

TERMS OF REFERENCE

SELECTION OF [REDACTED] REMITTANCE COMPANY AS SMALL BUSINESS CORPORATION [REDACTED] COLLECTION SERVICE PROVIDER

A. COVERAGE

This Term of Reference (TOR) shall apply for all [REDACTED] remittance company who will participate as SB Corp. cash management partner as [REDACTED] collection service provider for P3 and regular program.

B. CRITERIA

1. With nationwide and/or local branches
2. Must be in good standing and no records of violation with any regulatory agencies or past clients
3. Must have government dealings of the same services
4. Must have a secure and accessible facility
5. With pertinent report for reconciliation and settlement of transactions
6. The convenience fee shall be charged to the SB Corp borrower
7. Immediate deposit of collection to SB Corp settlement account the next banking day
8. Must be PhilGEPS accredited.

C. OBLIGATION/RESPONSIBILITIES OF SERVICE PROVIDER

1. The service provider shall implement [REDACTED] collection activities following set guidelines and limits as practicable and allowed by pertinent rules and regulations such as, but not limited to a) [REDACTED] b) [REDACTED] acceptance of collection thru mobile platform and/or network of branches c) for EMIs: having the facility that gives the borrowers the option to automatically deduct from the balance of their e-wallets the amounts sufficient to cover their loan amortization and credit it to the account of SB Corp.
2. Service provider must be compliant with the relevant BSP regulations and other regulatory agencies
3. The agreement/contract between SB Corp and service provider must contain the following as per attached Annex A¹
4. Immediate deposit of collection to SB Corp settlement account the next banking day

D. SCOPE OF SERVICES

~~[REDACTED] CORPORATE PAY-OUT FACILITY~~

~~[REDACTED] Implement fund disbursement of loan proceeds to approved SB Corp borrowers~~

~~[REDACTED] Provides Daily Disbursement Report with data on the Claimed/Unclaimed transactions~~

COLLECTION/BILLS PAYMENT FACILITY

1. Accepts loan payments from SB Corp borrowers/clients during business hours, from Monday to Sunday
2. Provides Daily Collection Report to be submitted via email or portal access not later than 12:00 PM of the day immediately following the collection day, except on Sundays and Holidays (in such case, it will be emailed on Monday or day after the Holiday)
3. Shall deposit the daily collection to SB Corp settlement account not later than 5:00 PM of the next banking day²

¹ Annex A. Contract/Service Level Agreement

² In compliance with DOF Circular 001-2017 on the remittance of collection the next banking day

E. EXCLUSIVITY

The service shall be on a non-exclusive basis.

F. CONVENIENCE FEE

Shall be shouldered by SB Corp borrower/clients. The convenience fee shall be processed as a separate and unique transaction and shall not be included in the total amount collected for SB Corp.³

G. ESTIMATE OF POSSIBLE EARNINGS FROM CONVENIENCE FEES

Computation of Convenience Fee		Estimated Convenience Fee
Disbursement		
Estimated Loan Release	Php6.0B	
Ave. % of disbursement^a	23%	
Estimated amount to be disbursed through Service Provider	Php1,374,809,292	30.5% Php6,374,043
Collection/Bills Payment		
Target Collection	Php6.0B	
Ave. % to be collected ^b	4.37%	
Estimated amount to be collected by the Service Provider	Php262,462,311	
Ave. Payment per Client	3,900.00	
Ave. No. of Transaction	67,298	
Est. Conv. Fee per Transaction	25	Php1,682,451.00

Note:

^a ~~Average percentage is based from historical disbursement through service provider from CY 2019 and as of October 02, 2020 transaction~~

^b Average percentage is based from historical collection through service provider from CY 2019 up to September 30, 2020 transaction

H. DURATION OF THE CONTRACT

Multi-year contract, reviewable every year subject to performance evaluation.

³ Per Section IV of the DOF-DTI JDAO No. 10-01 Series of 2010

ANNEX A CONTRACT/SERVICE LEVEL AGREEMENT

The contract between SB Corporation and the service provider, shall at the minimum, contain the following provisions⁴:

- a. Complete description of the work to be performed or services to be provided;
- b. Fee structure;
- c. Provisions governing amendment and pre-termination of contract;
- d. Responsibility, fines, penalties and accountability of the service provider for errors, omission and frauds;
- e. Confidentiality clause covering all data and information, solidary liability of the service provider and SB Corporation for any violation of R.A. No. 1405, (the Bank Deposits Secrecy Law) actions that SB Corporation may take against the service provider for breach of confidentiality or any form of disclosure of confidential information pursuant to the Data Privacy Act of 2012; and the applicable penalties;
- f. Segregation of data of SB Corporation from that of the service provider and its other clients;
- g. Disaster recovery/business continuity contingency plans and procedures;
- h. Guarantee that the service provider will provide necessary levels of transition assistance if SB Corporation decides to convert to another service provider or other arrangements;
- i. Access to the financial information of the service provider;
- j. Access of internal and external auditors to information regarding the outsourced activities/services which they need to fulfil their respective responsibilities;
- k. Access of BSP to the operations of the service provider in order to review the same in relation to the outsourced activities/services;
- l. Provisions which require the service provider to immediately take the necessary corrective measures to satisfy the findings and recommendations of BSP examiners and those of the internal or external auditors of SB Corporation and/or the vendor;
- m. Remedies for SB Corporation in the event of change of ownership, assignment, attachment of assets, insolvency or receivership of the vendor; and,
- n. Provision allowing SB Corporation to cancel the contract by contractual notice of dismissal or extraordinary notice of cancellation if so required by the BSP;

The following additional requirements should be included on top of the aforementioned requirements/documents for IT outsourcing:

- o. Provisions regarding on-line communication availability, transmission line security, and transaction authentication;
- p. Responsibilities regarding hardware, software and infrastructure upgrades;
- q. Mandatory notification by the service provider of all systems changes that will affect SB Corporation;
- r. Details of security procedures and standards;
- s. Adequate insurance for fidelity and fire liability;
- t. Ownership/maintenance of the computer hardware, software (program source code), user and system documentation, master and transaction data files;
- u. Clauses setting out the rules and limitations on subcontracting;
- v. Accountability of contracting service provider with respect to parts of the services which were further outsourced to subcontractors; and
- w. Provisions on notification and approval requirements regarding changes to the service provider's significant subcontractors.

⁴ Revised Outsourcing Framework for Banks (BSP Manual of Regulations for Non-Bank Financial Institutions, updated as of December 2018, Appendix Q-36)

**RATING SYSTEM ON SELECTION OF CASH MANAGEMENT SERVICE PROVIDER FOR
DISBURSEMENT AND/OR COLLECTION FACILITY**

PARTICULARS	CRITERIA	RATING			Weight
		5 points	3 points	2 points	
BRANCHES	With network coverage nationwide (Luzon, Visayas and Mindanao)	With branches nationwide	With branches in two (2) areas	With branches in one (1) area	25%
YEARS IN THE BUSINESS	No. of years in the business, in good standing and no records of violation with any regulatory agencies or past clients	Above 5 years	Up to 5 years	At least 3 years	5%
GOVERNMENT DEALINGS	Number of government dealing using the pay-out and/or bills payment acceptance service	3	2	1	5%
GOVERNMENT BANK ACCOUNT	With existing government bank accounts	With LBP and DBP	With LBP only	With DBP only	5%
CONVENIENCE FEE					25%
Disbursement	Cash Pay Out Fees (charged to borrower)	Up to 0.3% per cash payout	Up to 0.40% per cash payout	Up to 0.50% per cash payout	
Collection	Bills Payment (Collection fees) per transaction regardless of amount remitted (charged to borrower)	Up to Php10.00	Up to Php15.00	Up to Php25.00	
EASE OF ACCESS OF THE FACILITY	24 hours a day 7 days a weeks accessibility of the service	24 hours a day 7 days a week	At least 12 hours a day 7 days a week	Less than 12 hours a day 7 days a week	10%
SECURITY FEATURES	The facility or website must have at least 5 security features such as but not limited to the following; Secure Socket Layer (SSL), Anti-virus and anti-malware, Enterprise Firewall, Credential Confidentiality, and 128-bit data encryption. Optional: Multi-factor Authentication measures, Automatic Logout	More than 6 security features	6 security features	5 security features	20%
BRANCH/ NETWORK OWNERSHIP	Branches or network must be owned solely by the bank/company	Owned	Owned and have outsourced company	Outsourced	5%
				Total	100%