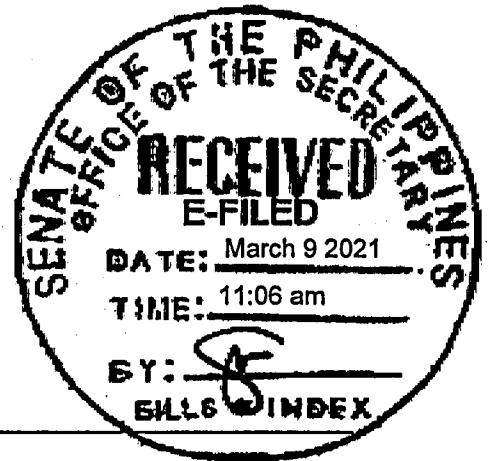


EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Second Regular Session )

SENATE  
S. B. No. 2089



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Introduced by SENATOR SONNY ANGARA

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**AN ACT**  
**AMENDING SECTIONS 1, 3, 4, 5, 6, 8, 9, 10, 11, 18, 22, 24, 26 and 28 OF**  
**REPUBLIC ACT NO. 3591, AS AMENDED, OTHERWISE KNOWN AS THE**  
**PHILIPPINE DEPOSIT INSURANCE CORPORATION CHARTER AND FOR**  
**OTHER PURPOSES**

**EXPLANATORY NOTE**

The Philippine Deposit Insurance Commission (PDIC) is a government instrumentality created by virtue of Republic Act No. 3591, as amended, to insure the deposits of all banks to strengthen the mandatory deposit insurance coverage system in order to generate, preserve, maintain faith and confidence in the country's banking system, and protect it from illegal schemes and machinations. Indeed, the PDIC plays a key role in providing and promoting financial stability of the country.

However, the constantly changing Philippine financial landscape necessitates amendments to the legal and operational framework of the PDIC as provided under its Charter to enable the Corporation to adapt to present time's nuances.

In the exercise of the PDIC's core mandates as deposit insurer and liquidator of banks, certain powers are modified to enable the Corporation to effectively and efficiently fulfill its mandate. For one, the proposed amendments would prevent an overlap in the functions of the PDIC with the primary regulator of banks, the *Bangko Sentral ng Pilipinas* (BSP).

The powers of the PDIC on bank resolution including granting consent to mergers and acquisitions, and the issuance of cease-and-desist orders pertaining to deposit-related unsafe and/or unsound banking would be centralized with the BSP. Instances for the exercise of the powers on bank examination are limited in order to prevent duplication of bank examination powers of the BSP and the PDIC.

In consideration of current economic conditions, under this bill, the maximum deposit insurance coverage of the PDIC shall be increased from Five Hundred Thousand Pesos (P500,000.00) to One Million Pesos (P1,000,000.00) subject to the review of the PDIC Board of Directors every three (3) years. The maximum deposit

insurance coverage may be further increased to an amount indexed to inflation or other economic indicators as may be warranted by the PDIC Board of Directors.

To ensure alignment of PDIC with other Government-Owned and -Controlled Corporations (GOCCs) and government institutions in terms of compensation, the PDIC's exemption from salary standardization laws shall be removed and be covered by a compensation classification system to be developed by the Governance Commission for GOCCs (GCG) and as approved by the President of the Philippines. Moreover, the bill clarified the applicability of Republic Act No. 7656 or the Dividend Law, subject to certain conditions on the determination of the dividend base and the flexibility clause.

The authority for PDIC to setup deposit insurance schemes for the protection of users of new financial products, and depositors in Islamic banks are provided in the proposed amendments. This would address the increasing number of issuers of new financial products, and the potential to expand banking in the country.

Finally, to ensure better policy and program coordination between the agencies, the PDIC is likewise proposed to be attached to the BSP from the Department of Finance.

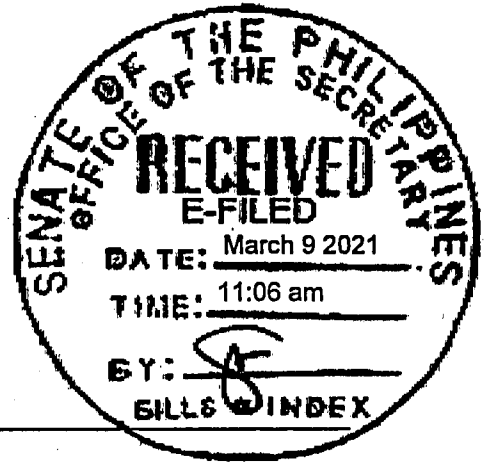
The following amendments are being proposed to reinforce not only the benefits that individual depositors will enjoy, but also the advantages at the macroeconomic level to invigorate the country's financial system and overall economy. And in view of the foregoing, the immediate approval of this bill is earnestly sought.



**SONNY ANGARA**

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Second Regular Session )

SENATE  
S. B. No. 2089



Introduced by SENATOR SONNY ANGARA

**AN ACT**

**AMENDING SECTIONS 1, 3, 4, 5, 6, 8, 9, 10, 11, 18, 22, 24, 26 and 28 OF  
REPUBLIC ACT NO. 3591, AS AMENDED, OTHERWISE KNOWN AS THE  
PHILIPPINE DEPOSIT INSURANCE CORPORATION CHARTER AND FOR  
OTHER PURPOSES**

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

1 **SECTION. 1.** Section 1 of Republic Act No. 3591, as amended, or "An Act  
2 Establishing the Philippine Deposit Insurance Corporation, Defining its Powers and  
3 Duties and for Other Purposes" (PDIC Charter) is hereby amended to read as  
4 follows:  
5

6 "THE CREATION OF THE PHILIPPINE DEPOSIT INSURANCE  
7 CORPORATION  
8

9 "SECTION 1. There is hereby created a Philippine Deposit Insurance  
10 Corporation hereinafter referred to as the 'Corporation' which shall insure  
11 as herein provided, the deposits of all banks which are entitled to the  
12 benefits of insurance under this Act, and which shall have the powers  
13 hereinafter granted.  
14

15 The Corporation shall, as a basic policy, promote and safeguard the  
16 interests of the depositing public by providing insurance coverage on all  
17 insured deposits and helping maintain a sound and stable banking system.  
18

19 **THE CORPORATION SHALL BE ATTACHED TO THE BANGKO  
20 SENTRAL NG PILIPINAS (BSP) FOR POLICY AND PROGRAM  
21 COORDINATION."**  
22  
23

24 **SEC. 2.** Section 3 of the same Act is hereby amended to read as follows:  
25

26 "BOARD OF DIRECTORS: COMPOSITION AND AUTHORITY  
27

1 "Section 3. (a) The powers and functions of the Corporation shall be  
2 vested in and exercised by a Board of Directors which shall be composed  
3 of seven (7) members as follows:  
4

5 (1) The Secretary of Finance who shall be the ex officio  
6 [~~Chairman~~] **CHAIRPERSON** of the Board without compensation;  
7

8 (2) The Governor of the [~~Bangko Sentral ng Pilipinas~~] **BSP**  
9 who shall be ex officio member of the Board without compensation;  
10

11 (3) The President of the Corporation, who shall be appointed by the  
12 President of the Philippines from a shortlist prepared by the Governance  
13 Commission for Government-Owned or -Controlled Corporations (GCG)  
14 pursuant to Republic Act No. 10149, "**OR THE GOCC GOVERNANCE**  
15 **ACT OF 2011**" to serve on a full-time basis for a term of six (6) years.  
16 [~~The President of the Corporation shall also serve as Vice Chairman of the~~  
17 ~~Board~~];  
18

19 (4) Four (4) members from the private sector to be appointed by the  
20 President of the Philippines from a shortlist prepared by the Governance  
21 Commission for Government-Owned or -Controlled Corporations pursuant  
22 to Republic Act No. 10149. The appointive directors shall serve for a term  
23 of six (6) years unless sooner removed for cause and shall be subject to  
24 only one (1) reappointment: *Provided*, That of those first appointed, the  
25 first two (2) appointees shall serve for a period of three (3) years;  
26 *Provided*, however, That the appointive director shall continue to hold  
27 office until the successor is appointed. An appointive director may be  
28 nominated by the Governance Commission for Government-Owned or -  
29 Controlled Corporations for reappointment by the President only if **THE**  
30 **APPOINTIVE DIRECTOR** obtains a performance score of above average  
31 or its equivalent or higher in the immediately preceding year **OF** tenure as  
32 appointive director based on the performance criteria for appointive  
33 directors of the Corporation.  
34

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36

37 The Secretary of Finance and the Governor of the [~~Bangko Sentral ng~~  
38 ~~Pilipinas~~] **BSP** may each designate an alternate, who shall be an official  
39 with a rank not lower than assistant secretary **OF THE DEPARTMENT OF**  
40 **FINANCE (DOF)** or [~~its equivalent~~] **DEPUTY GOVERNOR OF THE BSP**  
41 with written authority from the Secretary of Finance or the Governor of the  
42 [~~Bangko Sentral ng Pilipinas~~] **BSP** to attend such meetings and to vote on  
43 behalf of their respective principals. Whenever the [~~Chairman~~]  
44 **CHAIRPERSON** of the Board is unable to attend a meeting of the Board,  
45 or in the event of a vacancy in the office of the Secretary of Finance, [~~and~~  
46 ~~in the absence of the Vice Chairman the members of the Board shall~~  
47 ~~designate from among themselves who~~] **THE DESIGNATED**  
48 **ALTERNATE** shall [~~act as Chairman~~] **PRESIDE. IN THE ABSENCE OF**

1 THE CHAIRPERSON AND THE DESIGNATED ALTERNATE, THE  
2 REPRESENTATIVE OF THE BSP SHALL PRESIDE.

3  
4 xxx

5  
6 (b) The Board of Directors shall have the authority:

7  
8 (1) To approve and issue rules and regulations for banks, [and] the  
9 depositing public, AND OTHER INSTITUTIONS SUPERVISED BY THE  
10 BSP as it considers necessary for the effective discharge of its  
11 responsibilities UNDER THIS ACT INCLUDING THE ESTABLISHMENT  
12 OF SEPARATE INSURANCE FUNDS, AND INSURANCE  
13 ARRANGEMENTS OR STRUCTURES OR TAKAFUL, TAKING INTO  
14 CONSIDERATION THE PECULIAR CHARACTERISTICS OF ISLAMIC  
15 BANKING OR OTHER DEPOSIT PRODUCTS, AS MAY BE DEFINED  
16 BY THE BSP, OFFERED BY INSTITUTIONS SUPERVISED BY THE  
17 BSP. THIS AUTHORITY INCLUDES, SETTING OF THE INSURANCE  
18 COVERAGE, ELIGIBILITY OF THE INSTITUTIONS, ASSESSMENT  
19 PREMIUM RATE, AND OTHER IMPLEMENTATION RULES AND  
20 REGULATIONS;

21  
22 xxx

23  
24 ~~[(4) To approve a compensation structure as an integral component~~  
25 ~~of the Corporation's human resource development program based on job~~  
26 ~~evaluation studies and wage surveys, and revise the same as it may deem~~  
27 ~~necessary: Provided, That all positions in the Corporation shall be~~  
28 ~~governed by a compensation package, position classification system and~~  
29 ~~qualification standards approved by the Board based on a comprehensive~~  
30 ~~job analysis and audit of actual duties and responsibilities. The~~  
31 ~~compensation structure shall be comparable to that of other financial~~  
32 ~~institutions based on prevailing market standards, and shall provide for~~  
33 ~~yearly merit reviews or increases based on productivity. The Corporation~~  
34 ~~shall therefore be exempt from existing laws, rules and regulations on~~  
35 ~~compensation package, position classification and qualification standards.~~  
36 ~~It shall however endeavor to make its system conform as closely as~~  
37 ~~possible with the principles under Republic Act No. 6758, as amended;]~~

38  
39 ~~[(5)]~~ (4) To appoint, [establish the rank, fix the remuneration, benefits,  
40 including health care services through a Health Maintenance Organization  
41 (HMO) and medical benefits other than those provided for under Republic  
42 Act No. 7875, as amended,] and remove any officer or employee of the  
43 Corporation, for cause, subject to pertinent civil service laws: Provided,  
44 That the Board of Directors may delegate this authority to the President  
45 subject to specific guidelines: Provided, further, That in no case shall there  
46 be any diminution of existing salaries, benefits and other emoluments;

47  
48 ~~[(6)]~~ (5) To approve policy on local and foreign travel, and the  
49 corresponding expenses, allowances and per diems, of officers,  
50 employees, agents of the Corporation, which shall be comparable with the

1 expenses, allowances and per diems of personnel of other financial  
2 institutions based on prevailing market standards, notwithstanding the  
3 provisions of Presidential Decree No. 1177, Executive Order No. 292,  
4 Executive Order No. 248, as amended, Executive Order No. 298, and  
5 similar laws;

6  
7 [(7)] (6) To adopt an annual budget for, and authorize such  
8 expenditures by the Corporation, as are in the interest of the effective  
9 administration and operation of the Corporation;

10  
11 [(8)] (7) To approve the target level of the Deposit Insurance Fund  
12 (DIF) and the methodology for determining reserves for insurance and  
13 financial assistance losses;

14  
15 [(9)] (8) To review the organizational set-up of the Corporation and  
16 adopt a new or revised organizational structure as it may deem necessary  
17 for the Corporation to undertake its mandate and functions;

18  
19 [(10)] (9) To design, adopt and revise, as it may deem necessary, an  
20 early separation plan for employees of the Corporation to ensure  
21 availability of a human resource pool qualified and capable of  
22 implementing the Corporation's authorities under this Charter in a manner  
23 responsive and attuned to market developments, and to provide incentives  
24 for all those who shall be separated from the service. Notwithstanding any  
25 law to the contrary, these incentives shall be in addition to all gratuities  
26 and benefits the employee is entitled to under existing laws; and

27  
28 [(11)] (10) To promote and sponsor the local or foreign training or  
29 study of personnel in the fields of banking, finance, management,  
30 information technology and law. Towards this end, the Corporation is  
31 hereby authorized to defray the costs of such training or study. The Board  
32 shall prescribe rules and regulations to govern the training or study  
33 programs of the Corporation.

34  
35  
36 **SEC. 3.** Section 4 of the PDIC Charter is hereby amended to read as follows:

37  
38 **"PRESIDENT OF THE CORPORATION: COMPENSATION, POWERS, AND**  
39 **DUTIES**

40  
41 **"Section 4. The President of the Corporation shall be its Chief Executive**  
42 **Officer [and the Vice Chairman of its Board of Directors] WHOSE salary**  
43 **shall be [fixed by the President of the Philippines upon the**  
44 **recommendation of] **BASED ON THE COMPENSATION AND POSITION****  
45 **CLASSIFICATION SYSTEM DEVELOPED BY the Governance**  
46 **Commission for Government-Owned or -Controlled Corporations (GCG)**  
47 **[at a sum commensurate to the importance and responsibility attached to**  
48 **the position.] **AND AS APPROVED BY THE PRESIDENT OF THE****  
49 **PHILIPPINES. The sum total of the salary, allowances, benefits and other**  
50 **emoluments of the President of the Corporation shall be higher than the**

1 compensation package of the next highest ranking executive of the  
2 Corporation.

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4 xxx

5  
6 The President shall be assisted by a Vice President and other officials  
7 whose appointment and removal for cause shall be approved [and whose  
8 salary shall be fixed] by the Board of Directors upon recommendation of  
9 the President of the Corporation. **THE SALARY OF THE VICE  
10 PRESIDENT AND OTHER OFFICIALS SHALL BE BASED ON THE  
11 COMPENSATION AND POSITION CLASSIFICATION SYSTEM  
12 ESTABLISHED BY THE GCG AND AS APPROVED BY THE  
13 PRESIDENT OF THE PHILIPPINES.** During the absence or temporary  
14 incapacity of the President, or in case of vacancy or permanent incapacity  
15 and pending appointment of a new President of the Corporation by the  
16 President of the Philippines, the Board of Directors shall designate the  
17 officer-in-charge of the Corporation.

18  
19  
20 **SEC. 4.** Section 5 of the PDIC Charter is hereby amended to read as follows:

21  
22 "DEFINITION OF TERMS

23  
24 "SECTION 5. As used in this Act. —

25  
26 (a) xxxx

27  
28 (g).xxx

29  
30 (3) Deposit accounts or transactions constituting ~~and/or emanating~~  
31 ~~from,~~ unsafe and unsound banking [practice/s], as determined by the  
32 Corporation, in consultation with the ~~[Bangko Sentral ng Pilipinas]~~  
33 **BSP**, after due notice and hearing, and publication of a directive to  
34 cease and desist issued by the ~~[Corporation]~~ **BSP** against such  
35 deposit accounts, transactions or [practices] **UNSAFE AND**  
36 **UNSOUND BANKING;** and

37  
38 xxx

39  
40 **(i) THE TERM INCOME FROM OTHER SOURCES MEANS INCOME**  
41 **ACTUALLY REALIZED BY THE CORPORATION FROM SOURCES**  
42 **OTHER THAN ASSESSMENT COLLECTIONS, AS DEFINED BY**  
43 **RELEVANT AND PREVAILING ACCOUNTING STANDARDS.**

44  
45 ~~{(j)}~~ **(j)** The term *insured bank* means any bank the deposits of which are  
46 insured in accordance with the provisions of this Act.

47  
48 ~~{(k)}~~ **(k)** The term insured deposit means the amount due to any bonafide  
49 depositor for legitimate deposits in an insured bank as of the date of  
50 closure but not to exceed ~~[Five hundred thousand pesos (P500,000.00)]~~

1 **ONE MILLION PESOS (P1,000,000.00).** Such amount shall be  
2 determined according to such regulations as the Board of Directors may  
3 prescribe. In determining such amount due to any depositor, there shall be  
4 added together all deposits in the bank maintained in the same right and  
5 capacity for his or her benefit either in his or her own name or in the name  
6 of others. A joint account regardless of whether the conjunction 'and', 'or',  
7 'and/or' is used, shall be insured separately from any individually-owned  
8 deposit account: Provided, That (1) if the account is held jointly by two, or  
9 more natural persons, or by two or more juridical persons or entities, the  
10 maximum insured deposit shall be divided into as many equal shares as  
11 there are individuals, juridical persons or entities, unless a different sharing  
12 is stipulated in the document of deposit, and (2) if the account is held by a  
13 juridical person or entity jointly with one or more natural persons, the  
14 maximum insured deposit shall be presumed to belong entirely to such  
15 juridical person or entity: Provided, further, That the aggregate of the  
16 interest of each co-owner over several joint accounts, whether owned by  
17 the same or different combinations of individuals, juridical persons or  
18 entities, shall likewise be subject to the maximum insured deposit of ~~{Five~~  
19 ~~hundred thousand pesos (P500,000.00)}~~ **ONE MILLION PESOS**  
20 **(P1,000,000.00):** Provided, furthermore, That the provisions of any law to  
21 the contrary notwithstanding, no owner/holder of any passbook, certificate  
22 of deposit or other evidence of deposit shall be recognized as a depositor  
23 entitled to the rights provided in this Act unless the passbook, certificate of  
24 deposit or other evidence of deposit is determined by the Corporation to  
25 be an authentic document or record of the issuing bank.

26  
27 ~~{Provided, finally, That}~~ In case ~~[of]~~ a condition **OCCURS** that threatens  
28 the monetary and financial stability of the banking system that may have  
29 systemic consequences, as defined in Section 22 hereof, **AND** as  
30 determined by the Monetary Board, the maximum deposit insurance cover  
31 may be adjusted in such amount, for such a period, and/or for such  
32 deposit products, as may be determined by a unanimous vote of the Board  
33 of Directors in a meeting called for the purpose and chaired by the  
34 Secretary of Finance **OR THE DESIGNATED ALTERNATE**, subject to the  
35 approval of the President of the Philippines.

36  
37 **THE BOARD OF DIRECTORS CAN INCREASE THE AMOUNT OF THE**  
38 **MAXIMUM DEPOSIT INSURANCE COVERAGE TO AN AMOUNT**  
39 **INDEXED TO INFLATION OR IN CONSIDERATION OF OTHER**  
40 **ECONOMIC INDICATORS AS MAY BE DEEMED APPROPRIATE BY**  
41 **THE BOARD. THE BOARD OF DIRECTORS SHALL REVIEW THE**  
42 **AMOUNT OF THE MAXIMUM DEPOSIT INSURANCE COVERAGE**  
43 **EVERY THREE (3) YEARS AND ADJUST THE MAXIMUM DEPOSIT**  
44 **INSURANCE COVERAGE AS MAY BE WARRANTED. IN THE**  
45 **EXERCISE OF THIS AUTHORITY, THE BOARD MAY CONSIDER**  
46 **ECONOMIC INDICATORS OTHER THAN INFLATION. FOR THIS**  
47 **PURPOSE, THE BOARD MAY HIRE THE SERVICES OF ACTUARIAL**  
48 **CONSULTANTS AND OTHER EXPERTS TO DETERMINE THE**  
49 **FEASIBILITY AND ADVISABILITY OF ADJUSTING THE MAXIMUM**  
50 **DEPOSIT INSURANCE COVERAGE**



1  
2 ~~[(k)]~~ (l) The term *liquidation* refers to the proceedings under Sections 12 to  
3 16 of this Act.

4 ~~[(l)]~~ (m) The term *liquidation court* refers to the Regional Trial Court (RTC)  
5 of general jurisdiction where the petition for assistance in the liquidation of  
6 a closed bank is filed and given due course.

7 ~~[(m)]~~ (n) The term *payout* refers to the payment of insured deposits.

8 ~~[(n)]~~ (o) The term *petition for assistance in the liquidation of a closed*  
9 *bank* refers to the petition filed by the receiver with the RTC in accordance  
10 with Section 16 of this Act.

11  
12 ~~[(o)]~~ (p) The term *purchase of assets and assumption of liabilities* refers to  
13 a transaction where an insured bank purchases any or all assets and  
14 assumes any or all liabilities of another bank under ~~[resolution or]~~  
15 liquidation, as provided in this Act.

16 ~~[(p)]~~ (q) The term *receiver* refers to the Corporation or any of its duly  
17 authorized agents acting as receiver of a closed bank.

18 ~~[(q)]~~ (r) The term *records* include all documents, titles, papers and  
19 electronic data of the closed bank, including those pertaining to deposit  
20 accounts of and with the closed bank, its assets, transactions and  
21 corporate affairs.

22 ~~[(r)]~~ (s) The term *residual assets* refer to assets, in cash or in kind, to be  
23 turned over to the closed bank's stockholders of record, in proportion to  
24 their interest in the closed bank as of date of closure, after payment in full  
25 of liquidation costs, fees and expenses, and the valid claims and surplus  
26 dividends to all the creditors.

27  
28 ~~[(s)]~~ The term *resolution* refers to the actions undertaken by the  
29 ~~[Corporation under Section 11 of this Act]:~~

- 30  
31 ~~(1) Protect depositors, creditors and the DIF;~~  
32 ~~(2) Safeguard the continuity of essential banking services or maintain~~  
33 ~~financial stability; and~~  
34 ~~(3) Prevent deterioration or dissipation of bank assets.]~~  
35

36 xxx

37  
38 (z) THE TERM UNSAFE AND UNSOUND BANKING MAY REFER TO  
39 THE CONDUCT OF BUSINESS IN AN UNLAWFUL, UNSAFE OR  
40 UNSOUND MANNER AS MAY BE DEFINED BY THE BANGKO  
41 SENTRAL NG PILIPINAS UNDER REPUBLIC ACT NO. 7653, AS  
42 AMENDED BY REPUBLIC ACT NO. 11211, OR "THE NEW CENTRAL  
43 BANK ACT", AND REPUBLIC ACT NO. 8791 OR "THE GENERAL  
44 BANKING LAW".  
45

1        ~~{}(z)}~~ (aa) The term valid claim refers to the claim recognized by the  
2        receiver or allowed by the liquidation court.

3        ~~{}(aa)}~~ (bb) The term winding up period refers to the period provided in  
4        Section 16 of this Act.  
5  
6

7        **SEC. 5.** Section 6 of the PDIC Charter is hereby amended to read as follows:  
8

9        **"DEPOSIT INSURANCE COVERAGE**

10       **"SECTION 6.** The deposit liabilities of any bank which is engaged in the  
11       business of receiving deposits as herein defined on the effective date of  
12       this Act, or which thereafter may engage in the business of receiving  
13       deposits, shall be insured with the Corporation. **OTHER NON-BANK**  
14       **BSFIs ACCEPTING DEPOSIT LIABILITIES MAY BE INSURED BY THE**  
15       **CORPORATION. IN THE CASE OF NSSLAs, SUCH DEPOSIT**  
16       **LIABILITIES MAY BE INSURED AT THE OPTION OF SAID NSSLAs.**  
17       **THE CORPORATION MAY ESTABLISH SEPARATE INSURANCE**  
18       **FUNDS, AND INSURANCE ARRANGEMENTS OR STRUCTURES OR**  
19       **TAKAFUL, THAT TAKE INTO CONSIDERATION THE PECULIAR**  
20       **CHARACTERISTICS OF ISLAMIC BANKING, AND OTHER DEPOSIT**  
21       **PRODUCTS, AS MAY BE DEFINED BY THE BSP, OFFERED BY**  
22       **INSTITUTIONS SUPERVISED BY BANGKO SENTRAL NG PILIPINAS.**  
23

24       **WHENEVER AN INSTITUTION OTHER THAN BANKS THAT IS**  
25       **SUPERVISED BY THE BSP IS ORDERED CLOSED BY THE**  
26       **MONETARY BOARD, AND SUCH INSTITUTION HAS DEPOSITS OR**  
27       **PRODUCTS COVERED BY AN INSURANCE OF THE CORPORATION,**  
28       **THE CORPORATION SHALL BE DESIGNATED AS RECEIVER OF**  
29       **SUCH INSTITUTION AND THE CORPORATION SHALL PROCEED WITH**  
30       **ITS TAKEOVER AND LIQUIDATION IN ACCORDANCE WITH THIS**  
31       **ACT.**  
32

33       Whenever a bank is determined by the [~~Bangko Sentral ng Pilipinas~~] **BSP**  
34       to be capital deficient, the Corporation may conduct an insurance risk  
35       evaluation on the bank to enable it to assess the risks to the DIF. Such  
36       evaluation may include the determination of: (i) the fair market value of the  
37       assets and liabilities of a bank; or (ii) the risk classification of a bank [~~;- or~~  
38       ~~(iii) possible resolution modes under Section 11 of this Act, subject to such~~  
39       ~~terms and conditions as the PDIC Board may prescribe.].~~  
40  
41

42       **SEC. 6.** Section 8 of the PDIC Charter is hereby amended to read as follows:  
43

44       **"SANCTIONS AGAINST UNSAFE AND UNSOUND BANKING**  
45       **[PRACTICES]"**  
46

47       **"SECTION 8. (a)** Whenever upon examination by the Corporation into  
48       the condition of any insured bank, it shall be disclosed that an insured  
49       bank or its directors or agents have committed, are committing or about to

1 commit unsafe or unsound [practices] **BANKING** [~~in conducting the~~  
2 ~~business of the bank~~], or have violated, are violating or about to violate  
3 any provisions of any law or regulation to which the insured bank is  
4 subject, the Board of Directors shall submit the report of the examination  
5 to the Monetary Board [~~to secure corrective action thereon. If no such~~  
6 ~~corrective action is taken by the Monetary Board within forty five (45) days~~  
7 ~~from the submission of the report, the Board of Directors shall, motu~~  
8 ~~proprio, institute corrective action which it deems necessary. The Board of~~  
9 ~~Directors may thereafter issue a cease and desist order, and require the~~  
10 ~~bank or its directors or agents concerned to correct the practices or~~  
11 ~~violations within forty five (45) days. However, if the practice or violation is~~  
12 ~~likely to cause insolvency or substantial dissipation of assets or earnings~~  
13 ~~of the bank, or is likely to seriously weaken the condition of the bank or~~  
14 ~~otherwise seriously prejudice the interests of its depositors and the~~  
15 ~~Corporation, the period to take corrective action shall not be more than~~  
16 ~~fifteen (15) days. The order may also include the imposition of fines~~  
17 ~~provided in Section 26(g) hereof. The Board of Directors shall duly inform~~  
18 ~~the Monetary Board of the Bangko Sentral ng Pilipinas of action it has~~  
19 ~~taken under this subsection with respect to such practices or violations.]~~

20  
21 [~~(b) The actions and proceedings provided in the preceding~~  
22 ~~subsections may be undertaken by the Corporation if, in its opinion, an~~  
23 ~~insured bank or its directors or agents have violated, are violating or about~~  
24 ~~to violate any provision of this Act or any order, rule or instruction issued~~  
25 ~~by the Corporation or any written condition imposed by the Corporation in~~  
26 ~~connection with any transaction with or grant by the Corporation.]~~

27  
28 xxx

29  
30 [(e)] (b) The Corporation may terminate the insured status of any bank that  
31 fails or refuses to comply, within thirty (30) days from notice, with any  
32 cease-and-desist order issued by the [Corporation] **BSP**, [~~or with any~~  
33 ~~corrective action imposed by the Monetary Board, under this section]~~  
34 pertaining to a deposit-related unsafe and/or unsound banking practice.

35  
36 xxx

37  
38  
39 **SEC. 7.** Section 9 of the PDIC Charter is hereby amended to read as follows:

40  
41 "POWERS AS A CORPORATE BODY"

42  
43 "SECTION 9. The Corporation as a corporate body shall have the  
44 powers:

45  
46 xxx

47  
48 Fifth — To appoint by its Board of Directors such officers and employees  
49 as are not otherwise provided for in this Act, to define their duties, [~~fix their~~

1 compensation,] require bonds of them and fix penalty thereof and to  
2 dismiss such officers and employees for cause;

3  
4 xxx

5  
6 Eighth — ~~[To conduct examination of banks with prior approval of the~~  
7 ~~Monetary Board: Provided, That no examination can be conducted within~~  
8 ~~twelve (12) months from the last examination date: Provided, however,~~  
9 ~~That the Corporation may, in coordination with the Bangko Sentral,~~  
10 ~~conduct a special examination as the Board of Directors, by an affirmative~~  
11 ~~vote of a majority of all of its members, if there is a threatened or~~  
12 ~~impending closure of a bank:]~~ **TO EXAMINE THE RECORDS, BOOKS OF**  
13 **ACCOUNTS AND REQUIRE INFORMATION AND REPORTS FROM**  
14 **DEPOSITORY INSTITUTIONS WHENEVER THE BSP DEEMS IT**  
15 **APPROPRIATE AND NECESSARY SUCH AS WHEN THERE IS A**  
16 **FINDING OF FRAUD OR UNSAFE OR UNSOUND BANKING RELATED**  
17 **TO DEPOSIT-TAKING: Provided, [further,] That, notwithstanding the**  
18 **provisions of Republic Act No. 1405, as amended, Republic Act No. 6426,**  
19 **as amended, Republic Act No. 8791, and other laws, the Corporation**  
20 **and/or the [Bangko Sentral] BSP, may inquire into or examine deposit**  
21 **accounts and all information related thereto [in case there is a finding of**  
22 **unsafe or unsound banking practice]: Provided, [finally] FURTHER, That to**  
23 **avoid overlapping of efforts, the examination shall maximize the efficient**  
24 **use of the relevant reports, information, and findings of the [Bangko**  
25 **Sentral] BSP, which it shall make available to the Corporation.**

26  
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28  
29 ~~[Fourteenth — To determine the appropriate resolution method and to~~  
30 ~~implement the same for a bank subject of resolution; and]~~

31  
32 ~~[Fifteenth]~~ **FOURTEENTH — To determine the appropriate mode of**  
33 **liquidation of a closed bank and to implement the same.**

34  
35  
36 **SEC. 8. Section 10 of the PDIC Charter is hereby amended to read as follows:**

37  
38 **"POWERS, [AND] RESPONSIBILITIES AND PROHIBITIONS**

39  
40 **"SECTION 10. xxx**

41  
42 **(b) WHENEVER THE BSP DEEMS IT APPROPRIATE AND**  
43 **NECESSARY FOR PDIC TO JOIN THE CONDUCT OF EXAMINATION**  
44 **OF A BANK, [†] The Board of Directors shall appoint examiners who shall**  
45 **have power, on behalf of the Corporation to examine any insured bank.**  
46 **Each such examiner shall have the power to make a thorough examination**  
47 **of all the affairs of the bank and in doing so, he shall have the power to**  
48 **administer oaths, to examine and take and preserve the testimony of any**  
49 **the officers and agents thereof, and to compel the presentation of books,**  
50 **documents, papers or records necessary in his judgment to ascertain the**

1 facts relative to the condition of the bank: and shall make a full and  
2 detailed report of the condition of the bank to the Corporation. The Board  
3 of Directors in like manner shall appoint claim agents who shall have the  
4 power to investigate and examine all claims for insured deposits and  
5 transferred deposits. Each claim agent shall have the power to administer  
6 oaths and examine under oath and take and preserve testimony of any  
7 person relating to such claim.  
8

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10  
11 (d) The [Corperation] BSP shall have access to [reports—of  
12 examination] **BANK EXAMINATION REPORTS** made by **THE**  
13 **CORPORATION**, [and reports of condition made to the Bangko Sentral ng  
14 Pilipinas or its appropriate supervising departments, and the Bangko  
15 Sentral ng Pilipinas shall also have access to reports of examination made  
16 by, and reports of condition made to the Corporation: Provided, That the  
17 provisions of any law to the contrary notwithstanding, the Corporation shall  
18 likewise have access to reports, findings and any other information derived  
19 from any special or general examination of inquiry conducted by the  
20 Bangko Sentral in respect to bank fraud or serious irregularity in an  
21 insured bank:] **AND TO SUCH OTHER REPORTS OR INFORMATION**  
22 **AS MAY BE AGREED UPON BY THE CORPORATION AND THE BSP.**  
23 **THE BSP SHALL SHARE TO THE CORPORATION ITS REPORTS OF**  
24 **EXAMINATION ON BANKS, AND SUCH OTHER REPORTS OR**  
25 **INFORMATION AS MAY BE AGREED UPON BY THEM:** Provided,  
26 [t]That, [the Corporation shall use such reports and findings under similar  
27 terms and conditions prescribed by applicable laws on the Bangko Sentral]  
28 **THE USE OF SUCH REPORTS OR INFORMATION ARE IN**  
29 **ACCORDANCE WITH THE TERMS AND CONDITIONS AGREED UPON**  
30 **BY THE CORPORATION AND BSP AND PRESCRIBED BY**  
31 **APPLICABLE LAWS AND REGULATIONS.**  
32

33 xxx

34  
35  
36 **SEC. 9.** Section 11 of the PDIC Charter is hereby amended to read as follows:

37  
38 **"[BANK RESOLUTION] AUTHORITY TO EXAMINE DEPOSIT**  
39 **RECORDS**

40  
41 **"SECTION 11. [(a) — The Corporation, in coordination with the Bangko**  
42 **Sentral ng Pilipinas, may commence the resolution of a bank under this**  
43 **section upon:]**

44  
45 **[(1) — Failure of prompt corrective action as declared by the**  
46 **Monetary Board; or]**

47  
48 **[(2) — Request by a bank to be placed under resolution.]**  
49

1 ~~[The Corporation shall inform the bank of its eligibility for entry into~~  
2 ~~resolution.]~~

3  
4 ~~[(b) — The Bangko Sentral ng Pilipinas shall inform the Corporation of~~  
5 ~~the initiation of prompt corrective action on any bank and shall be~~  
6 ~~authorized to share with the Corporation all information, agreements or~~  
7 ~~documents, including any order of the Monetary Board, in relation to the~~  
8 ~~prompt corrective action. The Corporation shall have the authority to~~  
9 ~~inquire and monitor the status of banks under prompt corrective action.]~~

10  
11 ~~[(e)]~~ When there is a failure of prompt corrective action as declared by  
12 the Monetary Board ~~[due to capital deficiency],~~ the Corporation ~~[- its duly~~  
13 ~~authorized officers or employees,]~~ **AND THE BSP** may examine, inquire or  
14 look into the deposit records of a bank: ~~[Provided, That such authority may~~  
15 ~~not be exercised when the failure of prompt corrective action is due to~~  
16 ~~grounds other than capital deficiency.]~~ For this purpose, banks, their  
17 officers and employees are hereby mandated to disclose and report to the  
18 Corporation **AND BSP** or ~~[its]~~ **THEIR** duly authorized officers and  
19 employees, **THE REQUIRED** deposit account information ~~[in said bank].~~

20  
21 ~~[The Corporation, its duly authorized officers or employees are prohibited~~  
22 ~~from disclosing information obtained under this section to any person,~~  
23 ~~government official, bureau or office. Any act done pursuant to this section~~  
24 ~~shall not be deemed as a violation of Republic Act No. 1405, as amended,~~  
25 ~~Republic Act No. 6426, as amended, Republic Act No. 8791, and other~~  
26 ~~similar laws protecting or safeguarding the secrecy or confidentiality of~~  
27 ~~bank deposits: Provided, That a]~~ Any unauthorized disclosure of the  
28 information under this section shall be subject to the same penalty under  
29 the ~~[foregoing]~~ laws protecting the secrecy or confidentiality of bank  
30 deposits.

31  
32 ~~[(d) — The stockholders, directors, officers or employees of the bank~~  
33 ~~shall have the following obligations:]~~

34  
35 ~~[(1) — Ensure bank compliance with the terms and conditions~~  
36 ~~prescribed by the Corporation for the resolution of the bank;]~~

37  
38 ~~[(2) — Cause the engagement, with the consent of the~~  
39 ~~Corporation, of an independent appraiser or auditor for the purpose of~~  
40 ~~determining the valuation of the bank consistent with generally accepted~~  
41 ~~valuation standards;]~~

42  
43 ~~[(3) — Ensure prudent management and administration of the~~  
44 ~~bank's assets, liabilities and records; and]~~

45  
46 ~~[(4) — Cooperate with the Corporation in the conduct or exercise~~  
47 ~~of any or all of its authorities under this Act and honor in good faith its~~  
48 ~~commitment or undertaking with the Corporation on the resolution of the~~  
49 ~~bank.]~~

1 ~~[(e) Within a period of one hundred eighty (180) days from a bank's~~  
2 ~~entry into resolution, the Corporation, through the affirmative vote of at~~  
3 ~~least five (5) members of the PDIC Board, shall determine whether the~~  
4 ~~bank may be resolved through the purchase of all its assets and~~  
5 ~~assumption of all its liabilities, or merger or consolidation with, or its~~  
6 ~~acquisition, by a qualified investor.]~~

7  
8 [For this purpose, the Corporation may:]

9  
10 [(1) Determine a resolution package for the bank;]

11  
12 [(2) Identify and, with the approval of the Monetary Board, pre-qualify  
13 possible acquirers or investors;]

14  
15 [(3) Authorize pre-qualified acquirers or investors to conduct due  
16 diligence on the bank, for purposes of determining the valuation of a bank  
17 through an objective and thorough review and appraisal of its assets and  
18 liabilities, and assessment of risks or events that may affect its valuation;  
19 and]

20  
21 [(4) Conduct a bidding to determine the acquirer of the bank.]

22  
23 [(f) In determining the appropriate resolution method for a bank, the  
24 Corporation shall consider the:]

25  
26 [(1) Fair market value of the assets of the bank, its franchise, as well  
27 as the amount of its liabilities;]

28  
29 [(2) Availability of a qualified investor;]

30  
31 [(3) Least cost to the DIF; and]

32  
33 [(4) Interest of the depositing public.]

34  
35 [(g) The Corporation may appoint or hire persons or entities of  
36 recognized competence in banking, finance, asset management or  
37 remedial management, as its agents, to perform such powers and  
38 functions of the Corporation in the resolution of a bank, or assist in the  
39 performance thereof.]

40  
41 [(h) The PDIC Board shall prescribe the guidelines or criteria for a  
42 bank to be placed under resolution.]

43  
44 [(i) Upon a determination by the Corporation that the bank may not be  
45 resolved, the Monetary Board may act in accordance with Section 30 of  
46 Republic Act No. 7653 or the New Central Bank Act.]

47  
48 [(j) Bank resolution involving the purchase of all assets and  
49 assumption of all liabilities of a bank shall be exempt from the provisions of  
50 Act No. 3952, otherwise known as 'The Bulk Sales Law'.]

1  
2       ~~[(\*)]~~ The provisions of this section ~~[are without prejudice to any action~~  
3       ~~that]~~ **NOTWITHSTANDING** the Monetary Board may take **OTHER**  
4       **ACTIONS** under existing laws **THAT IT MAY DEEM NECESSARY.**  
5  
6

7       **SEC. 10.** Section 18 of the PDIC Charter is hereby amended to read as follows:  
8

9       **"DIVIDEND DECLARATION**

10  
11       "SECTION 18. Consistent with the policy of the State to generate,  
12       preserve, maintain faith and confidence in the country's banking system,  
13       the Corporation shall build up and maintain the DIF at the target level set  
14       by the PDIC Board of Directors. Such target level shall be subject to  
15       periodic review and may be adjusted as necessary.  
16

17       The Corporation ~~[is exempt from Republic Act No. 7656; instead, the~~  
18       ~~Corporation shall]~~ **SHALL DECLARE AND** remit dividends to the [n]  
19       National [g] Government ~~[only if the target DIF level for the applicable year~~  
20       ~~has been reached.]~~ **IN ACCORDANCE WITH REPUBLIC ACT NO. 7656**  
21       **OR "AN ACT REQUIRING GOVERNMENT-OWNED OR -CONTROLLED**  
22       **CORPORATIONS TO DECLARE DIVIDENDS UNDER CERTAIN**  
23       **CONDITIONS TO THE NATIONAL GOVERNMENT, AND FOR OTHER**  
24       **PURPOSES": PROVIDED THAT SECTION 2(d) ON THE**  
25       **DETERMINATION OF THE DIVIDEND BASE AND SECTION 5**  
26       **FLEXIBLE CLAUSE THEREOF SHALL NOT APPLY. IN LIEU OF**  
27       **SECTION 2(d) AND SECTION 5 OF REPUBLIC ACT NO. 7656, THE**  
28       **SUCCEEDING PROVISIONS SHALL GOVERN.**  
29

30       For purposes of computing the amount of dividends to be declared and  
31       remitted to the [n] National [g] Government, all assessment collections  
32       shall not be considered as income **AND THE DIVIDEND BASE SHALL**  
33       **BE THE SUM OF ALL INCOME FROM OTHER SOURCES ONLY.**  
34       **UNREALIZED INCOME SUCH AS REVERSALS OF ALLOWANCES**  
35       **AND RESERVES, AND UNREALIZED EXCHANGE GAINS, SHALL NOT**  
36       **BE PART OF INCOME FROM OTHER SOURCES. NO DEDUCTIONS**  
37       **SHALL BE ALLOWED FROM THE INCOME FROM OTHER SOURCES.**  
38

39       The dividend rate shall be at least fifty percent (50%) of the **SUM OF ALL**  
40       **THE** income from other sources only. **IN CONSIDERATION OF**  
41       **MAINTAINING THE DIF AT A REASONABLE LEVEL, THE DIVIDEND**  
42       **RATE MAY BE ADJUSTED BY THE PRESIDENT OF THE PHILIPPINES**  
43       **UPON RECOMMENDATION BY THE SECRETARY OF FINANCE; OR**  
44       **THE CORPORATION MAY BE ALLOWED TO DEFER THE PAYMENT**  
45       **OF THE FIFTY PERCENT (50%) DIVIDEND DUE AS MAY BE**  
46       **DETERMINED BY THE SECRETARY OF FINANCE.**  
47  
48

49       **SEC. 11.** Section 22 of the PDIC Charter is hereby amended to read as follows:  
50



1 "CORPORATE FUNDS AND ASSETS

2  
3 "SECTION 22. xxx

4  
5 (e) ~~[In the exercise of its authorities under Section 11 of this Act, t]~~  
6 The Corporation is authorized to make loans to, or purchase the assets of,  
7 or assume liabilities of, or make deposits in:

8  
9 (1) A bank in danger of closing, upon its acquisition by a qualified  
10 investor; or

11  
12 (2) A qualified investor, upon its purchase of all assets and  
13 assumption of all liabilities of a bank in danger of closing; or

14  
15 (3) A surviving or consolidated institution that has merged or  
16 consolidated with a bank in danger of closing; upon such terms and  
17 conditions as the Board of Directors may prescribe, when in the opinion of  
18 the Board of Directors, such acquisition, purchase of assets, assumption  
19 of liabilities, merger or consolidation, is essential to provide adequate  
20 banking service in the community or maintain financial stability in the  
21 economy.

22  
23 Xxx"

24  
25  
26 SEC. 12. Section 24 of the PDIC Charter is hereby amended to read as follows:

27  
28 "ISSUANCE OF BONDS, DEBENTURES AND OTHER OBLIGATIONS

29  
30 "SECTION 24. With the approval of the President of the Philippines, upon  
31 the recommendation of the Department of Finance, the Corporation is  
32 authorized to issue bonds, debentures, and other obligations, both local or  
33 foreign, as may be necessary for purposes of providing liquidity for  
34 settlement of insured deposits in closed banks[;] OR to facilitate the  
35 implementation of ~~[bank resolution under Section 11 of this Act, as well as~~  
36 ~~for]~~ financial assistance as provided herein: Provided, That the Board of  
37 Directors shall determine the interest rates, maturity and other  
38 requirements of said obligations: Provided, further, That the Corporation  
39 may provide for appropriate reserves for the redemption or retirement of  
40 said obligation.

41  
42 Xxx"

43  
44  
45 SEC. 13. Section 26 (c) of the PDIC Charter is hereby deleted and renumbered  
46 accordingly:

47  
48 "SANCTIONS AND PENALTIES

49  
50 "SEC. 26

1  
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~~(c) Without prior consent of the Corporation, no insured bank shall (1) merge or consolidate with any non-insured bank or institution or convert into a non-insured bank or institution or (2) assume liability to pay any deposits made in, or similar liabilities of, any non-insured bank or institution or (3) transfer of assets to any non-insured bank or institution in consideration of the assumption of liabilities for any portion of the deposits made in such insured banks.~~

xxx

**SEC. 14.** Section 28 of the PDIC Charter is hereby deleted and replaced by Section 11 (j) as follows:

~~[SECTION 28. Exempting Clause. — The Corporation shall be exempt from Presidential Decree No. 985, Presidential Decree No. 1597, Republic Act No. 6758, as amended, Joint Resolution No. 4 (2009) and other laws on salary standardization, Presidential Decree No. 1177, Executive Order No. 245, as amended, Executive Order No. 298 and the provisions of Republic Act No. 10149 with regard to position classification, qualification standards, and the compensation package of the employees of the Corporation: Provided, That the PDIC shall be subject to all other policies under Republic Act No. 10149, including, but not limited to, performance evaluation by the Governance Commission for Government Owned or Controlled Corporations, selection and nomination of appointive directors, and limitations on the creation of subsidiaries and the acquisition of affiliates except in the case of acquisition of shares in the grant of financial assistance under this Act.]~~

**[(j)] SECTION 28. EXEMPTION FROM THE BULK SALES LAW. - BANK LIQUIDATION INVOLVING THE PURCHASE OF ALL ASSETS AND ASSUMPTION OF ALL LIABILITIES OF A BANK SHALL BE EXEMPT FROM THE PROVISIONS OF ACT NO. 3952, OTHERWISE KNOWN AS 'THE BULK SALES LAW'.**

**SEC. 15. Separability Clause.** – If any provision if this Act is subsequently declared invalid or unconstitutional, the other provisions hereof which are not affected thereby shall remain in full force and effect.

**SEC. 16. Repealing Clause.** – Sections 1, 3, 4, 5, 6, 8, 9, 10, 11; 18, 22, 24, 26 and 28 of Republic Act No. 3591, as amended, otherwise known as the PDIC charter are hereby amended accordingly.

All other laws, decrees, resolutions, instructions, and rules and regulations, or parts thereof which are inconsistent with this Act are hereby deemed repealed or modified accordingly.

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2  
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**SEC. 17. Effectivity.** – This Act shall take effect fifteen (15) days following the completion of its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,