

[PRESIDENTIAL DECREE NO. 114, January 29, 1973]

REGULATING THE ESTABLISHMENT AND OPERATION OF PAWNSHOPS

WHEREAS, pawnshops provide an additional source of credit especially for small borrowers left unserved by the banking and other financial institutions in the country;

WHEREAS, there is no specific law in the Philippines that governs pawnshop establishments, particularly providing definite and uniform standards for their operation; and

WHEREAS, the recommendations contained in a report on the financial system which have been accepted, with modifications, by monetary authorities, strongly advocate the enactment of a law regulating pawnshops;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree and make as part of the law of the land the following:

SECTION 1. Short Title. — This Decree may be cited as the "Pawnshop Regulation Act".

SEC. 2. Declaration of policy. — It is hereby declared the policy of the State to regulate the establishment of pawnshops and to place their operation on a sound and stable basis to derive the optimum advantages from them as an additional source of credit; to prevent and mitigate, as far as practicable, practices prejudicial to public interest; and to lay down the minimum requirements and standards under which they may be established and do business.

SEC. 3. Definitions. — As used in this Decree, unless the context otherwise requires, the following terms shall have the following meanings:

"Pawnshop" shall refer to a person or entity engaged in the business of lending money on personal property delivered as security for loans and shall be synonymous, and may be used interchangeably, with pawnbroker or pawnbroker age.

"Pawner" shall refer to the borrower from a pawnshop,

"Pawnee" shall refer to the pawnshop or pawnbroker.

"Pawn" is the personal property delivered by the pawner to the pawnee as security for a loan.

"Pawn ticket" is the pawnbrokers' receipt for a pawn. It is neither a security nor a printed evidence of indebtedness.

"Property" shall include only such personal property as may actually be delivered to the control and possession of the pawnshop: *Provided, however,* That certain specified chattels such as guns, knives and similar weapons whose reception in pawn is expressly prohibited by other laws or regulations shall not be included.

SEC. 4. *Form of organization.* — A pawnshop may be established as a single proprietorship, partnership or corporation,

SEC. 5. *Registration and licensing.* — Any person or entity desiring to engage in the pawnshop business shall (a) register with the Bureau of Commerce in the case of single proprietorship or the Securities and Exchange Commission in the case of a corporation or any other association and (b) secure a license from the appropriate city or municipality having territorial jurisdiction over the place of establishment and operation.

SEC. 6. *Requirement of registration with the Central Bank.* — Any individual, corporation or association duly registered and licensed to engage in the pawnshop business shall file an information sheet, under oath, with the Central Bank before commencement of actual operations: *Provided, however,* That pawnshops duly licensed and operating before the approval of this Decree shall, within six months from the date of effectivity of the same, register with the Central Bank. For this purpose, the Central Bank shall furnish pawnshops, upon request, with necessary copies of the prescribed information sheet.

SEC. 7. *Capital* — The minimum paid-in capital of any pawnshop which may be established after the effectivity of this Decree shall be one hundred thousand pesos (P100,000.00): *Provided, however,* That pawnshops established and in operation prior thereto shall comply with the minimum capitalization required under the provisions of this section within such time as may be prescribed by the Monetary Board, which time shall, in no case, be less than three years from the date of effectivity of this Decree.

SEC. 8. *Citizenship requirement.* — Upon the effectivity of this Decree, only Filipino citizens may establish and own a pawnshop organized in the form of a single proprietorship: *Provided, however,* That in the case of a partnership, at least seventy percent (70%) of its capital shall be owned by Filipino citizens: *Provided, further,* That in the case of a corporation, at least seventy percent (70%) of the voting capital stock shall be owned by citizens of the Philippines, or if there be no capital stock, at least seventy percent (70%) of the members entitled to vote, shall be citizens of the Philippines.

The percentage of foreign owned voting stock or non-citizens entitled to vote in any domestic pawnshop existing prior to the effectivity of this Decree, if such percentage is in excess of thirty percent (30%) of the voting stock or members entitled to vote of the pawnshop shall not be increased but may be reduced, and, once reduced, shall not be increased thereafter beyond thirty percent (30%) of the voting stock, or number of members entitled to vote, of the pawnshop.

The percentage of foreign-owned voting stocks in any pawnshop shall be determined by the citizenship of the individual stockholders in that pawnshop. In the case of corporations owning shares in a pawnshop, the citizenship of the individual owners of voting stock in such corporations shall be the basis of computing the percentage.