

[BSP CIRCULAR NO. 702, S. 2010, December 15, 2010]

**AMENDED REGULATIONS TO ENHANCE CONSUMER PROTECTION
IN THE CREDIT CARD OPERATIONS OF BANKS AND THEIR
SUBSIDIARY OR AFFILIATE CREDIT CARD COMPANIES**

Pursuant to Monetary Board Resolution No. 1728 dated 02 December 2010, the provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) are hereby amended, as follows:

Section 1. The second paragraph of Subsection X320.2 of the MORB, and Subsections 4320Q.2 (2008-4337Q.2) and 4301N.2 of the MORNBFI on the requirement for banks/quasi-banks with credit card operations, and their subsidiary or affiliate credit card companies, to have written policies, procedures and internal control guidelines is hereby amended so as to delete Item "d" thereof.

Section 2. The provisions of Subsection X320.3 of the MORB, and Subsections 4320Q.3 (2008-4337Q.3) and 4301N.3 of the MORNBFI on the minimum requirements before issuing credit cards are hereby amended to reads as follows:

"Banks/Quasi-banks and their subsidiary or affiliate credit card companies shall not issue pre-approved credit cards.

"Before issuing credit cards, banks/quasi-banks and/or their subsidiary/affiliate credit card companies must exercise, in accordance with the provisions of Subsection X304.1/4304Q.1 (2008-4312Q.1)/4312N.1, proper diligence by ascertaining that applicants possess good credit standing and are financially capable of fulfilling their credit commitments.

"The net take home pay of applicants who are employed, the net monthly receipts of those engaged in trade or business, or the net worth or cash flow inferred from deposits of those who are neither employed nor engaged in trade or business or the credit behavior exhibited by the applicant from his other existing credit cards, or other lifestyle indicators such as, but not limited to, club memberships, ownership and location of residence and motor vehicle ownership shall be determined and used as basis for setting credit limits. The gross monthly income may also be used provided reasonable deductions are estimated for income taxes, premium contributions, loan amortizations and other deductions.

"All credit card applications, specifically those solicited by third party representatives/agents, shall undergo a strict credit risk assessment

process and the information stated thereon validated and verified by authorized personnel of the banks/quasi-banks and their subsidiary or affiliate credit card companies, other than those handling marketing.”

Section 3. The following paragraph is hereby added as the last paragraph of Subsection X320.4 of the MORB, and Subsections 4320Q.4 (2008-4337Q.4) and 4301N.4 of the MORNBFI on the minimum information that banks/quasi-banks and their subsidiary or affiliate credit card companies must disclose to their cardholders:

“Banks/Quasi banks and their subsidiary or affiliate credit card companies shall also provide the following information to their cardholders:

“1. A table of the applicable fees, penalties and interest rates on credit card transactions, including the period covered by and the manner of and reason for the imposition of such penalties, fees and interests; fees and applicable conversion reference rates for third currency transactions, in plain sight and language, on materials for marketing credit cards, such as brochures, flyers, primers and advertising materials, on credit card application forms, and on credit card billing statements. Provided, That these disclosures are in addition to the full disclosure of the fees, charges and interest rates in the terms and conditions of the credit card agreement found elsewhere on the application form and billing statement; and

“2. A reminder to the cardholder in the monthly billing statement, or its equivalent document, that payment of only the minimum amount due or any amount less than the total amount due for the billing cycle/period, would mean the imposition of interest and/or other charges:

“Provided, That such table of fees, penalties and interest rates and reminder shall be printed in plain language and in bold black letters against a light or white background, and using the minimum Arial 12 theme font and size, or its equivalent in readability, and on the first page, if the applicable document has more than one page.

“Transitory provisions. Banks/Quasi banks and their subsidiary or affiliate credit card companies shall be given a period of 120 days from the date of the effectivity of this Circular to fully implement the required disclosure requirements.”

Section 4. The following paragraph is hereby added as the last paragraph of Subsection X320.14 of the MORB, and Subsections 4320Q.14 (2008-4337Q.14) and