



HOUSE OF REPRESENTATIVES

H. No. 5948

BY REPRESENTATIVES ANGARA, CRISOLOGO, DE VENECIA, LOPEZ (J.), VILLAFUERTE, ZIALCITA, VILLANUEVA, UY (R.), AMIN, CODILLA, JAVIER, ALFELOR, LACSON, APOSTOL, VILLAROSA, DIAZ, REAL, ABAYON, SUAREZ, PANCHO, MADAMBA, SEÑERES, CUA (G.), PETILLA, LAPUS, CARMONA, DUAVIT, SEACHON-LANETE, DIMAPORO, UMALI (A.M.), ROMAN, DY (C.), AQUINO (B.), VICENCIO, MERCADO, ARROYO, PUENTEVELLA, ABANTE, DATUMANONG, LOCSIN, BACULIO, PONCE ENRILE, NOEL, ASISTIO, SANTIAGO, MARCOS, AGBAYANI, ESPINOSA (E.R.), SALAPUDDIN, NOGRALES, ESCUDERO, DEFENSOR (A.), DE GUZMAN, FUENTEBELLA, CASTRO, GULLAS, LAGMAN, CERILLES, GARCIA (A.), GOZOS, BUESER, CAYETANO, SUPICO, PLAZA, ANTONINO-CUSTODIO, MALAPITAN, SERAPIO, AQUINO (A.), CHIPECO, BARBERS AND GOLEZ, PER COMMITTEE REPORT NO. 2070

AN ACT ESTABLISHING A CREDIT INFORMATION SYSTEM AND FOR OTHER PURPOSES

Be it enacted by the Senate and 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 SEC. 2. *Declaration of Policy.* – The State recognizes the need to
4 establish a comprehensive and centralized credit information system for the

1 collection and dissemination of fair and accurate information relevant to, or
2 arising from, credit and credit-related activities of all entities participating in
3 the financial system. A credit information system will directly address the
4 need for reliable credit information concerning the credit standing and track
5 record of borrowers; greatly improve the overall availability of credit
6 especially to micro, small and medium-scale enterprises; provide mechanisms
7 to make credit more cost-effective; and reduce the excessive dependence on
8 collateral to source credit facilities.

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

12 SEC. 3. *Definition of Terms.* – For purposes of this Act:

13 (a) “Borrower” refers to a natural or juridical person that applies for
14 and/or avails of a credit facility.

15 (b) “Credit facility” refers to any loan, credit line, guarantee or any
16 other form of financial accommodation from a submitting entity: *Provided,*
17 That, for purposes of this Act, deposits in banks shall not be considered a
18 credit facility extended by the depositor in favor of the bank.

19 (c) “Submitting entity” refers to any entity that provides credit facilities
20 such as, but not limited to, banks, quasi-banks, trust entities, investment
21 houses, *financing companies, cooperatives, nongovernmental micro-financing*

1 organizations, credit card companies, insurance companies and government
2 lending institutions.

3 (d) "Corporation" refers to the Credit Information Corporation
4 established under Section 5 of this Act.

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

17 (f) "BSP" shall refer to the Bangko Sentral ng Pilipinas, created under
18 Republic Act No. 7653 and approved on June 14, 1993.

19 (g) "Credit rating" refers to an opinion regarding the creditworthiness of
20 a borrower or of an issuer of debt security, using an established and defined
21 ranking system.

1 (h) "Credit report" refers to a summary of consolidated and evaluated
2 information on creditworthiness, credit standing, credit capacity, character and
3 general reputation of a borrower.

4 (i) "Accessing entity" refers to any submitting entity or any other entity
5 authorized by the Corporation to access basic credit data from the Corporation.

6 (j) "Negative credit information" refers to information/data concerning
7 the poor credit performance of borrowers like defaults on loans, adverse court
8 judgments relating to debts and reports on bankruptcy.

9 (k) "Nonaccessing entity" refers to an entity other than a submitting
10 entity, special accessing entity or borrower that is authorized to access credit
11 information from a special accessing entity.

12 (l) "Positive credit information" refers to information/data concerning
13 the good credit performance of a borrower like information on repayments.

14 (m) "Outsource entity" refers to any accredited third-party provider to
15 whom the Corporation may outsource the processing and consolidation of
16 basic credit data pertaining to a borrower or issuer of debt or convertible
17 securities under such qualifications, criteria and strict confidentiality guidelines
18 that the Corporation shall prescribe and duly publish.

19 (n) "Special accessing entity" refers to a duly accredited private
20 corporation engaged primarily in the business of providing credit reports,
21 ratings and other similar credit information products and services.

1 SEC. 4. *Establishment of the Credit Information System.* – In
2 furtherance of the policy set forth in Section 2 of this Act, a credit information
3 system is hereby established.

4 (a) Banks, quasi-banks, their subsidiaries and affiliates, including
5 insurance companies and credit card companies that provide credit facilities,
6 are required to submit basic credit data and updates thereon on a regular basis
7 to the Corporation.

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

14 (c) The Corporation may also access credit and other relevant
15 information from government offices, judicial and administrative tribunals,
16 prosecutorial agencies and other related offices, as well as pension plans
17 administered by the government.

18 (d) Participating submitting entities are required to submit to the
19 Corporation any negative and positive credit information that tends to update
20 and/or correct the credit status of borrowers within a period of fifteen (15)
21 working days from receipt thereof.

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

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

7 (g) Outsource entities, which may process and consolidate basic credit
8 data, are absolutely prohibited from releasing such data received from the
9 Corporation other than to the Corporation.

10 (h) Special accessing entities must be accredited by the Corporation in
11 accordance with such standards and rules as the Monetary Board may
12 prescribe.

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

16 (j) Special accessing entities are prohibited from releasing the pool of
17 consolidated basic credit data originally received from the Corporation:
18 *Provided*, That special accessing entities are entitled to release credit reports
19 and credit ratings derived from basic credit data to nonaccessing entities,
20 subject to such rules and regulations that the Corporation may prescribe.

1. (k) The borrower has the right to know the causes of refusal of the
2 application for credit facilities or services from a financial institution that uses
3 credit information from a submitting entity as a basis or ground for such
4 refusal.

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

19 (m) The Corporation should regularly collect credit information of
20 existing borrowers and/or borrowers with pending applications for loans on a
21 quarterly basis to correct/update the credit information of said borrowers.

1. Likewise, submitting entities should update credit reports/information on
2 borrowers periodically on a quarterly basis.

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

9 *SEC. 5. Establishment of the Credit Information Corporation. – (a)*

10 Authority for the Bangko Sentral ng Pilipinas (BSP) to Establish a
11 Corporation. The BSP is hereby authorized to incorporate a wholly-owned
12 stock corporation under the provisions of Batas Pambansa Blg. 68 (the
13 Corporation Code), the provision of any law to the contrary notwithstanding.
14 The capital stock of the Corporation shall be divided into common and
15 preferred shares. The primary purpose of the Corporation shall be to receive
16 and consolidate basic credit data, to act as a central registry or central
17 repository of credit information on credit history and current financial
18 condition of borrowers.

19 Notwithstanding the equity ownership of the BSP in the Corporation,
20 the Corporation shall be exempt from all laws, rules and regulations on
21 compensation and position classification requirements.

1 The BSP shall continue to hold all of the common shares for a period
2 not exceeding three years from the date of commencement of operations of the
3 Corporation. After the said period, the BSP shall dispose at least fifty-one
4 percent (51%) of its stockholdings in the Corporation to qualified investors
5 which shall be limited to industry associations of banks, quasi-banks and other
6 credit-related associations, including associations of consumers. The BSP
7 shall offer equal equity participation in the Corporation to all qualified
8 investors.

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

17 (c) Composition, Qualifications, Disqualifications, Compensation and
18 Tenure of the Board of Directors. The powers and functions of the
19 Corporation shall be exercised by the board of directors consisting of seven
20 *members composed of the following: the Governor of the BSP and six*

1 members of the private sector to be appointed by the President. The six
2 members representing the private sector shall serve full time.

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

6 The members of the board of directors must be Filipino citizens and at
7 least thirty-five (35) years of age. In addition, they shall be persons of good
8 moral character, of unquestionable integrity, of known probity and have
9 attained competence in the fields of law, finance, economics or computer
10 science.

11 In addition to the disqualifications imposed by the Corporation Code, as
12 amended, no person shall be a director of the board if he has been connected
13 directly with a banking or financial institution as a director or officer, or has
14 substantial interest therein within two years prior to his appointment.

15 The salaries and other emoluments of the members of the board from
16 the private sector shall be fixed by the Monetary Board of the BSP.

17 Except for the Governor whose term is fixed under Republic Act No.
18 7653, otherwise known as the New Central Bank Act, all members shall serve
19 full time: *Provided, however,* That the first two members of the board
20 appointed under the provision of this subsection shall have a term of two years;

1 two other members for a term of four years; and the remaining two for a period
2 of six years.

3 (d) Privatization of the Corporation. When the ownership of the
4 majority or all of the common voting shares of the BSP passes to private
5 investors, the stockholders shall cause the adoption and registration with the
6 Securities and Exchange Commission of the amended articles of incorporation
7 within three months from such transfer of ownership.

8 SEC. 6. *Confidentiality of Credit Information Sourced from the Credit*
9 *Information Corporation.* – The Corporation, the accessing entities, the special
10 accessing entities, the outsource entities and duly authorized nonaccessing
11 entities shall hold the credit information under strict confidentiality and shall
12 use the same only for the declared purpose. The accreditation of an accessing
13 entity, a special accessing entity and/or an outsource entity which violates the
14 confidentiality of, or which misuse, the credit information accessed from the
15 Corporation, may be suspended or revoked. Any entity which violates this
16 section may be barred access to the credit information system and penalized
17 pursuant to Section 12 of this Act.

18 The Corporation shall be authorized to release and disclose
19 consolidated basic credit data only to the BSP, the accessing entities, the
20 special accessing entities, the outsource entities and borrowers. Basic credit
21 data released to accessing entities shall be limited to those pertaining to

1 existing borrowers or borrowers with pending credit applications. Credit
2 information shall not be released to entities other than those enumerated under
3 this section except upon order of the court.

4 *SEC. 7. Educational Campaign.* – A continuing nationwide educational
5 campaign shall be developed and undertaken by the Corporation to promote
6 the benefits of a credit information system to the economy; to create awareness
7 on the rights of consumers/borrowers to access their credit reports collected,
8 stored and disseminated by the Corporation; to disseminate the rights of the
9 borrowers to dispute any incorrect/inaccurate credit information in the
10 database file of the Corporation; to familiarize consumers of the procedure in
11 collecting, storing and disseminating credit information of borrowers by the
12 Corporation; and to brief consumers of other related information.

13 *SEC. 8. Rules and Regulations.* – For purposes of creating a healthy
14 balance between the need for reliable credit information and safeguarding
15 consumer protection, ensuring free and healthy competition in the industry, the
16 Monetary Board, in coordination with existing industry stakeholders, shall
17 prepare the draft of the implementing rules and regulations (IRRs), which shall
18 be submitted to the congressional oversight committee which shall review,
19 revise and approve the same. The IRRs shall include, but not be limited to, the
20 following matters:

21 (a) Restrictions on the use and transfer of credit information;

1 (b) Rights of the borrowers to access their respective credit information
2 and to dispute the factual accuracy of such credit information;

3 (c) Requirements and standards for the establishment of the
4 Corporation including, but not limited to, ownership, industry representation,
5 independent directors and process of nomination of directors;

6 (d) Accreditation standards for submitting and special accessing
7 entities;

8 (e) Sanctions to be imposed by the Corporation on:

9 (i) The submitting entities for nonsubmission of reports and for
10 delayed and/or erroneous reporting;

11 (ii) Accessing entities, special accessing entities, outsource entities and
12 duly authorized nonaccessing entities, for breaches of the confidentiality of,
13 misuse of, the credit information obtained from the credit information system;
14 and

15 (iii) Violations of other applicable rules and regulations: *Provided*, That
16 these sanctions shall be in the form of applicable administrative penalties under
17 Section 37 of Republic Act No. 7653; and

18 (f) Suspension or cancellation of the rights of any accessing entity or
19 special accessing entity to access basic credit data from the Corporation.

20 The Monetary Board may issue subsequent regulations subject to
21 approval by the congressional oversight committee. In addition, the Monetary

1 Board may regulate access to the credit information system as well as the fees
2 that shall be collected by the Corporation from the accessing entity and the
3 special accessing entity, taking into consideration the policy of lowering the
4 cost of credit, promoting fair competition and the need of the Corporation to
5 regularly upgrade technology, equipment and facilities.

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

13 SEC. 10. *Indemnity in Favor of the Corporation, its Officers and*
14 *Employees.* – Unless the Corporation or any of its officers and employees is
15 found liable for any willful violation of this Act, bad faith, malice and/or gross
16 negligence, the submitting entities, accessing entities, special accessing
17 entities, outsource entities and duly authorized nonaccessing entities shall hold
18 the Corporation, its officers and employees harmless to the fullest extent
19 permitted by law and shall indemnify them for any and all liabilities, losses,
20 claims, demands, damages, deficiencies, costs and expenses of whatsoever
21 kind and nature that may arise in connection with: (i) the performance of their

1 functions, or (ii) any and all breaches of their covenants, obligations, duties
2 and responsibilities, representation or warranties under this Act, or in
3 connection with or otherwise relating to any action, suit or proceeding that may
4 be brought against the Corporation in connection with credit information which
5 was obtained and/or disseminated under the credit information system.

6 SEC. 11. *Exemption from Liability.* – A submitting entity, an accessing
7 entity, a special accessing entity, an outsource entity, the Corporation and their
8 respective officers and employees shall not be criminally nor civilly liable for
9 acts done by them under this Act, unless there is a clear showing of bad faith,
10 malice or gross negligence as determined by the court. Neither shall they be
11 administratively liable for the same acts, unless there is a clear showing of bad
12 faith, malice or gross negligence as determined by the Monetary Board.

13 SEC. 12. *Penalties.* – Any person who violates any of the provisions of
14 this Act or the rules and regulations promulgated by the Monetary Board under
15 authority thereof shall, upon conviction, suffer a fine of not less than Fifty
16 thousand pesos (P50,000.00) nor more than One million pesos (P1,000,000.00)
17 or imprisonment of not less than one year nor more than five years, or both, at
18 the discretion of the court.

19 SEC. 13. *Inviolable Nature of the Secrecy of Bank Deposits and/or*
20 *Client Funds.* – Pursuant to Republic Act No. 1405 (Law on Secrecy of Bank
21 Deposits), Republic Act No. 6426 (The Foreign Currency Deposit Act),

1 Republic Act No. 8791 (The General Banking Law of 2000), Republic Act No.
2 9160 (Anti-Money Laundering Law) and their amendatory laws, nothing in this
3 Act shall impair the secrecy of bank deposits and investments in government
4 securities funds.

5 SEC. 14. *Annual Report.* – The Corporation, through the Monetary
6 Board, shall submit an annual report to Congress on the status of the
7 implementation of this Act.

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

11 SEC. 16. *Repealing Clause.* – This Act repeals Presidential Decree No.
12 1941 in its entirety. All laws, decrees, executive orders, rules and regulations
13 or parts thereof which are inconsistent with this Act are hereby repealed,
14 amended or modified accordingly.

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

Approved,