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## SUMMARY OF SENATE BILL ON SECOND READING\*

Third Regular Session, Eighteenth Congress

**S. NO. 2365 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** (*In Substitution of S.B. Nos. 1260 and 2089, taking into consideration H.B. No. 8818*)

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**Referred to:** Committee on Banks, Financial Institutions, and Currencies

**Key words:** deposit insurance, “takaful”, insurance funds, mutual guarantee, Islamic banking, dividend base

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This bill amends RA 3591 or the Philippine Deposit Insurance Corporation (PDIC) Charter, by attaching PDIC and placing it under the supervision of the Bangko Sentral ng Pilipinas (BSP).

The bill provides for a Board of Directors (BOD) that shall be composed of seven members, with the Governor of the BSP as chairperson; the Secretary of Finance as vice-chairperson; the President of the PDIC who shall be appointed by the President of the Philippines from among a shortlist prepared by the Governance Commission for Government-Owned or Controlled Corporations (GOCC); the four other members shall come from the private sector who shall be appointed by the President of the Philippines.

The Board of Directors shall be authorized to establish separate insurance funds, insurance arrangements or structures or “takaful”, taking into consideration the peculiar characteristics of Islamic banking. This authority of the BOD also includes increasing the insurance coverage, establishing the eligibility of institutions, assessing the premium rate, and formulating implementing rules and regulations. In relation, “takaful” shall be defined as mutual guarantee in return for the commitment to donate an amount in the form of a specified contribution to the covered entities’ risk fund, in which the covered entities agree among themselves to support one another jointly for the losses arising from specified risks. By recognizing the peculiar characteristics of Islamic banking, under this measure, certain products or arrangements shall be

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deemed as deposit per the BSP. Along this view, the PDIC shall formulate rules and regulations for the extension of financial assistance under Section 22 of this measure.

The PDIC shall be authorized to lend assistance to distressed institutions by extending loans to, or purchase assets, assume liabilities, or make deposits to the following: (1) a bank in danger of closing, upon its acquisition by a qualified investor; or (2) a qualified investor, upon its purchase of all assets and assumption of all liabilities of a bank in danger of closing; or (3) a surviving or distressed institution that has merged or consolidated with a bank in danger of closing- provided that the BOD prescribes that such acquisition, purchase of assets, assumption of liabilities, merger or consolidation, is essential to provide adequate banking service to the community or maintain financial stability in the economy.

In the event that a bank shall be placed under receivership or under liquidation, the PDIC, as a receiver of a closed bank, shall have the power, among others, to convert its assets into cash or other liquid assets, or sell these assets to a Financial Institutions Strategic Transfer Corporation (FISTC) in accordance with R.A. 11523. In this event, the BOD of PDIC shall become the appropriate regulatory authority and shall promulgate the necessary implementing rules and regulations (IRR).

This bill provides exemption from the Bulk Sales Law. Bank liquidation involving the purchase of all assets and assumption of all liabilities of a bank to a third party shall be exempt from the provisions of Act No. 3952 or the Bulk Sales Law.

The PDIC shall have the authority to issue bonds, debentures and other obligations, both local or foreign, as may be necessary for purposes of providing liquidity for settlement of insured deposits in closed banks; or to facilitate the implementation of financial assistance to covered institutions. The BOD shall determine the interest rates, maturity and other requirements of said obligations. In relation, PDIC may provide for appropriate reserves for the redemption or retirement of said obligation.

Notwithstanding PDIC's broader role in enhancing the financial state of the economy, PDIC shall not pay deposit insurance for transactions constituting unsafe and unsound banking as determined by the BSP; In the event that PDIC finds that an insured bank commits or is about to commit unsound and unsafe bank practices, the PDIC-BOD shall report such to the Monetary Board. The PDIC may terminate the insured status of any bank if the latter fails to comply with a cease and desist order issued by the BSP.

The BOD of PDIC, as it may deem appropriate, may increase the amount of maximum deposit insurance coverage to an amount that shall be pegged to inflation or other economic indicators. The BOD shall review the amount of the maximum deposit insurance coverage every three (3) years and increase it as warranted. In this undertaking, the BOD may consider other economic indicators aside from inflation. For this purpose, the Board may hire the services of independent actuarial consultants and other experts to determine the feasibility of increasing the maximum deposit insurance coverage.

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The PDIC as a corporate body, shall have the power to appoint its officers and employees through its BOD. Further, this measure equips PDIC to wield stricter supervision over the insured banks and depository institutions. This is in the form of the power to examine deposit records, other records and books of accounts, require information and reports, join BSP in the conduct of examination of a bank; In turn, BSP shall have access to PDIC's bank examination report, thus enabling these two institutions to share such information and results of bank examination.

*(Summary prepared by: Ma. Trinidad D. Llorito, 31 August 2021)*

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