Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1751

Introduced by: **REP. PROSPERO A. PICHAY, JR.**

EXPLANATORY NOTE

Even in this age of automated teller machines (ATMs) and on-line banking, the majority of the Filipinos have yet to learn the ways of the fabled ant of saving for the proverbial rainy days. Juan de la Cruz would rather stash away his earnings in his lowly *baul* than entrusting it to the Zamoras' Security Bank for safekeeping. He would rather take the risk of being robbed at home than having his money robbed from a bank. He'd rather not earn any interest at all than lose sleep at night worrying over the probability of a bank run.

Indeed the Filipinos' propensity to save has never been very encouraging. Statistics from the Bangko Sentral ng Pilipinas indicate that as of end-December 1996, -- at a time when the Philippine economy was on an uphill climb --, the number of deposit accounts in commercial banks, savings banks, private development banks, specialized government banks and rural banks was only 17,408,480, lower than 19,441,968 in 1995 and 20,081,599 in 1994.

Historical data would show that the number of deposit accounts in banks peaked only in 1983, shortly before the economic recession that hit the country on the mid-eighties, at 25,575,893. This implies that in spite of the liberalization of the banking industry in 1994 and the economic stability touted by the Ramos administration, Filipinos have never learned to trust banks as much as they did in the early eighties.

This bill seeks to bring back the Filipinos' trust on the banking industry as it proposes to increase the maximum amount of insured deposits from the current P100,000.00 to P500,000.00 and establish a deposit insurance coverage plan for deposits in excess of P500,000.00 which a depositor may have an option to enroll in at his/her cost. Accordingly, the bill increases the permanent insurance fund from the current amount of P3 billion to P8 billion.

It is tempting to increase the maximum amount of insured deposit to P 1 million but conventional wisdom dictates that the permanent insurance fund must also be increased in similar proportion which at this point in time, our cash-strapped government cannot afford to provide.

As a compromise to big depositors, those with bank accounts of more than P500,000.00, this bill proposes the creation of a deposit insurance coverage plan which they may avail of at their cost. The fact that they maintain more than half-a-million bank accounts implies that they are financially capable of shouldering the additional costs.

The immediate approval of this bill would give Mang Pandoy one big reason to put back his trust and confidence on the economy. Let us free him from the fear of bank runs, much less of never getting back the money he has earnestly stashed away for the more threatening *La Niña.*

In view of the foregoing, unanimous support for the passage of this bill is sought.

PROSPERO A. PICHAY, JR.



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HOUSE BILL NO. 1751

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AN ACT
INCREASING THE AMOUNT OF INSURED BANK DEPOSITS FROM ONE HUNDRED THOUSAND PESOS (P100,000) TO ONE MILLLION PESOS (P1,000,000), AMENDING FOR THE PURPOSE REPUBLIC ACT NUMBERED THREE THOUSAND FIVE HUNDRED NINETY-ONE, AS AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE DEPOSIT INSURANCE CORPORATION

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 3, subsection (g) of Republic Act No. 3591, as amended, otherwise known as the "Charter of the Philippine Deposit Insurance Corporation", is hereby further amended to read as follows:

"Sec. 3. As used in this Act --- x x x

"(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 **[**One**]** **FIVE** hundred thousand pesos **[**(P100,000.00)**]** **(P500,000.00).** Such net amount shall be determined according to such regulations as the Board of Directors may prescribe and in determining such 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 either in his own name or in the name of others: *Provided,* That, the provisions of any law to the contrary notwithstanding on 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 FURTHER, THAT,.THE CORPORATION SHALL ESTABLISH A DEPOSIT INSURANCE COVERAGE PLANWITH RESPECT TO DEPOSITS IN EXCESS OF FIVE HUNDRED THOUSAND PESOS (P500,000.00), WHICH A DEPOSITOR MAY HAVE THE OPTION TO ENROLL IN, AT HIS/HER COST; PROVIDED, FINALLY, THAT THE AMOUNT OF INSURANCE DUE UNDER THE SAID PLAN SHALL BE ON A PRO-RATA BASIS."**

SEC. 2. Section 10, subsection (a-1) of the same Act is hereby amended to read as follows:

"Sec. 10. (a) x x x

"(a-1) The permanent insurance fund hereinabove created is hereby increased to **[**Three**]** **EIGHT** billion pesos **[**(P3,000,000,000.00)**]** (P8,000,000,000.00) and for this purpose, such sum as may be necessary is hereby appropriated from the General Fund: *Provided*, That the maximum amount of the insured deposit of any depositor is hereby increased to **[**One**]** **FIVE** hundred thousand pesos **[**(P100,000.00)**]** **(P500,000.00); *PROVIDED HOWEVER, THAT*, WITH RESPECT TO DEPOSITS IN EXCESS OF FIVE HUNDRED THOUSAND PESOS (P500,000.00), THE DEPOSITOR SHALL HAVE THE OPTION TO DETERMINE THE MAXIMUM AMOUNT THE CORPORATION MAY INSURE IN ACCORDANCE WITH THE DEPOSIT INSURANCE COVERAGE PLAN HEREIN CREATED."**

SEC. 3. *Implementing Rules and Regulations.* – The Department of Finance shall issue the implementing rules and regulations within one week from the approval of this Act.

SEC. 4. *Repealing Clause.* – All other laws, decrees, orders, rules and regulations, and other issuances inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 5. *Effectivity Clause.* – This Act shall take effect upon its approval.

Approved,