

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

Eighteenth Congress  
First Regular Session

HOUSE BILL NO. 5976



---

Introduced by **Representative JOEY SARTE SALCEDA**

---

**AN ACT  
PROVIDING FOR A REGULATORY FRAMEWORK FOR CONSUMER  
FINANCIAL PROTECTION, INSTITUTIONALIZING THE FINANCIAL  
CONSUMER PROTECTION DEPARTMENT, GRANTING FINANCIAL  
REGULATORY AGENCIES ENHANCED OVERSIGHT POWERS,  
AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

The Bangko Sentral ng Pilipinas (BSP) specified legislation on Financial Consumer Protection as a key element of its strategy for achieving the A-level credit rating the Philippines seeks to boost investor confidence and help expand the economy. By Financial Consumer Protection Act, the BSP refers to the base bill of what the House of Representatives in the Seventeenth Congress passed as House Bill 9054, but which failed to be enacted into law. That bill provided a basic expansion of existing regulatory powers exercised or reserved by the BSP, the Securities and Exchange Commission (SEC), and the Insurance Commission (IC).

That bill then sought to invest rulemaking, surveillance and inspection, market monitoring, and enforcement powers to the nation's financial regulators, with the goal of protecting the rights and welfare of consumers.

In view of growing complexity in the financial sector, however, and given the need for regulatory agencies to proactively address issues that may not yet be covered explicitly by law, but may adversely impact consumer welfare, this representation proposes herewith a bill that retains the basic framework supported by BSP and expands that framework to include measures that actively and solely protect consumers, and measures that anticipate the rise of non-bank financial services providers.

In summary, this bill provides the following:

1. The basic protection framework supported by the BSP (in Chapters I and II);

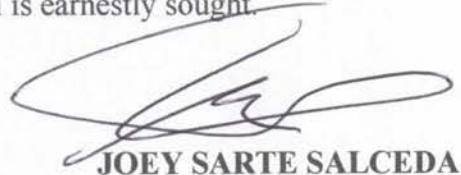
2. The creation of the Financial Stability Oversight Coordinating Council (FSOCC), which shall be a body for coordination among the regulators to address all potential threats to the financial system and provide a broader, inter-agency venue for financial stability wherever the powers and functions of the Monetary Board are limited in scope;
3. The possible inclusion of nonbanks which provide financial services as BSP-supervised Financial Institutions, therefore subject to all BSP prudential regulations;
4. The institutionalization and expansion of the Financial Consumer Protection Department (FCPD) of the BSP, a mandate to enforce fair and truthful lending, and coverage of non-depository institutions;
5. The creation of the Office of the Investor Advocate under the SEC to protect investor rights and boost investor confidence in the country.

The FCPD and the OIC in particular are modified iterations of equivalent bodies that the United States created in response to the 2008 Global Financial Crisis. The FSOCC will also expand the reach of our prudential laws to ensure that our regulatory structures are not limited by the lack of jurisdiction of the Monetary Board. The FSOCC will also empower the Monetary Board to regulate firms which the Council deems to be significant enough to impact the country's financial stability.

This representation sees these additional elements as complements to other fiscal, economic, and financial reforms, most notably the Corporate Income Tax and Incentives Rationalization Act (CITIRA), the Passive Income and Financial Intermediaries Tax Act (PIFITA), the Virtual Banking Act, and the amendments to the Public Services Act (PSA), the Foreign Investments Act (FIA), and the Retail Trade Liberalization Act (RTLA). With the increase in investments (especially retail investments) that these reforms will trigger, this representation sees the need for a financial services regulatory framework that not only deals with current gaps for current problems, but also proactively anticipates future issues in the financial sector.

Dramatic growth will be the financial sector's new reality for the next decade as the middle class begins to exercise its investing capabilities and as the benefits of the Duterte administration's ambitious and broad-based socioeconomic programs begin to materialize. Financial sector stability will ensure that as we move towards an investment-driven economy, growth will be resilient against abusive firm behavior and shocks in the financial sector. This bill will also help ensure that our regulators are well-equipped with the policy latitude needed to deal with issues that we could not yet completely foresee in the present, but which we can make considerable policy provisions for.

In view of the foregoing, approval of this bill is earnestly sought.



**JOEY SARTE SALCEDA**



Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

Eighteenth Congress  
First Regular Session

HOUSE BILL NO. 5976

---

Introduced by **Representative JOEY SARTE SALCEDA**

---

**AN ACT**  
**PROVIDING FOR A REGULATORY FRAMEWORK FOR CONSUMER**  
**FINANCIAL PROTECTION, INSTITUTIONALIZING THE FINANCIAL**  
**CONSUMER PROTECTION DEPARTMENT, GRANTING FINANCIAL**  
**REGULATORY AGENCIES ENHANCED OVERSIGHT POWERS,**  
**AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

**CHAPTER I**  
**GENERAL PROVISIONS**

SECTION 1. *Short Title.* – This Act shall be known as the “Comprehensive Consumer Financial Protection Act.”

SEC. 2. *Declaration of Policy.* – It is the policy of the state to ensure that appropriate mechanisms are in place to protect the interest of financial consumers under the conditions of transparency, fair and sound market conduct, and fair, reasonable, and effective handling of financial consumer disputes, which are aligned with global best practices. These mechanisms reinforce their confidence in the financial market and foster the stability of the Philippine financial system.

SEC. 3. *Scope and Coverage.* – This Act applies to all financial persons and all products and services offered or marketed by any financial person.

SEC. 4. *Definition of Terms.* – As used in this Act, the term:

- a. "Consumer" refers to a person who is a purchaser, lessee, recipient or prospective purchaser, lessor or recipient of consumer products and services;
- b. "Financial Consumer" refers to a natural person or micro, small or medium-sized enterprise that had or has current or prospective financial transaction with financial entities pertaining to financial products and services.
- c. "Financial Consumer Complaint" refers to an expression of dissatisfaction filed by a financial consumer against a financial person relative to a financial product or service where a response can, by consumer's right and regulator's and financial person's duty, be expected.
- d. "Financial Education" refers to the process by which financial consumers improve their understanding of financial products, concepts and risks, and develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices and to take other effective actions to improve their financial well-being. This goes beyond the financial information and advice given in a contractual relationship between the financial person and the consumers.
- e. "Financial Provider" refers to an entity that provides financial products which are being supervised or regulated by any of the implementing government 6 agencies enumerated in this Act.
- f. "Financial Literacy" refers to a combination of financial awareness, knowledge, skills, attitude and behaviors necessary to make sound financial decisions and ultimately achieve financial well-being.
- g. "Financial Person" refers to a person, natural or juridical, supervised or regulated by any of the implementing government agencies enumerated in this Act. This term shall include financial advisers as defined under this Act.
- h. "Financial Products or Services" refer to financial products or services which are developed or marketed by a financial person which may include, but are not limited to savings, credit, insurance, investments, payments, remittances and other similar products and services.
- i. "Financial Regulators" refer to the implementing government agencies of this Act, namely, the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Insurance Commission (IC), and the Cooperative Development Authority (CDA).
- j. "Marketing" refers to the act of communicating, offering, promoting, advertising or delivering of financial products and services by financial entities.
- k. "Micro, Small or Medium-sized Enterprise (MSME)" refers to any business activity or enterprise engaged in industry, agri-business and/or services whether single proprietorship, cooperative, partnership or corporation as defined under R.A. No. 9501, as amended, or the Magna Carta for Micro, Small, or Medium-sized Enterprises. Such definition shall be subject to review and adjustment by the Magna Carta for Micro, Small or Medium-sized Enterprise (MSMED) Council.

**SEC. 5. *Financial Regulators.*** – The BSP, SEC, and IC shall enforce the provisions of this Act on all financial entities they supervise or regulate by virtue of their respective charters, special laws and amendments thereto. The CDA shall be considered an implementing government agency of this Act only with respect to cooperatives offering financial services such as but not limited to savings and credit except insurance cooperatives which shall be under the jurisdiction of the Insurance Commission for purposes of this Act.



## **CHAPTER II**

### **BASIC FINANCIAL CONSUMER PROTECTION FRAMEWORK**

SEC. 6. *Powers of the Financial Regulators.* – Financial regulators shall have the following powers:

- a. Rulemaking - The implementing government agencies shall have the authority to formulate their own specific standards and rule for the application of the provisions of this Act to the specific financial products within their jurisdiction. Likewise, they may issue their respective rules of procedure concerning administrative actions arising from the implementation of this Act.
- b. Surveillance and Inspection - The implementing government agencies may conduct off-site surveillance and on-site examination on their respective supervised financial entities to ascertain that the provisions of this Act are complied with. The examination for financial consumer protection compliance could be conducted separately from examination of prudential regulations compliance.
- c. Market Monitoring - The implementing government agencies may require reports or documents, as needed, from their respective supervised financial entities and their third-party agents/service providers. The implementing government agencies can also access relevant data about financial products, services and markets from other government agencies in connection with market monitoring.
- d. Enforcement - The implementing government agencies shall have the authority to impose enforcement actions on their respective supervised financial entities for non-compliance with this Act. Such enforcement actions may include but are not limited to the following:
  - 1) Restriction on the ability of the supervised financial person to continue to collect fees or charges in case of excessive fees or charges imposed by the financial person;
  - 2) Disqualification of directors, officers, or employees of the supervised financial person responsible for violations of the provisions of this title and its Implementing Rules and Regulations (IRR);
  - 3) Imposition of fines or penalties for any non-compliance with or breach of this Act and rules and regulations that proceed from this Act;
  - 4) Issuance of a cease and desist order without the necessity of a prior hearing if in the implementing government agency's judgement, the act or practice, unless restrained, may cause grave or irreparable injury or prejudice to the consumer or may amount to fraud or violation of the provisions of this Act and rules and regulations that proceed from this Act; and
  - 5) Suspension of operation of any supervised financial person in relation to a particular consumer financial product or service when in the Financial Regulator's judgement based on findings, such person is operating in violation of the provisions of this Act and rules and regulations that proceed from this Act;
  - 6) The Financial Regulators may exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to

the carrying out of, the express power granted the Financial Regulators to achieve the objectives and purposes of this Act.

SEC. 7. *Investment Adviser.* – Investment Advisers shall be subject to the rules and regulations to be issued by the SEC. “Investment Adviser” shall mean any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of investment products or as to the advisability of investing in, purchasing, or selling investment products, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning investment products; but does not include the following:

- a. Trust Department/Unit of Banks;
- b. Lawyer, accountant, engineer, or teacher whose performance of such services is solely incidental to the practice of this profession;
- c. Any investment banker or broker dealer whose performance of such services is solely incidental to the conduct of his business as such investment banker or broker dealer and who receives no special compensation therefor;
- d. The publisher of any bona fide newspaper, news magazine or business or financial publication of general and regular circulation; and
- e. Such other persons as the SEC may designate by rules and regulations or order.

SEC. 8. *Duties and Responsibilities of Financial Persons.* –

- a. Board and Senior Management Oversight - The Board of Directors (BOD) and Senior Management of every financial person shall oversee the implementation of the Compliance Management System (CMS) of the person that effectively ensure conformity with this Act and shall provide the means by which a financial person shall identify, measure, monitor, and control consumer protection risks inherent to its operations.
- b. Appropriate product design and delivery - The financial person shall continuously evaluate their financial products and services to ensure that they are appropriately targeted to the needs, understanding and capacity of both their markets and their clients. This shall include, among others, the following:
  - 1) Affordability and suitability assessments - The financial person should have written procedures for determining whether a particular financial consumer product or service is suitable and affordable for a client. This shall include determination of whether the amount and terms of the offered financial product or service allow the client, in terms of the individual ability, to meet the obligations with a low probability of serious hardship and reasonable prospect that the financial product or service will provide value to its client. For the purpose of extending credit, this assessment will include measures to prevent over-indebtedness
  - 2) Cooling-off period - A financial person is expected to adopt a clear cooling-off policy, as may be prescribed by law or by rules and regulations issued by the relevant financial regulator upon its determination that a cooling-off period is necessary for a particular product subject of regulation by such financial regulator. Such policies should, among others, provide a client with a cooling-off period that will allow a client to consider the costs and risks of a financial product or service, free from the pressure of the sales team



of the financial person. The length of the cooling-off period should be individually determine by a financial person based on reasonable expectation of the time require for a client to fully evaluate all the terms and risks of the financial product or service and contact others' such as but not limited to family members or business partners, who may be affected by its terms and conditions, unless a minimum or fixed period is required by the financial regulators for compliance by the financial provider or incorporation in its contract. Short period transaction or contracts may be allowed to have no cooling-off period which shall be provided in the regulation by the financial regulators.

During the cooling-off period, the financial consumer may cancel or return the contract without penalty; however, nothing herein prevents the financial provider from recovering the processing fees incurred. The financial providers are prohibited from engaging in practices that unreasonably burden the financial consumer in the exercise of the right of cancellation during the cooling-off period. If the financial product is a contract of insurance, the right of return cannot be exercised after the financial consumer has made a claim under the contract of insurance.

- 3) Prepayment of loans and other credit accommodations - A borrower may, at any time prior to the agreed maturity date prepay, in whole or in part, provided that any cost or fees charged to the borrower for such pre-payment shall be disclosed as required under the succeeding provision of this Section on transparency, disclosure, and responsible pricing.
- c. Transparency, disclosure, and responsible pricing - Financial persons must ensure that they adopt disclosure principles in their communications with financial consumers that will include the use of clear and concise language understood by the target clients. This must also include updated and accurate product or service that should be made in a consistent manner to facilitate comparison between similar financial products and services across the industry.

Sufficient product disclosure must be provided before contracting the product or service to give the client enough basis and time for review. Any change in the terms of conditions of a product or service shall be provided to the client.

In their advertising. Financial Providers shall disclose that they are regulated and the advertising materials must identify the relevant Financial Regulator. Financial Providers are legally responsible for all statements made in the marketing and sales materials that they produce related to their products.

Responsible pricing is also a responsibility of all financial persons. In addition to the requirements of R.A. No. 3765 or The Truth in Lending Act, a financial person is required to document the reasons for setting the price of each financial product or service. Where the pricing procedures of a financial person are inadequate or unreasonably high, the concerned implementing government agency shall impose appropriate corrective actions.

- d. Fair and respectful treatment of clients - Client selection and treatment shall not involve discrimination on the basis of personal characteristics or personal affiliations; *Provided*, That financial entities are not precluded from instituting the necessary risk mitigating measures. Personal characteristics refer to race, ethnicity, origin, gender, disability, and sexual orientation. Personal affiliation denotes religious affiliation or lawful political affiliation.
- e. Financial consumer protection assistance mechanism - Each financial person must establish a single consumer assistance handling unit to render free assistance to financial consumers on financial transactions concerns. This shall include handling of complaints, inquiries and requests. Financial consumers who are unsatisfied with the financial person's handling of their complaints, inquiries and requests, may elevate their concerns to the financial regulators that supervises the financial person concerned.

SEC. 9. *Bundling of Products*. – When a borrower is obliged by the financial provider to purchase any product, including an insurance policy, as a pre-condition for receiving a loan from the financial provider, the borrower should be free to choose the provider of the product and this information should be known to the borrower.

SEC. 10. *Training*. – Staff of financial providers who deal directly with consumers must receive adequate training, suitable for the complexity of the products or services they sell. Financial intermediaries are qualified as appropriate for the complexity of the financial product or service they sell.

SEC. 11. *Alternative Dispute Resolution*. – The redress mechanism before the financial regulator shall be mediatory in nature. If the financial consumer is unsatisfied with the result of the mediation conducted by the financial regulator, the financial consumer may bring the matter before an accredited external arbitrator of the financial regulator concerned, if any, prior to the filing of the appropriate action in court or tribunal.

SEC. 12. *No Waiver of Rights*. – No provision of a contract for a consumer financial product or service shall be lawful or enforceable if such provision waives or otherwise deprives a client of a legal right to sue the financial service provider, receive information, have their complaints addressed and resolved, have their non-public client data protected or cancel the use of the consumer financial product or service without an unreasonable penalty.

SEC. 13. *Non-Exemption from Compliance*. – Notwithstanding any prior stipulation in a contract, financial entities shall not be exempted from compliance with the provisions of this Act, or deprive financial consumers under this Act.

SEC. 14. *Liability of a Financial Person on the Acts or Omissions of its Authorized Representatives*. – The financial person shall be responsible for the acts or omissions of its directors, officers, employees or agents, in marketing and transacting with financial consumers of its financial products and services, provided that the said acts or omissions are not beyond the authority granted by the financial person. The said directors, officers, employees or agents shall be solely responsible for acts or omission beyond the authority granted by the financial person.



SEC. 15. *Prescription.* – All actions or claims accruing under the provisions of this title and the rules and regulations pursuant thereto shall prescribe within five (5) years from the time the financial consumer transaction was consummated, or within five (5) years from the discovery of the deceit or non-disclosure of material facts. For insurance contracts, the prescriptive period for the commencement of action provided under the Insurance Code shall apply.

SEC. 16. *Penalty for Violation of Provisions under this Chapter.* – Whenever a financial person willfully violates any provision of this Act or any related rules, regulations, orders or instructions, issued by the Financial Regulators, the person or persons responsible for such violation shall be punished by imprisonment of not less than one (1) year but not more than five (5) years, or by a fine of not less than fifty thousand (PHP 50,000.00) pesos but not more than five hundred thousand pesos (PHP 500,000.00), or both, at the discretion of the court. In addition, said violator shall be subject to disgorgement of the amount obtained from the financial consumers and investors plus interest.

A foreign national who violates any provision of this Act shall be deported without further proceedings after service of sentence and/or payment of fine.

SEC. 17. *Administrative Sanctions.* – The provisions of the administrative sanctions of the respective characters of the Financial Regulators shall be made applicable to any financial person, its directors, officers, employees, or agents without prejudice to the enforcement actions provided under Section 6 (D) of this Act and the criminal sanctions provided under Section 16 hereof, for any willful violation of this Act or any related rules, regulations, orders or instructions of the Financial Regulators: *Provided*, That in addition to the administrative sanctions that may be imposed, the authority of the financial person to operate may be suspended or cancelled by the Financial Regulator which primarily regulates such financial person.

### **CHAPTER III**

#### **FINANCIAL STABILITY OVERSIGHT COUNCIL**

SEC. 18. *Establishment of the Council.* – There shall be established, upon the effectivity of this Act, a Financial Stability Oversight Coordinating Council. The FSOC shall be a body for coordination among the regulators to address all potential threats to the financial system and provide a broader, inter-agency venue for financial stability wherever the powers and functions of the Monetary Board are limited in scope.

SEC. 19. *Membership.* – The Council shall consist of the following members, which shall have one (1) vote each:

- a. The Governor of the BSP, acting as Chair;
- b. The National Treasurer;
- c. The Chair of the SEC;
- d. The Chair of the IC;

- e. The Chair of the Philippine Stock Exchange, Incorporated;
- f. The Chair of the Philippine Deposit Insurance Corporation (PDIC)
- g. The head of the Financial Consumer Protection Department of the BSP, which shall hereinafter be expanded;
- h. Two (2) independent members appointed by the President, having expertise in the financial sector.

The Bangko Sentral ng Pilipinas (BSP) shall designate a Secretariat for the Council. The Secretariat shall perform day-to-day functions and duties necessary for the effective and sustained operation of the Council.

SEC. 20. *General Purpose of the Council.* – The FSOC shall serve the following general purposes:

- a. Identify risks to the financial stability of the Philippines that could arise from the material financial distress or failure, or ongoing activities, of all financial persons, especially large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace;
- b. Promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure;
- c. Respond to emerging threats to the stability of the Philippine financial system.

SEC. 21. *Duties of the Council.* – In accordance with its general purpose, the Council shall perform the following functions and powers:

- a. Collect information from member agencies, other financial regulatory agencies to assess risks to the Philippine financial system, direct the BSP, through its relevant units, to collect information from bank holding companies and nonbank financial companies;
- b. Provide direction to, and request data and analyses from the BSP to support the work of the Council;
- c. Monitor the financial services marketplace in order to identify potential threats to the financial stability of the Philippines;
- d. Monitor domestic and international financial regulatory proposals and developments, including insurance and accounting issues, and to advise Congress and make recommendations in such areas that will enhance the integrity, efficiency, competitiveness, and stability of the country's financial markets;
- e. Facilitate information sharing and coordination among the member agencies and other government agencies regarding domestic financial services policy development, rulemaking, examinations, reporting requirements, and enforcement actions;
- f. Recommend to the member agencies general supervisory priorities and principles reflecting the outcome of discussions among the member agencies;
- g. Identify gaps in regulation that could pose risks to the financial stability of the Philippines;
- h. Require supervision by the Monetary Board for nonbank financial companies that may pose risks to the financial stability of the Philippines in the event of their material financial distress or failure, or because of their activities;



- i. Make recommendations to the Monetary Board concerning the establishment of heightened prudential standards for risk-based capital, leverage, liquidity, contingent capital, resolution plans and credit exposure reports, concentration limits, enhanced public disclosures, and overall risk management for nonbank financial companies and large, interconnected bank holding companies supervised by the Board;
- j. Identify systemically important financial market utilities and payment, clearing, and settlement activities;
- k. Make recommendations to primary financial regulatory agencies to apply new or heightened standards and safeguards for financial activities or practices that could create or increase risks of significant liquidity, credit, or other problems spreading among bank holding companies, nonbank financial companies, and Philippine financial markets;
- l. Review and, as appropriate, may submit comments to the BSP and any standard-setting body with respect to an existing or proposed accounting principle, standard, or procedure;
- m. Provide a forum for –
  - 1) discussion and analysis of emerging market developments and financial regulatory issues; and
  - 2) resolution of jurisdictional disputes among the members of the Council; and
- n. Annually report to and testify before Congress on –
  - 1) the activities of the Council;
  - 2) significant financial market and regulatory developments, including insurance and accounting regulations and standards, along with an assessment of those developments on the stability of the financial system;
  - 3) potential emerging threats to the financial stability of the Philippines;
  - 4) such recommendations as may enhance the integrity, efficiency, competitiveness, and stability of Philippine financial markets; promote market discipline; and maintain investor confidence.

No provision under this Section shall be construed as to limit the functions and powers already possessed and exercised by the BSP and the Monetary Board. Rather, the aforesaid functions and powers shall be understood as providing a venue for inter-agency coordination and expanded exercise of the BSP's financial regulatory functions wherever the existing powers and functions of the BSP and/or the Monetary Board do not extend to include functions herein provided.

*SEC. 22. Authority to Obtain Information in General.* – The Council may receive, and may request the submission of, any data or information from the BSP, member agencies, and the Federal Insurance Office, as necessary to monitor the financial services marketplace to identify potential risks to the financial stability of the Philippines; or to otherwise carry out any of the provisions of this Chapter.

*SEC. 23. Authority to Obtain Information from Non-Bank Companies not currently Under the Supervision of the BSP.* – The Council may require the submission of periodic and other reports from any nonbank company not currently supervised by the BSP but with a clear interest and or involvement in the financial sector, for the purpose of assessing the extent to which a financial activity or financial market in which the nonbank company participates, or the nonbank company itself, poses a threat to the financial stability of the Philippines.



The authority of the BSP to obtain information from its supervised institutions shall be extended to include requiring the submission of periodic and other reports from any nonbank financial company or bank holding company for the purpose of assessing the extent to which a financial activity or financial market in which the nonbank financial company or bank holding company participates, or the nonbank financial company or bank holding company itself, poses a threat to the financial stability of the Philippines.

SEC. 24. *Mitigation of Report Burden.* – Before requiring the submission of reports from any nonbank financial company or bank holding company that is regulated by a member agency or any primary financial regulatory agency, the Council, acting through the BSP, shall coordinate with such agencies and shall, whenever possible, rely on information available from the BSP or such agencies.

SEC. 25. *Back-Up Examination by the Monetary Board.* – If the Council is unable to determine whether the financial activities of a Philippine nonbank company pose a threat to the financial stability of the country, based on information or reports obtained under this Chapter, discussions with management, and publicly available information, the Council may request the Monetary Board, and the Board is authorized, to conduct an examination of the nonbank company for the sole purpose of determining whether the nonbank company should be supervised by the Board for purposes of this Chapter.

SEC. 26. *Confidentiality of Information.* – The Council and the other member agencies shall maintain the confidentiality of any data, information, and reports submitted under this title to the extent required by existing law. The submission of any non-publicly available data or information under this Chapter shall not constitute a waiver of, or otherwise affect, any privilege arising under law to which the data or information is otherwise subject.

SEC. 27. *Authority to Require Monetary Board Supervision of Nonbank Financial Companies.* – The Council, on a nondelegable basis and by a vote of not fewer than 2/3 of the voting members then serving, including an affirmative vote by the Chairperson, may determine that a nonbank financial company shall be supervised by the Board and shall be subject to prudential standards, in accordance with law, if the Council determines that material financial distress at the nonbank financial company, or the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the nonbank financial company, could pose a threat to the financial stability of the Philippines

SEC. 28. *Anti-Evasion Measures.* –

- a. Determinations. In order to avoid evasion of this title, the Council, on its own initiative or at the request of the Board, may determine, on a nondelegable basis and by a vote of not fewer than 2/3 of the voting members then serving, including an affirmative vote by the Chairperson, that –
  - 1) material financial distress related to, or the nature, scope, size, scale, concentration, interconnectedness, or mix of, the financial activities conducted directly or indirectly by a company incorporated or organized under the laws of the Philippines or the



financial activities in the Philippines of a company incorporated or organized in a country other than the Philippines would pose a threat to the financial stability of the country,

- 2) The company is organized or operates in such a manner as to evade the application of this title; and
  - 3) Such financial activities of the company shall be supervised by the Monetary Board and subject to prudential standards in accordance with this Chapter.
- b. Report. Upon making a determination under paragraph (a), the Council shall submit a report to the appropriate committees of Congress detailing the reasons for making such determination.

*SEC. 29. Notice and Opportunity for Hearing and Final Determination. –*

- a. In General. The Council shall provide to a nonbank financial company written notice of a proposed determination of the Council, including an explanation of the basis of the proposed determination of the Council, that a nonbank financial company shall be supervised by the Board and shall be subject to prudential standards in accordance with this Chapter.
- b. Hearing. Not later than thirty (30) days after the date of receipt of any notice of a proposed determination under paragraph (a), the nonbank financial company may request, in writing, an opportunity for a written or oral hearing before the Council to contest the proposed determination. Upon receipt of a timely request, the Council shall fix a time (not later than thirty (30) days after the date of receipt of the request) and place at which such company may appear, personally or through counsel, to submit written materials (or, at the sole discretion of the Council, oral testimony and oral argument).
- c. Final Determination. Not later than 60 days after the date of a hearing under paragraph (b), the Council shall notify the nonbank financial company of the final determination of the Council, which shall contain a statement of the basis for the decision of the Council.
- d. No Hearing Requested. If a nonbank financial company does not make a timely request for a hearing, the Council shall notify the nonbank financial company, in writing, of the final determination of the Council as applicable, not later than 10 days after the date by which the company may request a hearing under paragraph (C).
- e. Emergency Exception. The Council may waive or modify the requirements to a nonbank financial company, if the Council determines, by a vote of not fewer than 2/3 of the voting members then serving, including an affirmative vote by the Chairperson, that such waiver or modification is necessary or appropriate to prevent or mitigate threats posed by the nonbank financial company to the financial stability of the Philippines.

*SEC. 30. Registration of Non-Bank Companies. –* Not later than 180 days after the date of a final Council determination under sections 28 and 29 that a nonbank financial company is to be supervised by the Monetary Board, such company shall register with the Board, on forms prescribed by the Board, which shall include such information as the Board, in consultation with the Council, may deem necessary or appropriate to carry out this title. It shall be understood that such non-bank companies shall be BSP-supervised financial institutions (BSFIs).

SEC. 31. *Rules and Regulations.* – The Bangko Sentral ng Pilipinas, acting as Secretariat of the FSOC, shall formulate the Implementing Rules and Regulations of this Chapter within ninety (90) days from the effectivity of this Act. The aforesaid rules and regulations shall be effective upon the concurrence of at least three (3) members of the FSOC.

#### **CHAPTER IV**

##### **FINANCIAL CONSUMER PROTECTION DEPARTMENT INSTITUTIONALIZATION AND EXPANSION**

SEC. 32. *Institutionalization of the Financial Consumer Protection Department (FCPD) of the BSP.* – The FCPD is hereby institutionalized as a unit in the Bangko Sentral ng Pilipinas (BSP). In addition to existing powers and functions of the FCPD over BSP-supervised financial institutions (BSFI), the FCPD shall have oversight and enforcement powers over nonbank financial companies the FSOC requests the FCPD to supervise.

SEC. 33. *Objectives of the FCPD.* – The FCPD is authorized to exercise powers and functions necessary to ensuring that:

- a. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;
- b. Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;
- c. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;
- d. Consumer financial law is enforced consistently, without regard to the status of a person as a depository institution, in order to promote fair competition; and
- e. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

SEC. 34. *Functions of the FCPD.* – The primary functions of the FCPD shall include, but shall not be limited to:

- a. Conducting financial education programs;
- b. Collecting, investigating, and responding to consumer complaints;
- c. Collecting, researching, monitoring, and publishing information relevant to the functioning of markets for consumer financial products and services to identify risks to consumers and the proper functioning of such markets;
- d. Supervising BSFIs and FSOC-supervised persons for compliance with consumer financial law, and taking appropriate enforcement action to address violations of consumer financial law;
- e. Issuing appropriate guidance on consumer financial law; and
- f. Performing such support activities as may be necessary or useful to facilitate the other functions of the FCPD.



SEC. 35. *Virtual-Only Banks as BSFIs.* – A company which primarily delivers banking services through the internet or other forms of electronic channels instead of physical branches shall in all cases be a BSFI.

SEC. 36. *Fair and Truthful Lending Function.* – In addition to its existing powers, the FCPD shall perform the following functions:

- a. Provide oversight and enforcement of laws intended to ensure the fair, equitable, truthful, and nondiscriminatory access to credit for both individuals and communities, from BSFIs and companies supervised by the FCPD pursuant to the FSOC's request,
- b. Coordinate fair and truthful lending efforts of the FCPD with other agencies and regulators, as appropriate, to promote consistent, efficient, and effective enforcement of fair and truthful lending laws;
- c. Work with private industry, fair lending, civil society, consumer and community advocates on the promotion of fair lending compliance and education; and
- d. Provide annual reports to Congress on the efforts of the FCPD to fulfill its fair lending mandate.

SEC. 37. *Expansion of the FCPD.* – In consonance with its expanded function, the BSP shall accordingly determine changes to the organizational structure, appointment, qualification and compensation of officers of the FCPD. The FCPD shall endeavor to be conveniently accessible, physically or otherwise, to all Filipino consumers of financial products. The expansion of the FCPD shall be funded by allocations from the General Appropriations Act (GAA), upon the BSP's request.

SEC. 38. *Supervision of Non-Depository Persons.* – Notwithstanding any other provision in this Chapter, the FCPD shall also supervise any person who:

- a. Offers or provides origination, brokerage, or servicing of loans secured by real estate for use by consumers primarily for personal, family, or household purposes, or loan modification or foreclosure relief services in connection with such loans;
- b. Is a larger participant of a market for other consumer financial products or services;
- c. The FCPD has reasonable cause to determine, by order, after notice to the covered person and a reasonable opportunity for such covered person to respond, based on complaints collected through the system under Sections 23 and 27 of this Act, or information from other sources, that such covered person is engaging, or has engaged, in conduct that poses risks to consumers with regard to the offering or provision of consumer financial products or services;
- d. Offers or provides to a consumer any private education loan,
- e. Offers or provides to a consumer a payday loan.

SEC. 39. *Reports of Tax Law Noncompliance.* – The FCPD shall provide the Commissioner of Internal Revenue with any report of examination or related information identifying possible tax law noncompliance.

SEC. 40. *Power to Recommend Further Investigation by other Agencies.* – In the case of possible violation of any other law other than financial consumer protection laws, the FCPD shall recommend further investigation by the concerned regulatory body or government instrumentality.

SEC. 41. *Implementing Rules and Regulations for the FCPD.* – The BSP shall formulate the implementing rules and regulations necessary for the operation of this Chapter within ninety (90) days upon the effectivity of this Act.

## **CHAPTER V**

### **OFFICE OF THE INVESTOR ADVOCATE**

SEC. 42. *Establishment of the Office of the Investor Advocate.* – There shall be established within the Securities and Exchange Commission the Office of the Investor Advocate (in this Chapter referred to as the ‘Office’).

SEC. 43. *The Investor Advocate.* –

- a. In General. The head of the Office shall be the Investor Advocate, who shall (i) report directly to the Chairman; and (ii) be appointed by the Chairman, in consultation with the Commission, from among individuals having experience in advocating for the interests of investors in securities and investor protection issues, from the perspective of investors.
- b. Compensation. The annual rate of pay for the Investor Advocate shall be equal to the highest rate of annual pay for other senior executives who report to the Chairman of the Commission.
- c. Limitation on Service. An individual who serves as the Investor Advocate may not be employed by the Commission:
  - 1) during the 2-year period ending on the date of appointment as Investor Advocate; or
  - 2) during the 5-year period beginning on the date on which the person ceases to serve as the Investor Advocate.
- d. Staff of Office. The Investor Advocate, after consultation with the Chairman of the Commission, may retain or employ independent counsel, research staff, and service staff, as the Investor Advocate deems necessary to carry out the functions, powers, and duties of the Office.

SEC. 44. *Functions of the Investor Advocate.* – The Investor Advocate shall:

- a. Assist retail investors in resolving significant problems such investors may have with the Commission or with persons registered with the SEC
- b. Identify areas in which investors would benefit from changes in the regulations of the Commission or the rules of Corporations; ‘
- c. Identify problems that investors have with financial service providers and investment products;
- d. Analyze the potential impact on investors of proposed regulations of the Commission; and



- e. To the extent practicable, propose to the Commission changes in the regulations or orders of the Commission and to Congress any legislative, administrative, or personnel changes that may be appropriate to mitigate problems identified under this Section and to promote the interests of investors.

SEC. 45. *Access to Documents.* The Commission shall ensure that the Investor Advocate has full access to the documents of the Commission and any SEC-registered person, as necessary to carry out the functions of the Office.

SEC. 46. *Annual Reports.* –

- a. Report on Functions in General. Not later than June 30 of each year, the Investor Advocate shall submit to the House Committee on Banks and Financial Intermediaries, and the Senate Committee on Banks, Financial Institutions and Currencies a report on the objectives of the Investor Advocate for the following fiscal year, and on the performance of the Investor Advocate of its functions for the previous fiscal year, whenever applicable. The report shall contain full and substantive analysis and explanation.
- b. Performance Report:
  - 1) Contents. Each report required under Section 46 (A) shall include:
    - i. appropriate statistical information and full and substantive analysis;
    - ii. information on steps that the Investor Advocate has taken during the reporting period to improve investor services and the responsiveness of the Commission and corporations to investor concerns;
    - iii. a summary of the most serious problems encountered by investors during the reporting period;
    - iv. identification of any action taken by the Commission and the result of such action;
    - v. the length of time that each item has remained on such inventory;
    - vi. for items on which no action has been taken, the reasons for inaction, and an identification of any official who is responsible for such action;
    - vii. recommendations for such administrative and legislative actions as may be appropriate to resolve problems encountered by investors; and
    - viii. any other information, as determined appropriate by the Investor Advocate.

SEC. 47. *Independence of Reporting.* – Each report required under this Chapter shall be provided directly to the Committees listed in Section 46(a) without any prior review or comment from the Commission, any commissioner, any other officer or employee of the Commission.

SEC. 48. *Confidentiality.* – No report required under Section 46(A) may contain confidential information.

SEC. 49. *Regulations.* – The Commission shall, by regulation, establish procedures requiring a formal response to all recommendations submitted to the Commission by the Investor Advocate, not later than 3 months after the date of such submission.

SEC. 50. *Appropriations.* – Appropriations for the Office shall be sourced from the SEC's existing funds for 2020, and from appropriations from the General Appropriations Act (GAA) for every year thereafter.

SEC. 51. *Reports of Tax Law Noncompliance.* – The Office shall provide the Commissioner of Internal Revenue with any report of examination or related information identifying possible tax law noncompliance.

SEC. 52. *Power to Recommend Further Investigation by Other Agencies.* – In the case of possible violation of any other law other than investor protection laws, the Office shall recommend further investigation by the concerned regulatory body or government instrumentality.

SEC. 53. *Implementing Rules and Regulations for the Office.* – The SEC shall formulate the implementing rules and regulations necessary for the operation of this Chapter within ninety (90) days upon the effectivity of this Act.

## **CHAPTER VI OTHER PROVISIONS**

Sec. 54. *Implementing Rules and Regulations.* – Unless otherwise specified, the financial regulators shall jointly promulgate the necessary rules and regulations within ninety (90) working days from the effectivity of this Act.

Sec. 55. *Separability Clause.* – If any portion or provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

Sec. 56. *Repealing Clause.* – All other laws, acts, presidential decrees, executive orders, presidential proclamations, issuances, rules and regulations, or parts thereof which are contrary to or inconsistent with any of the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 57. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,