SyCip Salazar Hernandez & Gatmaitan

Banking & Finance and Special Projects Bulletin

JULY 2026

SEC Lifts Five-Year Moratorium on Online Lending Platforms and Issues New Regulatory Framework

Following a series of public consultations, the Securities and Exchange Commission (SEC) has issued SEC Memorandum Circular No. 20, Series of 2026, entitled "Guidelines Prescribing Prudential, Disclosure, and Market Conduct Requirements for Financing and Lending Companies and Lifting the Moratorium on Online Lending Platforms" (Circular). The Circular formally lifts the moratorium on the establishment of new Online Lending Platforms (OLPs), effective 1 August 2026, after almost five years.

The Circular establishes a comprehensive regulatory framework governing the establishment and operation of OLPs and also confirms the prudential, disclosure, operational, and consumer protection requirements applicable to financing companies (FCs) and lending companies (LCs).

Lifting the Moratorium on OLPs

Effective 1 August 2026, the SEC will again allow FCs and LCs to establish and operate new OLPs, subject to compliance with the requirements under the Circular.

The Circular likewise confirms that the lifting of the moratorium does not constitute automatic approval of an OLP. The establishment and operation of OLPs remain subject to the Circular's disclosure, business plan, capitalization, operational, and consumer protection requirements, as well as the SEC's continuing supervisory authority.

Disclosure-Based Framework for OLPs

The SEC adopts a disclosure-based approach for OLPs. FCs and LCs operating OLPs are required to disclose and maintain updated information regarding each OLP, including its borrower-facing identity, websites, mobile applications, domain names, and other identifying information through the SEC's prescribed registry or electronic system. The SEC likewise retains the authority to determine whether a platform constitutes an OLP based on its actual operations and may require the correction, updating, suspension, delisting, or reclassification of OLPs that fail to comply with the Circular.

Definition of Online Lending Platform

An OLP is defined as "*any borrower-facing digital platform, application or system whether web-based, mobile-based, or otherwise, operated under a distinct name, brand, or identity and used to facilitate, process, service, manage, support, or otherwise perform financing or lending activities, including loan application, loan processing, credit evaluation, borrower onboarding, loan servicing, repayment, collection, or other borrower-facing lending functions, through which prospective or existing borrowers may directly access, apply for, obtain, manage, repay, or otherwise transact with respect to financing or lending products or services.*"

The Circular also clarifies that an OLP is now identified primarily by its borrower-facing name, brand, or identity through which borrowers access financing or lending services. This means that a single OLP may utilize multiple websites, mobile applications, domains, or technological infrastructure operating under the same borrower-facing identity, while internal systems or platforms used solely for operational support generally do not constitute separate OLPs.

Rather than focusing principally on the functions performed by a digital platform, the final Circular identifies an OLP by reference to the distinct borrower-facing name, brand, or identity under which financing or lending services are offered. This recognizes that a single OLP may operate through multiple digital channels under one borrower-facing identity, while multiple borrower-facing brands may constitute separate OLPs for purposes of the Circular.

Business Plans and Branch Offices

The Circular requires FCs and LCs to submit business plans upon incorporation and obtain prior SEC approval before implementing material amendments, while the detailed filing procedures will be prescribed under a separate SEC issuance.

The Circular likewise defines a branch office as a location where lending or financing activities are performed, while excluding locations that merely facilitate customer interaction without authority to undertake lending activities.

Licensing, Naming and Capital Requirements

The Circular adopts the Single Certificate of Authority policy, under which each FC or LC will be issued one Certificate of Authority covering its financing or lending activities, including all OLPs operated by the entity.

The Circular requires OLP names to be registered and disclosed as business or trade names of the FC or LC, requires changes to OLP names to be disclosed to the SEC, and generally prohibits changing an OLP name within sixty (60) months from its disclosure unless permitted under existing rules or approved by the SEC.

The Circular likewise adopts the graduated paid-up capital framework based on the number of OLPs operated and the entity-level Annual Licensing Fee. Existing FCs and LCs operating OLPs are generally given twelve (12) months to comply with the

applicable capital requirements, with a 180-day period to reduce and disclose OLPs where necessary. During the transition period, additional OLPs may not be introduced until the applicable capitalization requirements have been met.

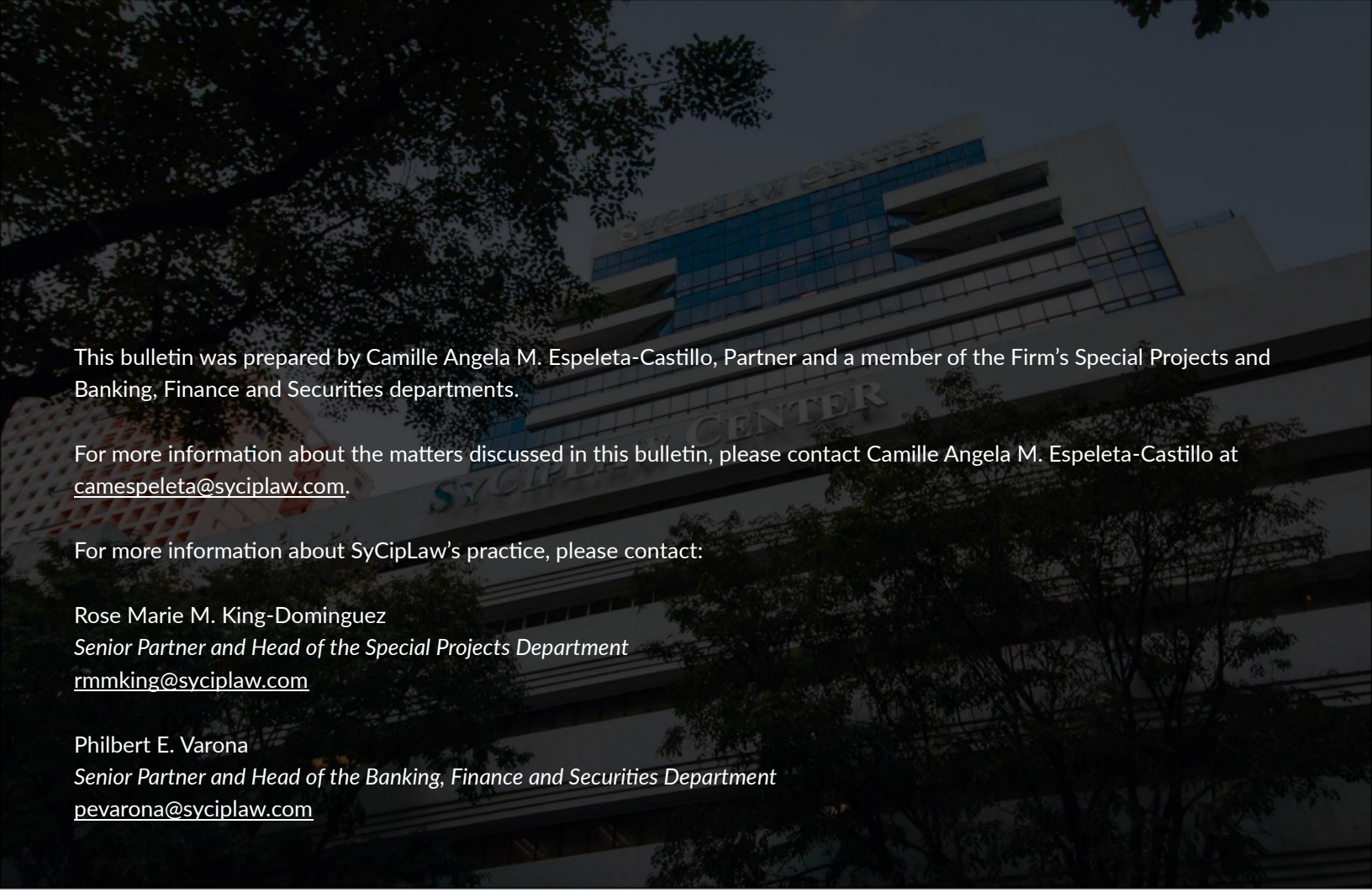
Consumer Protection Requirements

The Circular strengthens and consolidates the consumer protection obligations applicable to FCs and LCs. It prescribes detailed Truth in Lending Act disclosures, requires affirmative borrower acknowledgment before loan confirmation, prohibits unauthorized loan disbursements and automatic renewals, strengthens debt collection requirements, and reinforces existing data privacy obligations. It also continues to prohibit treating persons appearing in a borrower's contact list or character references as guarantors or persons liable for the loan absent their separate written consent.

Implications for Existing OLPs

With the issuance of the final Circular, FCs and LCs operating or intending to operate OLPs should review their existing operations in preparation for the effectivity of the new framework.

This will likely include: (a) reviewing existing digital platforms to ensure that borrower-facing OLPs are properly identified, registered, and disclosed to the SEC; (b) reviewing existing capitalization and business plans to ensure compliance with the new licensing and capital requirements; and (c) reviewing operational systems, including consumer protection disclosures, data privacy, debt collection, and third-party outsourcing arrangements, to ensure compliance with the Circular. ■



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