be held  
18 unconstitutional or invalid, the other provisions not otherwise affected shall remain in  
19 full force and effect.

20        *Sec. 20. Effectivity clause.* – This Act shall take effect fifteen (15) days after its  
21 publication in the Official Gazette or in at least two (2) national newspapers of general  
22 circulation.

*Approved,*