



Bank deposit mo, protektado!

NEWS/PRESS RELEASE

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FOR IMMEDIATE RELEASE

Amended PDIC Charter to further strengthen Philippine deposit insurance system

Republic Act No. 11840 has amended the Charter of the Philippine Deposit Insurance Corporation (PDIC) and provided enhanced authorities to the state deposit insurer to further strengthen and expand the financial safety net for depositors and creditors of Philippine banks.

These latest amendments to the PDIC Charter lapsed into law on June 17, 2022, 30 days after the Bill was presented by Congress to the Office of the President of the Republic of the Philippines. The law takes effect on July 20, 2022.

“Deposit insurance is an important pillar of trust and confidence and it is most effective when it stands alongside other pillars of security to ensure a sound and stable financial system. Thus, the new law is a welcome development to reinforce the role of deposit insurance as a financial safety net that helps sustain public confidence in the banking system,” PDIC President and CEO Roberto B. Tan said.

Under the amended PDIC Charter, the Corporation may now adjust the maximum deposit insurance coverage (MDIC) based on inflation and other relevant economic indicators without the need for legislation. The MDIC is up for revisiting every three years and the PDIC Board of Directors is authorized to increase it, if necessary.

Aside from the ability to adjust the MDIC, the law also reclassifies the PDIC as an attached agency of the Bangko Sentral ng Pilipinas (BSP) vice the Department of Finance. Under this structure, both the BSP and PDIC can optimize regulatory coordination efficiency.

Additionally, the PDIC is now mandated to provide insurance cover to Islamic bank products or arrangements classified as deposits by the BSP. Because of the peculiar characteristics of Islamic banking, the amended Charter

authorizes the Corporation to establish a separate deposit insurance fund or *takaful* to cover these types of deposit products.

The PDIC now has the authority to sell closed bank assets to financial institution strategic transfer corporations (FISTCs). Under the FIST Act, these are companies created specifically to purchase the non-performing assets of financial institutions including loans and real and other properties acquired (ROPA), both comprising the biggest chunks of assets held by the PDIC as the statutory liquidator of closed banks.

The latest amendments to the PDIC Charter were principally authored by Sen. Sonny Angara and Rep. Junie Cua.

The Philippine Deposit Insurance Corporation (PDIC) was established on June 22, 1963, by Republic Act 3591 to provide depositor protection and help maintain stability in the financial system by providing deposit insurance. Effective June 1, 2009, the maximum deposit insurance coverage is PhP500,000 per depositor. All deposit accounts by a depositor in a closed bank maintained in the same right and capacity shall be added together. A joint account shall be insured separately from any individually-owned deposit account.

PDIC news/press releases and other information are available at the website, www.pdic.gov.ph.

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