SEC Memorandum Circular No. 13

Series of 2001

In the absence of a specific law regulating lending investors and in pursuant to Opinion No. 46, S. 2001, dated September 17, 2001 of the Department of Justice, placing lending investors without quasi-banking functions under the regulatory power of the Securities and Exchange Commission, the following guidelines are hereby promulgated:

(1) All registrant corporations which will engage in direct lending activities shall be required to comply with the requirements of Republic Act No. 8556, otherwise known as the Financing Company Act of 1998, its implementing rules and regulations and circulars relative thereto;

(2) All existing lending investors organized as partnerships or single proprietorships are hereby required to convert into corporations in accordance with Section 3(a) of Republic Act No. 8556, within one (1) year from the effectivity of this Circular. A Certificate of Authority to Operate as a Financing Company shall likewise be secured within the same period;

(3) Said converted entities shall comply with the required paid-up capital requirements for financing companies in accordance with the following schedule:

Location	Minimum Paid-Up Capital	Period of Compliance
Metro Manila and Other 1st Class Cities	P 10 Million	Within three (3) years from effectivity of this Circular
Other Classes of Cities	P 5 Million	Within two (2) years from effectivity of this Circular
Municipalities	P 2.5 Million	Within one (1) year from effectivity of this Circular

Consequently, said entities shall be subject to the reportorial and other requirements for financing companies under the aforementioned law and its implementing rules and regulations and circulars issued relative thereto.

(4) All securities such as but not limited to bonds, debentures, notes, investment contacts, evidence of indebtedness issued by said lending investors to more than nineteen (19) persons shall be registered with the Securities and Exchange Commission pursuant to Sections 8 and 12 of the Securities Regulations Code, except those which have a quasi-banking license issued by the Bangko Sentral ng Pilipinas. A disclosure statement shall be filed if said securities shall be issued to not more than nineteen (19) persons.

Should the company however intend to borrow funds through the issuance of, endorsement of assignment with the recourse or acceptance of deposit substitutes as defined in Section 95 of Republic Act No. 7653, for the purposes of relending or purchasing receivables and other obligations, it shall secure a quasi-banking license from the Bangko Sentral ng Pilipinas. Having such license, it shall be

under the supervision of the said agency.

This circular shall take effect fifteen (15) days following its publication in a newspaper of general circulation.

Issued this 11th day of October 2001 at EDSA, Greenhills, Mandaluyong City, Philippines.

LILIA R. BAUTISTA
Chairperson