

PDIC CHARTER

(Republic Act No. 3591, as amended)

An Act Establishing the Philippine Deposit Insurance Corporation, Defining its Powers and Duties and for Other Purposes

with Implementing Rules and Regulations

2022 Edition

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Republic Act No. 3591, as amended and Implementing Rules and Regulations are also available in full in the PDIC website, *www.pdic.gov.ph*.

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REPUBLIC ACT (R.A.) NO. 3591, AS AMENDED

AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES

THE CREATION OF THE PHILIPPINE DEPOSIT INSURANCE CORPORATION

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

The Corporation shall, as a basic policy, promote and safeguard the interests of the depositing public by providing insurance coverage on all insured deposits and helping maintain a sound and stable banking system. *(As amended by R.A. No. 10846, 11 June 2016)*

The Corporation shall be attached to the Bangko Sentral ng Pilipinas for policy and program coordination. *(As amended by R.A. No. 11840, 20 July 2022)*

STATE POLICY

(*As added by R.A. No. 10846, 11 June 2016*)

SEC. 2. – It is hereby declared to be the policy of the State to strengthen the mandatory deposit insurance coverage system to generate, preserve,

maintain faith and confidence in the country's banking system, and protect it from illegal schemes and machinations.

Towards this end, the Government must extend all means and mechanisms necessary for the Corporation to effectively fulfill its vital task of promoting and safeguarding the interests of the depositing public by way of providing insurance coverage on bank deposits and in helping develop a sound and stable banking system.

In view of the crucial role and the nature of its functions and responsibilities, the Corporation, while being a government instrumentality with corporate powers, shall enjoy fiscal and administrative autonomy.

BOARD OF DIRECTORS: COMPOSITION AND AUTHORITY

(Renumbered from Sec. 2 by R.A. No. 10846, 11 June 2016; amended by R.A. No. 11840, 20 July 2022)

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

(1) The Governor of the Bangko Sentral ng Pilipinas who shall be the *ex officio* Chairperson of the Board without compensation; *(As amended by R.A. No. 11840, 20 July 2022)*

(2) The Secretary of Finance who shall be the *ex officio* Vice Chairperson and member of the Board without compensation; *(As amended by R.A. No. 11840, 20 July 2022)*

(3) The President of the Corporation, who shall be appointed by the President of the Philippines from a shortlist prepared by the

Governance Commission for Government-Owned or -Controlled Corporations pursuant to Republic Act No. 10149, or the "GOCC Governance Act of 2011" to serve on a full-time basis for a term of six (6) years; *(As amended by R.A. No. 11840, 20 July 2022)*

(4) Four (4) members from the private sector to be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for Government-Owned or –Controlled Corporations pursuant to Republic Act No. 10149. The appointive directors shall serve for a term of six (6) years unless sooner removed for cause and shall be subject to only one (1) reappointment: *Provided*, That of those first appointed, the first two (2) appointees shall serve for a period of three (3) years: *Provided, however,* That the appointive director shall continue to hold office until the successor is appointed. An appointive director may be nominated by the Governance Commission for Government-Owned or –Controlled Corporations for reappointment by the President only if the appointive director obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as appointive director based on the performance criteria for appointive directors of the Corporation. *(As amended by R.A. No. 10846, 11 June 2016)*

Appointment to any vacancy shall be only for the unexpired term of the predecessor pursuant to Republic Act No. 10149. *(As added by R.A. No. 10846, 11 June 2016*)

No person shall be appointed as member of the Board unless he or she be of good moral character, of unquestionable integrity and responsibility, of known probity and patriotism, and who is of recognized competence in economics, banking and finance, law, management administration or insurance, and shall be at least thirty-five (35) years of age. For the duration of their tenure or term of office and for a period of one (1) year

thereafter, the appointive members of the Board shall be disqualified from holding any office, position or employment in any insured bank. *(As amended by R.A. No. 10846, 11 June 2016)*

The Secretary of Finance and the Governor of the Bangko Sentral ng Pilipinas may each designate an alternate, who shall be an official with a rank not lower than assistant secretary of the Department of Finance or Deputy Governor of the Bangko Sentral ng Pilipinas with written authority from the Secretary of Finance or the Governor of the Bangko Sentral ng Pilipinas, to attend such meetings and to vote on behalf of their respective principals. Whenever the Chairperson of the Board is unable to attend a meeting of the Board, or in the event of a vacancy in the office of the Governor of the Bangko Sentral ng Pilipinas, his or her designated alternate shall preside. In the absence of the Chairperson and his or her designated alternate, the Secretary of Finance or his or her representative shall preside. *(As amended by R.A. No. 11840, 20 July 2022)*

The President of the Philippines may remove any appointive member of the Board of Directors for any of the following reasons: *(As added by R.A. No. 10846, 11 June 2016*)

(i) If the member is physically or mentally incapacitated that he or she cannot properly discharge his or her duties and responsibilities, and such incapacity has lasted for more than six (6) months; or

(ii) If the member is guilty of acts or operations which are of fraudulent or illegal character or which are manifestly opposed to the aims and interests of the Corporation; or

(iii) If the member no longer possesses the qualifications specified in this Act; or

(iv) If the member does not meet the standards for performance based on the evaluation by the Governance Commission for Government-Owned or -Controlled Corporations under Republic Act No. 10149.

The presence of four (4) members shall constitute a quorum. All decisions of the Board of Directors shall require the concurrence of at least four (4) members. *(As amended by R.A. No. 10846, 11 June 2016)*

The compensation, *per diems,* allowances, incentives, and other benefits for board members shall be determined by the Governance Commission for Government-Owned or -Controlled Corporations. *(As amended by R.A. No. 10846, 11 June 2016)*

In addition to the requirements of Republic Act No. 6713, otherwise known as the "Code of Conduct and Ethical Standards for Public Officials and Employees", any member of the Board of Directors with personal or pecuniary interest in any matter in the agenda of the Board of Directors shall disclose his or her interest to the Board and shall recuse from the meeting when the matter is taken up. The minutes shall reflect the disclosure made and the recusal of the member concerned. *(As added by R.A. No. 10846, 11 June 2016*)

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

(1) To approve and issue rules and regulations for banks and the depositing public, as it considers necessary for the effective discharge of its responsibilities under this Act including the establishment of separate insurance funds, and insurance arrangements or structures or *takaful*, taking into consideration the peculiar characteristics of Islamic banking. This authority includes increasing of the insurance coverage, eligibility of the institutions, assessment premium rate, and other

implementation rules and regulations. *(As amended by R.A. No. 10846, 11 June 2016; R.A. No. 11840, 20 July 2022)*

For purposes of this Act, *takaful* shall be defined as a mutual guarantee in return for the commitment to donate an amount in the form of a specified contribution to the covered entities' risk fund, whereby a group of covered entities agree among themselves to support one another jointly for the losses arising from specified risks; *(As amended by R.A. No. 11840, 20 July 2022)*

(2) To act as the policy-making body of the Corporation and constitute Board committees to oversee the management, operations and administration of the Corporation; *(As amended by R.A. No. 10846, 11 June 2016)*

(3) To establish a human resource management system which shall govern the selection, hiring, appointment, transfer, promotion, or dismissal of personnel. Such system shall aim to establish professionalism and excellence at all levels of the Corporation in accordance with sound principles of management; (*As added by R.A. No. 9302, 12 August 2004; As amended by R.A. No. 10846, 11 June 2016)*

(4) To appoint and remove any officer or employee of the Corporation, for cause, subject to pertinent civil service laws: *Provided*, That the Board of Directors may delegate this authority to the President subject to specific guidelines: *Provided, further,* That in no case shall there be any diminution of existing salaries, benefits and other emoluments; *(As amended and renumbered by R.A. No. 10846, 11 June 2016; R.A. No. 11840, 20 July 2022)*

(5) To approve policy on local and foreign travel, and the corresponding expenses, allowances and *per diems*, of officers,

employees, agents of the Corporation, which shall be comparable with the expenses, allowances and *per diems* of personnel of other financial institutions based on prevailing market standards, notwithstanding the provisions of Presidential Decree No. 1177, Executive Order No. 292, Executive Order No. 248, as amended, Executive Order No. 298, and similar laws; *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(6) To adopt an annual budget for, and authorize such expenditures by the Corporation, as are in the interest of the effective administration and operation of the Corporation; *(As amended by R.A. No. 9302, 12 August 2004; renumbered by R.A. No. 11840, 20 July 2022)*

(7) To approve the target level of the Deposit Insurance Fund (DIF) and the methodology for determining reserves for insurance and financial assistance losses; *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(8) To review the organizational set-up of the Corporation and adopt a new or revised organizational structure as it may deem necessary for the Corporation to undertake its mandate and functions; *(As added by R.A. No. 9576, 1 June 2009; As amended by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(9) To design, adopt and revise, as it may deem necessary, an early separation plan for employees of the Corporation to ensure availability of a human resource pool qualified and capable of implementing the Corporation's authorities under this Charter in a manner responsive and attuned to market developments, and to provide incentives for all those who shall be separated

from the service. Notwithstanding any law to the contrary, these incentives shall be in addition to all gratuities and benefits the employee is entitled to under existing laws; and *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(10) To promote and sponsor the local or foreign training or study of personnel in the fields of banking, finance, management, information technology and law. Towards this end, the Corporation is hereby authorized to defray the costs of such training or study. The Board shall prescribe rules and regulations to govern the training or study programs of the Corporation. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

PRESIDENT OF THE CORPORATION COMPENSATION, POWERS, AND DUTIES

(Renumbered from Sec. 3 by R.A. No. 10846, 11 June 2016)

SEC. 4. The President of the Corporation shall be its Chief Executive Officer whose salary shall be based on the Compensation and Position Classification System developed by the Governance Commission for Government-Owned or -Controlled Corporations and as approved by the President of the Philippines. The sum total of the salary, allowances, benefits and other emoluments of the President of the Corporation shall be higher than the compensation package of the next highest ranking executive of the Corporation. *(As amended by R.A. No. 10846, 11 June 2016; R.A. No. 11840, 20 July 2022)*

The powers and duties of the President of the Corporation are:

(a) To prepare the agenda for the meeting of the Board and to submit for the consideration of the Board the policies and measures which he believes to be necessary to carry out the purposes and provisions of this Act;

(b) To execute and administer the policies and measures approved by the Board;

(c) To direct and supervise the operations and internal administration of the Corporation in accordance with the policies established by the Board. The President may delegate certain of his administrative responsibilities to other officers of the Corporation, subject to the rules and regulations of the Board;

(d) To represent the Corporation in all dealings with other offices, agencies and instrumentalities of the government and with all other persons or entities, public or private, whether domestic, foreign or international; *(As amended by R.A. No. 10846, 11 June 2016)*

(e) To authorize, with his signature, upon prior authority of the Board, contracts entered into by the Corporation, notes and securities issued by the Corporation, and the annual reports, balance sheets, profits and loss statements, correspondence and other documents of the Corporation. The signature of the President may be in facsimile wherever appropriate;

(f) To represent the Corporation, either personally or through counsel, including private counsel, as may be authorized by the

PDIC Board, in any legal proceeding or action; *(As amended by R.A. No. 10846, 11 June 2016)*

(g) To delegate, with the prior approval of the Board of Directors, his power to represent the Corporation, as provided in subsections (d) and (f) of this Section, to other officers of the Corporation; and

(h) To exercise such other powers as may be vested in him by the Board.

The President shall be assisted by a Vice President and other officials whose appointment and removal for cause shall be approved by the Board of Directors upon recommendation of the President of the Corporation. The salary of the Vice President and other officials shall be based on the Compensation and Position Classification System established by the Governance Commission for Government-Owned or -Controlled Corporations and as approved by the President of the Philippines. *(As amended by R.A. No. 10846, 11 June 2016; R.A. No. 11840, 20 July 2022)*

DEFINITION OF TERMS

(*Renumbered from Sec. 4 by R.A. No. 10846, 11 June 2016)*

SEC. 5. As used in this Act –

(a) The term *asset* refers to movable, immovable, tangible, or intangible resources or properties over which a bank has an established or equitable interest, including the proceeds of the sale of its bank and branch licenses subject to the approval of the Bangko Sentral ng Pilipinas. *(As added by R.A. No. 10846, 11 June 2016*)

(b) The term *asset distribution plan* refers to the plan of distribution of the assets of a closed bank to its creditors, based on its estimated realizable value as of a certain cut-off date, prepared in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws. *(As added by R.A. No. 10846, 11 June 2016*)

An asset distribution plan may be partial when it pertains to the distribution of a portion or some of the assets of the closed bank, or final when it pertains to the distribution of all the assets of the closed bank. *(As added by R.A. No. 10846, 11 June 2016*)

(c) The term *Board of Directors* means the Board of Directors of the Corporation.

(d) The term *bank* and *banking institution* shall be synonymous and interchangeable and shall include banks, commercial banks, savings banks, mortgage banks, rural banks, development banks, cooperative banks, stock savings and loan associations and branches and agencies in the Philippines of foreign banks and all other corporations authorized to perform banking functions in the Philippines. *(As amended by R.A. No. 7400, 13 April 1992)*

(e) The term *closed bank* refers to a bank placed under liquidation by the Monetary Board. *(As added by R.A. No. 10846, 11 June 2016*)

(f) The term *creditor* refers to any individual or entity with a valid claim against the assets of the closed bank. *(As added by R.A. No. 10846, 11 June 2016*)

(g) The term *deposit* means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obliged to give credit to a commercial, checking, savings, time or thrift account, evidenced by a passbook,

certificate of deposit, or other evidence of deposit issued in accordance with Bangko Sentral ng Pilipinas rules and regulations and other applicable laws, together with such other obligations of a bank, which, consistent with banking usage and practices, the Board of Directors shall determine and prescribe by regulations to be deposit liabilities of the bank: *Provided*, That any obligation of a bank which is payable at the office of the bank located outside of the Philippines shall not be a deposit for any of the purposes of this Act or included as part of the total deposits or of insured deposit: *Provided, further*, That subject to the approval of the Board of Directors, any insured bank which is incorporated under the laws of the Philippines which maintains a branch outside the Philippines may elect to include for insurance its deposit obligations payable only at such branch. *(As amended by R.A. No. 10846, 11 June 2016)*

Certain products or arrangements of Islamic banks shall be deemed as deposit by the Bangko Sentral ng Pilipinas for purposes of this Act. *(As added by R.A. No. 11840, 20 July 2022)*

The Corporation shall not pay deposit insurance for the following accounts or transactions: *(As amended by R.A. No. 10846, 11 June 2016)*

(1) Investment products such as bonds and securities, trust accounts, and other similar instruments;

(2) Deposit accounts or transactions which are fictitious or fraudulent as determined by the Corporation; *(As amended by R.A. No. 10846, 11 June 2016)*

(3) Deposit accounts or transactions constituting unsafe and unsound banking, as determined by the Corporation, in

consultation with the Bangko Sentral ng Pilipinas, after due notice and hearing, and publication of a directive to cease and desist issued by the Bangko Sentral ng Pilipinas against such deposit accounts, transactions or unsafe and unsound banking; and *(As amended by R.A. No. 10846, 11 June 2016; R.A. No. 11840, 20 July 2022)*

(4) Deposits that are determined to be the proceeds of an unlawful activity as defined under Republic Act No. 9160, as amended.

The actions of the Corporation taken under Section 5(g) shall be final and executory, and may only be restrained or set aside by the Court of Appeals, upon appropriate petition for *certiorari* on the ground that the action was taken in excess of jurisdiction or with such grave abuse of discretion as to amount to a lack or excess of jurisdiction. The petition for *certiorari* may only be filed within thirty (30) days from notice of denial of claim for deposit insurance. *(As amended by Presidential Decree [P.D.] No. 1940, 27 June 1984; R.A. No. 7400, 13 April 1992; R.A. No. 9302, 12 August 2004; R.A. No. 9576, 1 June 2009, R.A. No. 10846, 11 June 2016)*

(h) The term *disputed claim* refers to a claim or suit against the assets of a closed bank, or for specific performance, or breach of contract, or damages, of whatever nature or character, whether for money or otherwise, liquidated or unliquidated, fixed or contingent, matured or current, denied by the receiver. *(As added by R.A. No. 10846, 11 June 2016*)

(i) The term *income from other sources* means income actually realized by the Corporation from sources other than assessment collections, as defined by relevant and prevailing accounting standards. *(As added by R.A. No. 11840, 20 July 2022)*

(j) The term *insured bank* means any bank the deposits of which are insured in accordance with the provisions of this Act. *(Renumbered by R.A. No. 11840, 20 July 2022)*

(k) The term *insured deposit* means the amount due to any *bonafide* depositor for legitimate deposits in an insured bank as of the date of closure but not to exceed Five Hundred Thousand Pesos (₱500,000.00). Such amount shall be determined according to such regulations as the Board of Directors may prescribe. In determining such amount due to any depositor, there shall be added together all deposits in the bank maintained in the same right and capacity for his or her benefit either in his or her own name or in the name of others. A joint account regardless of whether the conjunction "and," "or," "and/or" is used, shall be insured separately from any individually-owned deposit account: *Provided*, That (1) if the account is held jointly by two or more natural persons, or by two or more juridical persons or entities, the maximum insured deposit shall be divided into as many equal shares as there are individuals, juridical persons or entities, unless a different sharing is stipulated in the document of deposit, and (2) if the account is held by a juridical person or entity jointly with one or more natural persons, the maximum insured deposit shall be presumed to belong entirely to such juridical person or entity: *Provided, further*, That the aggregate of the interest of each co-owner over several joint accounts, whether owned by the same or different combinations of individuals, juridical persons or entities, shall likewise be subject to the maximum insured deposit: *Provided, furthermore*, That the provisions of any law to the contrary notwithstanding, no owner/holder of any passbook, certificate of deposit or other evidence of deposit shall be recognized as a depositor entitled to the rights provided in this Act unless the passbook, certificate of deposit or other evidence of deposit is

determined by the Corporation to be an authentic document or record of the issuing bank.

In case a condition occurs that threatens the monetary and financial stability of the banking system that may have systemic consequences, as defined in Section 22 hereof, and as determined by the Monetary Board, the maximum deposit insurance cover may be adjusted in such amount, for such a period, and/or for such deposit products, as may be determined by a unanimous vote of the Board of Directors in a meeting called for the purpose and chaired by the Governor of the Bangko Sentral ng Pilipinas or the designated alternate, subject to the approval of the President of the Philippines. *(As amended by R.A. No. 9302, 12 August 2004; R.A. No. 9576, 1 June 2009; R.A. No. 10846, 11 June 2016; renumbered and amended by R.A. No. 11840, 20 July 2022)*

The Board of Directors may increase the amount of the maximum deposit insurance coverage to an amount indexed to inflation or in consideration of other economic indicators as may be deemed appropriate by the Board. The Board of Directors shall review the amount of the maximum deposit insurance coverage every three (3) years and increase the maximum deposit insurance coverage as may be warranted. In the exercise of this authority, the Board may consider economic indicators other than inflation. For this purpose, the Board may hire the services of independent actuarial consultants and other experts to determine the feasibility and advisability of increasing the maximum deposit insurance coverage. *(As added by R.A. No. 11840, 20 July 2022)*

(l) The term *liquidation* refers to the proceedings under Sections 12 to 16 of this Act. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022*)

(m) The term *liquidation court* refers to the Regional Trial Court (RTC) of general jurisdiction where the petition for assistance in the liquidation of a closed bank is filed and given due course. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(n) The term *payout* refers to the payment of insured deposits. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(o) The term *petition for assistance in the liquidation of a closed bank* refers to the petition filed by the receiver with the RTC in accordance with Section 16 of this Act. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(p) The term *purchase of assets and assumption of liabilities* refers to a transaction where an insured bank purchases any or all assets and assumes any or all liabilities of another bank under liquidation, as provided in this Act. *(As added by R.A. No. 10846, 11 June 2016; renumbered and amended by R.A. No. 11840, 20 July 2022)*

(q) The term *receiver* refers to the Corporation or any of its duly authorized agents acting as receiver of a closed bank. *(As amended by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(r) The term *records* include all documents, titles, papers and electronic data of the closed bank, including those pertaining to deposit accounts of and with the closed bank, its assets, transactions and corporate affairs. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(s) The term *residual assets* refer to assets, in cash or in kind, to be turned over to the closed bank's stockholders of record, in proportion to their interest in the closed bank as of date of closure, after payment in full of liquidation costs, fees and expenses, and the valid claims and surplus dividends to all the creditors. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022*)

(t) The term *risk-based assessment system* pertains to a method for calculating an insured bank's assessment on the probability that the DIF will incur a loss with respect to the bank, and the likely amount of any such loss, based on its risk rating that takes into consideration the following: *(As added by R.A. No. 10846, 11 June 2016*)

(1) Quality and concentration of assets;

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

(3) Capital position;

(4) Liquidity position;

(5) Management and governance; and

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

(u) The term *statement of affairs* refers to a report of financial condition of the closed bank at a given date, showing the: (1) estimated realizable value of assets; (2) classification of credits; and (3)

estimated liabilities to be settled. *(As added by R.A. No. 10846, 11 June 2016*)

(v) The term *surplus dividends* refers to the remaining assets of the closed bank after satisfaction in full of all the liquidation costs, fees and expenses, and valid claims. The surplus dividends shall be computed at the legal rate of interest from the date of takeover to cut-off date of the distribution plan, and shall be paid, in cash or in kind, to creditors of the closed bank in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws. *(As added by R.A. No. 10846, 11 June 2016*)

(w) The term *takeover* refers to the act of physically taking possession and control of the premises, assets and affairs of a closed bank for the purpose of liquidating the bank. *(As added by R.A. No. 10846, 11 June 2016*)

(x) The term *transfer deposit* means a deposit in an insured bank made available to a depositor by the Corporation as payment of insured deposit of such depositor in a closed bank and assumed by another insured bank.

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

(z) The term *unsafe and unsound banking* refers to the conduct of business in an unlawful, unsafe or unsound manner as may be defined by the Bangko Sentral ng Pilipinas under Republic Act No. 7653, as amended. (*As added by R.A. No. 11840, 20 July 2022)*

(aa) The term *valid claim* refers to the claim recognized by the receiver or allowed by the liquidation court. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022*)

(bb) The term *winding up period* refers to the period provided in Section 16 of this Act. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022*)

DEPOSIT INSURANCE COVERAGE

(Renumbered from Sec. 5 by R.A. No. 10846, 11 June 2016)

SEC. 6. The deposit liabilities of any bank which is engaged in the business of receiving deposits as herein defined on the effective date of this Act, or which thereafter may engage in the business of receiving deposits, shall be insured with the Corporation. The Corporation may establish separate insurance funds and insurance arrangements or structures or *takaful* that take into consideration the peculiar characteristics of Islamic banking. *(As amended by R.A. No. 6037, 04 August 1969; R.A. No. 10846, 11 June 2016; R.A. No. 11840, 20 July 2022)*

Whenever a bank is determined by the Bangko Sentral ng Pilipinas to be capital deficient, the Corporation may conduct an insurance risk evaluation on the bank to enable it to assess the risks to the DIF. Such evaluation may include the determination of: (i) the fair market value of the assets and liabilities of a bank; or (ii) the risk classification of a bank. *(As added by R.A. No. 10846, 11 June 2016 and amended by R.A. No. 11840, 20 July 2022*)

ASSESSMENT OF MEMBER BANKS

(Renumbered from Sec. 6 by R.A. No. 10846, 11 June 2016)

SEC. 7. (a) The assessment rate shall be determined by the Board of Directors: *Provided*, That the assessment rate shall not exceed one-fifth (1/5) of one *per centum* (1%) *per annum*. The semi-annual assessment for each insured bank shall be in the amount of the product of one-half (1/2) the assessment rate multiplied by the assessment base but in no case shall it be less than Five Thousand Pesos (₱5,000.00). The assessment base shall be the amount of the liability of the bank for deposits as defined under subsection (g) of Section 5 without any deduction for indebtedness of depositors. *(As amended by R.A. No. 9302, 12 August 2004, R.A. No. 10846, 11 June 2016)*

In addition, the Board of Directors shall conduct a study on the need to establish a risk-based assessment system within five (5) years from passage of this Act the results of which shall be reported to the Joint Congressional Oversight Committee to ensure compliance with the intent of the law. For which purpose, the Board of Directors shall consider the viability of a mechanism that adjusts the assessment rate depending on the creditworthiness or risk profile of the bank, consistent with the national development goals and impose a commensurate risk-based adjusted assessment rate per annum per bank. The risk-based assessment rate and assessment base shall be determined to ensure the adequacy and sustainability of the DIF while at the same time rationalizing the financial burden on banks and stability of the financial system. The assessment of each insured bank shall be determined by multiplying the risk-based assessment rate with the assessment base. *(As added by R.A. No. 10846, 11 June 2016; amended by R.A. No. 11840, 20 July 2022)*

In case there will be an increase in the maximum deposit insurance coverage, the PDIC Board shall have the authority to adjust the assessment rate for banks taking into consideration the current economic conditions,

and the adequacy and sustainability of the DIF. *(As added by R.A. No. 11840, 20 July 2022)*

The Corporation and the Board of Directors shall ensure and endeavor to maintain transparency under all possible conditions in the way of conducting all the foregoing activities under Section 7 (a). *(As added by R.A. No. 11840, 20 July 2022)*

The semi-annual assessment base for one semi-annual period shall be the average of the assessment base of the bank as of the close of business on March thirty-one and June thirty and the semi-annual assessment base for the other semi-annual period shall be the average of the assessment base of the bank as of the close of business on September thirty and December thirty-one: *Provided*, That when any of said days is a nonbusiness day or legal holiday, either national or provincial, the preceding business day shall be used. The certified statements required to be filed with the Corporation under subsections (b) and (c) of this Section shall be in such form and set forth such supporting information as the Board of Directors shall prescribe. The assessment payments required from the insured banks under subsections (b) and (c) of this Section shall be made in such manner and at such time or times as the Board of Directors shall prescribe. *(As amended by R.A. No. 7400, 13 April 1992; R.A No. 10846, 11 June 2016)*

(b) On or before the 31st of July of each year, each insured bank shall file with the Corporation a certified statement showing for the six months ending on the preceding June thirty the amount of the assessment base and the amount of the semi-annual assessment due to the Corporation for the period ending on the following December thirty-one, determined in accordance with subsection (a) of this Section, which shall contain or be verified by a written declaration that it is made under the penalties of perjury. Each insured bank shall pay to the Corporation the amount of the semi-annual assessment it is required to certify. On or before the 31st day of

January of each year, each insured bank shall file with the Corporation a similar certified statement for the six months ending on the preceding December thirty-one and shall pay to the Corporation the amount of the semi-annual assessment for the period ending on the following June thirty which it is required to certify. *(As amended by P.D. No. 1940, 27 June 1984)*

(c) Each bank which becomes an insured bank shall not be required to file any certified statement or pay any assessment for the semi-annual period in which it becomes an insured bank. On the expiration of such period, each such bank shall comply with the provisions of subsection (b) of this Section except that the semi-annual assessment base for its first certified statement shall be the assessment base of the bank as of the close of business on the preceding June thirty or December thirty-one, whichever is applicable, determined in accordance with subsection (a) of this Section. If such bank has assumed the liabilities for deposits of another bank or banks, it shall include such liabilities in its assessment base. The first certified statement shall show as the amount of the first semi-annual assessment due to the Corporation, an amount equal to the product of one-half of the annual assessment rate multiplied by such assessment base.

(d) All assessment collections and income from operations after expenses and charges shall be added to the DIF under Section 17 hereof. Such expenses and charges are: (1) the operating costs and expenses of the Corporation for the calendar year; (2) additions to reserve to provide for insurance and financial assistance losses, net of recoverable amounts from applicable assets and collaterals, during the calendar year; and (3) the net insurance and financial assistance losses sustained in said calendar year. *(As amended by R.A. No. 9302, 12 August 2004; R.A. No. 10846, 11 June 2016)*

(e) The Corporation (1) may refund to an insured bank any payment of assessment in excess of the amount due to the Corporation or (2) may credit such excess toward the payment of the assessment next becoming

due from such bank and upon succeeding assessments until the credit is exhausted.

(f) Any insured bank which fails to file any certified statement required to be filed by it in connection with determining the amount of any assessment payable by the bank to the Corporation may be compelled to file such statement by mandatory injunction or other appropriate remedy in a suit brought for such purpose by the Corporation against the bank and any officer or officers thereof in any court of the Philippines of competent jurisdiction in which such bank is located.

(g) The Corporation, in a suit brought in any court of competent jurisdiction, shall be entitled to recover from any insured bank the amount of any unpaid assessment lawfully payable by such insured bank to the Corporation, whether or not such bank shall have filed any such certified statement and whether or not suit shall have been brought to compel the bank to file any such statement. No action or proceeding shall be brought for recovery of any assessment due to the Corporation or for the recovering of any amount paid to the Corporation in excess of the amount due to it, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except where the insured bank has made or filed with the Corporation a false or fraudulent certified statement with the intent to evade, in whole or in part, the payment of assessment, in which case the claim shall not have been deemed to have accrued until the discovery by the Corporation, that the certified statement is false or fraudulent.

(h) Should any insured bank fail or refuse to pay any assessment required to be paid by such bank under any provision of this Act, and should the bank not correct such failure or refusal within thirty (30) days after written notice has been given by the Corporation to an officer of the bank citing this subsection, and stating that the bank has failed or refused to pay as required by the law, the Corporation may, at its discretion, file a

case for collection before the appropriate court without prejudice to the imposition of administrative sanctions allowed under the provisions of this law on the bank officials responsible for the nonpayment of assessment fees. *(As amended by R.A. No. 9302, 12 August 2004; R.A. No. 10846, 11 June 2016)*

(i) The Corporation shall have the authority to collect a special assessment from any member bank and prescribe the terms and conditions thereof to maintain the target level of the DIF set by the Board of Directors in accordance with this Act. *(As added by R.A. No. 10846, 11 June 2016*)

SANCTIONS AGAINST UNSAFE AND UNSOUND BANKING

(Renumbered from Sec. 7 by R.A. No. 10846, 11 June 2016; amended by R.A. No. 11840, 20 July 2022)

SEC. 8. (a) Whenever upon examination by the Corporation into the condition of any insured bank, it shall be disclosed that an insured bank or its directors or agents have committed, are committing or about to commit unsafe or unsound banking, or have violated, are violating or about to violate any provisions of any law or regulation to which the insured bank is subject. The Board of Directors shall submit the report of the examination to the Monetary Board. *(As amended by R.A. No. 7400, 13 April 1992; R.A. No. 9302, 12 August 2004; R.A. No. 10846, 11 June 2016; R.A. No. 11840, 20 July 2022)*

(b) The Corporation may terminate the insured status of any bank that fails or refuses to comply, within thirty (30) days from notice, with any cease-and-desist order issued by the Bangko Sentral ng Pilipinas, pertaining to a deposit-related unsafe and/or unsound banking. *(As added by R.A. No. 10846, 11 June 2016; amended and renumbered by R.A. No. 11840, 20 July 2022*)

Such termination shall be final and executory, and shall be effective upon publication of the notice of termination in a newspaper of general circulation. *(As added by R.A. No. 10846, 11 June 2016*)

The deposits of each depositor in the bank on the effective date of the termination of insurance coverage, less all subsequent withdrawals, shall continue to be insured up to the maximum deposit insurance coverage for a period of one hundred eighty (180) days. Additions to, or renewal of, existing deposits and new deposits in such bank after the effective date of termination of insured status of the bank shall not be insured by the Corporation. *(As added by R.A. No. 10846, 11 June 2016*)

The bank shall not advertise or represent that additions to, or renewal of, existing deposits and new deposits made after the effective date of termination are covered by deposit insurance. *(As added by R.A. No. 10846, 11 June 2016*)

POWERS AS CORPORATE BODY

(Renumbered from Sec. 8 by R.A. No. 10846, 11 June 2016; amended by R.A. No. 11840, 20 July 2022)

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

First – To adopt and use a corporate seal;

Second – To have succession until dissolved by an Act of Congress;

Third – To make contracts;

Fourth – To sue and be sued, complain and defend, in any court of law in the Philippines. All suits of a civil nature to which the Corporation shall be a part shall be deemed to arise under the laws of the

Philippines. No attachment or execution shall be issued against the Corporation or its property before final judgment in any suit, action, or proceeding in any court. The Board of Directors shall designate an agent upon whom service of process may be made in any province or city or jurisdiction in which any insured bank is located;

Fifth – To appoint by its Board of Directors such officers and employees as are not otherwise provided for in this Act, to define their duties, require bonds of them and fix penalty thereof and to dismiss such officers and employees for cause; *(As amended by R.A. No. 11840, 20 July 2022)*

Sixth – To prescribe, by its Board of Directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed;

Seventh – To exercise by its Board of Directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this Act, and such incidental powers as shall be necessary to carry on the powers so granted;

Eighth – To examine the records and books of accounts and require information and reports from depository institutions in case there is a finding of fraud or unsafe or unsound banking related to deposit-taking: *Provided*, That, notwithstanding the provisions of Republic Act No. 1405, as amended, Republic Act No. 6426, as amended, Republic Act No. 8791, and other laws, the Corporation and/or the Bangko Sentral ng Pilipinas, may inquire into or examine deposit accounts and all information related thereto in case there is a finding of unsafe or unsound banking practice: *Provided, further,* That to avoid overlapping of efforts, the examination shall maximize the efficient use of the relevant reports, information, and findings of the Bangko Sentral ng

Pilipinas, which it shall make available to the Corporation. *(As amended by R.A. No. 9302, 12 August 2004; R.A. No. 9576, 1 June 2009; R.A. No. 11840, 20 July 2022)*

Ninth – To act as receiver;

Tenth – To prescribe by its Board of Directors such rules and regulations as it may deem necessary to carry out the provisions of this Act; *(As amended by R.A. No. 6037, 04 August 1969)*

Eleventh – The Corporation may establish its own provident fund which shall consist of contributions made both by the Corporation and by its officers and employees to a common fund for the payment of benefits to such officers or employees or their heirs. The Board of Directors shall prepare and issue rules and regulations as it may deem necessary to make effective the establishment and operation of the fund; *(As amended by P.D. No. 1940, 27 June 1984)*

Twelfth – The provisions of Presidential Decree No. 1445, as amended, Executive Order No. 292, and other similar laws notwithstanding, to compromise, condone or release, in whole or in part, any claim or settled liability to the Corporation, regardless of the amount involved, under such terms and conditions as may be imposed by the Board of Directors to protect the interest of the Corporation, and to write off the Corporation's receivables and assets which are no longer recoverable or realizable. *(As added by R.A. No. 7400, 13 April 1992; As amended by R.A. No. 10846, 11 June 2016)*

Thirteenth – To determine qualified interested acquirers or investors for any of the modes of resolution or liquidation of banks; *(As added by R.A. No. 10846, 11 June 2016*)

Fourteenth – To determine the appropriate mode of liquidation of a closed bank and to implement the same. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022*)

POWERS, RESPONSIBILITY, AND PROHIBITIONS

(Renumbered from Sec. 9 by R.A. No. 10846, 11 June 2016; amended by R.A. No. 11840, 20 July 2022)

SEC. 10. (a) The Board of Directors shall administer the affairs of the Corporation fairly and impartially and without discrimination. The Corporation shall be entitled to the free use of Philippine mails in the same manner as the other offices of the national government.

(b) Whenever the Bangko Sentral ng Pilipinas deems it appropriate and necessary for PDIC to join the conduct of the examination of a bank, the Board of Directors shall appoint examiners who shall have power, on behalf of the Corporation, to examine any insured bank. Each examiner shall have the power to make a thorough examination of all the affairs of the bank and in doing so, he shall have the power to administer oaths, to examine and take and preserve the testimony of any of the officers and agents thereof, and, to compel the presentation of books, documents, papers, or records necessary in his judgment to ascertain the facts relative to the condition of the bank; and shall make a full and detailed report of the condition of the bank to the Corporation. The Board of Directors in like manner shall appoint claim agents who shall have the power to investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have the power to administer oaths and to examine under oath and take and preserve testimony of any person relating to such claim. *(As amended by E.O. No. 890, 08 April 1983; R.A. No. 7400, 13 April 1992; R.A. No. 11840, 20 July 2022)*

(b-1) The investigators appointed by the Board of Directors shall have the power on behalf of the Corporation to conduct investigations on frauds, irregularities and anomalies committed in banks, based on reports of examination conducted by the Corporation and Bangko Sentral ng Pilipinas or complaints from depositors or from other government agency. Each such investigator shall have the power to administer oaths, and to examine and take and preserve the testimony of any person relating to the subject of investigation. For this purpose, the Corporation may appoint or hire persons or entities of recognized competence in forensic and fraud investigations as its agents. *(As added by R.A. No. 9302, 12 August 2004; As amended by R.A. No. 10846, 11 June 2016)*

(c) Each insured bank shall make to the Corporation reports of condition in such form and at such times as the Board of Directors may require such reports to be published in such manner, not inconsistent with any applicable law, as it may direct. Every such bank which fails to make or publish any such report within such time, as the Board of Directors may require, shall be subject to a penalty of not more than Ten Thousand Pesos (₱10,000.00) for each day of such failure recoverable by the Corporation for its use. *(As amended by R.A. No. 10846, 11 June 2016)*

(d) The Bangko Sentral ng Pilipinas shall have access to bank examination reports made by the Corporation, and to such other reports or information as may be agreed upon by the Corporation and the Bangko Sentral ng Pilipinas. The Bangko Sentral ng Pilipinas shall share to the Corporation its reports of examination on banks, and such other reports or information as may be agreed upon by them: *Provided*, That the use of such reports or information are in accordance with terms and conditions agreed upon by the Corporation and the Bangko Sentral ng Pilipinas and prescribed by applicable laws and regulations. *(As amended by E.O. No. 890, 08 April 1983; R.A. No. 7400, 13 April 1992; R.A. No. 9302, 12 August 2004; R.A. No. 11840, 20 July 2022)*

(d-1) Each insured bank shall keep and maintain a true and accurate record or statement of its daily deposit transactions consistent with the standards set by the Bangko Sentral ng Pilipinas and the Corporation. Compliance with such standards shall be duly certified by the president of the bank and the compliance officer: *Provided,* That refusal or willful failure to issue the required certification shall constitute a violation of this Section and shall subject such officers of the bank to the sanctions provided for under Section 26 (f) of this Act. (*As added by R.A. No. 9302, 12 August 2004; As amended by R.A. No. 10846, 11 June 2016*)

(e) Personnel of the Corporation are hereby prohibited from:

(1) being an officer, director, consultant, employee or stockholder, directly or indirectly, of any bank or banking institution except as otherwise provided in this Act; *(As added by R.A. No. 7400, 13 April 1992)*

(2) receiving any gift or thing of value from any officer, director or employee thereof; *(As added by R.A. No. 7400, 13 April 1992)*

(3) revealing in any manner, except as provided in this Act or under order of the court, information relating to the condition or business of any such institution. This prohibition shall not apply to the giving of information to the Board of Directors, the President of the Corporation, Congress, any agency of government authorized by law, or to any person authorized by either of them in writing to receive such information. *(As amended by R.A. No. 9302, 12 August 2004)*

(f) The Corporation shall underwrite or advance all legal costs and expenses, including legal fees and other expenses of external counsel, or provide legal assistance to, directors, officers, employees or agents of the Corporation in connection with any civil, criminal, administrative or any other action or proceeding, to which such director, officer, employee or agent is made a party by reason of, or in connection with, the exercise of authority or performance of functions and duties under this Act: *Provided*, That such legal protection shall not apply to any civil, criminal, administrative or any action or proceeding that may be initiated by the Corporation, in whatever capacity, against such director, officer, employee or agent: *Provided, further*, That directors, officers, employees or agents who shall resign, retire, transfer to another agency or be separated from the service, shall continue to be provided with such legal protection in connection with any act done or omitted to be done by them in good faith during their tenure or employment with the Corporation: *Provided, finally*, That in the event of a settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Corporation is advised by counsel that the persons to be indemnified did not commit any negligence or misconduct. *(As added by R.A. No. 9302, 12 August 2004; As amended by R.A No. 10846, 11 June 2016)*

(g) The costs and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay the amount advanced should it ultimately be determined by the Board of Directors that he is not entitled to be indemnified as provided in this subsection. *(As added by R.A. No. 9302, 12 August 2004)*

(h) Unless the actions of the Corporation or any of its officers and employees are found to be in willful violation of this Act, performed in bad faith, with malice and/or gross negligence, the Corporation, its directors, officers, employees and agents are held free and harmless to the fullest

extent permitted by law from any liability, and they shall be indemnified for any and all liabilities, losses, claims, demands, damages, deficiencies, costs and expenses of whatsoever kind and nature that may arise in connection with the performance of their functions, without prejudice to any criminal liability under existing laws. *(As added by R.A. No. 9576, 1 June 2009)*

(i) Legal assistance shall include the grant or advance of reasonable legal fees as determined by the Board of Directors to enable the concerned director, officer, employee or agent to engage counsel of his choice, subject to approval by the Board of Directors.

Notwithstanding the provisions of this Section and Section 3 of this Act, members of the Board of Directors and personnel of the Corporation may become directors and officers of any bank and banking institution and of any entity related to such institution in connection with financial assistance extended by the Corporation to such institution and when, in the opinion of the Board, it is appropriate to make such designation to protect the interest of the Corporation. *(As amended by R.A. No. 9302, 12 August 2004; R.A. No. 10846, 11 June 2016)*

Borrowing from any bank or banking institution by examiners and other personnel of the examination departments of the Corporation shall be prohibited only with respect to the particular institution in which they are assigned, or are conducting an examination. Personnel of other departments, offices or units of the Corporation shall likewise be prohibited from borrowing from any bank or banking institution during the period of time that a transaction of such institution with the Corporation is being evaluated, processed or acted upon by such personnel: *Provided, however*, That the Board may, at its discretion, indicate the position levels or functional groups to which the prohibition is applicable. *(As amended by R.A. No. 7400, 13 April 1992)*

Borrowing by all full-time personnel of the Corporation from any bank or banking institution shall be secured and disclosed to the Board, and shall be subject to such further rules and regulations as the Board may prescribe. *(As amended by R.A. No. 7400, 13 April 1992)*

AUTHORITY TO EXAMINE DEPOSIT RECORDS
(As amended by R.A. No. 11840, 20 July 2022)

SEC. 11. When there is a failure of prompt corrective action as declared by the Monetary Board due to capital deficiency, the Corporation and the Bangko Sentral ng Pilipinas may examine, inquire or look into the deposit records of a bank: *Provided,* That such authority may not be exercised when the failure of prompt corrective action is due to grounds other than capital deficiency. For this purpose, banks, their officers and employees are hereby mandated to disclose and report to the Corporation and the Bangko Sentral ng Pilipinas or their duly authorized officers and employees, the required deposit account information. *(As amended by R.A. No. 11840, 20 July 2022)*

The Corporation and the Bangko Sentral ng Pilipinas, their duly authorized officers or employees are prohibited from disclosing information obtained under this Section to any person, government official, bureau or office. Any act done pursuant to this Section shall not be deemed as a violation of Republic Act No. 1405, as amended, Republic Act No. 6426, as amended, Republic Act No. 8791, and other similar laws protecting or safeguarding the secrecy or confidentiality of bank deposits. Any unauthorized disclosure of the information under this Section shall be subject to the same penalty under the laws protecting the secrecy or confidentiality of bank deposits. *(As amended by R.A. No. 11840, 20 July 2022)*

The provisions of this Section notwithstanding, the Monetary Board may take other actions under existing laws that it may deem necessary. *(As amended by R.A. No. 11840, 20 July 2022)*

LIQUIDATION OF A CLOSED BANK

(As added by R.A. No. 10846, 11 June 2016)

SEC. 12. (a) Whenever a bank is ordered closed by the Monetary Board, the Corporation shall be designated as receiver and it shall proceed with the takeover and liquidation of the closed bank in accordance with this Act. For this purpose, banks closed by the Monetary Board shall no longer be rehabilitated.

AUTHORITIES OF A RECEIVER AND EFFECTS OF PLACEMENT OF A BANK UNDER LIQUIDATION

(As added by R.A. No. 10846, 11 June 2016)

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

(1) Conventional liquidation; and

(2) Purchase of assets and/or assumption of liabilities.

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

(1) Represent and act for and on behalf of the closed bank;

(2) Gather and take charge of all the assets, records and affairs of the closed bank, and administer the same for the benefit of its creditors;

(3) Convert the assets of the closed bank to cash or other forms of liquid assets, as far as practicable: *Provided,* That the Corporation is authorized to sell assets of closed banks, which are held by the Corporation as receiver, to a Financial Institutions Strategic Transfer Corporation (FISTC), in accordance with the provisions of Republic Act No. 11523 or the "Financial Institutions Strategic Transfer (FIST) Act". For this purpose, the Board of Directors shall be the appropriate regulatory authority and shall promulgate the necessary implementing rules and regulations. *(As amended by R.A. No. 11840, 20 July 2022)*

(4) Bring suits to enforce liabilities of the directors, officers, employees, agents of the closed bank and other entities related or connected to the closed bank or to collect, recover, and preserve all assets, including assets over which the bank has equitable interest;

(5) Appoint or hire persons or entities of recognized competence in banking, finance, asset management or remedial management, as its deputies, assistants or agents, to perform such powers and functions of the Corporation as receiver of the closed bank, or assist in the performance thereof;

(6) Appoint or hire persons or entities of recognized competence in forensic and fraud investigations;

(7) Pay accrued utilities, rentals and salaries of personnel of the closed bank for a period not exceeding three (3) months, from available funds of the closed bank;

(8) Collect loans and other claims of the closed bank and for this purpose, modify, compromise or restructure the terms and conditions of such loans or claims as may be deemed advantageous to the interests of the creditors of the closed bank;

(9) Hire or retain private counsel as may be necessary;

(10) Borrow or obtain a loan, or mortgage, pledge or encumber any asset of the closed bank, when necessary to preserve or prevent dissipation of the assets, or to redeem foreclosed assets of the closed bank, or to minimize losses to its depositors and creditors;

(11) If the stipulated interest rate on deposits is unusually high compared with prevailing applicable interest rates, the Corporation as receiver, may exercise such powers which may include a reduction of the interest rate to a reasonable rate: *Provided*, That any modifications or reductions shall apply only to earned and unpaid interest;

(12) Utilize available funds of the bank, including funds generated by the receiver from the conversion of assets to pay for reasonable costs and expenses incurred for the preservation of the assets, and liquidation of, the closed bank, without need for approval of the liquidation court;

For banks with insufficient funds, the Corporation is authorized to advance the foregoing costs and expenses, and collect payment, as and when funds become available.

(13) Charge reasonable fees for the liquidation of the bank from the assets of the bank: *Provided*, That payment of these fees, including any unpaid advances under the immediately preceding paragraph, shall be subject to approval by the liquidation court;

(14) Distribute the available assets of the closed bank, in cash or in kind, to its creditors in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws;

(15) Dispose records of the closed bank that are no longer needed in the liquidation in accordance with guidelines set by the PDIC Board of Directors, notwithstanding the laws on archival period and disposal of records; and

(16) Exercise such other powers as are inherent and necessary for the effective discharge of the duties of the Corporation as receiver.

The Board of Directors shall adopt such policies and guidelines as may be necessary for the performance of the above powers by personnel, deputies, assistants and agents of the Corporation.

(c) After the payment of all liabilities and claims against the closed bank, the Corporation shall pay surplus, if any, dividends at the legal rate of interest from date of takeover to date of distribution to creditors and claimants of the closed bank in accordance with the Rules on Concurrence

and Preference of Credits under the Civil Code or other laws before distribution to the shareholders of the closed bank.

(d) The officers, employees, deputies, assistants and agents of the receiver shall have no liability and shall not be subject to any action, claim or demand in connection with any act done or omitted to be done by them in good faith in connection with the exercise of their powers and functions under this Act and other applicable laws, or other actions duly approved by the court.

(e) The placement of a bank under liquidation shall have the following effects:

(1) On the corporate franchise or existence

Upon placement by the Monetary Board of a bank under liquidation, it shall continue as a body corporate until the termination of the winding-up period under Section 16 of this Act. Such continuation as a body corporate shall only be for the purpose of liquidating, settling and closing its affairs and for the disposal, conveyance or distribution of its assets pursuant to this Act. The receiver shall represent the closed bank in all cases by or against the closed bank and prosecute and defend suits by or against it. In no case shall the bank be reopened and permitted to resume banking business after being placed under liquidation.

(2) On the powers and functions of its directors, officers and stockholders

The powers, voting rights, functions and duties, as well as the allowances, remuneration and perquisites of the directors, officers, and stockholders of such bank are terminated upon its closure. Accordingly, the directors, officers, and stockholders shall be

barred from interfering in any way with the assets, records, and affairs of the bank.

The receiver shall exercise all authorities as may be required to facilitate the liquidation of the closed bank for the benefit of all its creditors.

(3) On the assets

Upon service of notice of closure as provided in Section 14 of this Act, all the assets of the closed bank shall be deemed in *custodia legis* in the hands of the receiver, and as such, these assets may not be subject to attachment, garnishment, execution, levy or any other court processes. A judge, officer of the court or any person who shall issue, order, process or cause the issuance or implementation of the garnishment order, levy, attachment or execution, shall be liable under Section 27 of this Act: *Provided, however*, That collaterals securing the loans and advances granted by the Bangko Sentral ng Pilipinas shall not be included in the assets of the closed bank for distribution to other creditors: *Provided, further*, That the proceeds in excess of the amount secured shall be returned by the Bangko Sentral ng Pilipinas to the receiver.

Any preliminary attachment or garnishment on any of the assets of the closed bank existing at the time of closure shall not give any preference to the attaching or garnishing party. Upon motion of the receiver, the preliminary attachment or garnishment shall be lifted and/or discharged.

(4) On labor relations

Notwithstanding the provisions of the Labor Code, the employer-employee relationship between the closed bank and its employees

shall be deemed terminated upon service of the notice of closure of the bank in accordance with this Act. Payment of separation pay or benefits provided for by law shall be made from available assets of the bank in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws.

(5) Contractual obligations

The receiver may cancel, terminate, rescind or repudiate any contract of the closed bank that is not necessary for the orderly liquidation of the bank, or is grossly disadvantageous to the closed bank, or for any ground provided by law.

(6) On interest payments

The liability of a bank to pay interest on deposits and all other obligations as of closure shall cease upon its closure by the Monetary Board without prejudice to the first paragraph of Section 85 of Republic Act No. 7653 (the New Central Bank Act): *Provided*, That the receiver shall have the authority, without need for approval of the liquidation court, to assign, as payment to secured creditors, the bank assets serving as collaterals to their respective loans up to the extent of the outstanding obligations, including interest as of date of closure of the bank, as validated by the receiver. The valuation of the asset shall be based on the prevailing market value of the collaterals as appraised by an independent appraiser on an "as is where is" basis.

(7) Liability for penalties and surcharges for late payment and nonpayment of taxes

From the time of closure, the closed bank shall not be liable for the payment of penalties and surcharges arising from the late payment

or nonpayment of real property tax, capital gains tax, transfer tax and similar charges.

(8) Bank charges and fees on services

The receiver may impose, on behalf of the closed bank, charges and fees for services rendered after bank closure, such as, but not limited to, the execution of pertinent deeds and certifications.

(9) Actions pending for or against the closed bank

Except for actions pending before the Supreme Court, actions pending for or against the closed bank in any court or quasi-judicial body shall, upon motion of the receiver, be suspended for a period not exceeding one hundred eighty (180) days and referred to mandatory mediation. Upon termination of the mediation, the case shall be referred back to the court or quasi-judicial body for further proceedings.

(10) Final decisions against the closed bank

The execution and enforcement of a final decision of a court other than the liquidation court against the assets of a closed bank shall be stayed. The prevailing party shall file the final decision as a claim with the liquidation court and settled in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws.

(11) Docket and other court fees

Payment of docket and other court fees relating to all cases or actions filed by the receiver with any judicial or quasi-judicial bodies shall be deferred until the action is terminated with finality.

Any such fees shall constitute as a first lien on any judgment in favor of the closed bank or in case of unfavorable judgment, such fees shall be paid as liquidation costs and expenses during the distribution of the assets of the closed bank.

(12) All assets, records, and documents in the possession of the closed bank at the time of its closure are presumed held by the bank in the concept of an owner.

(13) The exercise of authority, functions, and duties by the receiver under this Act shall be presumed to have been performed in the regular course of business.

(14) Assets and documents of the closed bank shall retain their private nature even if administered by the receiver. Matters relating to the exercise by the receiver of the functions under this Act shall be subject to visitorial audit only by the Commission on Audit.

NOTICE OF CLOSURE AND TAKEOVER ACTIVITIES

(As added by R.A. No. 10846, 11 June 2016)

SEC. 14. (a) Upon the designation of the Corporation as receiver of a closed bank, it shall serve a notice of closure to the highest-ranking officer of the bank present in the bank premises, or in the absence of such officer, post the notice of closure in the bank premises or on its main entrance. The closure of the bank shall be deemed effective upon the service of the notice of closure. Thereafter, the receiver shall take over the bank and exercise the powers of the receiver as provided in this Act.

(b) The receiver shall have authority to use reasonable force, including the authority to force open the premises of the bank, and exercise such acts necessary to take actual physical possession and custody of the bank and all its assets, records, documents, and take charge of its affairs upon the service of the notice of closure.

(c) Directors, officers, employees or agents of a bank hold money and other assets of the bank in trust or under administration or management by them for the bank in their fiduciary capacity. Upon service of the notice of closure to the bank, all directors, officers, employees or agents of the closed bank shall have the duty to immediately account for, surrender and turn over to the receiver, and provide information relative to, the assets, records, and affairs of the closed bank in their possession, custody, administration or management.

(d) When the circumstances so warrant, the local government unit and law enforcement agencies concerned shall, upon request, immediately provide assistance to the receiver during the service of notice of closure and actual takeover operations to ensure the orderly conduct thereof and the security and safety of the personnel of the receiver and the employees of the closed bank.

PURCHASE OF ASSETS AND ASSUMPTION OF LIABILITIES

(As added by R.A. No. 10846, 11 June 2016)

SEC. 15. (a) The receiver shall have the authority to facilitate and implement the purchase of the assets of the closed bank and the assumption of its liabilities by another insured bank, without need for approval of the liquidation court. The exercise of this authority shall be in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws, subject to such terms and conditions as the

Corporation may prescribe. The disposition of the branch licenses and other bank licenses of the closed bank shall be subject to the approval of the Bangko Sentral ng Pilipinas.

(b) Such action of the receiver to determine whether a bank may be the subject of a purchase of assets and assumption of liabilities transaction shall be final and executory, and may not be set aside by any court.

CONVENTIONAL LIQUIDATION

(As added by R.A. No. 10846, 11 June 2016)

A. ASSET MANAGEMENT AND CONVERSION

SEC. 16. (a) The assets gathered by the receiver shall be evaluated and verified as to their existence, ownership, condition, and other factors to determine their realizable value. In the management, preservation and disposition of assets, the receiver shall be guided by cost-benefit considerations, resources of the closed bank, and potential asset recovery.

(b) The conversion of the assets of the closed bank shall be carried out in a fair and transparent manner in accordance with the rules and procedures as may be determined by the receiver.

(c) In the management and/or conversion of the assets of the closed bank, the receiver shall have the authority to:

(1) Represent the closed bank before the Land Registration Authority (LRA), the Bureau of Lands, the Register of Deeds, the Land Transportation Office (LTO), the Assessor's Office or other appropriate office of the local government unit, the Securities and Exchange Commission (SEC), or such other similar government agencies or private entities in:

(i) Verifying the authenticity of ownership documents;

(ii) Registering the interest of the closed bank on a specific property;

(iii) Consolidating ownership over an asset of the closed bank;

(iv) Securing certified true copies of documents held by the foregoing agencies/entities in relation to an asset of the closed bank;

(v) Securing the appropriate certification from the foregoing agencies/entities in relation to an asset of the closed bank; and

(vi) Performing other related activities;

(2) Conduct a physical or ocular inspection of the properties owned by, or mortgaged to, the closed bank, to determine their existence and present condition;

(3) Determine the disposal price of assets in accordance with generally accepted valuation principles, standards and practices, subject to such guidelines as the receiver may determine;

(4) Dispose real or personal properties of the closed bank through bidding, negotiated sale or any other mode including lease with option to purchase, whether by piece or by lot, as may be reasonably determined by the receiver based on cost-benefit considerations and to allow efficient distribution of assets to creditors; and

(5) Engage third parties to assist in the liquidation, manage and/or dispose the assets, handle cases filed against or by the closed bank, subject to such guidelines as determined by the receiver.

(d) Notwithstanding any provision of law to the contrary, the following rules shall apply to the management and/or conversion by the receiver of the assets of the closed bank:

(1) Upon notification of the closure of a bank, the LRA, the Bureau of Lands, the Register of Deeds, the LTO, the assessor's office or other appropriate office of the local government unit, or such other similar government agencies shall not allow any transaction affecting the assets of the closed bank without the consent of the receiver.

(2) Upon issuance by the Monetary Board of the resolution ordering the closure of a bank, any person or entity in custody or possession of assets or records of the closed bank, including, but not limited to, the closed bank's deposit accounts, titles to real property, collaterals, promissory notes, evidence of indebtedness or investments shall immediately turn over custody of said assets and records to the receiver. Such obligation shall cover evidences of deposit such as passbooks or certificates of deposit issued by the bank to its depositors. Pending turnover, all persons or entities in custody or possession of any asset or record of the closed bank shall hold the said assets or records in trust for the receiver.

(3) The persons or entities in custody or possession of such asset shall not allow, authorize or cause the withdrawal, transfer, disposition, removal, conversion, concealment, or other transaction involving or relating to the subject asset, unless otherwise directed by the receiver.

(e) The receiver shall have the authority to invest funds received from the conversion of the assets of the closed bank in government securities, other government-guaranteed marketable securities or investment-grade debt instruments.

(f) The proceeds of the sale of the bank and branch licenses shall be for the benefit of the creditors of the closed bank which shall be distributed in accordance with this Act and the Rules on Concurrence and Preference of Credits under the Civil Code or other laws.

B. PETITION FOR ASSISTANCE IN THE LIQUIDATION OF A CLOSED BANK

(g) A petition for assistance in the liquidation is a special proceeding for the liquidation of a closed bank, and includes the declaration of the concomitant right of its creditors and the order of payment of their valid claims in the disposition of its assets.

Any proceeding initiated under this Section shall be considered *in rem*. Jurisdiction over all persons affected by the proceeding shall be considered as acquired upon publication of the order setting the case for initial hearing in any newspaper of general circulation in the Philippines.

(h) The liquidation court shall have exclusive jurisdiction to adjudicate disputed claims against the closed banks, assist in the enforcement of individual liabilities of the stockholders, directors and officers and decide on all other issues as may be material to implement the distribution plan adopted by the Corporation for general application to all closed banks.

(i) The provisions of Republic Act No. 8799, otherwise known as "The Securities Regulation Code", and Supreme Court Administrative Matter No. 00-8-10-SC, entitled, "The Rules of Procedure on Corporate

Rehabilitation", shall not be applicable to the petition for assistance in the liquidation of the closed bank.

(j) The petition shall be filed in the RTC which has jurisdiction over the principal office of the closed bank or the principal office of the receiver, at the option of the latter.

(k) The petition shall be filed *ex parte* within a reasonable period from receipt of the Monetary Board Resolution placing the bank under liquidation.

(l) All persons or entities with claims against the assets of the closed bank shall file their claims with the receiver within sixty (60) days from the date of publication of the notice of closure. Claims filed outside the foregoing prescribed period shall be disallowed.

Claims denied by the receiver shall be filed with the liquidation court within sixty (60) days from receipt of the final notice of denial of claim.

(m) A claim whose validity has not yet been determined with finality at the time of the submission of the final asset distribution plan, either by reason of a pending suit or for whatever reason, shall be considered as contingent claim and shall not be paid under the proposed final asset distribution plan.

(n) Upon finality of the order approving the final asset distribution plan, the petition for assistance in the liquidation of a closed bank shall henceforth be, for all intents and purposes, considered closed and terminated and the receiver, its officers, employees or agents, are forever discharged from any and all claims and/or liability arising from or in connection with the liquidation of the closed bank.

(o) The receiver shall submit a final report on the implementation of the approved final asset distribution plan to the Monetary Board and the SEC after the expiration of the winding-up period provided in this Act.

(p) The Supreme Court shall promulgate the appropriate procedural rules to implement this Section.

C. WINDING-UP

(q) The creditors shall have a period of six (6) months from the date of publication of notice of the approval by the court of the final asset distribution plan of the closed bank within which to claim payment of the principal obligations and surplus dividends. During this six-month period, the receiver shall hold as trustee the assets allocated in the final asset distribution plan for said creditors.

Failure by the creditor to comply with the documentary requirements within the prescribed period and/or refusal to accept the asset as payment shall be deemed as abandonment or waiver of his or her right to payment.

(r) The individual stockholders of record or their duly-authorized representative or the court-appointed stockholders' representative shall have a period of six (6) months from publication of notice of the approval by the court of the final asset distribution plan of the closed bank within which to claim the residual assets. During this six-month period, the receiver shall hold as trustee the assets allocated in the final asset distribution plan for said stockholders of record.

Failure by the individual stockholders of record or their duly-authorized representative or the court-appointed stockholders' representative to comply with the documentary requirements within the prescribed period and/or refusal to accept the residual assets in kind shall

be deemed as abandonment or waiver of right to receive the residual assets.

(s) After the lapse of the six-month period provided in paragraphs (q) and (r) of this Section, all assets which remain unclaimed by the creditors and/or stockholders of record shall be turned over to the Bureau of Treasury.

(t) The receiver shall continue to keep all the pertinent records of the closed bank for a period of six (6) months from the date of publication of the approval of the final asset distribution plan. After the lapse of this period, the receiver is authorized to dispose of the same in accordance with the rules and regulations to be prescribed by the receiver.

PERMANENT INSURANCE FUND

(Renumbered from Sec. 13 by R.A. No. 10846, 11 June 2016)

SEC. 17. To carry out the purposes of this Act, the permanent insurance fund shall be Three Billion Pesos (₱3,000,000,000.00). *(As amended by R.A. No. 9302, 12 August 2004)*

The Deposit Insurance Fund shall be the capital account of the Corporation and shall principally consist of the following: (i) the Permanent Insurance Fund; (ii) assessment collections, subject to the charges enumerated in Section 6[1] (d); (iii) reserves for insurance and financial assistance losses; and (iv) retained earnings: *Provided*, That the reserves for insurance and financial assistance losses and retained earnings shall be maintained at a reasonable level to ensure capital adequacy: *Provided, further*, That the Corporation may, within two (2) years from the

[1] *Refers to Section 7 in view of the renumbering.*

passage of this Act, and every five (5) years thereafter, conduct a study on the need to adjust the amount of the Permanent Insurance Fund, insurance cover, assessment rate and assessment base, and thereafter make the necessary recommendation to Congress. For this purpose, the Corporation may hire the services of actuarial consultants to determine, among others, the affordability of assessment rates, analysis and evaluation of insurance risk, and advisability of imposing varying assessment rates or insurance cover of different bank categories. *(As added by R.A. No. 9302, 12 August 2004)*

DIVIDEND DECLARATION

(As added by R.A. No. 10846, 11 June 2016 and amended by R.A. No. 11840, 20 July 2022)

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

The Corporation shall declare and remit cash dividends to the National Government in accordance with Republic Act No. 7656: *Provided*, That Section 2(d) on the determination of the dividend base and Section 3 with respect to dividend base and the manner of payment shall not apply. In lieu thereof, the succeeding paragraphs shall be applicable. *(As amended by R.A. No. 11840, 20 July 2022)*

For purposes of computing the amount of dividends to be declared and remitted to the National Government, the dividend base shall be the sum of all income, but excluding all assessment income. No other deductions from the dividend base shall be allowed. Such cash dividends accruing to the National Government shall be received by the National

Treasury and recorded as income of the General Fund. *(As amended by R.A. No. 11840, 20 July 2022)*

PAYMENT OF INSURED DEPOSITS

SEC. 19. Whenever an insured bank shall have been closed by the Monetary Board pursuant to Section 30 of Republic Act No. 7653, or upon expiration or revocation of a bank's corporate term, payment of the insured deposits on such closed bank shall be made by the Corporation as soon as possible either (1) by cash or (2) by making available to each depositor a transferred deposit in another insured bank in an amount equal to insured deposit of such depositor: *Provided, however*, That the Corporation, in its discretion, may require proof of claims to be filed before paying the insured deposits, and that in any case where the Corporation is not satisfied as to the validity of a claim for an insured deposit, it may require final determination of a court of competent jurisdiction before paying such claim: *Provided, further*, That failure to settle the claim, within six (6) months from the date of filing of claim for insured deposit, where such failure was due to grave abuse of discretion, gross negligence, bad faith, or malice, shall, upon conviction, subject the directors, officers or employees of the Corporation responsible for the delay, to imprisonment from six (6) months to one (1) year: *Provided, furthermore*, That the period shall not apply if the validity of the claim requires the resolution of issues of facts and or law by another office, body or agency including the case mentioned in the first proviso or by the Corporation together with such other office, body or agency. *(Renumbered from Sec. 14 and amended by R.A. No. 10846, 11 June 2016)*

SEC. 20. The Corporation, upon payment of any depositor as provided for in Section 19 of this Act, shall be subrogated to all rights of the depositor against the closed bank to the extent of such payment. Such subrogation shall include the right on the part of the Corporation to receive the same

dividends and payments from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to the depositor on a claim for the insured deposits: *Provided*, That such depositor shall retain his or her claim for any uninsured portion of his or her deposit, which legal preference shall be the same as that of the subrogated claim of the Corporation for its payment of insured deposits. All payments by the Corporation of insured deposits in closed banks partake of the nature of public funds, and as such, must be considered a preferred credit in the order of preference under Article 2244 (9) of the New Civil Code. *(Renumbered from Sec. 15 by R.A. No. 10846, 11 June 2016; As amended by P.D. No. 1940, 27 June 1984; R.A. No. 7400, 13 April 1992; R.A. No. 10846, 11 June 2016)*

SEC. 21. (a) The Corporation shall commence the determination of insured deposits due the depositors of a closed bank upon its actual takeover of the closed bank. The Corporation shall give notice to the depositors of the closed bank of the insured deposits due them by whatever means deemed appropriate by the Board of Directors: *Provided,* That the Corporation shall publish the notice once a week for at least three (3) consecutive weeks in a newspaper of general circulation or, when appropriate, in a newspaper circulated in the community or communities where the closed bank or its branches are located. *(Renumbered from Sec. 16(a) by R.A. No. 10846, 11 June 2016; As added by R.A. No. 9302, 12 August 2004)*

(b) Payment of an insured deposit to any person by the Corporation shall discharge the Corporation, and payment of transferred deposit to any person by the new bank or by an insured bank in which a transferred deposit has been made available shall discharge the Corporation and such new bank or other insured bank, to the same extent that payment to such person by the closed bank would have discharged it from liability for the insured deposit. *(Renumbered from Sec. 16(b) by R.A. No. 10846, 11 June 2016)*

(c) Except as otherwise prescribed by the Board of Directors, neither the Corporation nor such other insured bank shall be required to recognize as the owner of any portion of a deposit evidenced by a passbook, certificate of deposit or other evidence of deposit determined by the Corporation to be an authentic document or record of the closed bank under a name other than that of the claimant, any person whose name or interest as such owner is not disclosed on the passbook, certificate of deposit or other evidence of deposit of such closed bank as part owner of said deposit, if such recognition would increase the aggregate amount of the insured deposits in such closed bank. *(Renumbered from Sec. 16(c) and amended by R.A. No. 10846, 11 June 2016)*

(d) The Corporation may withhold payment of such portion of the insured deposit of any depositor in a closed bank as may be required to provide for the payment of any liability of such depositor as a stockholder of the closed bank, or of any liability of such depositor to the closed bank or its receiver, which is not offset against a claim due from such bank, pending the determination and payment of such liability by such depositor or any other liable therefor. *(Renumbered from Sec. 16(d) by R.A. No. 10846, 11 June 2016)*

(e) Unless otherwise waived by the Corporation, if the depositor in the closed bank shall fail to claim his insured deposits with the Corporation within two (2) years from actual takeover of the closed bank by the receiver, or does not enforce his claim filed with the Corporation within two (2) years after the two-year period to file a claim as mentioned hereinabove, all rights of the depositor against the Corporation with respect to the insured deposit shall be barred; however, all rights of the depositor against the closed bank and its shareholders or the receivership estate to which the Corporation may have become subrogated, shall thereupon revert to the depositor. Thereafter, the Corporation shall be discharged from any liability on the insured deposit. *(Renumbered from Sec.*

16(e) by R.A. No. 10846, 11 June 2016; As amended by R.A. No. 9302, 12 August 2004)

CORPORATE FUNDS AND ASSETS

SEC. 22. (a) Subject to guidelines and limits as approved by the Board of Directors, money of the Corporation denominated in the local currency, not otherwise employed, shall be invested in obligations of the Republic of the Philippines or in obligations guaranteed as to principal and interest by the Republic of the Philippines. *(Renumbered from Sec. 17(a) by R.A. No. 10846, 11 June 2016; As amended by R.A. No. 6037, 04 August 1969; R.A. No. 10846, 11 June 2016)*

The Corporation may also invest in debt instruments denominated in foreign currencies issued or guaranteed by the Republic of the Philippines, or debt instruments denominated in freely convertible foreign currencies issued by supranationals, multilateral agencies, or foreign governments with at least an investment grade credit rating. *(As added by R.A. No. 10846, 11 June 2016)*

The Corporation shall likewise be authorized to buy and/or sell debt instruments and foreign currencies from any government securities eligible dealers or any counterparties or brokers, accredited by the PDIC Board. *(As added by R.A. No. 10846, 11 June 2016)*

For this purpose, the Corporation shall be authorized to open securities custodianship and settlement accounts. *(As added by R.A. No. 10846, 11 June 2016)*

(b) The banking or checking accounts of the Corporation shall be kept with the Bangko Sentral ng Pilipinas, or with any other bank designated as depository or fiscal agent of the Philippine government. *(Renumbered from*

Sec. 17 (b) by R.A. No. 10846, 11 June 2016; As amended by R.A. No. 9302, 12 August 2004; R.A. No. 10846, 11 June 2016)

(c) It is hereby declared to be the policy of the State that the Deposit Insurance Fund of the Corporation shall be preserved and maintained at all times. Accordingly, all tax obligations of the Corporation for a period of five (5) years reckoned from the date of effectivity of this Act shall be chargeable to the Tax Expenditure Fund (TEF) in the annual General Appropriations Act pursuant to the provisions of Executive Order No. 93, series of 1986: *Provided,* That, on the 6th year and thereafter, the Corporation shall be exempt from income tax, final withholding tax, value-added tax on assessments collected from member banks, and local taxes. *(Renumbered from Sec. 17(c) by R.A. No. 10846, 11 June 2016; As added by R.A. No. 9576, 1 June 2009)*

(d) Assets of the Corporation shall be exempt from attachment, garnishment or any other order or process of any court, agency or any other administrative body. *(As added by R.A. No. 10846, 11 June 2016)*

FINANCIAL ASSISTANCE

(Renumbered from Sec. 17(d) by R.A. No. 10846, 11 June 2016 and as amended by R.A. No. 11840, 20 July 2022)

(e) The Corporation is authorized to make loans to, or purchase the assets of, or assume liabilities of, or make deposits in:

(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 consolidated institution that has merged or consolidated with a bank in danger of closing; upon such terms and conditions as the Board of Directors may prescribe, when in the opinion of the Board of Directors, such acquisition, purchase of assets, assumption of liabilities, merger or consolidation, is essential to provide adequate banking service in the community or maintain financial stability in the economy. *(As amended by R.A. No. 10846, 11 June 2016)*

The Corporation may, taking into consideration the peculiar characteristics of Islamic banks, formulate rules and regulations for the extension of financial assistance under this Section. *(As added by R.A. No. 11840, 20 July 2022)*

The Corporation, prior to the exercise of the powers under this Section, shall determine that actual payoff and liquidation thereof will be more expensive than the exercise of this power: *Provided*, That when the Monetary Board has determined that there are systemic consequences of a probable failure or closure of an insured bank, the Corporation may grant financial assistance to such insured bank in such amount as may be necessary to prevent its failure or closure and/or restore the insured bank to viable operations, under such terms and conditions as may be deemed necessary by the Board of Directors, subject to concurrence by the Monetary Board and without additional cost to the DIF at the time of granting the financial assistance. *(As amended by R.A. No. 9302, 12 August 2004; R.A. No. 11840, 20 July 2022)*

A systemic risk refers to the possibility that failure of one bank to settle net transactions with other banks will trigger a chain reaction, depriving other banks of funds leading to a general shutdown of normal clearing and settlement activity. Systemic risk also means the likelihood of a sudden, unexpected collapse of confidence in a significant portion of the banking or

financial system with potentially large real economic effects. Finally, the Corporation may not use its authority under this subsection to purchase the voting or common stock of an insured bank but it can enter into and enforce agreements that it determines to be necessary to protect its financial interests: *Provided*, That the financial assistance may take the form of equity or quasi-equity of the insured bank as may be deemed necessary by the Board of Directors with concurrence by the Monetary Board: *Provided, further*, That the Corporation shall dispose of such equity as soon as practicable. *(As amended by R.A. No. 9302, 12 August 2004)*

AUTHORITY TO BORROW

(Renumbered from Sec. 18 by R.A. No. 10846, 11 June 2016)

SEC. 23. The Corporation is authorized to borrow from the Bangko Sentral ng Pilipinas and the Bangko Sentral ng Pilipinas is authorized to lend to the Corporation on such terms as may be agreed upon by the Corporation and the Bangko Sentral ng Pilipinas, such funds as in the judgment of the Board of Directors of the Corporation are from time to time required for insurance purposes and financial assistance provided for in Section 22(e) of this Act: *Provided*, That any such loan as may be granted by the Bangko Sentral ng Pilipinas shall be consistent with monetary policy: *Provided, further*, That the rate of interest thereon shall be fixed by the Monetary Board. *(As amended by R.A. No. 9302, 12 August 2004; R.A. No. 9576, 1 June 2009; R.A. No. 10846, 11 June 2016)*

When in the judgment of the Board of Directors the funds of the Corporation are not sufficient to provide for an emergency or urgent need to attain the purposes of this Act, the Corporation is likewise authorized to borrow money, obtain loans or arrange credit lines or other credit accommodations from any bank: *Provided*, That such loan shall be of short-term duration: *Provided, further*, That no prior Monetary Board opinion shall be required for the Corporation and its counterparties on individual

drawdowns or borrowings within an approved borrowing program where prior Monetary Board opinion has already been obtained, pursuant to Section 123 of Republic Act No. 7653. *(As amended by R.A. No. 6037, 04 August 1969; P.D. No. 653, 01 February 1975; P.D. No. 1940, 27 June 1984; R.A. No. 7400, 13 April 1992; R.A. No. 10846, 11 June 2016)*

ISSUANCE OF BONDS, DEBENTURES AND OTHER OBLIGATIONS

(Renumbered from Sec. 19 by R.A. No. 10846, 11 June 2016)

SEC. 24. With the approval of the President of the Philippines, upon the recommendation of the Department of Finance, the Corporation is authorized 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 as provided herein: *Provided*, That the Board of Directors shall determine the interest rates, maturity and other requirements of said obligations: *Provided, further*, That the Corporation may provide for appropriate reserves for the redemption or retirement of said obligation. *(As amended by R.A. No. 10846, 11 June 2016; R.A. No. 11840, 20 July 2022)*

All notes, debentures, bonds, or such obligations issued by the Corporation shall be exempt from taxation both as to principal and interest, and shall be fully guaranteed by the Government of the Republic of the Philippines. Such guarantee, which in no case shall exceed two times the DIF as of date of the debt issuance, shall be expressed on the face thereof. *(As amended by R.A. No. 9576, 1 June 2009)*

The Corporation may issue notes, debentures, bonds, or other debt instruments without the approval of the President of the Philippines, as

long as these shall not be guaranteed by the national government. *(As added by R.A. No. 10846, 11 June 2016)*

The Board of Directors shall have the power to prescribe the terms and conditions, rules and regulations for the issuance, reissuance, servicing, placement and redemption of the bonds herein authorized to be issued as well as the registration of such bonds at the request of the holders thereof. *(As amended by R.A. No. 9576, 1 June 2009; R.A. No. 10846, 11 June 2016)*

REPORTS

(Renumbered from Sec. 20 by R.A. No. 10846, 11 June 2016)

SEC. 25. (a) The Corporation shall annually make a report of its operations to the Congress as soon as practicable after the 1st day of January in each year.

(b) The financial transactions of the Corporation shall be audited by the Commission on Audit in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Commission on Audit. The audit shall be conducted at the place or places where accounts of the Corporation are normally kept. Except as to matters relating to the function of the Corporation as receiver which shall be subject to visitorial audit only, the representatives of the Commission on Audit shall have access to all books, accounts, records, reports, files and all other papers, things, or property belonging to or in use by the Corporation pertaining to its financial transactions and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. All such books, accounts, records, reports, files, papers, and property of the Corporation shall remain in possession and custody of the Corporation. *(As amended by R.A. No. 9302, 12 August 2004)*

(c) A report of the Audit for each fiscal year ending on June 30 shall be made by the Auditor General to the Congress not later than January 15 following the close of such fiscal year. On or before December 15 following such fiscal year, the Auditor General shall furnish the Corporation a short form report showing the financial position of the Corporation at the close of fiscal year. The report to the Congress shall set forth the scope of the audit and shall include a statement of assets and liabilities and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expenses; a statement of sources and application of funds and such comments and information as may be deemed necessary to inform Congress of the financial operations and condition of the Corporation, together with such recommendations with respect thereto as the Auditor General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transactions or undertaking observed in the course of the audit, which in the opinion of the Auditor General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President of the Philippines, to the Governor of the Bangko Sentral ng Pilipinas, and to the Corporation at the time submitted to the Congress. *(As amended by R.A. No. 9302, 12 August 2004)*

SANCTIONS AND PENALTIES

(Renumbered from Sec. 21 by R.A. No. 10846, 11 June 2016; amended by R.A. No. 11840, 20 July 2022)

SEC. 26. (a) Every insured bank shall display at each place of business maintained by it a sign or signs, and shall include a statement in all its advertisements to the effect that its deposits are insured by the Corporation: *Provided*, That the Board of Directors may exempt from this requirement advertisements which do not relate to deposits or when it is impractical to include such statement therein. The Board of Directors shall

prescribe by regulations the forms of such signs and the manner of use. *(As amended by R.A. No. 9302, 12 August 2004)*

(b) No insured bank shall pay any dividend on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) or distribute any of its capital assets while it remains in default in the payment of any assessment due to the Corporation: *Provided*, That if such default is due to a dispute between the insured bank and the Corporation over the amount of such assessment, this subsection shall not apply if such bank shall deposit security satisfactory to the Corporation for payment upon final determination of the issue. *(As amended by R.A. No. 9302, 12 August 2004)*

(c) The Corporation may require an insured bank to provide protection and indemnity against burglary, defalcation, losses arising from discharge of duties by, or particular acts of defaults of its directors, officers, or employees, and other similar insurable losses. The Board of Directors in consultation with the Bangko Sentral, shall determine the bonding requirement as it refers to directors, officers and employers of the insured bank as well as the form and amount of the bond. Whenever any insured bank refuses to comply with any such requirement the Corporation may contract for such protection and add the cost thereof to the assessment otherwise payable by such bank. *(As amended by R.A. No. 7400, 13 April 1992; R.A. No. 9302, 12 August 2004; renumbered by R.A. No. 11840, 20 July 2022)*

(d) Any assessment payable by an insured bank under this Act shall be subject to payment of interest computed from the date such assessment became due and payable and at the legal rate for loans as prescribed by law or appropriate authority and in case of willful failure or refusal to pay such assessment and interest thereon, there shall be added a penalty equivalent to twice the amount of interest payable as computed herein for each day such violations continue, which the interest and penalty the

Corporation may recover for its use: *Provided*, That the penalty shall not be applicable under the circumstances stated in the provisions of subsection (b) of this Section. *(As amended by E.O. No. 890, 08 April 1983; R.A. No. 7400, 13 April 1992; renumbered by R.A. No. 11840, 20 July 2022)*

(e) The penalty of imprisonment of not less than six (6) years but not more than twelve (12) years or a fine of not less than Fifty Thousand Pesos (₱50,000.00) but not more than Ten Million Pesos (₱10,000,000.00), or both, at the discretion of the court, shall be imposed upon: *(As amended by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(1) Any director, officer, employee or agent of a bank for:

(a) Any willful refusal to submit reports as required by law, rules and regulations;

(b) Any unjustified refusal to permit examination and audit of the deposit records or the affairs of the institution;

(c) Any willful making of a false statement or entry in any bank report or document required by the Corporation;

(d) Submission of false material information in connection with or in relation to any financial assistance of the Corporation extended to the bank;

(e) Splitting of deposits or creation of fictitious or fraudulent loans or deposit accounts.

Splitting of deposits occurs whenever a deposit account with an outstanding balance of more than the statutory maximum amount of insured deposit maintained under the name of natural or juridical persons is broken down

and transferred into two (2) or more accounts in the name/s of natural or juridical persons or entities who have no beneficial ownership on transferred deposits in their names within one hundred twenty (120) days immediately preceding or during a bank-declared bank holiday, or immediately preceding a closure order issued by the Monetary Board of the Bangko Sentral ng Pilipinas for the purpose of availing of the maximum deposit insurance coverage;

(f) Refusal to receive the notice of closure as provided under Section 14 of this Act;

(g) Refusal to allow the Corporation to takeover a closed bank or obstructing such action of the Corporation;

(h) Refusal to turn over or destroying or tampering bank records;

(i) Fraudulent disposal, transfer or concealment of any asset, property or liability of the closed bank;

(j) Violation of, or causing any person to violate, the exemption from garnishment, levy, attachment or execution provided under this Act and the New Central Bank Act;

(k) Any willful failure or refusal to comply with, or violation of any provision of this Act, or commission of any other irregularities, and/or conducting business in an unsafe or unsound manner as may be determined by the Board of Directors in relation to Section 56 of Republic Act No. 8791, or "The General Banking Law of 2000".

Notwithstanding any law to the contrary, the foregoing acts of directors, officers, employees or agents of the bank shall be considered as additional grounds for disqualification under the fit and proper rules of the Bangko Sentral ng Pilipinas.

(l) Other acts inimical to the interest of the bank or the Corporation, such as, but not limited to, conflict of interest, disloyalty, authorizing related party transactions with terms detrimental to the bank and its stakeholders, and unauthorized disclosure of confidential information, as may be determined by the Corporation.

(2) Any person for:

(a) Refusal to disclose information, records or data pertaining to the bank accounts of a closed bank to the receiver;

(b) Refusal to turn over possession or custody of the asset and record of the closed bank to the receiver, notwithstanding any agreement to the contrary;

(c) Refusal or delaying the:

(i) Verification of authenticity of the ownership documents;

(ii) Registration of interest of the closed bank on a specific property;

(iii) Consolidation of ownership over an asset of the closed bank;

(iv) Act of securing certified true copies of documents in relation to an asset of the closed bank;

(v) Act of securing the appropriate certification from the agencies or entities stated in Section 16 of this Act in relation to an asset of the closed bank;

(vi) Conduct of a physical or ocular inspection of the properties owned by, or mortgaged to, the closed bank, to determine their existence and present condition; or

(vii) Other related activities of the receiver; or

(d) Allowing the withdrawal from deposits or disposition of any asset of the closed bank other than by the receiver;

(e) Willfully violating any provision of this Act;

(f) Conspiring or willfully participating in any of the offenses enumerated in Paragraph 1 of this Section;

(3) Any law enforcement officer or local government official who refuses or fails to assist the receiver in the service of the notice of closure, as provided under Section 14 of this Act.

(f) The Board of Directors is hereby authorized to impose administrative fines for any act or omission enumerated in the preceding subsection, and for violation of any order, instruction, rule or regulation issued by the Corporation, against a bank and/or any of its directors, officers or agents responsible for such act, omission, or violation, in amounts as it may be determined to be appropriate, but in no case to

exceed three times the amount of the damages or costs caused by the transaction for each day that the violation subsists, taking into consideration the attendant circumstances, such as the nature and gravity of the violation or irregularity and the size of the bank. *(As amended by R.A. No. 9302, 12 August 2004; renumbered by R.A. No. 11840, 20 July 2022)*

(g) The penalty of imprisonment of not less than ten (10) years but not more than twelve (12) years, or a fine of not less than Five Hundred Thousand Pesos (₱500,000.00) but not more than Ten Million Pesos (₱10,000,000.00), or both, at the discretion of the court, shall be imposed upon: *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

(1) Any depositor who files a fictitious and/or fraudulent claim for deposit insurance; and

(2) Any bank officer who certifies to the validity of the deposit liabilities which is subsequently verified to be fictitious and/or fraudulent.

(h) The penalty of imprisonment of not less than twelve (12) years but not more than fourteen (14) years shall be imposed upon any person who participates, or attempts to participate, in a scheme to defraud a bank. *(As added by R.A. No. 10846, 11 June 2016; renumbered by R.A. No. 11840, 20 July 2022)*

If the offense shall have been committed by a director or officer of the bank, the penalty of imprisonment of not less than fifteen (15) years, but not more than seventeen (17) years shall be imposed. *(As added by R.A. No. 10846, 11 June 2016)*

If the offense shall have resulted in systemic consequences, as determined by the Bangko Sentral ng Pilipinas, the penalty of

imprisonment of not less than eighteen (18) years but not more than twenty (20) years shall be imposed. *(As added by R.A. No. 10846, 11 June 2016)*

SEC. 27. No court, except the Court of Appeals, shall issue any temporary restraining order, preliminary injunction or preliminary mandatory injunction against the Corporation for any action under this Act. (*Renumbered from Sec. 22 by R.A. No. 10846, 11 June 2016; As added by R.A. No. 9302, 12 August 2004)*

This prohibition shall apply in all cases, disputes or controversies instituted by a private party, the insured bank, or any shareholder of the insured bank. *(As added by R.A. No. 9302, 12 August 2004)*

The Supreme Court may issue a restraining order or injunction when the matter is of extreme urgency involving a constitutional issue, such that unless a temporary restraining order is issued, grave injustice and irreparable injury will arise. The party applying for the issuance of a restraining order or injunction shall file a bond in an amount to be fixed by the Supreme Court, which bond shall accrue in favor of the Corporation if the court should finally decide that the applicant was not entitled to the relief sought. *(As added by R.A. No. 9302, 12 August 2004)*

Any restraining order or injunction issued in violation of this Section is void and of no force and effect and any judge who has issued the same shall suffer the penalty of suspension of at least sixty (60) days without pay. *(As added by R.A. No. 9302, 12 August 2004)*

SEC. 28. *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, otherwise known as The Bulk Sales Law. *(As added by R.A. No. 11840, 20 July 2022)*

SEC. 29. *Transitory Provisions.* — (a) The incumbent President of the Corporation and private sector members of the Board of Directors shall continue to exercise their respective duties and functions until replaced by the President of the Philippines: *Provided*, That such new appointees shall be subject to the term of office provided under Section 3 of this Act, as amended. *(As added by R.A. No. 10846, 11 June 2016)*

(b) Payment of surplus dividends under Section 13(c) of this Act, as amended, shall be applicable to banks without a court-approved final asset distribution plan at the time of the effectivity of this Act. *(As added by R.A. No. 10846, 11 June 2016)*

(c) The preference indicated under Section 15 of this Act, as amended, shall be likewise effective upon liquidation proceedings already commenced and pending as of the effectivity of this Act, where no distribution of assets has been made. *(As added by R.A. No. 10846, 11 June 2016)*

(d) The provisions in Section 10 of this Act, as amended, on legal assistance, protection and indemnification shall apply to all cases pending before the effectivity of this Act. *(As added by R.A. No. 10846, 11 June 2016)*

SEC. 30. The words "Central Bank" and the "Central Bank of the Philippines" wherever they appear in Republic Act No. 3591, as amended, is hereby replaced with Bangko Sentral and/or Bangko Sentral ng Pilipinas, respectively. *(Renumbered from Sec. 25 by R.A. No. 10846, 11 June 2016; As added by R.A. No. 9302, 12 August 2004)*

SEC. 31.[2] ***Separability Clause.*** – If any provision or section of this Act or the application thereof to any person or circumstances is held invalid, the other provisions or sections of this Act, in the application of such provision or section to other persons or circumstances, shall not be affected thereby. *(As added by R.A. No. 9302, 12 August 2004)*

SEC. 32.[3] ***Repealing Clause.*** – All acts or parts of acts and executive orders, administrative orders, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed. *(As added by R.A. No. 9302, 12 August 2004)*

SEC. 33.[4] ***Effectivity Clause.*** – This Act shall take effect fifteen (15) days following the completion of its publication in the *Official Gazette* or in two (2) newspapers of general circulation. *(As added by R.A. No. 9302, 12 August 2004)*

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[2] *Section 31 was not expressly amended or renumbered from Section 26 by R.A. No. 10846 and by R.A. No. 11840.*

[3] *Section 32 was not expressly amended or renumbered from Section 27 by R.A. No. 10846 and by R.A. No. 11840.*

[4] *Section 33 was not expressly amended or renumbered from Section 28 by R.A. No. 10846 and by R.A. No. 11840.*

OTHER SIGNIFICANT PROVISIONS IN R.A. NO. 11840[5]
(Effective 20 July 2022)

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

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

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

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[5] *These provisions did not expressly amend any section in the PDIC Charter, as amended. Section 17 of R.A. No. 11840 requires the issuance of an IRR while Section 19 amends the Islamic Banking Act on the non-applicability of the PDIC Charter to Islamic products deemed as deposit.*

OTHER SIGNIFICANT PROVISIONS IN R.A. NO. 10846[6]

(Effective 11 June 2016)

SEC. 50. The Corporation may be reorganized by its Board of Directors by adopting if it so desires, an entirely new staffing pattern or organizational structure to suit the operations of the Corporation under this Act. No preferential or priority right shall be given to or enjoyed by any personnel for appointment to any position in the new staffing pattern nor shall any personnel be considered as having prior or vested rights with respect to retention in the Corporation or in any position which may be created in the new staffing pattern, even if he or she should be the incumbent of a similar position prior to reorganization. The reorganization shall be completed within six (6) months after the effectivity of this Act. Personnel who are not retained are deemed separated from the service.

SEC. 51. The Board of Directors is hereby authorized to provide separation incentives, and all those who shall retire or be separated from the service on account of reorganization under the preceding Section shall be entitled to such incentives which may be in addition to all gratuities and benefits to which they may be entitled under existing laws.

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[6] *These provisions did not expressly amend any section in the PDIC Charter, as amended, but affect PDIC's authority to reorganize within six (6) months from the effectivity of R.A. No. 10846, and further authorizes PDIC to grant separation incentives pursuant thereto.*

OTHER SIGNIFICANT PROVISIONS IN R.A. NO. 9576[7]

(Effective 1 June 2009)

SEC. 4. The maximum deposit insurance coverage of Five Hundred Thousand Pesos (₱500,000.00) provided in Section 4(g) of Republic Act No. 3591, as amended herein, shall be paid by the Corporation: *Provided*, That, for the first three (3) years from the effectivity of this Act, the first Two Hundred Fifty Thousand Pesos (₱250,000.00) of the deposit insurance coverage shall be for the account of the Corporation, and those in excess of Two Hundred Fifty Thousand Pesos (₱250,000.00) but not more than Five Hundred Thousand Pesos (₱500,000.00) shall be for the account of the National Government. The Congress shall annually appropriate the necessary funding to reimburse the Corporation for any payment to insured depositors paid in excess of Two Hundred Fifty Thousand Pesos (₱250,000.00).

SEC. 13. *Joint Congressional Oversight Committee*. – There is hereby created a joint congressional oversight committee to oversee the implementation of this Act. The committee shall be composed of the chairpersons of the Senate Committee on Banks, Financial Institutions and Currencies and the Committee on Finance and five (5) senators to be appointed by the President of the Senate, and the chairpersons of the House Committee on Banks and Financial Intermediaries and the Committee on Appropriations and five (5) members to be appointed by the Speaker of the House of Representatives.

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[7] *These provisions did not expressly amend any section in the PDIC Charter, but show the funding sources of the increase in the maximum deposit insurance coverage from ₱250,000 to ₱500,000 in 2009, and the creation of the Joint Congressional Oversight Committee to oversee the implementation of R.A. No. 9576.*

IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT (R.A.) NO. 11840 (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)

Pursuant to Section 17 of R.A. No. 11840 otherwise known as the 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, which took effect on 20 July 2022, the following implementing rules and regulations are hereby issued:

RULE I
GENERAL PROVISIONS

Section 1. Title. These rules shall be known as the "Implementing Rules and Regulations of R.A. No. 11840 amending the PDIC Charter," hereinafter referred to as the "Rules."

Section 2. The Creation of Philippine Deposit Insurance Corporation. There is hereby created a Philippine Deposit Insurance Corporation, hereinafter referred to as the "Corporation," which shall insure as herein provided, the deposit of all banks which are entitled to the benefits of insurance under Republic Act. No. 3591, as amended, and which shall have the powers therein granted.

The Corporation shall, as a basic policy, promote and safeguard the interests of the depositing public by providing insurance coverage on all insured deposits and helping maintain a sound and stable banking system. The Corporation shall be attached to the Bangko Sentral ng Pilipinas for policy and program coordination.

In view of the crucial nature of its functions and responsibilities, the Corporation, while being a government instrumentality with corporate powers, shall enjoy fiscal and administrative autonomy.

RULE II
DEFINITION OF TERMS

Section 1. Definitions. The following definitions shall apply for the purposes of these Rules:

a. ***Appropriate Regulatory Authority (ARA)*** refers to the Board of Directors of the Corporation for the purpose of issuing Certificates of Eligibility of Closed Bank assets for disposal to the Financial Institutions Strategic Transfer Corporations (FISTCs).

b. ***Bank Examination Report*** refers to the report approved by the Board of Directors, containing among others, the assessment by the Corporation of the financial condition, deposit operations and internal controls, record-keeping, and compliance by the bank with Regulatory Issuances, action plan and directives of the Corporation.

c. ***Board of Directors*** refers to the Board of Directors of the PDIC.

d. ***BSP*** refers to the Bangko Sentral ng Pilipinas.

e. ***Cease and desist order (CDO)*** refers to an order issued by the Monetary Board of the BSP, based on the bank examination report submitted by the Corporation, after due notice and hearing, and after finding the said report meritorious by the Monetary Board, prohibiting a bank, its directors, officers, employees, and/or agents concerned, from performing and continuing to perform

certain acts, concerning the bank's deposit operations that is determined to be unsafe and unsound banking by the Corporation. The order shall also contain a warning that non-compliance therewith may result in the termination of the bank's insured status if the respondent concerned fails or refuses to comply within thirty (30) days from notice and/or subject the bank, its directors, officers, employees and/or agents to further supervisory actions by the BSP.

f. ***Certificate of Eligibility (COE)*** refers to the certificate issued by the Board of Directors as to the eligibility of the Non-Performing Loans (NPL) or Real and Other Properties Acquired (ROPA) for purposes of availing the tax exemptions and privileges, pursuant to the provisions of Republic Act No. 11523.

g. ***Closed bank*** refers to a bank that has been ordered closed and placed under liquidation of the PDIC by the Monetary Board pursuant to Section 30 of Republic Act No. 7653, as amended.

h. ***Corporation*** refers to the Philippine Deposit Insurance Corporation or the PDIC.

i. ***Deposit*** refers to the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obliged to give credit to a commercial, checking, savings, time or thrift account, evidenced by a passbook, certificate of deposit, or other evidence of deposit issued in accordance with BSP rules and regulations and other applicable laws, together with such other obligations of a bank, which, consistent with banking usage and practices, the Board of Directors shall determine and prescribe by regulations to be deposit liabilities of the bank: Provided, That any obligation of a bank which is payable at the office of the bank located outside of the Philippines shall not be a

deposit for any of the purposes of this Act or included as part of the total deposits or of insured deposit: Provided, further, That subject to the approval of the Board of Directors, any insured bank which is incorporated under the laws of the Philippines which maintains a branch outside the Philippines may elect to include for insurance its deposit obligations payable only at such branch.

Certain products or arrangements of Islamic banks shall be deemed as deposit by the BSP for the purpose of this Act.

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

1. Investment products such as bonds and securities, trust accounts, and other similar instruments;

2. Deposit accounts or transactions which are fictitious or fraudulent as determined by the Corporation;

3. Deposit accounts or transactions constituting unsafe and unsound banking, as determined by the Corporation, in consultation with the BSP, after due notice and hearing, and the publication of a directive to cease and desist issued by the BSP against such deposit accounts, transactions or unsafe and unsound banking; and

4. Deposits that are determined to be the proceeds of an unlawful activity as defined under Republic Act No. 9160, as amended.

j. ***Deposit Insurance Fund (DIF)*** refers to the capital account of the Corporation and shall principally consist of the following:

1. The Permanent Insurance Fund, which is the total capital provided by the NG (National Government) under Section 17 of the Charter

2. Assessment Collections, net of the expenses and charges enumerated in Section 7 (d) of the Charter, as follows:

   The operating costs and expenses of the Corporation for the calendar year

   i. Additions to reserves to provide for insurance and financial assistance losses, net of recoverable amounts from applicable assets and collaterals, during the calendar year, and

   ii. The net insurance and financial assistance losses sustained in said calendar year

3. Reserves for insurance and financial assistance losses; and

4. Retained earnings.

k. ***Deposit account information*** pertains to the characteristics and/or features of a deposit, as follows: Deposit account number; Branch where deposit account was opened (i.e., name or code); Deposit type (Savings, Time, Demand, Negotiable Order of Withdrawal, or Negotiable Certificate of Time Deposit); Deposit sub-type (i.e., product name or code); Deposit currency code; Interest rate on deposit; Date of last interest payment/posting; Last interest payment cut-off date; Issuance and maturity dates (for term deposits); Withholding tax on interest income and other bank charges; Date of last deduction of withholding tax on interest income; Date of last deduction of dormancy charge from deposit

account balance (for dormant account); Date of last deposit/withdrawal transaction; Available balance; Outstanding balance; Information on whether the account is restricted (i.e., frozen, under investigation, with pending legal case or DOSRI accounts); details of deposit transactions; and Account status (i.e., active, dormant, or escheat).

l. ***Deposit records*** refer to records, whether in electronic or physical form, including, but not limited to, subsidiary and general ledgers of deposit liabilities, duplicate copies of time certificates of deposits, deposit agreements, signature cards, client information sheet and related documents submitted by the depositor, passbooks, corporate resolutions, orders of competent government body or agency, contracts or similar instruments, registers or logbooks used in connection with the issuance of new deposit accounts and/or processing deposit-related transactions, individual files maintained by the bank for depositors, if any, computer systems and databases (including system documentation/manuals) pertaining to deposit operations, the deposit liabilities control ledgers which are part of the General Ledger of the bank, deposit/withdrawal slips, debit/credit memos, and other similar bank records relevant to deposit liabilities, such as deposit slips, withdrawal slips, debit or credit tickets, cashier's or manager's checks, teller's blotter, proof sheets, trial balance, Statement of Condition, internal reports, electronic bank records, etc.

m. ***Depositor information*** refers to the depositor basic personal information containing the following: Depositor code; Depositor type (individual, corporate [for corporations and partnerships], one person corporation, sole/single proprietorships, joint, or held-in-trust or by); Depositor full name; Depositor middle name and date of birth (for individual depositor); Depositor spouse;

Depositor mother (maiden name); Depositor Philippine Identification System (PhilSys) Number (once available); Depositor Taxpayer Identification Number (TIN); Depositor Social Security System (SSS) or Government Service Insurance System (GSIS) Number, as may be applicable; Depositor mobile number; Depositor landline number; Depositor email address; Depositor complete permanent address; and Information on whether the depositor is a borrower, co-maker, guarantor, and/or owner of an account used as collateral to an outstanding loan(s) with the bank.

n. ***Directive to cease and desist (DCD)*** refers to a directive issued by the Monetary Board of the BSP, based on the bank examination report submitted by the Corporation, after due notice and hearing, and after finding the said report meritorious by the Monetary Board prohibiting a bank, its directors, officers, employees, and/or agents concerned from performing and continuing to perform certain acts, concerning a particular deposit account or transaction that is determined to be unsafe and unsound banking by the Corporation. The issuance of a DCD is a basis for the Corporation not to pay deposit insurance therefor.

o. ***Examination*** refers to the evaluation of the practices, activities, transactions, omissions, controls and financial condition of a bank and a determination of its compliance with pertinent laws and regulations in relation to deposit taking activities of a bank. An examination includes (i) reviewing the books of accounts, reports and documents, (ii) documenting or extracting of information or data in printed and/or electronic format, (iii) taking and preserving of testimony of any of the bank's officers or agents, and (iv) performing any other related activity.

p. ***Examination of deposit records and/or accounts*** refers to an inquiry into or examination of deposit accounts, records, and all related information, whether in physical or electronic form, whenever there is a finding of fraud or unsafe and unsound banking, or after the Monetary Board declared a failure of prompt corrective action due to capital deficiency. In the case of the Corporation, the unsafe and unsound banking mentioned herein is related to deposit taking.

q. ***Financial Institutions Strategic Transfer Corporation (FISTC)*** refers to a stock corporation organized in accordance with R.A. No. 11232, otherwise known as the "Revised Corporation Code of the Philippines", the provisions of Section 4 of the FIST Act, and Rule 4 of the Implementing Rules and Regulations of the FIST Act. It is incorporated primarily to invest in or acquire Non-Performing Assets (NPAs) of financial institutions under the FIST Act. With respect to foreign FISTCs, existing laws on ownership of real properties shall apply.

r. ***Fraud*** refers to anything calculated to deceive, including acts, omissions and concealment involving a breach of equitable duty, trust, or confidence justly reposed, resulting in damage to another, or by which an undue and unconscientious advantage is taken of another.

s. ***Income from other sources*** refers to income actually realized by the Corporation from sources other than assessment collections, as defined by relevant and prevailing accounting standards.

t. ***Insured bank*** refers to any bank the deposits of which are insured in accordance with the PDIC Charter, as amended.

u. ***Insured deposit*** refers to the amount due to any bona fide depositor for legitimate deposits in an insured bank as of the date of closure but not to exceed Five Hundred Thousand Pesos (₱500,000.00). Such amount shall be determined according to such regulations as the Board of Directors may prescribe. In determining such amount due to any depositor, there shall be added together all deposits in the bank maintained in the same right and capacity for his or her benefits either in his or her own name or in the name of others. A joint account regardless of whether the conjunction "and", "or", "and/or" is used, shall be insured separately from any individually-owned deposit account: Provided, that (i) if the account is held jointly by two or more natural persons, or by two or more juridical persons or entities, the maximum insured deposit shall be divided into as many equal shares as there are individuals, juridical persons or entities, unless a different sharing is stipulated in the document of deposit, and (ii) if the account is held by a juridical person or entity jointly with one or more natural persons, the maximum insured deposit shall be presumed to belong entirely to such juridical person or entity: Provided, further, that the aggregate of interest of each co-owner over several joint accounts, whether owned by the same or different combinations of individuals, juridical persons or entities, shall likewise be subject to the maximum insured deposit: Provided, furthermore, that the provisions of any law to the contrary notwithstanding, no owner/holder of any passbook, certificate of deposit or other evidence of deposit shall be recognized as a depositor entitled to the rights provided hereunder unless the passbook, certificate of deposit or other evidence of deposit is determined by the Corporation to be an authentic document or record of the issuing bank.

v. ***Non-Performing Assets (NPAs)*** refer to the Non-Performing Loans (NPLs) and Real and Other Property Acquired (ROPA) of a Closed Bank, classified as such under the FIST Act, and which have become non-performing on or before 31 December 2022.

w. ***Non-Performing Loans (NPLs)*** refer to secured or unsecured loans and other receivables, including restructured loans and sales contracts receivables (SCRs) of a Closed Bank, whose principal and/or interest have remained unpaid for at least ninety (90) days after they have become past due or any of the events of default under the loan agreement/restructuring agreement/sales contract, as applicable, has occurred.

NPLs shall also include loans that are classified as items in litigation for which collection and foreclosure cases have been filed or are subject to pending cases that seek to restrain foreclosure or consolidation of title of foreclosed assets, or where are restraining order or injunction has been issued to prevent foreclosure of mortgage or consolidation of title of foreclosed assets.

x. ***Purchase of assets and assumption of liabilities*** refers to a transaction where an insured bank purchases any or all assets and assumes any or all liabilities of another bank under liquidation.

y. ***Receiver*** refers to the Corporation or any of its duly authorized agents acting as receiver of a Closed Bank.

z. ***Real and Other Properties Acquired (ROPA)*** refer to real and other properties acquired by a Closed Bank in settlement of loans and receivables, including real properties, shares of stocks and personal properties which have been acquired either by way of dation in payment (*dacion en pago*) or judicial or extrajudicial

foreclosure or execution of judgment or enforcement of security interest.

aa. ***Risk-based Assessment System (RAS)*** refers to a method for calculating an insured bank's assessment on the probability that the DIF will incur a loss with respect to the bank, and the likely amount of such loss, based on its risk rating that takes into consideration the following:

1. Quality and concentration of assets

2. Categories and concentration of liabilities both insured and uninsured, contingent and noncontingent

3. Capital position

4. Liquidity position

5. Management and governance; and

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

bb. ***Takaful*** refers to a mutual guarantee in return for a commitment to donate an amount in the form of a specified contribution to the covered entities' risk fund, whereby a group of covered entities agree among themselves to support one another jointly for the losses arising from specified risks.

cc. ***True sale*** refers to a sale wherein the seller transfers or sells its NPAs to a FISTC, without recourse to cash or property in exchange for the transfer or sale, subject to the following results:

1. The transferor transfers full legal and beneficial title to and relinquishes effective control over the transferred NPAs; and

2. The transferred NPAs are legally isolated and put beyond the reach of the transferor and its creditors.

dd. ***Unsafe and unsound banking*** refers to an act or omission that constitutes conducting deposit-taking business in an unlawful, unsafe and unsound manner, as determined by the Corporation, in consultation with the BSP, or by the BSP itself, in which any of the following circumstances is present:

1. the act or omission has resulted or may result in material loss or damage, or abnormal risk or danger to the following: (1) safety, stability, liquidity, or solvency of the bank; (2) the bank's depositors, creditors, investors, and stockholders; (3) the Corporation; (4) the BSP; or (5) the public; or

2. the act or omission has caused any undue injury, or has given unwarranted benefits, advantage, or preference to the bank or any party in the discharge by the director or officer of his duties and responsibilities through manifest partiality, evident bad faith, or gross inexcusable negligence; or

3. the act or omission involves entering into any contract or transaction manifestly and grossly disadvantageous to the bank, whether or not the director or officer profited or will profit thereby; or

4. any act or omission that is (i) considered as unsafe and unsound banking based on applicable section/s and appendix/ces of BSP's Manual of Regulations for Banks, or

(ii) determined by the Monetary Board as unsafe and unsound banking; or

5. any act or omission that constitutes the conduct of business in an unlawful, unsafe, and unsound manner pursuant to PDIC Regulatory Issuance No. 2011-01 or any amendments thereto, provided that such amendments shall be approved by the BSP.

RULE III
DEPOSIT INSURANCE COVERAGE

Section 1. Coverage. The deposit liabilities of any bank which is engaged in the business of receiving deposits as defined under Section 5 (g) on the effective date of this PDIC Charter, or which thereafter may engage in the business of receiving deposits, shall be insured with the Corporation, including certain products or arrangements of Islamic Banks deemed as deposit by the BSP.

The Corporation may establish separate insurance funds and insurance arrangements or structures or *takaful* that take into consideration the peculiar characteristics of Islamic banking. For this purpose, the Corporation shall issue rules and regulations pertaining to the establishment of a separate insurance fund and insurance arrangements such as *takaful*.

Section 2. Authority to Increase the Maximum Deposit Insurance Coverage (MDIC). The Board of Directors may increase the amount of the MDIC to an amount indexed to inflation or in consideration of other economic indicators as may be deemed appropriate by the Board. The Board of Directors shall review the amount of the MDIC every three (3) years and increase the MDIC as may be warranted. For this purpose, the

Board of Directors may hire the services of independent actuarial consultants and other experts to determine the feasibility and advisability of increasing the MDIC.

Section 3. Exclusion from Deposit Insurance Coverage. The Corporation shall not pay deposit insurance for the following accounts or transactions:

a. Investment products such as bonds and securities, trust accounts, and other similar instruments which do not fall under the definition of a Deposit.

   The following features may be considered as grounds for determining that a product is an investment:

   1. No debtor-creditor relationship exists between the bank and the client;

   2. Relationship between the bank and the client is either that of a trustee-trustor or agent-principal;

   3. Principal amount is not protected;

   4. Amount deposited is not withdrawable on demand; and/or

   5. Other analogous features.

b. Deposit accounts or transactions which are fictitious or fraudulent, as determined by the Corporation

   1. A deposit account or transaction shall be deemed fictitious when it is simulated, feigned, or not a genuine deposit account or transaction [e.g., Money or Equivalent (of money) was made to appear to have been received by a bank, or

deposit account or the name of the depositor does not appear in the records of the bank], or unfunded, [i.e., no money or equivalent (of money) is received by a bank for such account or transaction], or deposit account or the name of the depositor does not appear in the records of the bank.

2. A deposit account or transaction shall be deemed fraudulent whenever the bank and/or depositor knowingly employ means calculated to deceive, including acts, omissions and concealment involving a breach of legal or equitable duty, trust, or confidence justly reposed, resulting in damage to another, or by which an undue and unconscientious advantage is taken of another, e.g., the named depositor denies ownership of the deposit.

c. Deposit accounts or transactions constituting unsafe and unsound banking, as determined by the Corporation, in consultation with the BSP, after due notice and hearing, and publication of a directive to cease and desist issued by the BSP against such deposit accounts, transactions or unsafe and unsound banking.

d. Deposits that are determined to be the proceeds of an unlawful activity as defined under R.A. No. 9160, as amended subject to the following rules:

1. Payment of deposit insurance shall be deferred on any deposit which is the subject matter of any freeze order, civil forfeiture proceeding, money laundering case, or any other case, or any other case involving an Unlawful Activity, pending before the Department of Justice, Office of the Ombudsman, or the regular courts.

2. Deposit insurance payments shall only be made upon a final judgment effectively holding that the deposits do not constitute proceeds of an Unlawful Activity.

3. Deposits determined with finality by the courts to be proceeds of an Unlawful Activity shall not be paid deposit insurance.

If a deposit insurance claim is denied, the concerned depositor may file within sixty (60) days from receipt of the denial, a verified request for reconsideration based on new evidence, together with affidavit/s and other document/s in support of the claim.

The actions of the Corporation taken under Section 5(g) of R.A. 3591, as amended shall be final and executory and may only be restrained or set aside by the Court of Appeals, upon appropriate petition for certiorari on the ground that the action was taken in excess of jurisdiction or with such grave abuse of discretion as to amount to a lack or excess of jurisdiction. The petition for certiorari may only be filed within thirty (30) days from notice of denial of claim for deposit insurance.

The Board of Directors shall issue rules and regulations prescribing the procedures under this Section.

RULE IV
ASSESSMENT OF BANKS

Section 1. Assessment Rate. The assessment rate shall be determined by the Board of Directors provided that the same shall not exceed one-fifth (1/5) of one per centum (1%) per annum. The semi-annual assessment for each insured bank shall be in the amount of the product of one-half (1/2)

the assessment rate multiplied by the assessment base but in no case be less than Five Thousand Pesos (₱5,000.00).

Section 2. Assessment Base. The assessment base shall be the amount of the liability of a bank for deposits without any deduction for indebtedness of depositors. The semi-annual assessment base for one semi-annual period shall be the average of the assessment base of the bank as of the close of business on March thirty-one and June thirty and the semi-annual assessment base for the other semi-annual period shall be the average of the assessment base of the bank as of the close of business on September thirty and December thirty-one: Provided, That when any of the said days is a nonbusiness day or legal holiday, either national or provincial, the preceding business day shall be used. The certified statements required to be filed with the Corporation shall be in such form and set forth such supporting information as the Board of Directors shall prescribe. The assessment payments required from the insured banks shall be made in such manner and at such times or time as the Board of Directors shall prescribe.

Section 3. Risk-Based Assessment. In addition, the Board of Directors shall conduct a study on the need to establish a risk-based assessment system within five (5) years from passage of R.A. No. 11840 the results of which shall be reported to the Joint Congressional Oversight Committee to ensure compliance with the intent of the law. The Board of Directors shall consider the viability of a mechanism that adjusts the assessment rate depending on the creditworthiness or risk profile of the bank, consistent with the national development goals and impose a commensurate risk-based adjusted assessment rate per annum per bank. The risk-based assessment rate and assessment base shall be determined to ensure the adequacy and sustainability of the DIF while at the same time rationalizing the financial burden on banks and stability of the financial system. The assessment of each insured bank shall be determined by multiplying the risk-based assessment rate with the assessment base.

Section 4. Authority to Adjust Assessment Rate. In case there will be an increase in the MDIC, the Board of Directors shall have the authority to adjust the assessment rate for banks taking into consideration the current economic conditions, and the adequacy and sustainability of the DIF.

The Corporation and the Board of Directors shall ensure and endeavor to maintain transparency under all possible conditions in the way of conducting the activities under Section 7(a) of the PDIC Charter, as amended.

RULE V
EXAMINATION OF BANKS AND DEPOSIT RECORDS

Section 1. Grounds for Joint Examination. The Corporation shall exercise its authority to examine banks and deposit records, jointly with the BSP, in the following cases:

a. There is finding of fraud;

b. There is finding of unsafe and unsound banking related to deposit-taking;

c. There is a failure of prompt corrective action as declared by the Monetary Board due to capital deficiency; and

d. Whenever the BSP deems it appropriate and necessary for the Corporation to join the conduct of the examination of a bank.

Section 2. Examination in case of Findings of Fraud or Unsafe and Unsound Banking related to deposit-taking. The Corporation shall join the BSP in the conduct of examination of a bank in case there is a finding by the BSP of: (a) fraud; or (b) unsafe and unsound banking related to

deposit-taking operations being committed or has been committed by a bank. In relation thereto, the Corporation has the authority to examine records and books of accounts and require information and reports from depository institutions: *Provided*, That, notwithstanding the provisions of Republic Act No. 1405, as amended, Republic Act No. 6426, as amended, Republic Act No. 8791, and other laws, the Corporation and/or the BSP, may inquire into or examine deposit accounts and all information related thereto in case there is a finding of unsafe and unsound Banking: *Provided*, further, That to avoid overlapping of efforts, the examination shall maximize the efficient use of the relevant reports, information, and findings of the BSP, which it shall make available to the Corporation.

Section 3. Examination in case of failure of Prompt Corrective Action (PCA) due to Capital Deficiency. The Corporation and the BSP may examine, inquire, or look into the deposit records of a bank with failed PCA status due to capital deficiency as declared by the Monetary Board: Provided, That such authority may not be exercised when the failure of PCA is due to grounds other than capital deficiency. For this purpose, banks, their officers, and employees are hereby mandated to disclose and report to the Corporation and the BSP or their duly authorized officers and employees, the required deposit account information.

The Corporation and the BSP, their duly authorized officers or employees are prohibited from disclosing information obtained under this section to any person, government official, bureau, or office. Any act done pursuant to this authority shall not be deemed as violation of Republic Act No. 1405, as amended, Republic Act No. 6426, as amended, Republic Act No. 8791, and other similar laws protecting or safeguarding the secrecy or confidentiality of bank deposits. Any unauthorized disclosure of the information under this authority shall be subject to the same penalty under the laws protecting the secrecy or confidentiality of bank deposits.

Notwithstanding the foregoing, the Monetary Board may take other actions under existing laws that it may deem necessary.

Section 4. Examination whenever BSP deems it appropriate and necessary. Whenever the BSP deems it appropriate and necessary, the Corporation shall join the conduct of the examination of a bank.

Section 5. Insurance risk evaluation on capital deficient bank. Whenever a bank is determined to be capital deficient, the Corporation may conduct an insurance risk evaluation on the bank to enable it to assess the risks to the DIF. Such evaluation may include the determination of: (a) the fair market value of the assets and liabilities of a bank; or (b) the risk classification of the bank.

Section 6. Authority of PDIC Examiner. In conducting the joint examination based on the grounds enumerated under Section 1 of this Rule, the Board of Directors shall appoint examiners who shall have power, on behalf of the Corporation, to examine any insured bank. Each examiner shall have the power to make a thorough examination of all the affairs of the bank and in doing so, shall have the power to administer oaths, to examine and take and preserve the testimony of any of the officers and agents thereof, and to compel the presentation of books, documents, papers, or records necessary in his judgment to ascertain the facts relative to the condition of the bank. The examiner shall make a full and detailed report of the condition of the bank to the Corporation. The Board of Directors in like manner shall appoint claim agents who shall have the power to investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have the power to administer oaths and examine under oath and take and preserve testimony of any person relating to such claim.

Section 7. Conduct of Examination by the BSP and PDIC. The conduct of examination by the BSP and the Corporation shall be subject to such terms and conditions as may be agreed upon.

Section 8. Bank Examination Reports. The Corporation shall prepare a Bank Examination Report, which shall be considered by the BSP in its Report of Examination.

RULE VI
SHARING OF REPORTS AND OTHER INFORMATION

Section 1. Sharing of Reports and Other Information. The BSP shall have access to Bank Examination Reports made by the Corporation, and to such other reports or information as may be agreed upon by the Corporation and the BSP. The BSP shall share to the Corporation its Reports of Examination on banks, and such other reports or information as may be agreed upon by them: *Provided* that the use of such reports or information are in accordance with the terms and condition agreed upon by the Corporation and the BSP and prescribed by applicable laws and regulations. The BSP and the Corporation shall agree on the determination of the reports and information to be shared and the manner of sharing thereof.

RULE VII
SANCTIONS AGAINST UNSAFE AND UNSOUND BANKING

Section 1. Issuance of a CDO. Whenever upon examination by the Corporation into the condition of any insured bank, it shall be disclosed that an insured bank or its directors or agents have committed, are committing or about to commit unsafe and unsound banking, or have violated, are violating or about to violate any provisions of any law or

regulation to which the insured bank is subject, the Board of Directors shall submit the bank examination report to the Monetary Board, and if warranted, may recommend the issuance of a CDO.

Section 2. Exclusion from Deposit Insurance Coverage. As provided under Rule III, Section 3(c), the Corporation shall exclude from deposit insurance coverage deposit account/s or transaction/s subject of the Directive to Cease and Desist (DCD) issued by the BSP which exclusion shall be effective upon the publication of the DCD.

Section 3. Termination of Insured Status. The Corporation may terminate the insured status of any bank that fails or refuses to comply, within thirty (30) days from notice, with any CDO issued by the BSP pertaining to a deposit-related unsafe and/or unsound banking.

Such termination shall be final and executory and shall be effective upon publication of the notice of termination in a newspaper of general circulation.

The deposits of each depositor in the bank on the effective date of the termination of insurance coverage, less all subsequent withdrawals, shall continue to be insured up to the MDIC for a period of one hundred eighty (180) days. Additions to, or renewal of, existing deposits and new deposits in such bank after the effective date of termination of insured status of the bank shall not be insured by the Corporation.

The bank shall not advertise or represent that additions to, or renewal of, existing deposits and new deposits made after the effective date of termination are covered by deposit insurance.

The Board of Directors shall issue rules and regulations prescribing the procedures under this Section.

Section 4. Other Consequences. Sanctions under this Rule are without prejudice to the authority of the Corporation to inquire into or examine deposit accounts and all information related thereto under Section 2, Rule V, and the filing of criminal, civil or administrative action against the Bank and its responsible directors, stockholders, and employees.

RULE VIII
AUTHORITIES OF THE RECEIVER AND EFFECTS OF A BANK UNDER LIQUIDATION

Section 1. Authorities of the Corporation as Receiver. (a) The receiver is authorized to adopt and implement, without need of consent of the stockholders, board of directors, creditors, or depositors of the Closed Bank, any or a combination of the following modes of liquidation:

(1) Conventional liquidation; and

(2) Purchase of assets and/or assumption of liabilities. 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, otherwise known as "The Bulk Sales Law".

(b) In addition to the powers of a receiver provided under Section 13 of Republic Act No. 3591 as amended and other existing laws, the Corporation, as receiver of a Closed Bank, is empowered to convert the assets of the Closed Bank to cash or other forms of liquid assets, as far as practicable: Provided, that the Corporation is authorized to sell assets of Closed Banks, which are held by the Corporation as receiver, to a FISTC, in accordance with the provisions of Republic Act No. 11523 or the "Financial Institutions Strategic Transfer (FIST) Act". For this purpose, the Board of

Directors shall be the ARA and shall promulgate the necessary implementing rules and regulations.

As the ARA, the Board of Directors shall determine the eligibility of the NPAs of Closed Banks assets for purposes of availing the tax exemptions and privileges pursuant to the FIST Act and issue the corresponding COE.

Any transfer of the NPAs of the Closed Banks to a FISTC shall strictly comply with the requirements under Section 12 of R.A. No. 11523 and its Implementing Rules and Regulations.

The authority under this Section is without prejudice to the authority of the Corporation as Receiver under Section 16 of Republic Act No. 3591, as amended.

RULE IX
DIVIDEND DECLARATION

Section 1. Dividend Declaration. Consistent with the policy of the State to generate, preserve, maintain faith and confidence in the country's banking system, the Corporation shall build up and maintain the DIF at the target level set by the PDIC Board of Directors. Such target level shall be subject to periodic review and may be adjusted as necessary.

The Corporation shall declare and remit cash dividends to the National Government in accordance with Republic Act No. 7656: provided, that Section 2(d) on the determination of the dividend base and Section 3 with respect to dividend base and the manner of payment shall not apply. In lieu thereof, the succeeding paragraphs shall be applicable.

For purposes of computing the amount of dividends to be declared and remitted to the National Government, the dividend base shall be the sum

of all income, but excluding all assessment income. No other deductions from the dividend base shall be allowed. Such cash dividends accruing to the National Government shall be received by the National Treasury and recorded as income of the General Fund.

RULE X
FINANCIAL ASSISTANCE

Section 1. Grant of Financial Assistance (FA). The Corporation is authorized to make loans to, or purchase the assets of, or assume liabilities of, or make deposits in:

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

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

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

The Corporation may, taking into consideration the peculiar characteristics of Islamic banks, formulate rules and regulations for the extension of financial assistance in accordance with the preceding paragraph of this Rule.

The Corporation, prior to the exercise of the powers under this Section, shall determine that actual payoff and liquidation thereof will be more expensive than the exercise of this power: Provided, That when the Monetary Board has determined that there are systemic consequences of a probable failure or closure of an insured bank, the Corporation may grant financial assistance to such insured bank in such amount as may be necessary to prevent its failure or closure and/or restore the insured bank to viable operations, under such terms and conditions as may be deemed necessary by the Board of Directors, subject to concurrence by the Monetary Board and without additional cost to the DIF at the time of the granting of the FA.

A systemic risk refers to the possibility that failure of one bank to settle net transactions with other banks will trigger a chain reaction, depriving other banks of funds leading to a general shutdown of normal clearing and settlement activity. Systemic risk also means the likelihood of a sudden, unexpected collapse of confidence in a significant portion of the banking or financial system with potentially large real economic effects. Finally, the Corporation may not use its authority under this subsection to purchase the voting or common stock of an insured bank but it can enter into and enforce agreements that it determines to be necessary to protect its financial interests: Provided, That the financial assistance may take the form of equity or quasi-equity of the insured bank as may be deemed necessary by the Board of Directors with concurrence by the Monetary Board: Provided, further, That the Corporation shall dispose of such equity as soon as practicable.

RULE XI
ISSUANCE OF BONDS, DEBENTURES, AND OTHER OBLIGATIONS

Section 1. Issuance of Bonds, Debentures, and other Obligations. With the approval of President of the Philippines, upon the recommendation of

the Department of Finance, the Corporation is authorized 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: Provided, that the Board of Directors shall determine the interest rates, maturity and other requirements of said obligations: Provided, further, that the Corporation may provide appropriate reserves for the redemption or retirement of said obligation.

All notes, debentures, bonds, or such obligations issued by the Corporation shall be exempt from taxation both as to principal and interest, and shall be fully guaranteed by the Government of the Republic of the Philippines. Such guarantee, which in no case shall exceed two times the DIF as of date of the debt issuance, shall be expressed on the face thereof.

The Corporation may issue notes, debentures, bonds, or other debt instruments without the approval of the President of the Philippines, as long as these shall not be guaranteed by the national government.

The Board of Directors shall have the power to prescribe the terms and conditions, rules and regulations for the issuance, reissuance, servicing, placement and redemption of the bonds herein authorized to be issued as well as the registration of such bonds at the request of the holders thereof.

RULE XII
FINAL PROVISIONS

Section 1. Separability Clause. If any provision of this Rules is declared unconstitutional or otherwise invalid, the validity of the other provisions shall not be affected thereby.

Section 2. Repealing Clause. All orders, rules and regulations, and other issuances, or parts thereof inconsistent with this Rules are hereby repealed or modified accordingly.

Section 3. Effectivity. These Rules shall take effect fifteen (15) days after its complete publication in the Official Gazette or a newspaper of general circulation.

The Office of the National Administrative Register (ONAR) of the UP Law Center shall be provided three (3) certified copies of these Rules.

By the:

PHILIPPINE DEPOSIT INSURANCE CORPORATION

(Sgd.) ROBERTO B. TAN
President & CEO

BANGKO SENTRAL NG PILIPINAS

(Sgd.) FELIPE M. MEDALLA
Governor

DEPARTMENT OF FINANCE

(Sgd.) BENJAMIN E. DIOKNO
Secretary

REPUBLIC ACT NO. 3591 AND AMENDATORY ACTS

REPUBLIC ACT NO. 3591, *An Act Establishing the Philippine Deposit Insurance Corporation, Defining Its Powers And Duties And For Other Purposes,* Approved on June 22, 1963

REPUBLIC ACT NO. 4083, *An Act Appropriating Five Million Pesos From the General Fund As A Permanent Insurance Fund For the Philippine Deposit Insurance Corporation,* Approved on June 18, 1964

REPUBLIC ACT NO. 5517, *An Act Creating A Fund From Which Shall Be Disbursed Amounts Necessary To Pay Depositors, In Amounts Not Exceeding Ten Thousand Pesos (₱10,000.00) Per Individual Depositor, Of Banks Which Are Forbidden to Do Business By the Central Bank Pursuant To Section Twenty-Nine of Republic Act Numbered Two Hundred Sixty-Five,* Approved on June 19, 1969

REPUBLIC ACT NO. 6037, *An Act To Amend Certain Sections Of Republic Act Numbered Three Thousand Five Hundred Ninety One Entitled "An Act Establishing the Philippine Deposit Insurance Corporation, Defining Its Powers And Duties And For Other Purposes,"* Approved on August 4, 1969

REPUBLIC ACT NO. 6426, *An Act Instituting A Foreign Currency Deposit System In The Philippines And For Other Purposes,* Approved on April 4, 1972

PRESIDENTIAL DECREE NO. 120, *Amending Republic Act Numbered Three Thousand Five Hundred Ninety One, As Amended, Entitled "An Act Establishing the Philippine Deposit Insurance Corporation, Defining Its Powers And Duties And For Other Purposes,"* Promulgated on January 29, 1973

PRESIDENTIAL DECREE NO. 653, *Amending Section 13 of Republic Act Numbered Thirty Five Hundred And Ninety One, As Amended, Entitled "An Act Establishing the Philippine Deposit Insurance Corporation, Defining Its Powers And Duties And For Other Purposes,"* Promulgated on February 1, 1975

PRESIDENTIAL DECREE NO. 1094, *Amending Certain Provisions of R.A. 3591 As Amended, Entitled "An Act Establishing the Philippine Deposit Insurance Corporation, Defining Its Powers And Duties And For Other Purposes,"* Promulgated on February 13, 1977

PRESIDENTIAL DECREE NO. 1451, *Amending Republic Act Numbered Three Thousand Five Hundred Ninety One, As Amended, Entitled "An Act Establishing the Philippine Deposit Insurance Corporation, Defining Its Powers And Duties And For Other Purposes,"* Promulgated on June 11, 1978

EXECUTIVE ORDER NO. 890, *Further Amending The Charter Of The Philippine Deposit Insurance Corporation,* Approved on April 8, 1983

PRESIDENTIAL DECREE NO. 1897, *Amending Republic Act Numbered Three Thousand Five Hundred Ninety One, As Amended, Entitled "An Act Establishing the Philippine Deposit Insurance Corporation, Defining Its Powers And Duties And For Other Purposes,"* Promulgated on January 11, 1984

PRESIDENTIAL DECREE NO. 1940, *Further Amending Republic Act Numbered Three Thousand Five Hundred Ninety One, As Amended, Entitled "An Act Establishing the Philippine Deposit Insurance Corporation, Defining Its Powers And Duties And For Other Purposes,"* Promulgated on June 27, 1984

PRESIDENTIAL DECREE NO. 1985, *Further Amending Republic Act No. 3591, As Amended, By Increasing The Capitalization (Permanent Insurance Fund) Of The Philippine Deposit Insurance Corporation From Twenty Million Pesos To Two Billion Pesos, And Appropriating Funds Therefore,* Promulgated on October 4, 1985

REPUBLIC ACT NO. 7400, *An Act Further Amending Republic Act No. 3591, Otherwise Known As The Charter Of The Philippine Deposit Insurance Corporation,* Approved on April 13, 1992

REPUBLIC ACT NO. 8791, *An Act Providing For The Regulation And Operations of Banks, Quasi-Banks, Trust Entities And For Other Purposes (General Banking Act),* Approved on May 23, 2000 and took effect on June 13, 2000

REPUBLIC ACT NO. 9302, *An Act Amending Republic Act Numbered Three Thousand Five Hundred Ninety One, As Amended, Otherwise Known As The "Charter Of The Philippine Deposit Insurance Corporation" And For Other Purposes,* Approved on July 27, 2004 and took effect on August 12, 2004

REPUBLIC ACT NO. 9576, *An Act Increasing the Maximum Deposit Insurance Coverage, And In Connection Therewith, To Strengthen The Regulatory And Administrative Authority, And Financial Capability Of The Philippine Deposit Insurance Corporation (PDIC), Amending For This Purpose Republic Act Numbered Three Thousand Five Hundred Ninety One, As Amended, Otherwise Known As The PDIC Charter, And For Other Purposes,* Approved on April 29, 2009 and took effect on June 1, 2009

REPUBLIC ACT NO. 10846, *An Act Enhancing The Resolution And Liquidation Framework For Banks, Amending For the Purpose Republic Act No. 3591, As Amended, And Other Related Laws,* Approved on May 23, 2016 and took effect on June 11, 2016

REPUBLIC ACT NO. 11840, *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,* Lapsed into law on June 17, 2022 without the signature of the President, in accordance with Article VI, Section 27(1) of the Constitution, and took effect on July 20, 2022



PHILIPPINE DEPOSIT INSURANCE CORPORATION

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