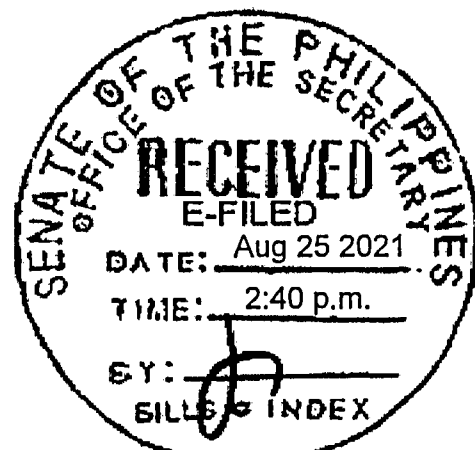


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)



SENATE
S. B. No. 2365

(In Substitution of S.B. Nos. 1260 and 2089, and taking into consideration H.B. No. 8818)

Prepared by the Committees on Banks, Financial Institutions, and Currencies; Government Corporations and Public Enterprises as recommended by the Sub-Committee on S.B. Nos. 1260 and 2089 with Senators Revilla, Angara, Poe, and Gordon as authors.

AN ACT
AMENDING SECTIONS 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 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 the 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" is hereby further amended to read as follows:
4 "THE CREATION OF THE PHILIPPINE DEPOSIT INSURANCE CORPORATION
5 "SECTION 1. There is hereby created a Philippine Deposit Insurance
6 Corporation hereinafter referred to as the 'Corporation' which shall insure as
7 herein provided, the deposits of all banks which are entitled to the benefits of
8 insurance under this Act, and which shall have the powers hereinafter granted.

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

4 **THE CORPORATION SHALL BE ATTACHED TO THE BANGKO SENTRAL**
5 **NG PILIPINAS FOR POLICY AND PROGRAM COORDINATION."**

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

7 "BOARD OF DIRECTORS: COMPOSITION AND AUTHORITY

8 "SEC. 3. (a) The powers and functions of the Corporation shall be vested in
9 and exercised by a Board of Directors which shall be composed of seven (7)
10 members as follows:

11 (1) The **GOVERNOR OF THE BANGKO SENTRAL NG PILIPINAS**

12 [~~Secretary of Finance~~] who shall be the ex officio [~~Chairman~~]

13 **CHAIRPERSON** of the Board without compensation;

14 (2) The [~~Governor of the Bangko Sentral ng Pilipinas~~] **SECRETARY OF**

15 **FINANCE** who shall be ex officio **VICE CHAIRPERSON AND** member of
16 the Board without compensation;

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

1 (4) Four (4) members from the private sector to be appointed by the President
2 of the Philippines from a shortlist prepared by the Governance Commission
3 for Government -Owned or -Controlled Corporations pursuant to Republic
4 Act No. 10149. The appointive directors shall serve for a term of six (6)
5 years unless sooner removed for cause and shall be subject to only one (1)
6 reappointment: Provided, That of those first appointed, the first two (2)
7 appointees shall serve for a period of three (3) years; Provided, however,
8 that the appointive director shall continue to hold office until the successor
9 is appointed. An appointive director may be nominated by the Governance
10 Commission for Government -Owned or -Controlled Corporations for
11 reappointment by the President only if [øæe] **THE APPOINTIVE**
12 **DIRECTOR** obtains a performance score of above average or its
13 equivalent or higher in the immediately preceding year of tenure as
14 appointive director based on the performance criteria for appointive
15 directors of the Corporation.

16x x x

17 The Secretary of Finance and the Governor of the Bangko Sentral ng Pilipinas
18 may each designate an alternate, who shall be an official with a rank not lower
19 than assistant secretary **OF THE DEPARTMENT OF FINANCE** or [its
20 equivalent] **DEPUTY GOVERNOR OF THE BANGKO SENTRAL NG**
21 **PILIPINAS** with written authority from the Secretary of Finance or the
22 Governor of the Bangko Sentral ng Pilipinas to attend such meetings and to
23 vote on behalf of their respective principals. Whenever the [Chairman]
24 **CHAIRPERSON** of the Board is unable to attend a meeting of the Board, or

1 in the event of a vacancy in the office of the [~~Secretary of Finance~~]
2 **GOVERNOR OF THE BANGKO SENTRAL NG PILIPINAS**, [~~and in the~~
3 ~~absence of the Vice Chairman the members of the Board shall designate from~~
4 ~~among themselves who~~] **HIS OR HER DESIGNATED ALTERNATE** shall [~~act~~
5 ~~as Chairman~~] **PRESIDE. IN THE ABSENCE OF THE CHAIRPERSON AND**
6 **HIS OR HER DESIGNATED ALTERNATE, THE SECRETARY OF FINANCE**
7 **OR HIS OR HER REPRESENTATIVE SHALL PRESIDE.**

8xxx

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

10 **(1) To approve and issue rules and regulations for banks, and the depositing**
11 **public, as it considers necessary for the effective discharge of its**
12 **responsibilities UNDER THIS ACT INCLUDING THE**
13 **ESTABLISHMENT OF SEPARATE INSURANCE FUNDS, AND**
14 **INSURANCE ARRANGEMENTS OR STRUCTURES OR TAKAFUL,**
15 **TAKING INTO CONSIDERATION THE PECULIAR**
16 **CHARACTERISTICS OF ISLAMIC BANKING. THIS AUTHORITY**
17 **INCLUDES, INCREASING OF THE INSURANCE COVERAGE,**
18 **ELIGIBILITY OF THE INSTITUTIONS, ASSESSMENT PREMIUM**
19 **RATE, AND OTHER IMPLEMENTATION RULES AND**
20 **REGULATIONS;**
21 **FOR PURPOSES OF THIS ACT, TAKAFUL SHALL BE DEFINED AS A**
22 **MUTUAL GUARANTEE IN RETURN FOR THE COMMITMENT TO**
23 **DONATE AN AMOUNT IN THE FORM OF A SPECIFIED**
24 **CONTRIBUTION TO THE COVERED ENTITIES' RISK FUND,**

1 **WHEREBY A GROUP OF COVERED ENTITIES AGREE AMONG**
2 **THEMSELVES TO SUPPORT ONE ANOTHER JOINTLY FOR THE**
3 **LOSSES ARISING FROM SPECIFIED RISKS.**

4x x x

5 ~~[(4) To approve a compensation structure as an integral component of the~~
6 ~~Corporation's human resource development program based on job evaluation~~
7 ~~studies and wage surveys, and revise the same as it may deem necessary;~~
8 ~~Provided, That all positions in the Corporation shall be governed by a~~
9 ~~compensation package, position classification system and qualification~~
10 ~~standards approved by the Board based on a comprehensive job analysis and~~
11 ~~audit of actual duties and responsibilities. The compensation structure shall be~~
12 ~~comparable to that of other financial institutions based on prevailing market~~
13 ~~standards, and shall provide for yearly merit reviews or increases based on~~
14 ~~productivity. The Corporation shall therefore be exempt from existing laws,~~
15 ~~rules and regulations on compensation package, position classification and~~
16 ~~qualification standards. It shall however endeavor to make its system conform~~
17 ~~as closely as possible with the principles under Republic Act No. 6758, as~~
18 ~~amended;]~~

19 **[(5)] (4)** To appoint, ~~[establish the rank, fix the remuneration, benefits,~~
20 ~~including health care services through a Health Maintenance Organization~~
21 ~~(HMO) and medical benefits other than those provided for under Republic Act~~
22 ~~No. 7875, as amended;]~~ and remove any officer or employee of the
23 Corporation, for cause, subject to pertinent civil service laws: Provided, That
24 the Board of Directors may delegate this authority to the President subject to

1 specific guidelines: Provided, further, That in no case shall there be any
2 diminution of existing salaries, benefits and other emoluments;

3 ~~[(6)]~~ **(5)** To approve policy on local and foreign travel, and the corresponding
4 expenses, allowances and per diems, of officers, employees, agents of the
5 Corporation, which shall be comparable with the expenses, allowances and per
6 diems of personnel of other financial institutions based on prevailing market
7 standards, notwithstanding the provisions of Presidential Decree No. 1177,
8 Executive Order No. 292, Executive Order No. 248, as amended, Executive
9 Order No. 298, and similar laws;

10 ~~[(7)]~~ **(6)** To adopt an annual budget for, and authorize such expenditures by
11 the Corporation, as are in the interest of the effective administration and
12 operation of the Corporation;

13 ~~[(8)]~~ **(7)** To approve the target level of the Deposit Insurance Fund (DIF) and
14 the methodology for determining reserves for insurance and financial
15 assistance losses;

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

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

1 shall be in addition to all gratuities and benefits the employee is entitled to
2 under existing laws; and

3 ~~[(11)]~~ **(10)** To promote and sponsor the local or foreign training or study of
4 personnel in the fields of banking, finance, management, information
5 technology and law. Towards this end, the Corporation is hereby authorized to
6 defray the costs of such training or study. The Board shall prescribe rules and
7 regulations to govern the training or study programs of the Corporation.”

8 **SEC. 3.** Section 4 of the same Act is hereby further amended to read as follows:

9 “PRESIDENT OF THE CORPORATION:

10 COMPENSATION, POWERS, AND DUTIES

11 SEC. 4. The President of the Corporation shall be its Chief Executive Officer
12 ~~[and the Vice Chairman of its Board of Directors and his or her]~~ **WHOSE** salary
13 shall be ~~[fixed by the President of the Philippines upon the recommendation~~
14 ~~of]~~ **BASED ON THE COMPENSATION AND POSITION CLASSIFICATION**
15 **SYSTEM DEVELOPED BY** the Governance Commission for Government-
16 Owned or -Controlled Corporations ~~[(GCG) at a sum commensurate to the~~
17 ~~importance and responsibility attached to the position.]~~ **AND AS APPROVED**
18 **BY THE PRESIDENT OF THE PHILIPPINES.** The sum total of the salary,
19 allowances, benefits and other emoluments of the President of the Corporation
20 shall be higher than the compensation package of the next highest ranking
21 executive of the Corporation.

22x x x

1 The President shall be assisted by a Vice President and other officials whose
2 appointment and removal for cause shall be approved [~~and whose salary shall~~
3 ~~be fixed~~] by the Board of Directors upon recommendation of the President of
4 the Corporation. **THE SALARY OF THE VICE PRESIDENT AND OTHER**
5 **OFFICIALS SHALL BE BASED ON THE COMPENSATION AND POSITION**
6 **CLASSIFICATION SYSTEM ESTABLISHED BY THE GOVERNANCE**
7 **COMMISSION FOR GOVERNMENT-OWNED OR -CONTROLLED**
8 **CORPORATIONS AND AS APPROVED BY THE PRESIDENT OF THE**
9 **PHILIPPINES."**

10 **SEC. 4.** Section 5 of the same Act is hereby further amended to read as follows:

11 "DEFINITION OF TERMS

12 "SEC. 5. As used in this Act. –

13 (a) x x x

14 (g) x x x

15 **CERTAIN PRODUCTS OR ARRANGEMENTS OF ISLAMIC BANKS SHALL**
16 **BE DEEMED AS DEPOSIT BY THE BANGKO SENTRAL NG PILIPINAS**
17 **FOR PURPOSES OF THIS ACT.**

18 The Corporation shall not pay deposit insurance for the following
19 accounts or transactions:

20 (1) x x x

21 (3) Deposit accounts or transactions constituting [~~and/or emanating~~
22 ~~from,~~] unsafe and unsound banking [~~practice/s~~], as determined by the
23 Corporation, in consultation with the Bangko Sentral ng Pilipinas, after

1 due notice and hearing, and publication of a directive to cease and desist
2 issued by the [~~Corporation~~] **BANGKO SENTRAL NG PILIPINAS**
3 against such deposit accounts, transactions or [~~practices~~] **UNSAFE**
4 **AND UNSOUND BANKING;** and

5x x x

6x x x

7 (i) The term insured bank means any bank the deposits of which are insured
8 in accordance with the provisions of this Act.

9 (j) The term insured deposit means the amount due to any bonafide depositor
10 for legitimate deposits in an insured bank as of the date of closure but not to
11 exceed Five hundred thousand pesos (P500,000.00). Such amount shall be
12 determined according to such regulations as the Board of Directors may
13 prescribe. In determining such amount due to any depositor, there shall be
14 added together all deposits in the bank maintained in the same right and
15 capacity for his or her benefit either in his or her own name or in the name of
16 others. A joint account regardless of whether the conjunction 'and', 'or', 'and/or'
17 is used, shall be insured separately from any individually-owned deposit
18 account: Provided, That (1) if the account is held jointly by two or more natural
19 persons, or by two or more juridical persons or entities, the maximum insured
20 deposit shall be divided into as many equal shares as there are individuals,
21 juridical persons or entities, unless a different sharing is stipulated in the
22 document of deposit, and (2) if the account is held by a juridical person or
23 entity, jointly with one or more natural persons, the maximum insured deposit
24 shall be presumed to belong entirely to such juridical person or entity:

1 Provided, further, That the aggregate of the interest of each co-owner over
2 several joint accounts, whether owned by the same or different combinations
3 of individuals, juridical persons or entities, shall likewise be subject to the
4 maximum insured deposit [~~of Five hundred thousand pesos (P500,000.00)~~]:

5 Provided, furthermore, That the provisions of any law to the contrary
6 notwithstanding, no owner/holder of any passbook, certificate of deposit or
7 other evidence of deposit shall be recognized as a depositor entitled to the
8 rights provided in this Act unless the passbook, certificate of deposit or other
9 evidence of deposit is determined by the Corporation to be an authentic
10 document or record of the issuing bank.

11 [~~Provided, finally, That -i~~] In case [~~of~~] a condition **OCCURS** that threatens the
12 monetary and financial stability of the banking system that may have systemic
13 consequences, as defined in Section 22 hereof, **AND** as determined by the
14 Monetary Board, the maximum deposit insurance cover may be adjusted in such
15 amount, for such a period, and/or for such deposit products, as may be
16 determined by a unanimous vote of the Board of Directors in a meeting called
17 for the purpose and chaired by the [~~Secretary of Finance~~] **GOVERNOR OF THE**
18 **BANGKO SENTRAL NG PILPINAS OR THE DESIGNATED ALTERNATE,**
19 subject to the approval of the President of the Philippines.

20 **THE BOARD OF DIRECTORS MAY INCREASE THE AMOUNT OF THE**
21 **MAXIMUM DEPOSIT INSURANCE COVERAGE TO AN AMOUNT**
22 **INDEXED TO INFLATION OR IN CONSIDERATION OF OTHER**
23 **ECONOMIC INDICATORS AS MAY BE DEEMED APPROPRIATE BY THE**
24 **BOARD. THE BOARD OF DIRECTORS SHALL REVIEW THE AMOUNT OF**

1 THE MAXIMUM DEPOSIT INSURANCE COVERAGE EVERY THREE (3)
2 YEARS AND INCREASE THE MAXIMUM DEPOSIT INSURANCE
3 COVERAGE AS MAY BE WARRANTED. IN THE EXERCISE OF THIS
4 AUTHORITY, THE BOARD MAY CONSIDER ECONOMIC INDICATORS
5 OTHER THAN INFLATION. FOR THIS PURPOSE, THE BOARD MAY HIRE
6 THE SERVICES OF INDEPENDENT ACTUARIAL CONSULTANTS AND
7 OTHER EXPERTS TO DETERMINE THE FEASIBILITY AND
8 ADVISABILITY OF INCREASING THE MAXIMUM DEPOSIT INSURANCE
9 COVERAGE.

10x x x

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

15x x x

16 [~~(s) The term resolution refers to the actions undertaken by the Corporation~~
17 ~~under Section 11 of this Act:~~

- 18 ~~(1) Protect depositors, creditors and the DIF;~~
19 ~~(2) Safeguard the continuity of essential banking services or maintain~~
20 ~~financial stability; and~~
21 ~~(3) Prevent deterioration or dissipation of bank assets.]~~

22 [(~~t~~) (s) The term risk-based assessment system pertains to a method for
23 calculating an insured bank's assessment on the probability that the DIF will

1 incur a loss with respect to the bank, and the likely amount of any such loss,
2 based on its risk rating that takes into consideration the following:

3 (1) Quality and concentration of assets;

4 (2) Categories and concentration of liabilities, both insured and uninsured,
5 contingent and noncontingent;

6 (3) Capital position;

7 (4) Liquidity position;

8 (5) Management and governance; and

9 (6) Other factors relevant to assessing such probability, as may be
10 determined by the Corporation.

11 [~~(u)~~] **(t)** The term statement of affairs refers to a report of financial condition
12 of the closed bank at a given date, showing the: (1) estimated realizable value
13 of assets; (2) classification of credits; and (3) estimated liabilities to be settled.

14 [~~(v)~~] **(u)** The term surplus dividends refers to the remaining assets of the
15 closed bank after satisfaction in full of all the liquidation costs, fees and
16 expenses, and valid claims. The surplus dividends shall be computed at the
17 legal rate of interest from the date of takeover to cut-off date of the distribution
18 plan, and shall be paid, in cash or in kind, to creditors of the closed bank in
19 accordance with the Rules on Concurrence and Preference of Credits under the
20 Civil Code or other laws.

21 [~~(w)~~] **(v)** The term takeover refers to the act of physically taking possession
22 and control of the premises, assets and affairs of a closed bank for the purpose
23 of liquidating the bank.

1 ~~[(x)]~~ **(w)** The term transfer deposit means, a deposit in an insured bank made
2 available to a depositor by the Corporation as payment of insured deposit of
3 such depositor in a closed bank and assumed by another insured bank.

4 ~~[(y)]~~ **(x)** The term trust funds means funds held by an insured bank in a
5 fiduciary capacity and includes without being limited to, funds held as trustee,
6 executor, administrator, guardian or agent.

7 **(y) THE TERM UNSAFE AND UNSOUND BANKING MAY REFER TO THE**
8 **CONDUCT OF BUSINESS IN AN UNLAWFUL, UNSAFE OR UNSOUND**
9 **MANNER AS MAY BE DEFINED BY THE BANGKO SENTRAL NG**
10 **PILIPINAS UNDER REPUBLIC ACT NO. 7653, AS AMENDED BY**
11 **REPUBLIC ACT NO. 11211, OR "THE NEW CENTRAL BANK ACT", AND**
12 **REPUBLIC ACT NO. 8791 OR "THE GENERAL BANKING LAW".**
13 **NOTWITHSTANDING THE FOREGOING, THE CORPORATION SHALL**
14 **CONTINUE TO HAVE THE AUTHORITY TO DETERMINE UNSAFE OR**
15 **UNSAFE BANKING IN THE PERFORMANCE OF ITS MANDATES, IN**
16 **ACCORDANCE WITH THE DEFINITION OF THE BANGKO SENTRAL NG**
17 **PILIPINAS AS PROVIDED ABOVE.**

18x x x

19 **SEC. 5.** Section 6 of the same Act is hereby further amended to read as follows:

20 "DEPOSIT INSURANCE COVERAGE

21 SEC. 6. The deposit liabilities of any bank which is engaged in the business of
22 receiving deposits as herein defined on the effective date of this Act, or which
23 thereafter may engage in the business of receiving deposits, shall be insured

1 with the Corporation. **THE CORPORATION MAY ESTABLISH SEPARATE**
2 **INSURANCE FUNDS AND INSURANCE ARRANGEMENTS OR**
3 **STRUCTURES OR TAKAFUL THAT TAKE INTO CONSIDERATION THE**
4 **PECULIAR CHARACTERISTICS OF ISLAMIC BANKING.**

5 Whenever a bank is determined by the Bangko Sentral ng Pilipinas to be capital
6 deficient, the Corporation may conduct an insurance risk evaluation on the
7 bank to enable it to assess the risks to the DIF. Such evaluation may include
8 the determination of: (i) the fair market value of the assets and liabilities of a
9 bank; or (ii) the risk classification of a bank [~~or (iii) possible resolution modes~~
10 ~~under Section 11 of this Act, subject to such terms and conditions as the PDIC~~
11 ~~Board may prescribe.].~~

12 **SEC. 6.** Section 7 of the same Act is hereby further amended to read as follows:

13 "ASSESSMENT OF MEMBER BANKS

14 SEC. 7. (a) The assessment rate shall be determined by the Board of Directors:
15 Provided, That the assessment rate shall not exceed one-fifth (1/5) of one per
16 centum (1%) per annum. The semi-annual assessment for each insured bank
17 shall be in the amount of the product of one-half (1/2) the assessment rate
18 multiplied by the assessment base but in no case shall it be less than Five
19 thousand pesos (P5,000.00). The assessment base shall be the amount of the
20 liability of the bank for deposits as defined under subsection (g) of Section 5
21 without any deduction for indebtedness of depositors.

22 In addition, the Board of Directors may establish a risk-based assessment
23 system and impose a risk-based assessment rate which shall not exceed two-

1 fifth (2/5) of one per centum (1%) per annum multiplied by the assessment
2 base.

3 **IN CASE THERE WILL BE AN INCREASE OF MAXIMUM INSURED**
4 **DEPOSIT, THE PDIC BOARD SHALL HAVE THE AUTHORITY TO ADJUST**
5 **THE ASSESSMENT RATE FOR BANKS TAKING INTO CONSIDERATION**
6 **THE CURRENT ECONOMIC CONDITIONS, AND THE ADEQUACY AND**
7 **SUSTAINABILITY OF THE DEPOSIT INSURANCE FUND.**

8 xxx”

9 **SEC. 7.** Section 8 of the same Act is hereby further amended to read as follows:

10 “SANCTIONS AGAINST UNSAFE AND UNSOUND BANKING [PRACTICES]

11 SEC. 8. (a) Whenever upon examination by the Corporation into the condition
12 of any insured bank, it shall be disclosed that an insured bank or its directors
13 or agents have committed, are committing or about to commit unsafe or
14 unsound [practices] **BANKING** [in conducting the business of the bank], or
15 have violated, are violating or about to violate any provisions of any law or
16 regulation to which the insured bank is subject. The Board of Directors shall
17 submit the report of the examination to the Monetary Board [to secure
18 corrective action thereon. If no such corrective action is taken by the Monetary
19 Board within forty five (45) days from the submission of the report, the Board
20 of Directors shall, motu proprio, institute corrective action which it deems
21 necessary. The Board of Directors may thereafter issue a cease and desist
22 order, and require the bank or its directors or agents concerned to correct the
23 practices or violations within forty five (45) days. However, if the practice or

1 ~~violation is likely to cause insolvency or substantial dissipation of assets or~~
2 ~~earnings of the bank, or is likely to seriously weaken the condition of the bank~~
3 ~~or otherwise seriously prejudice the interests of its depositors and the~~
4 ~~Corporation, the period to take corrective action shall not be more than fifteen~~
5 ~~(15) days. The order may also include the imposition of fines provided in~~
6 ~~Section 26(g) hereof. The Board of Directors shall duly inform the Monetary~~
7 ~~Board of the Bangko Sentral ng Pilipinas of action it has taken under this~~
8 ~~subsection with respect to such practices or violations.]~~

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

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16 ~~[(e)]~~ **(b)** The Corporation may terminate the insured status of any bank that
17 fails or refuses to comply, within thirty (30) days from notice, with any cease-
18 and-desist order issued by the ~~[Corporation]~~ **BANGKO SENTRAL NG**
19 **PILIPINAS**, ~~[or with any corrective action imposed by the Monetary Board,~~
20 ~~under this section]~~ pertaining to a deposit-related unsafe and/or unsound
21 banking ~~[practice]~~.

22 xxx"

23 **SEC. 8.** Section 9 of the same Act is hereby further amended to read as follows:

1 "POWERS AS CORPORATE BODY

2 "SEC. 9. The Corporation as a corporate body shall have the powers:

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4 Fifth — To appoint by its Board of Directors such officers and employees as are
5 not otherwise provided for in this Act, to define their duties, [~~fix their~~
6 ~~compensation,~~] require bonds of them and fix penalty thereof and to dismiss
7 such officers and employees for cause;

8xxx

9 Eighth — [~~To conduct examination of banks with prior approval of the Monetary~~
10 ~~Board: Provided, That no examination can be conducted within twelve (12)~~
11 ~~months from the last examination date: Provided, however, That the~~
12 ~~Corporation may, in coordination with the Bangko Sentral, conduct a special~~
13 ~~examination as the Board of Directors, by an affirmative vote of a majority of~~
14 ~~all of its members, if there is a threatened or impending closure of a bank:]~~

15 **TO EXAMINE THE RECORDS AND BOOKS OF ACCOUNTS AND**
16 **REQUIRE INFORMATION AND REPORTS FROM DEPOSITORY**
17 **INSTITUTIONS IN CASE THERE IS A FINDING OF FRAUD OR UNSAFE**
18 **OR UNSOUND BANKING RELATED TO DEPOSIT-TAKING, Provided,**
19 **[further,] That, notwithstanding the provisions of Republic Act No. 1405, as**
20 **amended, Republic Act No. 6426, as amended, Republic Act No. 8791, and**
21 **other laws, the Corporation and/or the Bangko Sentral, may inquire into or**
22 **examine deposit accounts and all information related thereto in case there is a**
23 **finding of unsafe or unsound banking practice: Provided, [finally] FURTHER,**
24 **That to avoid overlapping of efforts, the examination shall maximize the**

1 efficient use of the relevant reports, information, and findings of the Bangko
2 Sentral, which it shall make available to the Corporation.

3xxx

4 ~~[Fourteenth — To determine the appropriate resolution method and to~~
5 ~~implement the same for a bank subject of resolution; and]~~

6 [Fifteenth] **FOURTEENTH** — To determine the appropriate mode of
7 liquidation of a closed bank and to implement the same.”

8 **SEC. 9.** Section 10 of the same Act is hereby further amended to read as
9 follows:

10 “POWERS, [AND] RESPONSIBILITY, AND PROHIBITIONS

11 “SEC. 10. xxx

12 (b) **WHENEVER THE BANGKO SENTRAL NG PILIPINAS DEEMS IT**
13 **APPROPRIATE AND NECESSARY FOR PDIC TO JOIN THE CONDUCT OF**
14 **THE EXAMINATION OF A BANK, [¶] The Board of Directors shall appoint**
15 examiners who shall have power, on behalf of the Corporation to examine any
16 insured bank. Each examiner shall have the power to make a thorough
17 examination of all the affairs of the bank and in doing so, he shall have the
18 power to administer oaths, to examine and take and preserve the testimony of
19 any the officers and agents thereof, and to compel the presentation of books,
20 documents, papers or records necessary in his judgment to ascertain the facts
21 relative to the condition of the bank: and shall make a full and detailed report
22 of the condition of the bank to the Corporation. The Board of Directors in like
23 manner shall appoint claim agents who shall have the power to investigate and

1 examine all claims for insured deposits and transferred deposits. Each claim
2 agent shall have the power to administer oaths and examine under oath and
3 take and preserve testimony of any person relating to such claim.

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

1 **BY THE CORPORATION AND THE BANGKO SENTRAL NG PILIPINAS**
2 **AND PRESCRIBED BY APPLICABLE LAWS AND REGULATIONS.**

3 (e) x x x"

4 **SEC. 10.** Section 11 of the same Act is hereby amended to read as follows:

5 ~~"[BANK RESOLUTION]~~ **AUTHORITY TO EXAMINE DEPOSIT RECORDS**

6 SEC. 11. ~~[(a) The Corporation, in coordination with the Bangko Sentral ng~~
7 ~~Pilipinas, may commence the resolution of a bank under this section upon:]~~

8 ~~[(1) Failure of prompt corrective action as declared by the Monetary Board;~~
9 ~~or]~~

10 ~~[(2) Request by a bank to be placed under resolution.]~~

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

13 ~~[(b) The Bangko Sentral ng Pilipinas shall inform the Corporation of the initiation~~
14 ~~of prompt corrective action on any bank and shall be authorized to share with~~
15 ~~the Corporation all information, agreements or documents, including any order~~
16 ~~of the Monetary Board, in relation to the prompt corrective action. The~~
17 ~~Corporation shall have the authority to inquire and monitor the status of banks~~
18 ~~under prompt corrective action.]~~

19 ~~[(e)]~~ When there is a failure of prompt corrective action as declared by the
20 Monetary Board due to capital deficiency, the Corporation ~~[, its duly authorized~~
21 ~~officers or employees,]~~ **AND THE BANGKO SENTRAL NG PILIPINAS** may
22 examine, inquire or look into the deposit records of a bank: Provided, That such
23 authority may not be exercised when the failure of prompt corrective action is

1 due to grounds other than capital deficiency. For this purpose, banks, their
2 officers and employees are hereby mandated to disclose and report to the
3 Corporation **AND THE BANGKO SENTRAL NG PILIPINAS** or [its] **THEIR**
4 duly authorized officers and employees, **THE REQUIRED** deposit account
5 information [~~in said bank~~].

6 The Corporation, its duly authorized officers or employees are prohibited from
7 disclosing information obtained under this section to any person, government
8 official, bureau or office. Any act done pursuant to this section shall not be
9 deemed as a violation of Republic Act No. 1405, as amended, Republic Act No.
10 6426, as amended, Republic Act No. 8791, and other similar laws protecting or
11 safeguarding the secrecy or confidentiality of bank deposits. [~~:- Provided, That~~
12 a] Any unauthorized disclosure of the information under this section shall be
13 subject to the same penalty under the [~~foregoing~~] laws protecting the secrecy
14 or confidentiality of bank deposits.

15 [~~(d) The stockholders, directors, officers or employees of the bank shall have~~
16 ~~the following obligations:~~]

17 [~~(1) Ensure bank compliance with the terms and conditions prescribed by~~
18 ~~the Corporation for the resolution of the bank;~~]

19 [~~(2) Cause the engagement, with the consent of the Corporation, of an~~
20 ~~independent appraiser or auditor for the purpose of determining the~~
21 ~~valuation of the bank consistent with generally accepted valuation~~
22 ~~standards;~~]

23 [~~(3) Ensure prudent management and administration of the bank's assets,~~
24 ~~liabilities and records; and]~~

1 ~~[(4) Cooperate with the Corporation in the conduct or exercise of any or~~
2 ~~all of its authorities under this Act and honor in good faith its commitment~~
3 ~~or undertaking with the Corporation on the resolution of the bank.]~~

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

9 ~~[For this purpose, the Corporation may:~~

10 ~~(1) Determine a resolution package for the bank;~~

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

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

17 ~~(4) Conduct a bidding to determine the acquirer of the bank.]~~

18 ~~[(f) In determining the appropriate resolution method for a bank, the~~
19 ~~Corporation shall consider the:]~~

20 ~~[(1) Fair market value of the assets of the bank, its franchise, as well as~~
21 ~~the amount of its liabilities;~~

22 ~~(2) Availability of a qualified investor;~~

23 ~~(3) Least cost to the DIF; and~~

24 ~~(4) Interest of the depositing public.]~~

1 ~~[(g) The Corporation may appoint or hire persons or entities of recognized~~
2 ~~competence in banking, finance, asset management or remedial management,~~
3 ~~as its agents, to perform such powers and functions of the Corporation in the~~
4 ~~resolution of a bank, or assist in the performance thereof.]~~

5 ~~[(h) The PDIC Board shall prescribe the guidelines or criteria for a bank to be~~
6 ~~placed under resolution.]~~

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

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

13 ~~[(k)]~~ The provisions of this section ~~[are without prejudice to any action that]~~
14 **NOTWITHSTANDING**, the Monetary Board may take **OTHER ACTIONS**
15 under existing laws **THAT IT MAY DEEM NECESSARY.**

16 **SEC. 11.** Section 13 of the same Act is hereby amended to read as follows:

17 "AUTHORITIES OF A RECEIVER AND EFFECTS OF
18 PLACEMENT OF A BANK UNDER LIQUIDATION

19 "SEC. 13. (a) The receiver is authorized to adopt and implement, without need
20 of consent of the stockholders, board of directors, creditors or depositors of
21 the closed bank, any or a combination of the following modes of liquidation:

- 22 1. Conventional liquidation; and
23 2. Purchase of assets and/or assumption of liabilities.

1 (b) In addition to the powers of a receiver provided under existing laws, the
2 Corporation, as receiver of a closed bank, is empowered to:

- 3 1. Represent and act for and on behalf of the closed bank;
- 4 2. Gather and take charge of all the assets, records and affairs of the closed
5 bank, and administer the same for the benefit of its creditors;
- 6 3. Convert the assets of the closed bank to cash or other forms of liquid

7 assets, as far as practicable[?], **PROVIDED, THAT THE**
8 **CORPORATION IS AUTHORIZED TO SELL ASSETS OF CLOSED**
9 **BANKS, WHICH ARE HELD BY THE CORPORATION AS**
10 **RECEIVER, TO A FINANCIAL INSTITUTIONS STRATEGIC**
11 **TRANSFER CORPORATION (FISTC), IN ACCORDANCE WITH**
12 **THE PROVISIONS OF REPUBLIC ACT NO. 11523 OR THE**
13 **"FINANCIAL INSTITUTIONS STRATEGIC TRANSFER (FIST)**
14 **ACT". FOR THIS PURPOSE, THE BOARD OF DIRECTORS SHALL**
15 **BE THE APPROPRIATE REGULATORY AUTHORITY AND SHALL**
16 **PROMULGATE THE NECESSARY IMPLEMENTING RULES AND**
17 **REGULATIONS.**

18xxx

19 **SEC. 12.** Section 18 of the same Act is hereby amended to read as follows:

20 "DIVIDEND DECLARATION

21 "SEC. 18. Consistent with the policy of the State to generate, preserve,
22 maintain faith and confidence in the country's banking system, the Corporation
23 shall build up and maintain the DIF at the target level set by the PDIC Board

1 of Directors. Such target level shall be subject to periodic review and may be
2 adjusted as necessary.

3 The Corporation [~~is exempt from Republic Act No. 7656; instead, the~~
4 Corporation] shall **DECLARE AND** remit **CASH** dividends to the [~~ñ~~] National
5 [~~g~~] Government [~~only if the target DIF level for the applicable year has been~~
6 ~~reached.~~] **IN ACCORDANCE WITH REPUBLIC ACT NO. 7656,**
7 **PROVIDED, THAT SECTION 2(D) ON THE DETERMINATION OF THE**
8 **DIVIDEND BASE AND SECTION 3 WITH RESPECT TO DIVIDEND BASE**
9 **AND THE MANNER OF PAYMENT SHALL NOT APPLY. IN LIEU**
10 **THEREOF, THE SUCCEEDING PARAGRAPHS SHALL BE APPLICABLE.**

11 For purposes of computing the amount of dividends to be declared and
12 remitted to the [~~ñ~~] National [~~g~~] Government, [~~all assessment collections shall~~
13 ~~not be considered as income~~] **THE DIVIDEND BASE SHALL BE THE SUM**
14 **OF ALL INCOME, BUT EXCLUDING ALL ASSESSMENT INCOME. NO**
15 **OTHER DEDUCTIONS FROM THE DIVIDEND BASE SHALL BE**
16 **ALLOWED.** [~~The dividend rate shall be at least fifty percent (50%) of the~~
17 ~~income from other sources only.~~] **SUCH CASH DIVIDENDS ACCRUING TO**
18 **THE NATIONAL GOVERNMENT SHALL BE RECEIVED BY THE**
19 **NATIONAL TREASURY AND RECORDED AS INCOME OF THE GENERAL**
20 **FUND.**

21 **SEC. 13.** Section 22 of the same Act is hereby further amended to read as
22 follows:

23 "CORPORATE FUNDS AND ASSETS

1 "SEC. 22. (a) x x x

2 "FINANCIAL ASSISTANCE

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

6 (1) A bank in danger of closing, upon its acquisition by a qualified investor;

7 or

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

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

17 **THE CORPORATION MAY, TAKING INTO CONSIDERATION THE**
18 **PECULIAR CHARACTERISTICS OF ISLAMIC BANKS, FORMULATE**
19 **RULES AND REGULATIONS FOR THE EXTENSION OF FINANCIAL**
20 **ASSISTANCE UNDER THIS SECTION.**

21 The Corporation, prior to the exercise of the powers under this section, shall
22 determine that actual payoff and liquidation thereof will be more expensive
23 than the exercise of this power: Provided, That when the Monetary Board has
24 determined that there are systemic consequences of a probable failure or

1 closure of an insured bank, the Corporation may grant financial assistance to
2 such insured bank in such amount as may be necessary to prevent its failure
3 or closure and/or restore the insured bank to viable operations, under such
4 terms and condition as may be deemed necessary by the Board of Directors,
5 subjected to concurrence by the Monetary Board and without additional cost
6 to the DIF **AT THE TIME OF GRANTING THE FINANCIAL ASSISTANCE.**

7xxx

8 **SEC. 14.** Section 24 of the same Act is hereby further amended to read as
9 follows:

10 "ISSUANCE OF BONDS, DEBENTURES, AND OTHER OBLIGATIONS

11 "SEC. 24. With the approval of the President of the Philippines, upon the
12 recommendation of the Department of Finance, the Corporation is authorized
13 to issue bonds, debentures, and other obligations, both local or foreign, as
14 may be necessary for purposes of providing liquidity for settlement of insured
15 deposits in closed banks[;] **OR** to facilitate the implementation of [bank
16 resolution under Section 11 of this Act, as well as for] financial assistance as
17 provided herein: Provided, That the Board of Directors shall determine the
18 interest rates, maturity and other requirements of said obligations: Provided,
19 further, That the Corporation may provide for appropriate reserves for the
20 redemption or retirement of said obligation.

21xxx

1 **SEC. 15.** Section 26 (c) of the same Act is hereby deleted and renumbered
2 accordingly:

3 "SANCTIONS AND PENALTIES

4 "SEC. 26.

5 xxx

6 ~~[(c) Without prior written consent of the Corporation, no insured bank shall (1)~~
7 ~~merge or consolidate with any bank or institution or (2) assume liability to pay~~
8 ~~any deposits made in, or similar liabilities of, any bank or institution or (3)~~
9 ~~transfer of assets to any bank or institution in consideration of the assumption~~
10 ~~of liabilities for any portion of the deposits made in such insured banks.]~~

11 xxx

12 **SEC. 16.** Section 28 of the same Act is hereby deleted and replaced as follows:
13 ~~[SEC. 28. Exempting Clause. — The Corporation shall be exempt from~~
14 ~~Presidential Decree No. 985, Presidential Decree No. 1597, Republic Act No.~~
15 ~~6758, as amended, Joint Resolution No. 4 (2009) and other laws on salary~~
16 ~~standardization, Presidential Decree No. 1177, Executive Order No. 248, as~~
17 ~~amended, Executive Order No. 298 and the provisions of Republic Act No.~~
18 ~~10149 with regard to position classification, qualification standards, and the~~
19 ~~compensation package of the employees of the Corporation: Provided, That~~
20 ~~the PDIC shall be subject to all other policies under Republic Act No. 10149,~~
21 ~~including, but not limited to, performance evaluation by the Governance~~
22 ~~Commission for Government Owned or Controlled Corporations, selection and~~
23 ~~nomination of appointive directors, and limitations on the creation of~~

1 ~~subsidiaries and the acquisition of affiliates except in the case of acquisition of~~
2 ~~shares in the grant of financial assistance under this Act.]~~

3 **SEC. 28. EXEMPTION FROM THE BULK SALES LAW. - BANK**
4 **LIQUIDATION INVOLVING THE PURCHASE OF ALL ASSETS AND**
5 **ASSUMPTION OF ALL LIABILITIES OF A BANK TO A THIRD PARTY**
6 **SHALL BE EXEMPT FROM THE PROVISIONS OF ACT NO. 3952,**
7 **OTHERWISE KNOWN AS 'THE BULK SALES LAW'.**

8 **SEC. 17. Implementing Rules and Regulations.** – The Bangko Sentral ng
9 Pilipinas, the Department of Finance, the Philippine Deposit Insurance Corporation,
10 and other concerned government agencies shall promulgate the necessary
11 implementing rules and regulations within sixty (60) days upon the effectivity of this
12 Act.

13 **SEC. 18. Separability Clause.** – If any provision of this Act is subsequently
14 declared invalid or unconstitutional, the other provisions hereof which are not affected
15 thereby shall remain in full force and effect.

16 **SEC. 19. Repealing Clause.** – Section 17(c) of Republic Act No. 11439 on
17 the Non-Applicability of Republic Act No. 3591, as amended, is hereby amended
18 insofar as certain products or arrangements of Islamic Banks which may be deemed
19 as deposit by the Bangko Sentral ng Pilipinas for purposes of this Act.

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

4 **SEC. 20. Effectivity Clause.** – This Act shall take effect fifteen (15) days
5 after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,