

Republic Act No. 3591

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REPUBLIC ACT NO. 3591

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

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.

SECTION 2. The powers and functions of the Corporation shall be vested in a board of directors consisting of three (3) members one of whom shall be the Governor of the Central Bank of the Philippines and two of whom shall be citizens of the Republic of the Philippines to be appointed by the President of the Philippines with the advice and consent of the Commission on Appointments. One of the appointive members shall be the Chairman of the Board of Directors of the Corporation who shall be appointed on a full time basis for a term of six (6) years at an annual salary of twenty-four thousand pesos (P24,000.00). The other appointive member, who shall be appointed for a term of four (4) years and the Governor of the Central Bank shall each receive a per diem of not exceeding fifty pesos (P50.00) for each day of meeting actually attended by them but in no case shall each of them receive more than five hundred pesos (P500.00) a month. In the event of a vacancy in the Office of the Governor of the Central Bank of the Philippines, and pending the appointment of his successor or during the absence of the Governor, the Acting Governor of the Central Bank of the Philippines shall act as member of the Board of Directors. In the event of a vacancy in the Office of the Chairman of the Board of Directors and pending the appointment of his successor, the Governor of the Central Bank of the Philippines shall act as Chairman. The members of the Board of Directors shall be ineligible during the time they are in office and for a period of two years thereafter to hold any office, position or employment in any insured bank, except that this restriction shall not apply to any member who has served the full term for which he was appointed. No member of the Board of Directors shall be an officer or director of any insured bank; and before entering upon his duties as member of the Board of

Directors he shall certify under oath that he has complied with this requirement and such certification shall be filed with the Secretary of the Board of Directors. Any vacancy in the Board created by the death, resignation, or removal of an appointive member shall be filled by the appointment of new member to complete the unexpired period of the term of the member concerned.{{1}}

The Board of Directors shall have the authority:

1. To prepare and issue rules and regulations as it considers necessary for the effective discharge of its responsibilities;
2. To direct the management, operations and administration of the Corporation;
3. To appoint, fix the remunerations and remove all officers and employees of the Corporation, subject to the Civil Service Law; and{{2}}
4. To authorize such expenditures by the Corporation as are in the interest of the effective administration and operation of the Corporation.{{3}}

[See additions as per RA 9302{{4}} and RA 9576{{5}}]

SECTION 3. As used in this Act –

- (a) The term “Board of Directors” means the Board of Directors of the Corporation.
- (b) 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, trust companies, branches and agencies in the Philippines of foreign banks and all other companies, corporations, partnership performing banking functions in the Philippines.
- (c) The term “receiver” includes a receiver, liquidating agent, conservator, commission, person, or other agency charged by law with the duty of winding up the affairs of a bank.
- (d) The term “insured bank” means any bank the deposit of which are insured in accordance with the provision of this Act;
- (e) The term “non-insured bank” means any bank the deposit of which are not insured.
- (f) 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 or which is evidenced by its certificate of deposit, and trust funds held by such bank whether retained or deposited in any department of

such bank or deposited in another bank, together with such other obligations of a bank as the Board of Directors shall find and shall 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 the insured deposit: Provided, further, That 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 obligation payable only at such branch.

(g) The term "insured deposit" means the net amount due to any depositor for deposits in an insured bank (after deducting offsets) less any part thereof which is in excess of P10,000. Such net amount shall be determined according to such regulations as the Board of Directors may prescribe and in determining the amount due to any depositor there shall be added together all deposits in the bank maintained in the same capacity and the same right for his benefit or in his own name or in the names of others.

(h) 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.

(i) 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.{{6}}

SECTION 4. Any bank or banking institution 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, may insure its deposit liabilities with the Corporation. Before approving the application of such bank to become an insured bank, the Board of Directors shall give consideration to the factors enumerated in Section 5 and shall determine upon the basis of a thorough examination of such bank, that its assets in excess of its capital requirements are adequate to enable it to meet all its liabilities to depositors and other creditors as shown by the books of the bank.{{7}}

SECTION 5. The factors to be considered by the Board of Directors under the preceding section shall be the following: the financial history and condition of the Bank, the adequacy of its capital structure, its future earning prospects, the general character of its management, the convenience and needs of the community to be served by the Bank and whether or not its corporate powers are consistent with the purposes of this Act.{{8}}

SECTION 6. (a) The assessment rate shall be determined by the Board of Directors: Provided, That the assessment rate shall not exceed one-twelfth of one per centum per annum. The semiannual 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. The assessment base shall be the amount of the

liability of the bank for deposits, according to the definition of the term “deposit” in and pursuant to subsection (f) of Section 3 without any deduction for indebtedness of depositors: Provided, further, That the bank –

(1) may deduct (i) from the deposit balance due to an insured bank the deposit balance due from such insured bank (other than trust funds deposited by it in such bank) which is subject to an immediate withdrawal; and (ii) cash items as determined by either of the following methods, at the option of the bank: (aa) by multiplying by 2 the total of the cash items forwarded for collection on the assessment base days (being the days on which the average deposits are computed) and cash items held for clearings at the close of business on said days, which are in the process of collection and which the bank has paid in the regular course of business or credited to deposit accounts; or (bb) by deducting the total of cash items forwarded for collection on the assessment base days and cash items held for clearings at the close of business on said days, which are in the process of collection and which the bank has paid in the regular course of business or credited to deposit accounts, plus such uncollected items paid or credited on preceding days which are in the process of collection: Provided, That the Board of Directors may define the terms “cash items”, “process of collection”, and “uncollected items” and shall fix the maximum period for which any such item may be deducted; and

(2) may exclude from its assessment base (i) drafts drawn by it on deposit accounts in other banks which are issued in the regular course of business; and the amount of devices or authorizations issued by it for cash letters received, directing that its deposit account in the sending bank be charged with the amount thereof; and (ii) cash funds which are received and held solely for the purpose of securing a liability to the bank but not in an amount in excess of such liability, and which are not subject to withdrawal by the obligor and are carried in a special non-interest bearing account designated to properly show their purpose.

Each insured bank, as a condition to the right to make any such deduction or exclusion in determining its assessment base, shall maintain such records as will readily permit verification of the correctness thereof. The semiannual 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 a 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 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, provided the time or times so prescribed shall not be later than sixty days after filing the certified statement setting forth the amount of assessment.{{9}}{{10}}

(b) On or before the 15th 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 15th 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.{{11}}

(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) As of December thirty-one nineteen hundred sixty-four and as of December thirty-one of each calendar year thereafter, the Corporation shall transfer 40 per centum of its net assessment income to its capital account and the balance of the net assessment income shall be credited pro rata to the insured banks based upon the assessment of each bank becoming due during the said calendar year. Each year such credit shall be applied by the Corporation toward the payment of the total assessment becoming due for the semi-annual assessment period beginning the next ensuing July 1 and any excess credit shall be applied upon the assessment next becoming due. The term "net assessment income" as used therein means the total assessments which become due during the calendar year less (1) the operating costs and expenses of the Corporation for the calendar year; (2) additions to reserve to provide for insurance losses during the calendar year, except that any adjustment to reserve which result in a reduction of such reserve shall be added; and (3) the insurance losses sustained in said calendar year plus losses from any preceding years in excess of such reserves. If the above

deductions exceed in amount the total assessments which become due during the calendar year, the amount of such excess shall be restored by deduction from total assessments becoming due in subsequent years.{{12}}

(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 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 law the insured status of such bank shall be terminated by the Board of Directors. The remedies provided in this subsection and in the two preceding subsections shall not be construed as limiting any other remedies against an insured bank but shall be in addition thereto.{{13}}

(i) Trust funds held by an insured bank in a fiduciary capacity whether held in trust or deposited in any other department or in another bank shall be insured like other forms of deposits, in an amount not to exceed P10,000 for each trust estate, and when deposited by the fiduciary bank in another insured bank, such trust funds shall be similarly insured to the fiduciary bank according to the trust estates represented. Notwithstanding any other provision of this Act, such insurance shall be separate from and additional to that covering other deposits of the owners of such trust funds or the beneficiaries of

such trust estates: Provided, That where the fiduciary bank deposits any of such trust funds in other insured banks, the amount so held by other insured banks on deposit shall not for the purpose of any certified statement required under subsections (b) and (c) of this section be considered to be a deposit liability of the fiduciary bank, but shall be considered to be a deposit liability of the bank in which such funds are so deposited by such fiduciary bank. The Board of Directors shall have the power by regulation to prescribe the manner of reporting and of depositing such trust funds.

SECTION 7. (a) Any insured bank may, upon not less than ninety days, written notice to the Corporation, and to the Development Bank of the Philippines if it owns or holds as pledges any preferred stock, capital notes, or debentures of such bank, terminate its status as an insured bank. Whenever the Board of Directors shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of the bank or which have knowingly or negligently permitted any of its officers or agents to violate any provisions of any law or regulation to which the insured bank is subject, the Board of Directors shall first give to the Central Bank of the Philippines a statement with respect to such practices or violations for the purpose of securing the correction thereof and shall give a copy thereof to the bank. Unless such correction shall be made within one hundred twenty days or such shorter period of time as the Central Bank of the Philippines shall require, the Board of Directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice of intention to determine the status of the bank as an insured bank, and shall fix a time and place for a hearing before the Board of Directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the Board of Directors shall make written findings which shall be conclusive. Unless the bank shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured bank. If the Board of Directors shall find that any unsafe or unsound practice or violation specified in such notice has been established and has not been corrected within the time above prescribed in which to make such correction, the Board of Directors may order that the insured status of the bank be terminated on a date subsequent to such finding and to the expiration of the time specified in such notice of intention. The Corporation may publish notice of such termination and the bank shall give notice of such termination to each of the depositors at his last address of record on the books of the bank, in such a manner and at such a time as the Board of Directors may find to be necessary and may order for the protection of the depositors. After the termination of the insured status of any bank under the provisions of this subsection, the insured deposits of each depositor in the bank on the date of such termination, less all subsequent withdrawals from any deposits of such depositor, shall continue for a period of two years to be insured, and the bank shall continue to pay to the Corporation assessments as in the case of an insured bank during such period. No additions to any such deposits and no new deposits in such bank made after the date of such termination shall be insured by the Corporation, and the bank shall not advertise or hold itself out as having insured deposits unless in the same connection it shall also state equal prominence that such additions to deposits and new deposits made after such date are not so

insured. Such bank shall, in all other respects, be subject to the duties and obligations of an insured bank for the period of two years from the date of such termination, and in the event that such bank shall be closed on account of insolvency within such period of two years, the Corporation shall have the same powers and rights with respect to such bank as in case of an insured bank.{{14}}

(b) Notwithstanding any other provision of law, whenever the Board of Directors shall determine that an insured banking institution is not engaged in the business of receiving deposits, the Corporation shall notify the banking institution that its insured status will terminate at the expiration of the first full semi-annual assessment period following such notice. A finding by the Board of Directors that a banking institution is not engaged in the business of receiving deposits shall be conclusive. The Board of Directors shall prescribe the notice to be given by the banking institution of such termination and the Corporation may publish notice thereof. Upon the termination of the insured status of any such banking institution, its deposits shall thereupon cease to be insured and the banking institution shall thereafter be relieved of all future obligations to the Corporation, including the obligation to pay future assessments.{{15}}

(c) Whenever the liabilities of an insured bank for deposits shall have been assumed by another insured bank or banks, the insured status of the bank whose liabilities are so assumed shall terminate on the date of receipt by the Corporation of satisfactory evidence of such assumption with like effect as if its insured status had been terminated on said date by the Board of Directors after proceedings under subsection (a) of this section: Provided, That if the bank whose liabilities are so assumed gives to its depositors notice of such assumption within thirty days after such assumption takes effect, by publication or by any reasonable means, in accordance with regulations to be prescribed by the Board of Directors, the insurance of its deposits shall terminate at the end of six months from the date such assumption takes effect. Such bank shall be subject to the duties and obligations of an insured bank for the period its deposits are insured: Provided, further, That if the deposits are assumed by a newly insured bank, the bank whose deposits are assumed shall not be required to pay any assessment upon the deposits which have been so assumed after the semi-annual period in which the assumption takes effect.

SECTION 8. The Corporation as a corporate body shall have the power —

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, fix their compensation, require bonds of them and fix penalty thereof and to dismiss such officers and employees for cause.

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 make examinations of and to require information and reports from banks, as provided in this Act.{{16}}

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.{{17}}

[See additions as per PD 1940{{18}} and RA 7400{{19}}]

SECTION 9. (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 mail in the same manner as the other offices of the national government.

(b) The Board of Directors shall appoint examiners who shall have power, on behalf of the Corporation to examine any insured bank or any bank making application to become an insured bank, whenever in the judgment of the Board of Directors an examination of the bank is necessary. Each such examiner shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine and take and preserve the testimony of any of the officers and agents thereof, 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 power to

investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have power to administer oaths and to examine under oath and take and preserve the testimony of any person relating to such claims.{{20}}{{21}}

(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, not less than five days, as the Board of Directors may require, shall be subject to a penalty of not more than P100 for each day of such failure recoverable by the Corporation for its use.

(d) The Corporation shall have access to reports of examination made by, and reports of condition made to the Superintendent of Banks or the Governor of the Central Bank of the Philippines, and the Superintendent of Banks or the Governor of the Central Bank of the Philippines shall also have access to reports of examination made on behalf of, and reports of condition made to the Corporation.{{22}}
{{23}}

(e) The members of the Board of Directors and the officers and employees of the Corporation are prohibited from revealing any information relating to the condition or business of any insured bank and any member of the Board of Directors, officer or employee of the Corporation violating this provision shall be held liable for any loss or injury suffered by the Corporation.{{24}}

[See additions as per RA 9302, RA 9576, and RA 7400{{25}}]

SECTION 10. (a) A permanent insurance fund in the amount of P5,000,000 to be appropriated from the General Fund is hereby created to be used by the Corporation to carry out the purposes of this Act; Provided, That the maximum amount of the insured deposit of any depositor shall be P10,000.{{26}}

(b) For the purposes of this Act an insured bank shall be deemed to have been closed on account of insolvency in any case in which it has been closed for the purpose of liquidation without adequate provision being made for payment of its depositors.{{27}}

(c) Whenever an insured bank shall have been closed on account of insolvency, payment of the insured deposits in such 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 the insured deposit of such depositor: Provided, 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 the final determination of a court of competent jurisdiction before paying such claim.{{28}}

(d) The Corporation, upon the payment of any depositor as provided for in subsection (c) of this section 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 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, but such depositor shall retain his claim for any uninsured portion of his deposit.

SECTION 11. (a) Payment of an insured deposit to any person by the Corporation shall discharge the Corporation, and payment of a 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.

(b) 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 appearing on the records 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 records 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.

(c) 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 person liable therefor.

(d) If, after the Corporation shall have given at least three months notice to the depositor by mailing a copy thereof to his last-known address appearing on the records of the closed bank, any depositor in the closed bank shall fail to claim his insured deposit from the Corporation within eighteen months after the Monetary Board of the Central Bank of the Philippines or the proper court shall have ordered the conversion of the assets of such closed bank into money, all rights of the depositor against the Corporation with respect to the insured deposit shall be barred, and 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.{{29}}

SECTION 12. (a) Money of the Corporation 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: Provided, That the Corporation shall not sell or purchase any such obligations for its own account and in its own right and interest, at any one time aggregating in excess of P100,000, without the approval of the Insurance Commissioner: And Provided, further, That the Insurance

Commissioner may waive the requirement of his approval with respect to any transaction or classes of transactions subject to the provisions of this subsection for such period of time and under such conditions as he may determine.

(b) The banking or checking accounts of the Corporation shall be kept with the Central Bank of the Philippines, with the Philippine National Bank, or with any other bank designated as depository or fiscal agent of the Philippine Government.

(c) When the Corporation has determined that an insured bank is in danger of closing, in order to prevent such closing, the Corporation, in the discretion of its Board of Directors, is authorized to make loans to, or purchase the assets of, or make deposits in, such insured bank, upon such terms and conditions as the Board of Directors may prescribe, when in the opinion of the Board of Directors, the continued operation of such bank is essential to provide adequate banking service in the community. Such loans and deposits may be in subordination to the rights of depositors and other creditors.{{30}}
{{31}}

SECTION 13. The corporation is authorized to borrow from the Central Bank of the Philippines and the Central Bank is authorized and directed to loan the Corporation on such terms as may be fixed by the Corporation and the Central Bank, such funds as in the judgment of the Board of Directors of the Corporation are from time to time required for insurance purposes not exceeding in the aggregate of one hundred million pesos outstanding at any one time: Provided, That the rate of interest to be charged in connection with any loan made pursuant to this section shall not be less than the current average rate on outstanding marketable and nonmarketable obligations of the Republic of the Philippines as of the last day of the month preceding the making of such loan. Any such loan shall be used by the Corporation solely in carrying out its functions with respect to such insurance.{{32}}

SECTION 14. All notes, debentures, bonds or such obligations issued by the Corporation shall be exempt from taxation.{{33}}

SECTION 15. (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 General Auditing Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Auditor General. The audit shall be conducted at the place or places where accounts of the Corporation are normally kept. The representatives of the General Auditing Office 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 depositaries, 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.

(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 Central Bank of the Philippines, and to the Corporation at the time submitted to the Congress.{{34}}

SECTION 16. (a) Every insured bank shall display at each place of business maintained by it a sign or signs, and shall include a statement to the effect that its deposits are insured by the Corporation in all of its advertisements: 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 regulation the forms of such signs and the manner of display and the substance of such statements and the manner of use. For each day an insured bank continues to violate any provisions of this subsection or any lawful provisions of said regulations, it shall be subject to a penalty of not more than P100, which the Corporation may recover for its use. {{35}}

(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; and any director or officer of any insured bank who participates in the declaration or payment of any such dividend or interest or in any such distribution shall, upon conviction, be fined not more than P1,000 or imprisoned not more than one year, or both: 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 of payment upon final determination of the issue.{{36}}

(c) Without prior written consent by the Corporation, no insured bank shall (1) merge or consolidate with any noninsured bank or institution or convert into a noninsured bank or institution or (2) assume liability to pay any deposits made in, or similar liabilities of, any noninsured bank or institution or (3) transfer assets to any noninsured bank or institution in consideration of the assumption of liabilities for any portion of the deposits made in such insured bank.{{37}}

(d) The Corporation may require any insured bank to provide protection and indemnity against burglary, defalcation, and other similar insurable losses. Whenever any insured bank refuses to comply with any such requirement the Corporation may contract for such protection and indemnity and add the cost thereof to the assessment otherwise payable by such bank.{{38}}

(e) Any insured bank which willfully fails or refuses to file any certified statement or pay any assessment required under this Act shall be subject to a penalty of not more than P100 for each day that such violations continue, which penalty the Corporation may recover for its use: Provided, That this subsection shall not be applicable under the circumstances stated in the provisions of subsection (b) of this section.{{39}}

SECTION 17. Except with the written consent of the Corporation, no person shall serve as a director, officer, or employee of an insured bank who has been convicted, or who is hereafter convicted, of any criminal offense involving dishonesty or a breach of trust. For each willful violation of this prohibition, the bank involved shall be subject to a penalty of not more than P100 for each day this prohibition is violated, which the Corporation may recover for its use.{{40}}{{41}}{{42}}{{43}}{{44}}

SECTION 18. 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.{{45}}{{46}}

SECTION 19. 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.{{47}}

SECTION 20. This Act shall take effect upon approval. The Philippine Deposit Insurance Corporation shall commence business upon organization of the Board of Directors and certification by the Treasurer of the Philippines that the Permanent Insurance Fund has been appropriated.{{48}}

[Section 21{{49}}]

[Section 22{{50}}]

[Section 23{{51}}]

[Section 24{{52}}]

[Section 25{{53}}]

[Section 26{{54}}]

[Section 27{{55}}]

[Section 28{{56}}]]

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[[1]] As amended by **Republic Act No. 9302, August 12, 2004** (<http://wp.me/p10moZ-eWs>):

SECTION 2. The powers and functions of the Corporation shall be vested in and exercised by a Board of Directors which shall be composed of five (5) members as follows:

- a. The Secretary of Finance who shall be the *ex-officio* Chairman of the Board without compensation.
- b. The Governor of the *Bangko Sentral ng Pilipinas*, who shall be *ex-officio* member of the Board without compensation.
- c. The President of the Corporation, who shall be appointed by the President of the Philippines from either the Government or private sector to serve on a full-time basis for a term of six (6) years. The President of the Corporation shall also serve as Vice Chairman of the Board.
- d. Two (2) members from the private sector, to be appointed for a term of six (6) years without reappointment by the President of the Philippines: *Provided*, That of those first appointed, the first appointee shall serve for a period of two (2) years.

No person shall be appointed as member of the Board unless he be of good moral character and of unquestionable integrity and responsibility, 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 in office and for a period of one year thereafter, the appointive members of the Board shall be disqualified from holding any office, position or employment in any insured bank.

The Secretary of Finance and the Governor of the *Bangko Sentral* may each designate a representative, whose position shall not be lower than an undersecretary or deputy governor respectively, to attend such meetings and to vote on behalf of their respective principals. Whenever the Chairman of the

Board is unable to attend a meeting of the Board, or in the event of a vacancy in the office of the Secretary of Finance, the President of the Corporation shall act as Chairman.

The presence of three (3) members shall constitute a quorum. All decisions of the Board of Directors shall require the concurrence of at least three (3) members.

The Secretary of Finance shall fix the rate of *per diem* for every Board meeting attended by the members of the Board of Directors from the private sector. The President of the Philippines may fix such emoluments that may be received by the Board of Directors comparable to the emoluments of members of the Board of Directors of other government financial institutions. [[1]]

[[2]] As amended by RA 9302:

3. To establish a human resource management system which shall govern the selection, hiring, appointment, transfer, promotion, or dismissal of all personnel. Such system shall aim to establish professionalism and excellence at all levels of the Corporation in accordance with sound principles of management.

A compensation structure, based on job evaluation studies and wage surveys and subject to the Board's approval, shall be instituted as an integral component of the Corporation's human resource development program: *Provided*, That all positions in the Corporation shall be governed by a compensation, position classification system and qualification standards approved by the Board based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans of other government financial institutions and shall be subject to review by the Board no more than once every two (2) years without prejudice to yearly merit reviews or increases based on productivity and profitability. The Corporation shall therefore be exempt from existing laws, rules and regulations on compensation, position classification and qualification standards. It shall however endeavor to make its system conform as closely as possible with the principles under **Republic Act No. 6758** (<http://wp.me/p10moZ-4Nw>), as amended. [[2]]

[[3]] As amended by RA 9302:

4. To appoint, establish the rank, fix the remuneration, approve local and foreign training of, 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; [[3]]

[[4]] As added by RA 9302:

5. 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; and

6. To approve the methodology for determining the level and amount of provisioning for insurance and financial assistance losses, which shall establish reasonable levels of deposit insurance reserves. [[4]]

[[5]] As added by **RA 9576** (<http://wp.me/p10moZ-eWx>):

7. 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. [[5]]

[[6]] Renumbered from Sec. 2 by RA 9302:

SECTION 3. The President of the Corporation shall be the Chief Executive thereof and his salary shall be fixed by the President of the Philippines at a sum commensurate to the importance and responsibility attached to the position. The sum total of the salary of the President and the allowances and other emoluments which the Board of Directors may grant him shall be the ceiling for fixing the salary, allowances and other emoluments of all other personnel in the Corporation.

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, upon prior authority of the Board, 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;

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, in all legal proceedings or actions;

- 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 and whose salary shall be fixed by the Board of Directors upon recommendation of the President of the Corporation. During the absence or temporary incapacity of the President, or in case of vacancy or permanent incapacity and pending the appointment of a new President of the Corporation by the President of the Philippines, the Vice President shall act as President and discharge the duties and responsibilities thereof *(as amended by **Executive Order No. 890, April 8, 1983** (<http://wp.me/p10moZ-eVK>); **RA 7400, April 13, 1992** (<http://wp.me/p10moZ-eWd>)).*

[[6]]

[[7]] Renumbered from Sec. 3 by RA 9302:

SECTION 4. As used in this Act –

- a. The term “Board of Directors” means the Board of Directors of the Corporation.
- b. The term “Bank” and “Banking Institution” shall be synonymous and interchangeable and shall include banks, commercial banks, savings bank, 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 RA 7400)*.
- c. The term “receiver” includes a receiver, commission, person or other agency charged by law with the duty to take charge of the assets and liabilities of a bank which has been forbidden from doing business in the Philippines, as well as the duty to gather, preserve and administer such assets and liabilities for the benefit of the depositors and creditors of said bank, and to continue into liquidation whenever authorized under this Act or other laws, and to dispose of the assets and to wind up the affairs of such bank *(as amended by RA 7400)*.
- d. The term “insured bank” means any bank the deposits of which are insured in accordance with the provisions of this Act.
- e. The term “non-insured bank” means any bank the deposits of which are not insured.

f. 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, or issued in accordance with *Bangko Sentral* 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.

The Corporation shall not pay deposit insurance for the following accounts or transactions, whether denominated, documented, recorded or booked as deposit by the bank:

1. Investment products such as bonds and securities, trust accounts, and other similar instruments;
2. Deposit accounts or transactions which are unfunded, or that are fictitious or fraudulent;
3. Deposit accounts or transactions constituting, and/or emanating from, unsafe and unsound banking practice/s, as determined by the Corporation, in consultation with the BSP, after due notice and hearing, and publication of a cease and desist order issued by the Corporation against such deposit accounts or transactions; and
4. Deposits that are determined to be the proceeds of an unlawful activity as defined under **Republic Act 9160 (<http://wp.me/p10moZ-eVS>)**, as amended.

The actions of the Corporation taken under this section shall be final and executory, and may not be restrained or set aside by the court, except on 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 1940, June 27, 1984 (<http://wp.me/p10moZ-eWC>)**; RA 7400; RA 9302; RA 9576).

g. The term “insured deposit” means the amount due to any bona fide depositor for legitimate deposits in an insured bank net of any obligation of the depositor to the insured bank as of the date of closure, but not to exceed Five Hundred Thousand Pesos (P500,000.00). Such net 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 benefit either in his 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 of Five Hundred Thousand Pesos (P500,000.00): *Provided, furthermore*, That the provisions of any law to the contrary notwithstanding, no owner/holder of any negotiable certificate of deposit shall be recognized as a depositor entitled to the rights provided in this Act unless his name is registered as owner/holder thereof in the books of the issuing bank: *Provided, finally*, That, in case of a condition that threatens the monetary and financial stability of the banking system that may have systemic consequences, as defined in section 17 hereof, 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 Secretary of Finance, subject to the approval of the President of the Philippines (*as amended by RA 9302; RA 9576*).

h. 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.

i. 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. [[7]]

[[8]] As amended by **RA 6037, August 4, 1969 (<http://wp.me/p10moZ-eW0>)**; renumbered from Sec. 4 by RA 9302:

SECTION 5. The deposit liabilities of any bank or banking institution, 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. [[8]]

[[9]] As amended by RA 9302:

SECTION 6.

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 semiannual 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 (P5,000.00). The assessment base shall be the amount of the liability of the bank for deposits as defined under subsection (f) of Section 4 without any deduction for indebtedness of depositors. [[9]]

[[10]] As amended by RA 7400:

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 non-business 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, provided the time or times so prescribed shall not be later than sixty (60) days after filing the certified statement setting forth the amount of assessment. [[10]]

[[11]] As amended by PD 1940:

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 thirtynone 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. [[11]]

[[12]] As amended by RA 9302:

d. All assessment collections and income from operations after expenses and charges shall be added to the Deposit Insurance Fund under Section 13 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. [[12]]

[[13]] As amended by RA 9302:

h. The Corporation shall not terminate the insured status of any bank which continues to operate or receive deposits. 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 non-payment of assessment fees. [[13]]

[[14]] As amended by RA 7400; RA 9302:

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 practices in conducting the business of the bank, 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 to secure corrective action thereon. If no such corrective action is taken by the Monetary Board within forty-five (45) days from the submission of the report, the Board of Directors shall, *motu proprio*, institute corrective action which it deems necessary. The Board of Directors may thereafter issue a cease and desist order, and require the bank or its directors or agents concerned to correct the practices or violations within forty-five (45) days. However, if the practice or violation is likely to cause insolvency or substantial dissipation of assets or earnings of the bank, or is likely to seriously weaken the condition of the bank or otherwise seriously prejudice the interests of its depositors and the Corporation, the period to take corrective action shall not be more than fifteen (15) days. The order may also include the imposition of fines provided in Section 21 (f) hereof. The Board of Directors shall duly inform the Monetary Board of the *Bangko Sentral ng Pilipinas* of action it has taken under this subsection with respect to such practices or violations. [[14]]

[[15]] As amended by EO 890; RA 7400:

b. The actions and proceedings provided in the preceding subsection may be undertaken by the Corporation if, in its opinion, an insured bank or its directors or agents have violated, are violating or about to violate any provision of this Act or any order, rule or instruction issued by the Corporation or

any written condition imposed by the Corporation in connection with any transaction with or grant by the Corporation. [[15]]

[[16]] As amended by RA 9302; RA 9576:

Eighth – To conduct examination of banks with prior approval of the Monetary Board: *Provided*, That no examination can be conducted within twelve (12) months from the last examination date: *Provided*, *however*, That the Corporation may, in coordination with the Bangko Sentral, conduct a special examination as the Board of Directors, by an affirmative vote of a majority of all of its members, if there is a threatened or impending closure of a bank; *Provided*, *further*, That, notwithstanding the provisions of **Republic Act No. 1405** (<http://wp.me/p10moZ-eWU>), as amended, **Republic Act No. 6426** (<http://wp.me/p10moZ-eUE>), as amended, Republic Act No. 8791, and other laws, the Corporation and/or the Bangko Sentral, 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*, *finally*, That to avoid overlapping of efforts, the examination shall maximize the efficient use of the relevant reports, information, and findings of the Bangko Sentral, which it shall make available to the Corporation;[[16]]

[[17]] As amended by RA 6037:

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;[[17]]

[[18]] As amended by PD 1940:

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;[[18]]

[[19]] As added by RA 7400:

Twelfth – To compromise, condone or release, in whole or in part, any of 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. [[19]]

[[20]] As amended by EO 890; RA 7400:

b. The Board of Directors shall appoint examiners who shall have power, on behalf of the Corporation to examine any insured bank. Each such 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. [[20]]

[[21]] As added by RA 9302:

(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. [[21]]

[[22]] As amended by EO 890; RA 7400; RA 9302:

d. The Corporation shall have access to reports of examination made by, and reports of condition made to the *Bangko Sentral ng Pilipinas* or its appropriate supervising departments, and the *Bangko Sentral ng Pilipinas* shall also have access to reports of examination made by, and reports of condition made to the Corporation: *Provided*, That the provisions of any law to the contrary notwithstanding, the Corporation shall likewise have access to reports, findings and any other information derived from any special or general examination or inquiry conducted by the *Bangko Sentral* in respect to bank fraud or serious irregularity in an insured bank: *Provided*, That the Corporation shall use reports and findings under similar terms and conditions prescribed by applicable laws on the *Bangko Sentral*. [[22]]

[[23]] As added by RA 9302:

(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 or 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 21 (f) of this Act. [[23]]

[[24]] As added by RA 7400:

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;
2. receiving any gift or thing of value from any officer, director or employee thereof;
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 RA 9302).[[24]]

[[25]] f. The Corporation shall underwrite or advance litigation 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 RA 9302).

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 RA 9302).

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 RA 9576).

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 2, 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 RA 9302).

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 RA 7400).

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 RA 7400).[[25]]

[[26]] As amended/renumbered from Sec. 9-A by RA 9302:

SECTION 10. a. The provisions of other laws, general or special, to the contrary notwithstanding, whenever it shall be appropriate for the Monetary Board of the Bangko Sentral ng Pilipinas to appoint a receiver of any banking institution pursuant to existing laws, the Monetary Board shall give prior notice and appoint the Corporation as receiver. [[26]]

[[27]] As added by RA 9302:

b. The Corporation as receiver shall control, manage and administer the affairs of the closed bank. Effective immediately upon takeover as receiver of such bank, the powers, functions and duties, as well as all allowances, remunerations and perquisites of the directors, officers, and stockholders of such bank are suspended, and the relevant provisions of the Articles of Incorporation and By-laws of the closed bank are likewise deemed suspended.

The assets of the closed bank under receivership shall be deemed in custodia legis in the hands of the receiver. From the time the closed bank is placed under such receivership, its assets shall not be subject to attachment, garnishment, execution, levy or any other court processes. Therefore, a judge, officer of the court or any person who shall issue, order, process or cause the issuance or implementation of the writ of garnishment, levy, attachment or execution shall be liable under Section 21 hereof. [[27]]

[[28]] As amended and added by RA 9302:

c. In addition to the powers of a receiver pursuant to existing laws, the Corporation is empowered to:

1. bring suits to enforce liabilities to or recoveries of the closed bank;
2. appoint and hire persons or entities of recognized competence in banking or finance as its deputies and assistants, to perform such powers and functions of the Corporation as receiver or liquidator of the closed bank;
3. suspend or terminate the employment of officers and employees of the closed bank: *Provided*, That payment of separation pay or benefits shall be made only after the closed bank has been placed under liquidation pursuant to the order of the Monetary Board under Section 30 of R.A. 7653, and that such payment shall be made from available funds of the bank after deducting reasonable expenses for receivership and liquidation;
4. 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;
5. collect loans and other claims of the closed bank, and for the purpose, modify, compromise or restructure the terms and conditions of such loans or claims as may be deemed advantageous to the interest of the creditors and claimants of the closed bank;
6. hire or retain private counsels as may be necessary;
7. 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 the depositors and creditors;
8. if the stipulated interest on deposits is unusually high compared with the prevailing applicable interest rate, the Corporation as receiver may exercise such powers which may include a reduction of the interest rate to a reasonable rate: *Provided*, That any modification or reduction shall apply only to unpaid interest; *and* and

9. exercise such other powers as are inherent and necessary for the effective discharge of the duties of the Corporation as a 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 and agents of the Corporation. [[28]]

[[29]] As added by RA 9302:

SECTION 11. In all cases or actions filed by the Corporation as receiver for the recovery of, or involving any asset of the closed bank, payment of all docket and other court fees 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 administrative expenses during the distribution of the assets of the closed bank. [[29]]

[[30]] As added by RA 7400; renumbered from Sec. 9-B by RA 9302:

Before any distribution of the assets of the closed bank in accordance with the preference established by law, the Corporation shall periodically charge against said assets reasonable receivership expenses and subject to approval by the proper court, reasonable liquidation expenses, it has incurred as part of the cost of receivership/liquidation proceedings and collect payment therefore from available assets. [[30]]

[[31]] As added by RA 9302:

After the payment of all liabilities and claims against the closed bank, the Corporation shall pay any surplus 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 legal priority before distribution to the shareholders of the closed bank. [[31]]

[[32]] As amended and added by RA 9302:

SECTION 13. To carry out the purposes of this Act, the permanent insurance fund shall be Three billion pesos (P3,000,000,000.00).

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 (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 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. [[32]]

[[33]] As amended by RA 9302:

SECTION 14. Whenever an insured bank shall have been closed by the Monetary Board pursuant to Section 30 of R.A. 7653, 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 viability 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. [[33]]

[[34]] As amended by PD 1940; RA 7400; renumbered from Sec. 10(d) by RA 9302:

SECTION 15. The Corporation, upon payment of any depositor as provided for in subsection (c) of this Section, 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 but, such depositor shall retain his claim for any uninsured portion of his deposit. 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 similar to taxes due to the National Government in the order of preference under Article 2244 of the New Civil Code: *Provided, further,* That this preference shall be likewise effective upon liquidation proceedings already commenced and pending as of the approval of this Act, where no distribution of assets has been made. [[34]]

[[35]] As added by RA 9302:

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. [[35]]

[[36]] Renumbered from Sec. 11 (a) by RA 9302:

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. [[36]]

[[37]] Renumbered from Sec. 11 (b) by RA 9302:

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 appearing on the records 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 records 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. [[37]]

[[38]] Renumbered from Sec. 11 (c) by RA 9302:

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. [[38]]

[[39]] As amended by RA 9302:

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. [[39]]

[[40]] As amended by RA 6037; renumbered from Sec. 12 by RA 9302:

SECTION 17. a. Money of the Corporation 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. [[40]]

[[41]] As amended by RA 9302:

b. The banking or checking accounts of the Corporation shall be kept with the Bangko Sentral ng Pilipinas, with the Philippine National Bank, or with any other bank designated as depository or fiscal agent of the Philippine government. [[41]]

[[42]] As amended by RA 9576:

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 (as added by RA 9576).

d. When the Corporation has determined that an insured bank is in danger of closing, in order to prevent such closing, the Corporation, in the discretion of its Board of Directors, is authorized to make loans to, or purchase the assets of, or assume liabilities of, or make deposits in, such insured bank, upon such terms and condition as the Board of Directors may prescribe, when in the opinion of the Board of Directors, the continued operation of such bank is essential to provide adequate banking service in the community or maintain financial stability in the economy (renumbered from Sec. 17 (c) by RA 9576). [[42]]

[[43]] As amended by RA 7400:

The authority of the Corporation under the foregoing paragraph to extend financial assistance to, assume liabilities of, purchase the assets of an insured bank may also be exercised in the case of a closed insured bank if the Corporation finds that the resumption of operations of such bank is vital to

the interests of the community, or a severe financial climate exists which threatens the stability of a number of banks possessing significant resources: Provided, That the reopening and resumption of operations of the closed bank shall be subject to the prior approval of the Monetary Board.

The Corporation may provide any corporation acquiring control of, merging or consolidating with or acquiring the assets of an insured bank in danger of closing in order to prevent such closing or of a closed insured bank in order to restore to normal operations, with such financial assistance as it could provide an insured bank under this subsection: Provided, That, within sixty (60) days from date of assistance the Corporation shall submit a report thereof to the Monetary Board. [[43]]

[[44]] As amended by RA 9302:

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 Deposit Insurance Fund.

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 quasiequity 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. [[44]]

[[45]] As amended/renumbered from Sec. 13 by RA 9302:

SECTION 18. The Corporation is authorized to borrow from the *Bangko Sentral ng Pilipinas* and the *Bangko Sentral* is authorized to lend the Corporation on such terms as may be agreed upon by the Corporation and the *Bangko Sentral*, 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 17(d) of this Act: *Provided*, That any such loan as may be granted by the *Bangko Sentral* shall be consistent with monetary policy; *Provided, further*, That the rate of interest thereon shall be fixed by the Monetary Board but shall not exceed the treasury bill rate. [[45]]

[[46]] As amended by RA 6037; **PD 653** (<http://wp.me/p10moZ-dnq>), February 1, 1975; PD 1940; RA 7400:

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 designated as depository or fiscal agent of the Philippine Government: *Provided*, That such loan shall be of short-term duration. [[46]]

[[47]] As amended by RA 9576:

SECTION 19. With the approval of the President of the Philippines, 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 as well as for 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 shall provide for 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 Deposit Insurance Fund as of date of the debt issuance, shall be expressed on the face thereof.

The Board of Directors shall have the power to prescribe 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. [[47]]

[[48]] As amended by RA 9302:

SECTION 20. 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 (renumbered from Sec. 15 (a) by RA 9302).

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/renumbered from Sec. 15 (b) by RA 9302).

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/renumbered from Sec. 15 (c) by RA 9302).[[48]]

[[49]]SECTION 21.

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/renumbered from Sec. 16 (a) by RA 9302).

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/renumbered from Sec. 16 (b) by RA 9302).

c. Without prior written consent by the Corporation, no insured bank shall (1) merge or consolidate with any bank or institution or (2) assume liability to pay any deposits made in, or similar liabilities of, any bank or institution or (3) transfer assets to any bank or institution in consideration of the assumption of liabilities for any portion of the deposits made in such insured bank (as amended by EO 890; renumbered from Sec. 16 (c) by RA 9302).

d. 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 RA 7400; RA 9302).

e. 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 EO 890; RA 7400).

f. The penalty of prision mayor or a fine of not less than Fifty thousand pesos (P50,000.00) but not more than Two million pesos (P2,000,000.00), or both, at the discretion of the court, shall be imposed upon any director, officer, employee or agent of a bank (as amended by RA 9302):

1. for any willful refusal to submit reports as required by law, rules and regulations (as amended by RA 9302);
2. any unjustified refusal to permit examination and audit of the deposit records or the affairs of the institution (as amended by RA 9302);
3. any willful making of a false statement or entry in any bank report or document required by the Corporation (as amended by RA 9302);
4. submission of false material information in connection with or in relation to any financial assistance of the Corporation extended to the bank (as added by RA 9302);
5. splitting of deposits or creation of fictitious loans or deposit accounts (as added by RA 9302).

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 bankdeclared 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 (as added by RA 9302; as amended by RA 9576);

6. refusal to allow the Corporation to take over a closed bank placed under its receivership or obstructing such action of the Corporation (as added by RA 9302);
7. refusal to turn over or destroying or tampering bank records (as added by RA 9302);
8. fraudulent disposal, transfer or concealment of any asset, property or liability of the closed bank under the receivership of the Corporation (as added by RA 9302);
9. 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 (as added by RA 9302);
10. 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 (as amended by RA 9302).

g. 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 RA 9302).[[49]]

[[50]] **SECTION 22.** 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 (as added by RA 9302).

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 RA 9302).

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 RA 9302).

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 RA 9302).[[50]]

[[51]] **SECTION 23.** The Corporation may be reorganized by the 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 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 (as added by RA 9302).[[51]]

[[52]] **SECTION 24.** 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 shall be in addition to all gratuities and benefits to which they may be entitled under existing laws (as added by RA 9302).[[52]]

[[53]] **SECTION 25.** 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 (as added by RA 9302).[[53]]

[[54]] **SECTION 26.** 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 RA 9302).[[54]]

[[55]] **SECTION 27.** 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 RA 9302).[[55]]

[[56]] **SECTION 28. 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 RA 9302).[[56]]

RESOURCES

- [PDF] [Republic Act No. 3591, June 22, 1963](http://www.officialgazette.gov.ph/downloads/1963/06jun/19630622-RA-3591-DM.pdf)
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