

**[ CIRCULAR NO. 1003, May 22, 2018 ]**

**GUIDELINES ON THE ESTABLISHMENT AND OPERATIONS OF  
CREDIT CARD ISSUERS TO IMPLEMENT REPUBLIC ACT NO.  
10870 OR THE PHILIPPINE CREDIT CARD INDUSTRY  
REGULATIONS LAW**

*ADOPTED: 16 MAY 2018  
DATE FILED: 22 MAY 2018*

The Monetary Board, in its Resolution No. 694 dated 26 April 2018, approved the Guidelines on the Establishment and Operations of Bank and Non-

Bank Credit Card Issuers to implement Republic Act (RA) No. 10870 or the Philippine Credit Card Industry Regulations Law, and accordingly approved the amendments to the relevant provisions of the Manual of Regulations for Non- Bank Financial Institutions (MORNBFI) and Manual of Regulations for Banks (MORB).

**SECTION 1.** Section 4301N and Appendix N-10; and Section 4320Q and Appendix Q-61 of the MORNBFI are hereby deleted and superseded by the attached Guidelines on the Establishment and Operations of Non-Bank Credit Card Issuers (Annex A\* and its Appendices) which shall be incorporated as C Regulations of the MORNBFI.

**SECTION 2.** The provisions of Section X320, and its Subsections, of the MORB governing the establishment and operations of Bank Credit Card Issuers are hereby amended as follows:

**"Sec. X320 Credit Card Operations; General Policy.** The Bangko Sentral shall foster the development of the credit card industry to make consumer credit readily available under conditions of fair and sound business practices aligned with global best practices. The Bangko Sentral likewise envisions effective and efficient delivery of credit card services that encourages transparency and competition.

The following rules and regulations shall govern the establishment and operations of all bank credit card issuers, acquirers and all credit card transactions.

**"§ X320.1 Definition of terms.**

- a. Credit card refers to any card or other credit device, including its virtual representation, intended for the purpose of obtaining money, property, goods or services on credit.
- b. Minimum amount due or minimum payment required refers to the minimum amount that the credit cardholder is required to pay on or

before the payment due date for a particular billing period/cycle which may include:

- (1) outstanding balance multiplied by the required payment percentage or a fixed amount, whichever is higher;
- (2) any amount which is part of any fixed monthly installment that is charged to the card;
- (3) any amount in excess of the credit line; and
- (4) all past due amounts, if any.

c. Default or delinquency refers to non-payment of, or payment of an amount less than, the "Minimum Amount Due" or "Minimum Payment Required", or words of similar import, for at least three (3) billing cycles, in which case, the "Total Amount Due" or "Outstanding Balance" for the particular billing period as reflected in the monthly statement of account may be considered in default or delinquent.

d. Acceleration clause refers to any provision in the contract between the bank and the cardholder that gives the bank the right to demand the full settlement of the obligation in case of default or non-payment of any amount due, or for any valid reason.

e. Simple annual rate refers to the uniform percentage which represents the ratio between the finance charge and the amount to be financed under the assumption that the loan is payable in one (1) year with single payment upon maturity and there are no upfront deductions to principal.

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f. Credit card acquirer refers to the institution that accepts and facilitates processing of the credit card transaction which is initially accepted by the merchant.

g. Credit cardholder refers to a person who owns and benefits from the use of a credit card.

h. Credit card business activity report refers to a report which contains the quantitative data on the credit card industry.

i. Credit card issuer refers to a bank that offers the use of its credit card.

j. Pre-approved credit cards refer to unsolicited credit cards issued by credit card issuers to consumers who have not applied for such credit cards. Acts described under Appendix 103 of the MORB and other similar acts are deemed tantamount to the act of issuing pre-approved credit cards, notwithstanding any contrary stipulations in the contract.

k. Application refers to a request, documented in physical or electronic form with clear and explicit intention and consent of the applicant to avail of a credit card from a credit card issuer.

l. Balance transfer refers to the transfer of the balance in a credit card

account with one (1) credit card issuer to another account under a different credit card issuer subject to terms mutually agreed upon by the parties concerned.

m. Billing cycle/billing period refers to the period of time between two (2) successive cut-off dates documented in a billing statement and defined under the terms and conditions of the credit card contract/agreement. A billing cycle/billing period shall comprise at least fifteen (15) calendar days.

n. Card association or payment network or credit card network provider refers to any company that provides credit card network such as, but not limited to American Express, VISA International, MasterCard International, JCB International, Diners Club and China Union Pay.

o. Cash advances refer to cash obtained by the cardholder from his/her credit card account, availed in any manner as stipulated in the credit card contract/agreement.

p. Credit card limit refers to the maximum total amount for purchases, cash advances, balance transfers, and finance charges, service fees, penalties, and other charges which can be charged to the credit card. It represents the total loan or credit that a credit card issuer can extend to a cardholder.

q. Finance charges refer to the interest charged to the cardholder on all credit card transactions in accordance with the terms and conditions specified in the contract/agreement on the use of the credit card.

r. Installment purchases refer to transactions wherein payment for which is amortized in parts over a fixed period.

s. Industry association refers to an association composed of companies engaged in the business of banking, finance, credit and/or payments.

t. Membership fee refers to the amount a credit card issuer charges the credit cardholder for the right to use its credit card and acquire access to other membership benefits. This may also be referred to as annual membership fee, annual fee, joining fee or application fee.

u. Outstanding balance or Total amount due refers to the amount to be repaid as of statement cut-off date.

v. Statement cut-off date refers to the end date of a billing cycle, as determined by the credit card issuer, when account activities (such as purchases, payments, charges) during the billing cycle are summarized.

w. Statement of account or billing statement refers to the regular statement listing of the purchases, payments and other debits and credits made to the credit card account within the billing cycle.

x. Supplementary card or extension card refers to a credit card issued

to another person whose credit limit is consolidated with the primary cardholder.

**"§ X320.2 Minimum requirements for banks operating as credit card issuers.**

A duly incorporated bank of good standing which intends to engage in credit card business, may operate as a credit card issuer: Provided, That it submits the following requirements:

- a. Notice to the appropriate department of the SES that the Bank will engage in credit card operations; and
- b. Certification under oath executed by the president or officer of equivalent rank of the Bank that it has complied with the relevant risk management standards set out under the MORB, including among others, Credit and Information Technology Risk Management.

**"§ X320.3 Commencement of operations as credit card issuer.** A bank shall commence its credit card operations within six (6) months from its submission of the documents required under Subsec. X320.2 of the MORB. The president or officer of equivalent rank of the bank shall submit a written notice of commencement of business operations within ten (10) banking days therefrom.

**"§ X320.4 Minimum requirements for the governance and risk management system for credit card operations of Banks.** To effectively deliver services, banks must have adequate financial strength, fit and proper board and management and must demonstrate technical and risk management capability to operate a credit card business. Banks shall establish a risk governance framework that includes policies, supported by appropriate processes and control procedures, designed to ensure that the risk arising from credit card operations are identified, aggregated, monitored and mitigated. The risk governance framework of banks shall be guided by Section X174, as applicable.

At the minimum, the risk management and control systems on credit card operations shall cover:

card operations. These shall include limits and thresholds on exposures considering the bank's approved credit risk appetite;

- b. Organizational set up and the corresponding roles and responsibilities of personnel in the unit handling the credit card business;
- c. Approach to identifying, assessing, aggregating, monitoring, and reporting risks arising from credit card operations using appropriate risk management tools. This shall likewise include risk mitigation strategies and tools for maintaining risks within thresholds and limits set; and
- d. Internal audit and other independent review of credit card operations.

Written policies, procedures and internal control guidelines shall be established on the following aspects of credit card operations:

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"§ X320.5 Minimum requirements for the issuance of credit cards. Banks shall not issue pre-approved credit cards as provided under Appendix 703 of the MORB notwithstanding any contrary stipulations in the credit card contract/agreement with the cardholder.

Before issuing credit cards, banks shall conduct know-your-client (KYC) and customer identification procedures, consistent with applicable regulations; and exercise proper diligence in ascertaining that applicants possess good credit standing and are financially capable of fulfilling their credit commitments.

All credit card applications shall undergo a strict credit underwriting process, and information stated thereon shall be verified and validated by authorized personnel of banks, other than those handling marketing.

"§ X320.6 Information to be disclosed. Banks shall disclose to each of their existing and potential credit cardholders the following information:

- a. the finance charges for unpaid amounts after payment due date to be paid by the cardholder;
- b. other charges or fees, individually itemized, such as membership/ renewal fees, processing fees, over-the-limit fees, collection fees, credit investigation fees and attorney's fees to be paid by the cardholder in connection with the transaction and incidental to the extension of credit;
- c. the percentage that the interest/finance charge bears to the total amount to be financed expressed as a simple monthly or annual rate, or a monthly or annual effective interest rate, on the outstanding balance of the obligation, as described in Item "e" of subsection X320.1;
- d. for installment loans, the number of installments, amount and due dates or payment schedules to repay the indebtedness;
- e. the late payment fee/penalty for late payment or similar delinquency-related charges payable in the event of late payments, which shall be computed in accordance with Subsection X320.11;
- f. when one (1) or more periodic rates is used to compute interest: each such rate, the balances to which it is applicable, and the corresponding simple annual rate;
- g. in cases when transactions are made in foreign currencies, or for dual currency accounts, or when payments are made in any currency other than the billing currency: the manner of conversion from transaction currency to billing currency; or a general description of the conversion