



HOUSE OF REPRESENTATIVES

H. No. 8818

BY REPRESENTATIVES CUA, CAMPOS, CANAMA AND ROMUALDO, PER COMMITTEE REPORT NO. 770

**AN ACT
FURTHER STRENGTHENING THE REGULATORY FRAMEWORK FOR
THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC),
AMENDING FOR THE PURPOSE 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**

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, otherwise known as the Philippine
2 Deposit Insurance Corporation (PDIC) Charter, is hereby amended to read as follows:
3

4 **"THE CREATION OF THE PHILIPPINE DEPOSIT INSURANCE CORPORATION**

5
6 **"SECTION 1.** There is hereby created a Philippine Deposit Insurance Corporation
7 hereinafter referred to as the 'Corporation' which shall insure as herein provided, the
8 deposits of all banks which are entitled to the benefits of insurance under this Act, and
9 which shall have the powers hereinafter granted.

10
11 The Corporation shall, as a basic policy, promote and safeguard the interests of the
12 depositing public by providing insurance coverage on all insured deposits and helping
13 maintain a sound and stable banking system.

14
15 **THE CORPORATION SHALL BE ATTACHED TO THE BANGKO SENTRAL NG**
16 **PILIPINAS (BSP) FOR POLICY AND PROGRAM COORDINATION."**

17
18 **SEC. 2.** Section 3 of the same Act is hereby amended to read as follows:
19

20 **"BOARD OF DIRECTORS; COMPOSITION AND AUTHORITY**

21
22 **"Section 3. (a)** The powers and functions of the Corporation shall be vested in and exercised
23 by a Board of Directors which shall be composed of seven (7) members as follows:
24

25 (1) The Secretary of Finance who shall be the ex officio [Chairman]
26 **CHAIRPERSON** of the Board without compensation;

27
28 (2) The Governor of the [Bangko Sentral ng Pilipinas] BSP who shall be ex
29 officio member of the Board without compensation;
30

1 (3) The President of the Corporation, who shall be appointed by the President of the
2 Philippines from a shortlist prepared by the Governance Commission for Government-
3 Owned or -Controlled Corporations (GCG) pursuant to Republic Act No. 10149, **OR THE**
4 **"GOCC GOVERNANCE ACT OF 2011"** to serve on a full-time basis for a term of six
5 (6) years. ~~[The President of the Corporation shall also serve as Vice Chairman of the~~
6 ~~Board];~~
7

8 (4) Four (4) members from the private sector to be appointed by the President of the
9 Philippines from a shortlist prepared by the Governance Commission for Government-
10 Owned or -Controlled Corporations pursuant to Republic Act No. 10149. The appointive
11 directors shall serve for a term of six (6) years unless sooner removed for cause and shall
12 be subject to only one (1) reappointment: Provided, That of those first appointed, the first
13 two (2) appointees shall serve for a period of three (3) years; Provided, however, That the
14 appointive director shall continue to hold office until the successor is appointed. An
15 appointive director may be nominated by the Governance Commission for Government-
16 Owned or Controlled Corporations for reappointment by the President only if **THE**
17 **APPOINTIVE DIRECTOR** obtains a performance score of above average or its
18 equivalent, or higher, in the immediately preceding year **OF** tenure as appointive director
19 based on the performance criteria for appointive directors of the Corporation.
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22
23 The Secretary of Finance and the Governor of the ~~[Bangko Sentral ng Pilipinas]~~ BSP may
24 each designate an alternate, who shall be an official with a rank not lower than assistant
25 secretary **OF THE DEPARTMENT OF FINANCE (DOF)** or ~~[its equivalent]~~ **DEPUTY**
26 **GOVERNOR OF THE BSP** with written authority from the Secretary of Finance or the
27 Governor of the ~~[Bangko Sentral ng Pilipinas]~~ BSP to attend such meetings and to vote on
28 behalf of their respective principals. Whenever the ~~[Chairman]~~ **CHAIRPERSON** of the
29 Board is unable to attend a meeting of the Board, or in the event of a vacancy in the office
30 of the Secretary of Finance, ~~[and in the absence of the Vice Chairman the members of the~~
31 ~~Board shall designate from among themselves who]~~ **THE DESIGNATED ALTERNATE**
32 shall ~~[act as Chairman]~~ **PRESIDE. IN THE ABSENCE OF THE CHAIRPERSON**
33 **AND THE DESIGNATED ALTERNATE, THE REPRESENTATIVE OF THE BSP**
34 **SHALL PRESIDE.**
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37
38 (b) The Board of Directors shall have the authority:
39

40 (1) To approve and issue rules and regulations for banks, ~~[and]~~ the depositing public, **AND**
41 **OTHER INSTITUTIONS SUPERVISED BY THE BSP** as it considers necessary for the
42 effective discharge of its responsibilities **UNDER THIS ACT INCLUDING THE**
43 **ESTABLISHMENT OF SEPARATE INSURANCE FUNDS, AND INSURANCE**
44 **ARRANGEMENTS OR STRUCTURES OR TAKAFUL, TAKING INTO**
45 **CONSIDERATION THE PECULIAR CHARACTERISTICS OF ISLAMIC**
46 **BANKING OR OTHER DEPOSIT PRODUCTS, AS MAY BE DEFINED BY THE**
47 **BSP, OFFERED BY INSTITUTIONS SUPERVISED BY THE BSP. THIS**
48 **AUTHORITY INCLUDES, SETTING OF THE INSURANCE COVERAGE,**
49 **ELIGIBILITY OF THE INSTITUTIONS, ASSESSMENT PREMIUM RATE, AND**
50 **OTHER IMPLEMENTATION RULES AND REGULATIONS;**
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53
54 ~~[(4) To approve a compensation structure as an integral component of the~~
55 ~~Corporation's human resource development program based on job evaluation studies and~~

1 wage surveys, and revise the same as it may deem necessary: Provided, That all positions
2 in the Corporation shall be governed by a compensation package, position classification
3 system and qualification standards approved by the Board based on a comprehensive job
4 analysis and audit of actual duties and responsibilities. The compensation structure shall be
5 comparable to that of other financial institutions based on prevailing market standards, and
6 shall provide for yearly merit reviews or increases based on productivity. The Corporation
7 shall therefore be exempt from existing laws, rules and regulations on compensation
8 package, position classification and qualification standards. It shall however endeavor to
9 make its system conform as closely as possible with the principles under Republic Act No.
10 6758, as amended;]

11
12 [~~(5)~~] (4) To appoint, [~~establish the rank, fix the remuneration, benefits, including~~
13 ~~health care services through a Health Maintenance Organization (HMO) and medical~~
14 ~~benefits other than those provided for under Republic Act No. 7875, as amended,]~~ and
15 remove any officer or employee of the Corporation, for cause, subject to pertinent civil
16 service laws: Provided, That the Board of Directors may delegate this authority to the
17 President subject to specific guidelines: Provided, further, That in no case shall there be
18 any diminution of existing salaries, benefits and other emoluments;

19
20 [~~(6)~~] (5) To approve policy on local and foreign travel, and the corresponding
21 expenses, allowances and per diems, of officers, employees, agents of the Corporation,
22 which shall be comparable with the expenses, allowances and per diems of personnel of
23 other financial institutions based on prevailing market standards, notwithstanding the
24 provisions of Presidential Decree No. 1177, Executive Order No. 292, Executive Order No.
25 248, as amended, Executive Order No. 298, and similar laws;

26
27 [~~(7)~~] (6) To adopt an annual budget for, and authorize such expenditures by the
28 Corporation, as are in the interest of the effective administration and operation of the
29 Corporation;

30
31 [~~(8)~~] (7) To approve the target level of the Deposit Insurance Fund (DIF) and the
32 methodology for determining reserves for insurance and financial assistance losses;

33
34 [~~(9)~~] (8) To review the organizational set-up of the Corporation and adopt a new or
35 revised organizational structure as it may deem necessary for the Corporation to undertake
36 its mandate and functions;

37
38 [~~(10)~~] (9) To design, adopt and revise, as it may deem necessary, an early
39 separation plan for employees of the Corporation to ensure availability of a human resource
40 pool qualified and capable of implementing the Corporation's authorities under this Charter
41 in a manner responsive and attuned to market developments, and to provide incentives for
42 all those who shall be separated from the service. Notwithstanding any law to the contrary,
43 these incentives shall be in addition to all gratuities and benefits the employee is entitled to
44 under existing laws; and

45
46 [~~(11)~~] (10) To promote and sponsor the local or foreign training or study of personnel
47 in the fields of banking, finance, management, information technology and law. Towards
48 this end, the Corporation is hereby authorized to defray the costs of such training or study.
49 The Board shall prescribe rules and regulations to govern the training or study programs of
50 the Corporation.

51
52 SEC. 3. Section 4 of the same Act is hereby amended to read as follows:

53
54 "PRESIDENT OF THE CORPORATION: COMPENSATION, POWERS, AND DUTIES
55

1 "Section 4. The President of the Corporation shall be its Chief Executive Officer [~~and the~~
2 ~~Vice Chairman of its Board of Directors]~~ and [~~his or her~~] WHOSE salary shall be [~~fixed~~
3 ~~by the President of the Philippines upon the recommendation of]~~ **BASED ON THE**
4 **COMPENSATION AND POSITION CLASSIFICATION SYSTEM ESTABLISHED**
5 **BY the Governance Commission for Government Owned or Controlled Corporations**
6 **GCG** [~~at a sum commensurate to the importance and responsibility attached to the~~
7 ~~position.~~] **AND AS APPROVED BY THE PRESIDENT OF THE PHILIPPINES.** The
8 sum total of the salary, allowances, benefits and other emoluments of the President of the
9 Corporation shall be higher than the compensation package of the next highest ranking
10 executive of the Corporation.

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

24
25
26 **SEC. 4.** Section 5 of the same Act is hereby amended to read as follows:

27
28 "DEFINITION OF TERMS

29
30 "SECTION 5. As used in this Act;

31
32 (a) xxxx

33
34 (g) xxx

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

42 (4) xxxx

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44 xxx

45
46 (i) **THE TERM INCOME FROM OTHER SOURCES MEANS INCOME**
47 **ACTUALLY REALIZED BY THE CORPORATION FROM SOURCES OTHER**
48 **THAN ASSESSMENT COLLECTIONS, AS DEFINED BY RELEVANT AND**
49 **PREVAILING ACCOUNTING STANDARDS.**

50
51 ~~{(i)}~~ (j) The term *insured bank* means any bank the deposits of which are insured in
52 accordance with the provisions of this Act.

53
54 ~~{(j)}~~ (k) The term *insured deposit* means the amount due to any bonafide depositor for
55 legitimate deposits in an insured bank as of the date of closure but not to exceed Five

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

21
22 ~~Provided, finally, That~~ iIn case of a condition OCCURS that threatens the monetary and
23 financial stability of the banking system that may have systemic consequences, as defined
24 in Section 22 hereof, AND as determined by the Monetary Board, the maximum deposit
25 insurance cover may be adjusted in such amount, for such a period, and/or for such deposit
26 products, as may be determined by a unanimous vote of the Board of Directors in a meeting
27 called for the purpose and chaired by the Secretary of Finance OR THE DESIGNATED
28 ALTERNATE, subject to the approval of the President of the Philippines.

29
30 **THE BOARD OF DIRECTORS CAN INCREASE THE AMOUNT OF THE**
31 **MAXIMUM DEPOSIT INSURANCE COVERAGE TO AN AMOUNT INDEXED**
32 **TO INFLATION OR IN CONSIDERATION OF OTHER ECONOMIC**
33 **INDICATORS AS MAY BE DEEMED APPROPRIATE BY THE BOARD. THE**
34 **BOARD OF DIRECTORS SHALL REVIEW THE AMOUNT OF THE MAXIMUM**
35 **DEPOSIT INSURANCE COVERAGE EVERY THREE (3) YEARS AND ADJUST**
36 **THE MAXIMUM DEPOSIT INSURANCE COVERAGE AS MAY BE**
37 **WARRANTED. IN THE EXERCISE OF THIS AUTHORITY, THE BOARD MAY**
38 **CONSIDER ECONOMIC INDICATORS OTHER THAN INFLATION. FOR THIS**
39 **PURPOSE, THE BOARD MAY HIRE THE SERVICES OF INDEPENDENT**
40 **ACTUARIAL CONSULTANTS AND OTHER EXPERTS TO DETERMINE THE**
41 **FEASIBILITY AND ADVISABILITY OF ADJUSTING THE MAXIMUM**
42 **DEPOSIT INSURANCE COVERAGE**

43
44 ~~{(k)}~~ (l) The term *liquidation* refers to the proceedings under Sections 12 to 16 of this Act.

45 ~~{(l)}~~ (m) The term *liquidation court* refers to the Regional Trial Court (RTC) of general
46 jurisdiction where the petition for assistance in the liquidation of a closed bank is filed and
47 given due course.

48 ~~{(m)}~~ (n) The term *payout* refers to the payment of insured deposits.

49 ~~{(n)}~~ (o) The term *petition for assistance in the liquidation of a closed bank* refers to the
50 petition filed by the receiver with the RTC in accordance with Section 16 of this Act.
51

1 ~~{} (p)~~ The term *purchase of assets and assumption of liabilities* refers to a transaction
2 where an insured bank purchases any or all assets and assumes any or all liabilities of
3 another bank under ~~[resolution or]~~ liquidation, as provided FOR in this Act.

4 ~~{} (q)~~ The term *receiver* refers to the Corporation or any of its duly authorized agents
5 acting as receiver of a closed bank.

6 ~~{} (r)~~ The term *records* include all documents, titles, papers and electronic data of the
7 closed bank, including those pertaining to deposit accounts of and with the closed bank,
8 its assets, transactions and corporate affairs.

9 ~~{} (s)~~ The term *residual assets* refer to assets, in cash or in kind, to be turned over to the
10 closed bank's stockholders of record, in proportion to their interest in the closed bank as of
11 date of closure, after payment in full of liquidation costs, fees and expenses, and the valid
12 claims and surplus dividends to all the creditors.

13
14 ~~{} (s)~~ The term *resolution* refers to the actions undertaken by the Corporation under Section
15 11 of this Act:

- 16
17 ~~(1) Protect depositors, creditors and the DIF;~~
18 ~~(2) Safeguard the continuity of essential banking services or maintain financial~~
19 ~~stability; and~~
20 ~~(3) Prevent deterioration or dissipation of bank assets.]~~

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23
24 **(z) THE TERM UNSAFE AND UNSOUND BANKING REFERS TO THE**
25 **CONDUCT OF BUSINESS IN AN UNLAWFUL, UNSAFE OR UNSOUND**
26 **MANNER AS MAY BE DEFINED BY THE BSP UNDER REPUBLIC ACT NO.**
27 **7653, AS AMENDED.**

28
29 ~~{} (aa)~~ The term *valid claim* refers to the claim recognized by the receiver or allowed
30 by the liquidation court.

31 ~~{} (bb)~~ The term *winding up period* refers to the period provided in Section 16 of this
32 Act.

33
34
35 **SEC. 5.** Section 6 of the same Act is hereby amended to read as follows:

36
37 **"DEPOSIT INSURANCE COVERAGE**

38
39 **"SECTION 6.** The deposit liabilities of any bank which is engaged in the business of
40 receiving deposits as herein defined on the effective date of this Act, or which thereafter
41 may engage in the business of receiving deposits, shall be insured with the Corporation.
42 **OTHER NON-BANK BSFIs ACCEPTING DEPOSIT LIABILITIES MAY BE**
43 **INSURED BY THE CORPORATION. IN THE CASE OF NSSLAs, SUCH**
44 **DEPOSIT LIABILITIES MAY BE INSURED AT THE OPTION OF SAID NSSLAs.**
45 **THE CORPORATION MAY ESTABLISH SEPARATE INSURANCE FUNDS,**
46 **AND INSURANCE ARRANGEMENTS OR STRUCTURES OR TAKAFUL, THAT**
47 **TAKE INTO CONSIDERATION THE PECULIAR CHARACTERISTICS OF**
48 **ISLAMIC BANKING, AND OTHER DEPOSIT PRODUCTS, AS MAY BE**
49 **DEFINED BY THE BSP, OFFERED BY INSTITUTIONS SUPERVISED BY THE**
50 **BSP.**

1 **WHENEVER AN INSTITUTION OTHER THAN BANKS THAT IS SUPERVISED**
2 **BY THE BSP IS ORDERED CLOSED BY THE MONETARY BOARD, AND SUCH**
3 **INSTITUTION HAS DEPOSITS OR PRODUCTS COVERED BY AN INSURANCE**
4 **OF THE CORPORATION, THE CORPORATION SHALL BE DESIGNATED AS**
5 **RECEIVER OF SUCH INSTITUTION AND THE CORPORATION SHALL**
6 **PROCEED WITH ITS TAKEOVER AND LIQUIDATION IN ACCORDANCE**
7 **WITH THIS ACT.**

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

15
16 **SEC. 6.** Section 8 of the same Act is hereby amended to read as follows:

17
18 **“SANCTIONS AGAINST UNSAFE AND UNSOUND BANKING [PRACTICES]**

19
20 **“SECTION 8. (a)** Whenever upon examination by the Corporation into the
21 condition of any insured bank, it shall be disclosed that an insured bank or its directors or
22 agents have committed, are committing or about to commit unsafe or unsound ~~[practices]~~
23 **BANKING** ~~[in conducting the business of the bank]~~, or have violated, are violating or
24 about to violate any provisions of any law or regulation to which the insured bank is subject,
25 the Board of Directors shall submit the report of the examination to the Monetary Board
26 ~~[to secure corrective action thereon. If no such corrective action is taken by the Monetary~~
27 ~~Board within forty five (45) days from the submission of the report, the Board of Directors~~
28 ~~shall, motu proprio, institute corrective action which it deems necessary. The Board of~~
29 ~~Directors may thereafter issue a cease and desist order, and require the bank or its directors~~
30 ~~or agents concerned to correct the practices or violations within forty five (45) days.~~
31 ~~However, if the practice or violation is likely to cause insolvency or substantial dissipation~~
32 ~~of assets or earnings of the bank, or is likely to seriously weaken the condition of the bank~~
33 ~~or otherwise seriously prejudice the interests of its depositors and the Corporation, the~~
34 ~~period to take corrective action shall not be more than fifteen (15) days. The order may also~~
35 ~~include the imposition of fines provided in Section 26(g) hereof. The Board of Directors~~
36 ~~shall duly inform the Monetary Board of the [Bangko Sentral ng Pilipinas] of action it has~~
37 ~~taken under this subsection with respect to such practices or violations].~~

38
39 ~~[(b) — The actions and proceedings provided in the preceding subsections may be~~
40 ~~undertaken by the Corporation if, in its opinion, an insured bank or its directors or agents~~
41 ~~have violated, are violating or about to violate any provision of this Act or any order, rule~~
42 ~~or instruction issued by the Corporation or any written condition imposed by the~~
43 ~~Corporation in connection with any transaction with or grant by the Corporation.]~~

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46
47 ~~[(e)]~~ **(b)** The Corporation may terminate the insured status of any bank that fails or refuses
48 to comply, within thirty (30) days from notice, with any cease-and-desist order issued by
49 the ~~[Corporation]~~ BSP, ~~[or with any corrective action imposed by the Monetary Board,~~
50 ~~under this section]~~ pertaining to a deposit-related unsafe and/or unsound banking practice.

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53
54 **SEC. 7.** Section 9 of the same Act is hereby amended to read as follows:
55

1 "POWERS AS A CORPORATE BODY
2

3 "SECTION 9. The Corporation as a corporate body shall have the powers:
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6

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

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13

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

36
37 [~~Fifteenth]~~ **FOURTEENTH** — To determine the appropriate mode of liquidation of a
38 closed bank and to implement the same.
39

40 **SEC. 8.** Section 10 of the same Act is hereby amended to read as follows:
41

42 "POWERS, [~~AND~~] RESPONSIBILITIES AND PROHIBITIONS
43

44 "SECTION 10. xxx
45

46 (b) **WHENEVER THE BSP DEEMS IT APPROPRIATE AND NECESSARY FOR**
47 **PDIC TO JOIN THE CONDUCT OF THE EXAMINATION OF A BANK, [T] The**
48 Board of Directors shall appoint examiners who shall have power, on behalf of the
49 Corporation to examine any insured bank. Each such examiner shall have the power to
50 make a thorough examination of all the affairs of the bank and in doing so, [he] shall have
51 the power to administer oaths, to examine and take and preserve the testimony of any the
52 officers and agents thereof, and to compel the presentation of books, documents, papers or
53 records necessary in his judgment to ascertain the facts relative to the condition of the bank:
54 and shall make a full and detailed report of the condition of the bank to the Corporation.
55 The Board of Directors in like manner shall appoint claim agents who shall have the power

1 to investigate and examine all claims for insured deposits and transferred deposits. Each
2 claim agent shall have the power to administer oaths and examine under oath and take and
3 preserve testimony of any person relating to such claim.
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7 (d) The [Corporation] BSP shall have access to ~~[reports of examination]~~ **BANK**
8 **EXAMINATION REPORTS** made by **THE CORPORATION**, ~~[and reports of~~
9 ~~condition made to the [Bangko Sentral ng Pilipinas] or its appropriate supervising~~
10 ~~departments, and the [Bangko Sentral ng Pilipinas] shall also have access to reports of~~
11 ~~examination made by, and reports of condition made to the Corporation: Provided, That~~
12 ~~the provisions of any law to the contrary notwithstanding, the Corporation shall likewise~~
13 ~~have access to reports, findings and any other information derived from any special or~~
14 ~~general examination of inquiry conducted by the Bangko Sentral in respect to bank fraud~~
15 ~~or serious irregularity in an insured bank:]~~ **AND TO SUCH OTHER REPORTS OR**
16 **INFORMATION AS MAY BE AGREED UPON BY THE CORPORATION AND**
17 **THE BSP. THE BSP SHALL SHARE TO THE CORPORATION ITS REPORTS**
18 **OF EXAMINATION ON BANKS, AND SUCH OTHER REPORTS OR**
19 **INFORMATION AS MAY BE AGREED UPON BY THEM: Provided, That, [the**
20 ~~Corporation shall use such reports and findings under similar terms and conditions~~
21 ~~prescribed by applicable laws on the Bangko Sentral]~~ **THE USE OF SUCH REPORTS**
22 **OR INFORMATION ARE IN ACCORDANCE WITH THE TERMS AND**
23 **CONDITIONS AGREED UPON BY THE CORPORATION AND BSP AND**
24 **PRESCRIBED BY APPLICABLE LAWS AND REGULATIONS.**
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28 **SEC. 9.** Section 11 of the same Act is hereby amended to read as follows:
29

30 **“[BANK RESOLUTION] AUTHORITY TO EXAMINE DEPOSIT RECORDS**

31
32 **“SECTION 11. [(a) — The Corporation, in coordination with the [Bangko Sentral ng**
33 **Pilipinas], may commence the resolution of a bank under this section upon:]**

34
35 [(1) — Failure of prompt corrective action as declared by the Monetary Board;
36 or]

37
38 [(2) — Request by a bank to be placed under resolution.]
39

40 [The Corporation shall inform the bank of its eligibility for entry into resolution.]
41

42 [(b) — The [Bangko Sentral ng Pilipinas] shall inform the Corporation of the initiation
43 of prompt corrective action on any bank and shall be authorized to share with the
44 Corporation all information, agreements or documents, including any order of the
45 Monetary Board, in relation to the prompt corrective action. The Corporation shall have
46 the authority to inquire and monitor the status of banks under prompt corrective action.]
47

48 [(c) — When there is a failure of prompt corrective action as declared by the Monetary
49 Board ~~[due to capital deficiency], the Corporation [its duly authorized officers or~~
50 ~~employees,]~~ **AND THE BSP** may examine, inquire or look into the deposit records of a
51 bank[: ~~Provided, That such authority may not be exercised when the failure of prompt~~
52 ~~corrective action is due to grounds other than capital deficiency]. For this purpose, banks,~~
53 ~~their officers and employees are hereby mandated to disclose and report to the Corporation~~
54 **AND BSP** or [its] **THEIR** duly authorized officers and employees, **THE REQUIRED**
55 deposit account information [in said bank].

1
2 ~~[The Corporation, its duly authorized officers or employees are prohibited from disclosing~~
3 ~~information obtained under this section to any person, government official, bureau or~~
4 ~~office. Any act done pursuant to this section shall not be deemed as a violation of Republic~~
5 ~~Act No. 1405, as amended, Republic Act No. 6426, as amended, Republic Act No. 8791,~~
6 ~~and other similar laws protecting or safeguarding the secrecy or confidentiality of bank~~
7 ~~deposits. Provided, That a]~~ Any unauthorized disclosure of the information under this
8 section shall be subject to the same penalty under the [foregoing] laws protecting the
9 secrecy or confidentiality of bank deposits.

10
11 ~~[(d) The stockholders, directors, officers or employees of the bank shall have the~~
12 ~~following obligations:]~~

13
14 ~~[(1) Ensure bank compliance with the terms and conditions prescribed by the~~
15 ~~Corporation for the resolution of the bank;]~~

16
17 ~~[(2) Cause the engagement, with the consent of the Corporation, of an~~
18 ~~independent appraiser or auditor for the purpose of determining the valuation of the bank~~
19 ~~consistent with generally accepted valuation standards;]~~

20
21 ~~[(3) Ensure prudent management and administration of the bank's assets,~~
22 ~~liabilities and records; and]~~

23
24 ~~[(4) Cooperate with the Corporation in the conduct or exercise of any or all~~
25 ~~of its authorities under this Act and honor in good faith its commitment or undertaking with~~
26 ~~the Corporation on the resolution of the bank.]~~

27
28 ~~[(e) Within a period of one hundred eighty (180) days from a bank's entry into~~
29 ~~resolution, the Corporation, through the affirmative vote of at least five (5) members of the~~
30 ~~PDIC Board, shall determine whether the bank may be resolved through the purchase of all~~
31 ~~its assets and assumption of all its liabilities, or merger or consolidation with, or its~~
32 ~~acquisition, by a qualified investor.]~~

33
34 ~~[For this purpose, the Corporation may:]~~

35
36 ~~[(1) Determine a resolution package for the bank;]~~

37
38 ~~[(2) Identify and, with the approval of the Monetary Board, pre-qualify possible~~
39 ~~acquirers or investors;]~~

40
41 ~~[(3) Authorize pre-qualified acquirers or investors to conduct due diligence on the~~
42 ~~bank, for purposes of determining the valuation of a bank through an objective and~~
43 ~~thorough review and appraisal of its assets and liabilities, and assessment of risks or events~~
44 ~~that may affect its valuation; and]~~

45
46 ~~[(4) Conduct a bidding to determine the acquirer of the bank.]~~

47
48 ~~[(f) In determining the appropriate resolution method for a bank, the Corporation~~
49 ~~shall consider the:]~~

50
51 ~~[(1) Fair market value of the assets of the bank, its franchise, as well as the amount~~
52 ~~of its liabilities;]~~

53
54 ~~[(2) Availability of a qualified investor;]~~
55

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

2
3 [(4) Interest of the depositing public.]

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

9
10 ~~[(h) The PDIC Board shall prescribe the guidelines or criteria for a bank to be placed~~
11 ~~under resolution.]~~

12
13 ~~[(i) Upon a determination by the Corporation that the bank may not be resolved, the~~
14 ~~Monetary Board may act in accordance with Section 30 of Republic Act No. 7653 or the~~
15 ~~New Central Bank Act.]~~

16
17 ~~[(j) Bank resolution involving the purchase of all assets and assumption of all~~
18 ~~liabilities of a bank shall be exempt from the provisions of Act No. 3952, otherwise known~~
19 ~~as 'The Bulk Sales Law'.]~~

20
21 ~~[(k) The provisions of this section NOTWITHSTANDING, [are without prejudice~~
22 ~~to any action that] the Monetary Board may take OTHER ACTIONS under existing laws~~
23 ~~THAT IT MAY DEEM NECESSARY.”~~

24
25 **SEC. 10.** Section 18 of the same Act is hereby amended to read as follows:

26
27 “DIVIDEND DECLARATION

28
29 “SECTION 18. Consistent with the policy of the State to generate, preserve, maintain
30 faith and confidence in the country's banking system, the Corporation shall build up and
31 maintain the DIF at the target level set by the PDIC Board of Directors. Such target level
32 shall be subject to periodic review and may be adjusted as necessary.

33
34 The Corporation ~~[is exempt from Republic Act No. 7656; instead, the Corporation shall]~~
35 **SHALL DECLARE AND** remit dividends to the [n] National [g] Government ~~[only if the~~
36 ~~target DIF level for the applicable year has been reached.]~~ **IN ACCORDANCE WITH**
37 **REPUBLIC ACT NO. 7656: PROVIDED, THAT SECTION 2(d) ON THE**
38 **DETERMINATION OF THE DIVIDEND BASE AND SECTION 5 ON FLEXIBLE**
39 **CLAUSE THEREOF SHALL NOT APPLY. IN LIEU OF SECTION 2(d) AND**
40 **SECTION 5 OF REPUBLIC ACT NO. 7656, THE SUCCEEDING PROVISIONS**
41 **SHALL GOVERN.**

42
43 For purposes of computing the amount of dividends to be declared and remitted to the [n]
44 National [g] Government, all assessment collections shall not be considered as income
45 **AND THE DIVIDEND BASE SHALL BE THE SUM OF ALL INCOME FROM**
46 **OTHER SOURCES ONLY. UNREALIZED INCOME SUCH AS REVERSALS OF**
47 **ALLOWANCES AND RESERVES, AND UNREALIZED EXCHANGE GAINS,**
48 **SHALL NOT BE PART OF INCOME FROM OTHER SOURCES. NO**
49 **DEDUCTIONS SHALL BE ALLOWED FROM THE INCOME FROM OTHER**
50 **SOURCES.**

51
52 The dividend rate shall be at least fifty percent (50%) of the **SUM OF ALL THE** income
53 from other sources only. **IN CONSIDERATION OF MAINTAINING THE DIF AT A**
54 **REASONABLE LEVEL, THE DIVIDEND RATE MAY BE ADJUSTED BY THE**
55 **PRESIDENT OF THE PHILIPPINES UPON RECOMMENDATION BY THE**

1 SECRETARY OF FINANCE; OR THE CORPORATION MAY BE ALLOWED TO
2 DEFER THE PAYMENT OF THE FIFTY PERCENT (50%) DIVIDEND DUE AS
3 MAY BE DETERMINED BY THE SECRETARY OF FINANCE.
4

5 SEC. 11. Section 22 of the same Act is hereby amended to read as follows:
6

7 "CORPORATE FUNDS AND ASSETS
8

9 "SECTION 22.
10

11 xxx

12 (e) ~~[In the exercise of its authorities under Section 11 of this Act, t]~~ The Corporation
13 is authorized to make loans to, or purchase the assets of, or assume liabilities of, or make
14 deposits in:
15

16 (1) A bank in danger of closing, upon its acquisition by a qualified investor; or
17

18 (2) A qualified investor, upon its purchase of all assets and assumption of all
19 liabilities of a bank in danger of closing; or
20

21 (3) A surviving or consolidated institution that has merged or consolidated with a
22 bank in danger of closing; upon such terms and conditions as the Board of Directors may
23 prescribe, when in the opinion of the Board of Directors, such acquisition, purchase of
24 assets, assumption of liabilities, merger or consolidation, is essential to provide adequate
25 banking service in the community or maintain financial stability in the economy.
26

27 Xxx"
28

29 SEC. 12. Section 24 of the same Act is hereby amended to read as follows:
30

31 "ISSUANCE OF BONDS, DEBENTURES AND OTHER OBLIGATIONS
32

33 "SECTION 24. With the approval of the President of the Philippines, upon the
34 recommendation of the Department of Finance, the Corporation is authorized to issue
35 bonds, debentures, and other obligations, both local or foreign, as may be necessary for
36 purposes of providing liquidity for settlement of insured deposits in closed banks[;] OR to
37 facilitate the implementation of ~~[bank resolution under Section 11 of this Act, as well as~~
38 ~~for]~~ financial assistance as provided herein: Provided, That the Board of Directors shall
39 determine the interest rates, maturity and other requirements of said obligations: Provided,
40 further, That the Corporation may provide for appropriate reserves for the redemption or
41 retirement of said obligation.
42

43 Xxx"
44

45 SEC. 13. Section 26 (c) of the same Act is hereby deleted and renumbered accordingly:
46

47 "SANCTIONS AND PENALTIES
48

49 "SEC. 26.
50

51 xxx

52 ~~(c) Without prior consent of the Corporation, no insured bank shall (1) merge or consolidate~~
53 ~~with any non-insured bank or institution or convert into a non-insured bank or institution or~~
54 ~~(2) assume liability to pay any deposits made in, or similar liabilities of, any non-insured~~
55 ~~bank or institution or (3) transfer of assets to any non-insured bank or institution in~~

1 consideration of the assumption of liabilities for any portion of the deposits made in such
2 insured banks.

3
4 xxx

5
6 **SEC. 14.** Section 28 of the same Act is hereby deleted and replaced as follows:

7
8 ~~[SECTION 28. Exempting Clause. — The Corporation shall be exempt from~~
9 ~~Presidential Decree No. 985, Presidential Decree No. 1597, Republic Act No. 6758, as~~
10 ~~amended, Joint Resolution No. 4 (2009) and other laws on salary standardization,~~
11 ~~Presidential Decree No. 1177, Executive Order No. 245, as amended, Executive Order No.~~
12 ~~298 and the provisions of Republic Act No. 10149 with regard to position classification,~~
13 ~~qualification standards, and the compensation package of the employees of the~~
14 ~~Corporation. Provided, That the PDIC shall be subject to all other policies under Republic~~
15 ~~Act No. 10149, including, but not limited to, performance evaluation by the Governance~~
16 ~~Commission for Government Owned or Controlled Corporations, selection and~~
17 ~~nomination of appointive directors, and limitations on the creation of subsidiaries and the~~
18 ~~acquisition of affiliates except in the case of acquisition of shares in the grant of financial~~
19 ~~assistance under this Act.]~~

20
21 **“SECTION 28. EXEMPTION FROM THE BULK SALES LAW. - BANK**
22 **LIQUIDATION INVOLVING THE PURCHASE OF ALL ASSETS AND**
23 **ASSUMPTION OF ALL LIABILITIES OF A BANK TO A THIRD PARTY SHALL**
24 **BE EXEMPT FROM THE PROVISIONS OF ACT NO. 3952, OTHERWISE**
25 **KNOWN AS 'THE BULK SALES LAW'.”**

26
27 **SEC. 15. Separability Clause.** – If any provision of this Act is subsequently declared invalid or
28 unconstitutional, the other provisions hereof which are not affected thereby shall remain in full force
29 and effect.

30
31 **SEC. 16. Repealing Clause.** - Sections 1, 3, 4, 5, 6, 8, 9, 10, 11, 18, 22, 24, 26 and 28 of Republic Act
32 No. 3591, as amended, otherwise known as the PDIC charter are hereby amended accordingly.

33
34 All other laws, decrees, resolutions, instructions and rules and regulations or parts thereof
35 which are inconsistent with this Act are hereby deemed repealed or modified accordingly.

36
37 **SEC. 17. Effectivity.** – This Act shall take effect fifteen (15) days after its publication in the *Official*
38 *Gazette* or in a newspaper of general circulation.

39
40 Adopted.