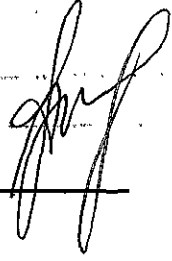


FOURTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

JUN 30 1911

SENATE
S. B. No. 62

RECEIVED BY:



Introduced by SENATOR EDGARDO J. ANGARA

EXPLANATORY NOTE

Credit information is very important in the assessment of the creditworthiness of a prospective borrower. A financial institution, upon receipt of credit application, gathers such information by conducting a credit investigation which usually covers the applicant's background and history, financial condition, dealings with government agencies, court cases, and such other data relevant to his ability and propensity to pay the obligation being applied for.

The vast information necessary to create a meaningful assessment of the creditworthiness of the applicant is costly and time-consuming. Moreover, due to the lack of a centralized database, the information accumulated is usually incomplete and as a result, the financial institution is exposed to a higher risk.

The long, tedious and costly process of credit investigation poses a big problem to both the financial institutions and the prospective borrowers. The financial institutions, due to the incompleteness of the credit information, may err in its assessment of the creditworthiness of the applicants, thereby exposing them to high credit risk. On the other hand, the prospective borrowers are burdened with high interest rates, more collateral requirements and longer waiting time for the approval of their loan applications.

To remedy the situation, it is hereby proposed that a credit information bureau system be established. A credit investigation bureau, which will be incorporated, with the BSP as the majority shareholder, will have the power to collect and disseminate credit-related information. It will directly address the problem of the lack of centralized information concerning the credit history and track record of borrowers, both individual and corporate. The operations and services of a credit information bureau system can be expected to greatly improve the overall availability of credit especially to small borrowers, lower the cost of credit to responsible borrowers, and reduce



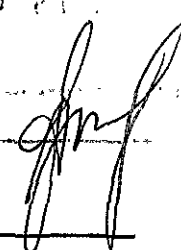
excessive dependence on collateral to secure credit facilities. An efficiently operating credit information bureau system will also enable financial institutions to lower their overall credit risk, contributing to a healthier and more stable financial system.

With the aforementioned premises, approval of this bill is earnestly sought.


EDGARDO J. ANGARA
Senator

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SENATE
S. B. No. 62

RECEIVED BY: 

Introduced by SENATOR EDGARDO J. ANGARA

AN ACT ESTABLISHING A CREDIT INFORMATION SYSTEM,
AND FOR OTHER PURPOSES

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

1 SECTION 1. *Title.* - This Act shall be known as the "Credit
2 Information System Act."

3
4 SECTION 2. *Declaration of Policy.* - The State recognizes the
5 need to establish a comprehensive and centralized credit information system
6 for the collection and dissemination of fair and accurate information relevant
7 to, or arising from, credit and credit-related activities of all entities
8 participating in the financial system. A credit information system will
9 directly address the need for reliable credit information concerning the credit
10 standing and track record of borrowers.

11 The operations and services of a credit information system can be
12 expected to: greatly improve the overall availability of credit especially to
13 micro, small and medium-scale enterprises; provide mechanisms to make
14 credit more cost-effective; and reduce the excessive dependence on collateral
15 to secure credit facilities.

16 The State shall endeavor to have credit information provided at the
17 least cost to all participants and shall ensure the protection of consumer
18 rights and the existence of fair competition in the industry at all times.

1 An efficient credit information system will also enable financial
2 institutions to reduce their over-all credit risk, contributing to a healthier
3 and more stable financial system.

4
5 **SECTION 3. *Definition of Terms.*** – For purposes of this Act

6 (a) **“Accessing Entity”** refers to any submitting entity or any other
7 entity authorized by the Corporation to access basic credit data
8 from the Corporation.

9 (b) **“Basic Credit Data”** refers to positive and negative credit
10 information provided by a borrower to a submitting entity in
11 connection with the application for and availment of a credit
12 facility. Any information on the borrower’s creditworthiness in the
13 possession of the submitting entity and other factual and objective
14 information related or relevant thereto in the submitting entity’s
15 data files or that of other sources of information: *Provided*, That in
16 the absence of a written waiver duly accomplished by the borrower,
17 basic credit data shall exclude confidential information on bank
18 deposits and/or clients funds under Republic Act No. 1405 (Law on
19 Secrecy of Bank Deposits), Republic Act No. 6426 (The Foreign
20 Currency Deposit Act), Republic Act No. 8791 (The General
21 Banking Law of 2000) and their amendatory laws.

22 (c) **“Borrower”** – refers to a natural or juridical person, including any
23 local government unit (LGU), its subsidiaries and affiliates, that
24 applies for and/or avails of a Credit Facility.

25 (d) **“BSP”** shall refer to the Bangko Sentral ng Pilipinas, created under
26 Republic Act No. 7653 and approved on June 14, 1993.

- 1 (e) ***“Corporation”*** refers to the Credit Information Corporation
2 established under Section 5 of this Act.
- 3 (f) ***“Credit Facility”*** refers to any loan, credit line, guarantee or any
4 other form of financial accommodation from a submitting entity:
5 *Provided, That, for purposes of this Act, deposits in banks shall not*
6 *be considered a credit facility extended by the depositor in favor of*
7 *the bank.*
- 8 (g) ***“Credit Rating”*** refers to an opinion regarding the
9 creditworthiness of a borrower or of an issuer of debt security, using
10 an established and defined ranking system.
- 11 (h) ***“Credit Report”*** refers to a summary of consolidated and
12 evaluated information on creditworthiness, credit standing, credit
13 capacity, character and general reputation of a borrower.
- 14 (i) ***“Government Lending Institutions”*** refers to government
15 financial institutions (GFIs), government -owned-and-controlled
16 corporations (GOCCs) engaged in lending activities and, such other
17 institutions that the Monetary Board may deem appropriate,
18 excluding however the Philippine Deposit Insurance Corporation
19 (PDIC) and the BSP.
- 20 (j) ***“Monetary Board”*** refers to the Monetary Board of the BSP.
- 21 (k) ***“Negative Credit Information”*** refers to information/data
22 concerning the poor credit performance of borrowers, such as but
23 not limited to defaults on loans, adverse court judgments relating to
24 debts and reports on bankruptcy.
- 25 (l) ***“Non-Accessing Entity”*** refers to an entity other than a
26 Submitting Entity, Special Accessing Entity or Borrower that is

1 authorized to access credit information from a Special Accessing
2 Entity.

3 (m) **“Outsource Entity”** refers to any accredited third-party provider
4 to whom the Corporation may outsource the processing and
5 consolidation of basic credit data pertaining to a borrower or issuer
6 of debt or convertible securities under such qualifications, criteria
7 and strict confidentiality guidelines that the Corporation shall
8 prescribe and duly publish.

9 (n) **“Positive Credit Information”** refers to information/data
10 concerning the credit performance of a borrower, such as but not
11 limited to information on repayments.

12 (o) **“Special Accessing Entity”** refers to a duly accredited private
13 corporation engaged primarily in the business of providing credit
14 reports, ratings and other similar credit information products and
15 services.

16 (p) **“Submitting Entity”** refers to an entity which provides credit
17 facilities such as, but not limited to, banks, quasi-banks, trust
18 entities, investment houses, financing companies, cooperatives,
19 non-governmental, micro-financing organizations, credit card
20 companies, insurance companies and Government lending
21 institutions.

22
23 **SECTION 4. *Establishment of the Credit Information System* –**

24 In furtherance of the policy set forth in Section 2 of this Act, a credit
25 information system is hereby established.

26 (a) Banks, quasi-banks, their subsidiaries and affiliates, credit card
27 companies and other entities that provide credit facilities, are

1 required to submit basic credit data and updates thereon on a
2 regular basis to the Corporation.

3 (b) The Corporation may include other credit providers to be subject to
4 compulsory participation: *Provided*, That all other entities qualified
5 to be submitting entities may participate subject to their acceptance
6 by the Corporation: *Provided, further*, That, in all cases,
7 participation under the system shall be in accordance with such
8 standards and rules that the Monetary Board may prescribe.

9 (c) Participating submitting entities are required to regularly submit to
10 the Corporation any negative and positive credit information that
11 tends to update and/or correct the credit status of borrowers. The
12 Corporation shall fix the time interval for such submission;
13 provided that such interval shall not be less than fifteen (15)
14 working days but not more than thirty (30) working days.

15 (d) The Corporation should regularly collect basic credit data of
16 borrowers at least on a quarterly basis to correct/update the basic
17 credit data of said borrowers.

18 (e) The Corporation may also access credit and other relevant
19 information from government offices, judicial and administrative
20 tribunals, prosecutorial agencies and other related offices, as well
21 as pension plans administered by the government.

22 (f) Each submitting entity shall notify its borrowers of the former's
23 obligation to submit basic credit data to the Corporation and the
24 disclosure thereof by the Corporation, subject to the provisions of
25 this Act and the implementing rules and regulations.

1 (g) The Corporation is in turn authorized to release consolidated basic
2 credit data on the borrower, subject to the provisions of Section 6 of
3 this Act.

4 (h) The negative information on a borrower as contained in the credit
5 history files of borrowers should stay in the database of the
6 Corporation for not more than five years from and after the date
7 when the negative credit information was rectified through
8 payment or liquidation of the debt, or through settlement of debts
9 through compromise agreements or court decisions that exculpate
10 the borrower from liability.

11 (i) Special Accessing Entities must be accredited by the Corporation in
12 accordance with such standards and rules as the Monetary Board
13 may prescribe

14 (j) Special accessing entities shall be entitled access to the
15 Corporation's pool of consolidated credit information, subject to the
16 provisions of Sections 6 and 7 of this Act and related implementing
17 rules and regulations.

18 (k) Special Accessing Entities are prohibited from releasing basic
19 credit data received from the Corporation or credit reports and
20 credit ratings derived from the basic credit data received from the
21 Corporation, to non-accessing entities unless written consent or
22 authorization has been obtained from the Borrower: *Provided*,
23 however, That in case the borrower is a local government unit
24 (LGU) or its subsidiary or affiliate, the special accessing entity may
25 release credit information on the LGU, its subsidiary or affiliate
26 upon request of the payment of reasonable fees by a constituent of
27 the concerned LGU.

1 (l) Outsource entities, which may process and consolidate basic credit
2 data, are absolutely prohibited from releasing such data received
3 from the Corporation other than to the Corporation.

4 (m) Accessing Entities shall hold strictly confidential any credit
5 information they receive from the Corporation.

6 (n) The borrower has the right to know the causes of refusal of the
7 application for credit facilities from a financial institution that uses
8 basic credit data as basis or ground for such refusal.

9 (o) The borrower, for a reasonable fee, shall have, as a matter of right,
10 ready and immediate access to the credit information pertinent to
11 the borrower. In case of erroneous, incomplete or misleading credit
12 information, the subject borrower shall have the right to dispute
13 the erroneous, incomplete, outdated or misleading credit
14 information before the Corporation. The Corporation shall
15 investigate and verify the disputed information within five working
16 days from receipt of the complaint. If its accuracy cannot be
17 verified and cannot be proven, the disputed information shall be
18 deleted. The borrower and the accessing entities and special
19 accessing entities who have received such information shall be
20 informed of the corresponding correction or removal within five
21 working days. The Corporation should use a simplified dispute
22 resolution process to fast track the settlement/resolution of
23 disputed credit information. Denial of these borrowers' rights,
24 without justifiable reason, shall entitle the borrower to indemnity.

25
26 **SECTION 5. *Establishment of the Central Credit Information***
27 ***Corporation. -***

1 (a) The Corporation shall be established as a stock corporation under
2 Batas Pambansa Bldg. 68 (The Corporation Code). The primary
3 purpose of the Corporation shall be to receive and consolidate basic
4 credit data, to act as a central registry or central repository of credit
5 information, and to provide access to reliable, standardized
6 information on credit history and financial condition of the
7 borrowers.

8 (b) The ownership of the BSP in the Corporation shall not exceed forty
9 percent (40%) and its equity investment therein is hereby
10 authorized notwithstanding the prohibition under Republic Act No.
11 7653. Industry associations of banks, quasi-banks, other credit-
12 related associations, associations of consumers and other entities as
13 the Monetary Board may allow, may also subscribe and own shares
14 in the Corporation, subject to a ten percent (10%) individual ceiling
15 or such other ceiling as the Monetary Board may prescribe;
16 provided that all the aforementioned qualified stockholders shall be
17 offered equal equity participation in the Corporation.

18 (c) The BSP may purchase capital notes that may be issued by the
19 Corporation as a supplement to capital notwithstanding the
20 prohibition under Republic Act No. 7653, provided that the BSP
21 owns at least 34% of the Corporation.

22 (d) The Monetary Board shall prescribe additional requirements for the
23 establishment of the Corporation, such as industry representation,
24 capital structure, number of independent directors, and the process
25 for nominating directors, and such other requirements to ensure
26 consumer protection and free, fair and healthy competition in the
27 industry.

1
2 (e) The BSP Governor shall be the chairman of the board. Whenever
3 the Governor is unable to attend a meeting of the board, he shall
4 designate a member of the Monetary Board to act as his alternate.

5 (f) The directors and principal officers of the Corporation, except for
6 the BSP Governor or his designated representative, shall be
7 qualified by the BSP under its "fit and proper" rule for bank
8 directors and officers.

9 (g) Operations. The Corporation shall acquire and upgrade technology,
10 equipment and facilities in its operations to ensure its continuing
11 competence and capability to provide updated negative and positive
12 credit information; to enable the Corporation to relay credit
13 information electronically as well as in writing to those authorized
14 to have access to the credit information system; and to insure
15 accuracy of collected, stored and disseminated credit information.
16 The Corporation shall implement a borrower's identification system
17 for the purpose of consolidating credit information

18
19 **SECTION 6. Confidentiality of Credit Information.** – The
20 Corporation, the accessing entities, the special accessing entities and duly
21 authorized non-accessing entities shall hold the credit information under
22 strict confidentiality and shall use the same only for the declared purpose.
23 Outsource entities, which may process and consolidate basic credit data, are
24 absolutely prohibited from releasing such data received from the Corporation
25 other than to the Corporation.

26 The accreditation of an accessing entity, a special accessing entity
27 and/or an outsource entity which violates the confidentiality of, or which
28 misuse, the credit information accessed from the Corporation, may be

1 suspended or revoked. Any entity which violates this section may be barred
2 access to the credit information system and penalized pursuant to Section 12
3 of this Act.

4 The Corporation shall be authorized to release and disclose
5 consolidated Basic Credit Data only to the BSP, the Accessing Entities, the
6 Special Accessing Entities, the Outsource Entities and Borrowers. Basic
7 Credit Data released to Accessing Entities shall be limited to those
8 pertaining to existing Borrowers or Borrowers with pending credit
9 applications. Credit information shall not be released to entities other than
10 those enumerated under this Section except upon order of the court.

11
12 **SECTION 7. *Educational Campaign.*** -- A continuing
13 nationwide educational campaign shall be developed and undertaken by the
14 Corporation to promote the benefits of a credit information system to the
15 economy; to create awareness on the rights of consumers/borrowers to access
16 their credit reports collected, stored and disseminated by the Corporation; to
17 disseminate the rights of the borrowers to dispute any incorrect/inaccurate
18 credit information in the database file of the Corporation; to familiarize
19 consumers of the procedure in collecting, storing and disseminating credit
20 information of borrowers by the Corporation; and to brief consumers of other
21 related information.

22
23 **SECTION 8. *Rules and Regulations.*** -- For purposes of creating a
24 healthy balance between the need for reliable credit information and
25 safeguarding consumer protection, ensuring free and healthy competition in
26 the industry, the Monetary Board, in coordination with existing industry
27 stakeholders, shall issue the implementing rules and regulations (IRRs),

1 which shall be submitted to the congressional oversight committee which
2 shall review, revise and approve the same:

- 3 (a) Restrictions on the use and transfer of credit information;
- 4 (b) Rights of the borrowers to access their respective credit
5 information and to dispute the factual accuracy of such credit
6 information;
- 7 (c) Requirements and standards for the establishment of the
8 Corporation including, but not limited to, ownership, industry
9 representation, independent directors and process of nomination of
10 directors;
- 11 (d) Accreditation standards for submitting and special accessing
12 entities;
- 13 (e) Sanctions to be imposed by the Corporation on:
- 14 (i) The submitting entities for non-submission of reports and for
15 delayed and/or erroneous reporting;
- 16 (ii) Accessing entities, special accessing entities, outsource
17 entities and duly authorized non-accessing entities, for breaches
18 of the confidentiality of, misuse of, the credit information
19 obtained from the credit information system; and
- 20 (iii) Violations of other applicable rules and regulations:
21 *Provided*, That these sanctions shall be in the form of applicable
22 administrative penalties under Section 37 of Republic Act No.
23 7653; and
- 24 (f) Suspension or cancellation of the rights of any Accessing entity or
25 Special Accessing Entity to access Credit Information from the
26 Corporation *Provided*, That the Monetary Board may issue

1 subsequent regulations consistent with the IRR as approved by the
2 Congressional Oversight Committee.

3 In addition, the Monetary Board may regulate access to the credit
4 information system as well as the fees that shall be collected by the
5 Corporation from the Accessing and Special Accessing Entities, taking into
6 consideration the policy of lowering the cost of credit, promoting fair
7 competition, and the need of the Corporation to employ state-of-the-art
8 technology.

9
10 **SECTION 9. Congressional Oversight Committee.** – There is
11 hereby created a congressional oversight committee, composed of five
12 Members from the Senate and five Members from the House of
13 Representatives. The Members from the Senate shall be appointed by the
14 Senate President with at least two Senators representing the minority. The
15 Members from the House of Representatives shall be appointed by the
16 Speaker with at least two Members representing the minority.

17 After the Oversight Committee will have approved the implementing
18 rules and regulations, it shall thereafter become *functus officio*, and therefore
19 cease to exist; provided that the Congress may revive the Congressional
20 Oversight Committee in case of a need for any major revision/s in the
21 implementing rules and regulations.

22
23 **SECTION 10. Indemnity in Favor of the Corporation, its**
24 **Officers and Employees.** – Unless the Corporation or any of its officers and
25 employees is found liable for any willful violation of this Act, bad faith, malice
26 and/or gross negligence, the Submitting Entities, Accessing Entities, Special
27 Accessing Entities, Outsource Entities and duly authorized non-accessing

1 entities shall hold the Corporation, its officers and employees harmless to the
2 fullest extent permitted by law and shall indemnify them for any and all
3 liabilities, losses, claims, demands, damages, deficiencies, costs and expenses
4 of whatsoever kind and nature that may arise in connection with:

5 (i) the performance of their functions, or

6 (ii) any and all breaches of their covenants, obligations, duties and
7 responsibilities, representation or warranties under this Act, or in
8 connection with Credit Information which was obtained and/or
9 disseminated under the Credit Information System

10
11 **SECTION 11. *Exemption from Liability.*** - A Submitting Entity, an
12 Accessing Entity, a Special Accessing Entity, an Outsource Entity, the
13 Corporation and their respective officers and employees shall not be
14 criminally liable nor civilly liable for acts done by them under Section 4 of
15 this Act, unless there is a clear showing of bad faith, malice or gross
16 negligence as determined by the court. Neither shall they be administratively
17 liable for the same acts, unless there is a clear showing of bad faith, malice or
18 gross negligence as determined by the Monetary Board.

19
20 **SECTION 12. *Penalties.*** - Any person who violates any of the
21 provisions of this Act or the rules and regulations promulgated by the
22 Monetary Board under authority thereof shall, upon conviction, suffer a fine
23 of not less than Fifty thousand pesos (P50,000.00) nor more than One million
24 pesos (P1,000,000.00) or imprisonment of not less than one year nor more
25 than five years, or both, at the discretion of the court.

1 **SECTION 13. *Inviolable Nature of the Secrecy of Bank***
2 ***Deposits and/or Client Funds.*** – Pursuant to Republic Act No. 1405 (Law
3 on Secrecy of Bank Deposits), Republic Act No. 6426 (The Foreign Currency
4 Deposit Act), Republic Act No. 8791 (The General Banking Law of 2000),
5 Republic Act No. 9160 (Anti-Money Laundering Law) and their amendatory
6 laws, nothing in this Act shall impair the secrecy of bank deposits and/or
7 client funds

8

9 **SECTION. 14. *Annual Report.*** – The Monetary Board, shall
10 submit an annual report to Congress on the status of the implementation of
11 this Act.

12

13 **SECTION 15. *Separability Clause.*** – Should any provision of this
14 Act or the application thereof to any person or circumstance be held invalid,
15 the other provisions or sections of this Act shall not be affected thereby.

16

17 **SECTION 16. *Repealing Clause.*** – This Act repeals
18 Presidential Decree No. 1941 in its entirety. All laws, decrees, executive
19 orders, rules and regulations or parts thereof which are inconsistent with this
20 Act are hereby repealed, amended or modified accordingly.

21

22 **SECTION. 17. *Effectivity Clause.*** – This Act shall take effect
23 fifteen (15) days following its publication in the *Official Gazette* or in two
24 national newspapers of general circulation.

25

26 *Approved,*