

PDIC backs increase in deposit insurance coverage to P0.5M

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The Philippine Deposit Insurance Corp. (PDIC) is urging for an increase in maximum deposit insurance coverage to P500,000 to enhance depositor protection.

The PDIC is also asking for broad reforms including the authority to conduct its own bank examinations and an increase in Deposit Insurance Fund from P54.3 billion to P100 billion.

PDIC president Jose C. Nograles said yesterday it was in favor of the proposal that would also beef up the company's capital through government infusion.

"There is a need for a package of five corollary measures to beef up PDIC reserves and strengthen its regulatory and oversight functions as a proactive move in view of the present financial turmoil overseas," Nograles said.

The proposal was made by Nograles' brother, House Speaker Prospero C. Nograles and Rep. Jaime Lopez who filed a bill providing for doubling the current deposit coverage of P250,000.

Nograles said doubling the insurance ceiling would cover 97.2 percent of all deposit accounts. At the current insurance ceiling, 95.1 percent of all deposits were already covered by the PDIC insurance.

The balance of 2.8 percent, according to Nograles, were partially covered by insurance with respect to the first P500,000 of the deposit account.

"We are not looking at additional assessment on banks but an increase in government contribution," Nograles explained.

According to Nograles, PDIC also wanted the proposed increase in its capitalization through an increase in government contribution. He said this was necessary so that PDIC's Deposit Insurance Fund (DIF) which is the source of insurance payments, would remain sufficient to meet potential demands at a higher level of insurance.

Nograles said the PDIC's Audited Financial Statements as of Dec. 31, 2007 showed the DIF at P54.3 billion. Out of this amount, the government contribution was P3 billion.

Nograles said the PDIC is looking at an additional P45 billion to bring the DIF to around P100 billion.

Finally, Nograles said PDIC wants the bridge bank authority as a new bank failure resolution method for orderly liquidation. He said it would enable PDIC to establish a bridge bank to help preserve critical banking functions by acquiring the assets and assuming the liabilities of a failed bank until a final resolution could be accomplished.

"Bridge banking is being practiced in neighboring countries such as Japan, Korea, and Taiwan, among others," he said, adding that the bridge bank authority was one of the 21 Core Principles for Effective Deposit Insurance Systems published by the International Association of Deposit Insurers (IADI).