

[BSP CIRCULAR NO. 454, September 24, 2004]

AMENDMENT TO CIRCULAR NO. 398 GOVERNING THE CREDIT CARD OPERATIONS OF BANKS AND SUBSIDIARY CREDIT CARD COMPANIES

Pursuant to Monetary Board Resolution Nos. 1278 and 1328 dated 09 September 2004 and 16 September 2004, respectively, Circular No. 398, Series of 2003 governing the credit card operations of banks and subsidiary credit card companies is hereby amended as follows:

SECTION 1. Section 4337Q shall be added to the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) so as to incorporate the provisions of Circular No. 398, series of 2003, as amended.

SECTION 2. The second paragraph of Section X 320 and 4301N **Credit Card Operations: General Policy** of the Manual of Regulations for Banks (MORB) and the MORNBFI, respectively, is hereby amended to read as follows:

"Towards this end, the rules and regulations that shall govern the credit card operations of banks and subsidiary/AFFILIATE credit card companies, aligned with global best practices, are hereby issued, as follows:"

SECTION 3. Banks and/or their subsidiary credit card companies as mentioned under Subsecs. X 320.2, X 320.3, X320.4, X320.4, X320.9, X 320.10, X320.11 and X320.13 of the MORB and Subsecs. 4301N.2, 4301N.3, 4301N.4, 4301N.9, 4301N.10, 4301N.11, and 4301N.13 of the MORNBFI or whenever mentioned in Circular No. 398 shall refer to banks and/or their subsidiary/AFFILIATE credit card companies.

SECTION 4. Item C, Section 3 of Circular No. 398, Series of 2003 on Appendix 18 - Guidelines in Identifying and Monitoring Problem Loans and Other Risk Assets and Setting up of Allowance for Probable Losses (Appendix to Sec. X302) of the MORB shall form part of Appendix ____ of N Regulations of the MORNBFI.

For purposes of said Appendix ____, the provisions on the classification of loans and allowance for probable losses under Appendix Q-10 with the MORNBFI shall apply.

SECTION 5. The following definitions of subsidiary and affiliate are hereby added to Definition of Terms under Subsecs. X 320.1 and

4301N.1 of the MORB and the MORNBF, respectively:

f. "*Subsidiary*" refers to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with the power to vote by a bank or other financial institution.

g. "*Affiliate*" refers to an entity linked directly or indirectly to a bank or other financial institution *through any one or a combination of any of the following*:

1. Ownership, control or power to vote, *whether by permanent or temporary proxy, or voting trust, or other similar contracts, by a bank or other financial institution of at least 10% or more of the outstanding voting stock of the entity, or vice-versa*;
2. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
3. Common stockholders owning *at least* ten percent (10%) of the outstanding voting stock of each financial institution and the entity; or
4. Management contract or any arrangement granting power to the bank or other financial institution to direct or cause the direction of management and policies of the entity, or vice-versa.

SECTION 6. Item (k) is hereby added to Subsecs. X320.4 and 4301N.4 **Information to be disclosed** of the MORB and MORNBF, respectively, to read, as follows:

k. For transactions made in foreign currencies and/or outside the Philippines, for dual currency accounts (peso and dollar billings), as well as payments made by credit cardholders in any currency other than the billing currency: the application of payments; the manner of conversion from the transaction currency and payment currency to Philippine pesos or billing currency; definition or general description of verifiable blended exchange/conversion rates (e.g., MASTERCARD and/or VISA International rates on the day the item was processed/posted to the billing statement, plus mark-up, if any) including conversion commission; and/or other currency conversion charges and costs arising from the purchase by the card