

## **Deposit insurer wants capital hike**

**By Eileen A. Mencias**

The Philippine Deposit Insurance Corp. wants to increase its deposit insurance fund by P45 billion using a scheme similar to what government will utilize for the re-capitalization of the Bangko Sentral ng Pilipinas.

PDIC president and chief executive Jose Nograles said the plan was to increase the fund to P100 billion from P55 billion.

Legislators have suggested raising the deposit insurance to P500,000 from P250,000 as several nations increased their deposit insurance to calm the public after the failure of big financial institutions. The Philippines hiked its deposit insurance coverage to P250,000 from P100,000 in 2004 but this did not come with an increase in the insurance fees charged to banks.

“It’s a defensive, pre-emptive [measure],” Nograles said. “If you look at [it some] countries even gave blanket guarantees. It’s not needed [but] it’s a confidence-building measure.”

The hike in insurance coverage means that 97.2 percent of deposits will be covered and small depositors are immediately protected.

Given the existing conditions, Nograles is proposing an increase in the deposit insurance coverage to P500,000 for a three-year period and is seeking authority to increase the amount of coverage or duration if conditions threaten monetary or financial stability as determined by the central bank, the Finance Department and the National Economic and Development Authority.

Nograles said the increase in PDIC’s deposit insurance fund could be done through the issuance of multi-year obligation authority, the same scheme being used for the re-capitalization of the central bank.

Nograles said PDIC was talking to legislators regarding the matter.

“We have authority to access some money if needed. We’re still stable. We don’t have to raise funds immediately. It will be a gradual strengthening of the DIF [deposit insurance fund],” Nograles said.

PDIC hopes to increase its deposit insurance fund by the end of the year.

“We’re looking at the year-end in passing because of the urgency of shoring up our DIF,” Nograles said. “We have to build up confidence in the system and this is part of confidence building, that people know that we can access up to P100 billion and that government can fund us.”