



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

**SIXTEENTH CONGRESS**

First Regular Session

House Bill No. 4392

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**Introduced by Hon. Nelson “Sonny” P. Collantes**

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**EXPLANATORY NOTE**

When a financial crisis cannot be averted and bank failures are imminent, the next best defense is a framework which allows for the resolution of the failing bank in an efficient and prompt manner with minimum negative impact on the stability of the banking industry and to forestall contagion in the banking industry. An effective bank resolution and liquidation framework ensures the protection of the interests of the bank’s depositors and other creditors in the proper settlement of their respective obligations and claims. The promptness by which the bank liquidation process is carried out also impacts on the maximization of recovery and conversion of the bank’s assets.

The bill at hand institutes much needed reforms to the charter of the Philippine Deposit Insurance Corporation (PDIC). It seeks to remedy the problems and address the concerns that have been identified and which continue to plague the present system. The highlights of this measure include:

1. **Enhanced Liquidation Authorities.** – These seek to further strengthen PDIC’s mandate as liquidator of closed banks for the benefit of depositors with uninsured balances and other creditors, through additional modes of liquidating a closed bank, such as, Purchase of Assets and Assumption of Liabilities, and Bridge Bank.
2. **Deletion of the 90-day receivership period and introduction of a new Resolution Framework to deal with problem banks.** – The framework is based on the principle that bank rehabilitation should happen while the bank is still open so that it will be less disruptive to the system and recovery for all creditors is enhanced. Based on experience, successful rehabilitation is nil after closure in view of the significantly deteriorated financial position of banks. Under the proposal, banks closed by the Monetary Board shall be immediately liquidated. On the other hand, upon declaration of failure of Prompt Corrective Action by the Monetary Board, banks may be considered for resolution, where PDIC will assist in resolving the bank via

purchase of assets and assumption of liabilities, mergers, consolidations or acquisition.

3. Deposit Insurance Amendments and Exemption from Bank Secrecy Law. –Banks shall be authorized to disclose to PDIC, for deposit insurance purposes only, deposit information and data. Moreover, to contain moral hazard and enforce market discipline, PDIC shall be given authority to terminate deposit insurance status of banks which do not comply with its directives. PDIC shall likewise be given the authority to charge risk-based premium and impose special assessments under certain specified conditions in the law.

4. Governance and Institutional Capability Building Measures. – The proposals seek to strengthen PDIC structurally and operationally to ensure PDIC's ability to effectively implement its enhanced authorities under the PDIC Charter.

5. Financial Strengthening Measures. – In order to strengthen the Deposit Insurance Fund, PDIC's authority to invest, buy and/or sell debt instruments, borrow, and issue bonds shall be expanded.

6. Additional Sanctions and Increased Penalty. – Increased penalties are imposed for various offenses, including performing acts inimical to the interest of a bank. New offenses are likewise penalized, such as filing a fictitious and/or fraudulent claim, certifying the validity of fictitious deposit liabilities, and bank fraud.

A quick, efficient, and cost-effective resolution framework and bank liquidation process are the backbones of a resilient financial system that can deal with bank failures during systemic or non-systemic conditions. What we have before us is an opportunity to advance and to apply the lessons learned, not only from the recent global recession, but also from the experiences of the past. The power of legislative innovation as well as the benefit of hindsight permit us to fortify that which proved advantageous and to reform those which proved deficient in maintaining the stability of our financial system—in times of crisis or not.

Thus, the approval of this bill is earnestly sought.

*Nelson P. Cillita*

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**AN ACT AMENDING REPUBLIC ACT NUMBERED THREE THOUSAND FIVE HUNDRED NINETY-ONE, AS AMENDED, AND OTHER RELATED LAWS, TO ENHANCE THE RESOLUTION AND LIQUIDATION FRAMEWORK FOR BANKS AND BANKING INSTITUTIONS, AND TO STRENGTHEN THE INDEPENDENCE, AUTHORITY AND FINANCIAL CAPABILITY OF THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, AND FOR OTHER PURPOSES**

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

1  
2 SECTION 1. Section 1 of Republic Act No. 3591, as amended, is hereby amended to  
3 read as follows:

4  
5 "THE CREATION OF THE  
6 PHILIPPINE DEPOSIT INSURANCE CORPORATION  
7

8 SECTION 1. – There is hereby created a Philippine Deposit Insurance  
9 Corporation hereinafter referred to as the "Corporation" which shall  
10 insure as herein provided, the deposits of all banks which are entitled  
11 to the benefits of insurance under this Act, and which shall have the  
12 powers hereinafter granted.  
13

14 The Corporation shall, as a basic policy, promote and safeguard the  
15 interests of the depositing public by [way of] providing [permanent  
16 and continuing] insurance coverage on all insured deposits **AND**  
17 **HELPING MAINTAIN A SOUND AND STABLE BANKING SYSTEM THROUGH**  
18 **THE ADOPTION OF BANK RESOLUTION MEASURES."**  
19

20 SECTION 2. A new section entitled Section 2 of the same Act shall be inserted  
21 between Sections 1 and 3 which shall read as follows:  
22

23 "STATE POLICY  
24

25 SECTION 2. – **IT IS HEREBY DECLARED TO BE THE POLICY OF THE STATE TO**  
26 **STRENGTHEN THE MANDATORY DEPOSIT INSURANCE COVERAGE SYSTEM**  
27 **TO GENERATE, PRESERVE, MAINTAIN FAITH AND CONFIDENCE IN THE**

COUNTRY'S BANKING SYSTEM, AND PROTECT IT FROM ILLEGAL SCHEMES AND MACHINATIONS.

TOWARDS THIS END, THE GOVERNMENT MUST EXTEND ALL MEANS AND MECHANISMS NECESSARY FOR THE CORPORATION TO EFFECTIVELY FULFILL ITS VITAL TASK OF PROMOTING AND SAFEGUARDING THE INTERESTS OF THE DEPOSITING PUBLIC BY WAY OF PROVIDING INSURANCE COVERAGE ON BANK DEPOSITS AND IN HELPING DEVELOP A SOUND AND STABLE BANKING SYSTEM.

IN VIEW OF THE CRUCIAL ROLE AND THE NATURE OF THE FUNCTIONS AND RESPONSIBILITIES OF THE CORPORATION AS DEPOSIT INSURER, STATUTORY RECEIVER, AND CO-REGULATOR OF BANKS, THE CORPORATION, WHILE BEING A GOVERNMENT INSTRUMENTALITY WITH CORPORATE POWERS, SHALL ENJOY FISCAL AND ADMINISTRATIVE AUTONOMY. THE CORPORATION SHALL BE EXEMPT FROM ALL EXISTING LAWS, RULES AND REGULATIONS ON COMPENSATION, POSITION CLASSIFICATION AND QUALIFICATION STANDARDS INCLUDING, BUT NOT LIMITED TO PRESIDENTIAL DECREE NO. 985, PRESIDENTIAL DECREE NO. 1597, REPUBLIC ACT NO. 6758 AS AMENDED, JOINT RESOLUTION NO. 4 (2009), AND REPUBLIC ACT NO. 10149."

SECTION 3. Section 2 of the same Act is accordingly renumbered as Section 3 and is hereby amended to read as follows:

"BOARD OF DIRECTORS: COMPOSITION AND AUTHORITY

SECTION 3. (a) The powers and functions of the Corporation shall be vested in and exercised by a Board of Directors which shall be composed of **SEVEN (7)** [five (5)] members as follows:

- 1) The Secretary of Finance who shall be the *ex-officio* Chairman of the Board without compensation.
- 2) The Governor of the *Bangko Sentral ng Pilipinas*, who shall be *ex-officio* member of the Board without compensation.
- 3) 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.
- 4) **FOUR (4)** [Two (2)] members from the private sector, to be appointed **BY THE PRESIDENT OF THE PHILIPPINES** for a term of six (6) years **SUBJECT TO ONLY ONE** [without] reappointment [by the President of the Philippines]: *Provided*, That of those first appointed, the first **TWO** appointeeS shall serve for a period of [two (2)] **THREE (3)** years.

ANY VACANCY IN THE BOARD OF DIRECTORS CREATED BY THE DEATH, RESIGNATION, OR REMOVAL OF ANY APPOINTIVE MEMBER SHALL BE FILLED BY THE APPOINTMENT OF A NEW MEMBER TO COMPLETE THE UNEXPIRED PERIOD OF THE TERM OF THE MEMBER CONCERNED.

No person shall be appointed as member of the Board unless he be of good moral character, of unquestionable integrity and responsibility, **OF KNOWN PROBITY AND PATRIOTISM**, 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 PRESIDENT OF THE PHILIPPINES MAY REMOVE ANY APPOINTIVE MEMBER OF THE BOARD OF DIRECTORS FOR ANY OF THE FOLLOWING REASONS:**

- 1) IF HE IS PHYSICALLY OR MENTALLY INCAPACITATED THAT HE CANNOT PROPERLY DISCHARGE HIS DUTIES AND RESPONSIBILITIES, AND SUCH INCAPACITY HAS LASTED FOR MORE THAN SIX (6) MONTHS; OR
- 2) IF THE MEMBER IS GUILTY OF ACTS OR OPERATIONS WHICH ARE OF FRAUDULENT OR ILLEGAL CHARACTER OR WHICH ARE MANIFESTLY OPPOSED TO THE AIMS AND INTERESTS OF THE CORPORATION; OR
- 3) IF THE MEMBER NO LONGER POSSESSES THE QUALIFICATIONS SPECIFIED IN THIS ACT.

The presence of **FOUR (4)** [three (3)] members shall constitute a quorum. All decisions of the Board of Directors shall require the concurrence of at least **FOUR (4)** [three (3)] members.

The **PRESIDENT OF THE PHILIPPINES, UPON THE RECOMMENDATION OF 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, **AND THEIR OTHER EMOLUMENTS, INCLUDING PERFORMANCE INCENTIVES, SUBJECT TO REVIEW EVERY TWO (2) YEARS.** [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].

**IN ADDITION TO THE REQUIREMENTS OF REPUBLIC ACT NO. 6713, ANY MEMBER OF THE BOARD OF DIRECTORS WITH PERSONAL OR PECUNIARY INTEREST IN ANY MATTER IN THE AGENDA OF THE BOARD OF DIRECTORS SHALL DISCLOSE HIS INTEREST TO THE BOARD AND SHALL RETIRE FROM THE MEETING WHEN THE MATTER IS TAKEN UP. THE MINUTES SHALL**

1 REFLECT THE DISCLOSURE MADE AND THE RETIREMENT OF THE MEMBER  
2 CONCERNED FROM THE MEETING.

3  
4 (b) The Board of Directors shall have the authority:

- 5  
6 1) To **APPROVE** [prepare] and issue rules and regulations **FOR**  
7 **BANKS AND THE DEPOSITING PUBLIC** as it considers necessary for  
8 the effective discharge of its responsibilities;  
9  
10 2) To **ACT AS THE POLICY-MAKING BODY OF THE CORPORATION**  
11 **AND CONSTITUTE BOARD COMMITTEES TO OVERSEE** [direct] the  
12 management, operations and administration of the  
13 Corporation;  
14  
15 3) To establish a human resource management system which shall  
16 govern the selection, hiring, appointment, transfer, promotion,  
17 or dismissal of [all] personnel. Such system shall aim to establish  
18 professionalism and excellence at all levels of the Corporation  
19 in accordance with sound principles of management;[.]  
20  
21 4) **TO APPROVE, [A] a compensation structure[.]AS AN INTEGRAL**  
22 **COMPONENT OF THE CORPORATION'S HUMAN RESOURCE**  
23 **DEVELOPMENT PROGRAM** based on job evaluation studies and  
24 wage surveys, **AND REVISE THE SAME FROM TIME TO TIME AS IT**  
25 **MAY DEEM NECESSARY** [and subject to the Board's approval,  
26 shall be, instituted as an integral component of the  
27 Corporation's human resource development program]:  
28 Provided, That all positions in the Corporation shall be governed  
29 by a compensation, position classification system and  
30 qualification standards approved by the Board based on a  
31 comprehensive job analysis and audit of actual duties and  
32 responsibilities. The compensation **STRUCTURE** [plan] shall be  
33 comparable **TO THAT OF THE BANGKO SENTRAL, AND SHALL**  
34 **PROVIDE FOR YEARLY MERIT REVIEWS OR INCREASES BASED ON**  
35 **PRODUCTIVITY** [with the prevailing compensation plans of other  
36 government financial institutions and shall be subject to review  
37 by the Board no more than once every two (2) years without  
38 prejudice to yearly merit reviews or increases based on  
39 productivity and profitability]. The Corporation shall therefore  
40 be exempt from existing laws, rules and regulations on  
41 compensation, position classification and qualification  
42 standards, **SUCH AS, BUT NOT LIMITED TO, PRESIDENTIAL DECREE**  
43 **NO. 985, PRESIDENTIAL DECREE NO. 1597, REPUBLIC ACT NO.**  
44 **6758, AS AMENDED, JOINT RESOLUTION NO. 4 (2009), AND**  
45 **REPUBLIC ACT NO. 10149.** It shall however endeavor to make its  
46 system conform as closely as possible with the principles under  
47 Republic Act No. 6758, as amended.  
48  
49 5) To appoint, establish the rank, fix the remuneration, **BENEFITS,**  
50 **INCLUDING MEDICAL BENEFITS OTHER THAN THOSE PROVIDED**  
51 **FOR UNDER REPUBLIC ACT NO. 7875, AS AMENDED,** [approve  
52 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; **PROVIDED, FINALLY, THAT IN NO CASE SHALL THERE BE ANY DIMINUTION OF EXISTING SALARIES, BENEFITS AND OTHER EMOLUMENTS;**

- 6) **TO APPROVE POLICY ON LOCAL AND FOREIGN TRAVEL, AND THE CORRESPONDING EXPENSES, ALLOWANCES AND PER DIEMS, OF OFFICERS, EMPLOYEES, AGENTS OF THE CORPORATION, NOTWITHSTANDING THE PROVISIONS OF PRESIDENTIAL DECREE NO. 1177, EXECUTIVE ORDER NO. 292, EXECUTIVE ORDER NO. 248, AS AMENDED, EXECUTIVE ORDER NO. 298, AND SIMILAR LAWS;**
- 7) 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;
- 8) To approve the **TARGET LEVEL OF THE DEPOSIT INSURANCE FUND AND THE** methodology for determining [the level and amount of] **RESERVES** [provisioning] for insurance and financial assistance losses[, which shall establish reasonable levels of deposit insurance reserves.];
- 9) To review the organizational set-up of the Corporation and adopt a new or revised organizational structure **AT ANY TIME** as it may deem necessary for the Corporation to undertake its mandate and functions;[.]
- 10) **TO DESIGN, ADOPT AND REVISE, FROM TIME TO TIME AS IT MAY DEEM NECESSARY, AN EARLY SEPARATION PLAN FOR EMPLOYEES OF THE CORPORATION TO ENSURE AVAILABILITY OF A HUMAN RESOURCE POOL QUALIFIED AND CAPABLE OF IMPLEMENTING THE CORPORATION'S AUTHORITIES UNDER THIS CHARTER IN A MANNER RESPONSIVE AND ATTUNED TO MARKET DEVELOPMENTS, AND TO PROVIDE INCENTIVES FOR ALL THOSE WHO SHALL RETIRE OR BE SEPARATED FROM THE SERVICE. NOTWITHSTANDING ANY LAW TO THE CONTRARY, THESE INCENTIVES SHALL BE IN ADDITION TO ALL GRATUITIES AND BENEFITS THE EMPLOYEE IS ENTITLED TO UNDER EXISTING LAWS; AND**
- 11) **TO PROMOTE AND SPONSOR THE LOCAL OR FOREIGN TRAINING OR STUDY OF PERSONNEL IN THE FIELDS OF BANKING, FINANCE, MANAGEMENT, INFORMATION TECHNOLOGY AND LAW. TOWARD THIS END, THE CORPORATION IS HEREBY AUTHORIZED TO DEFRAY THE COSTS OF SUCH TRAINING OR STUDY. THE BOARD SHALL PRESCRIBE RULES AND REGULATIONS TO GOVERN THE TRAINING OR STUDY PROGRAMS OF THE CORPORATION."**

SECTION 4. Section 3 of the same Act is accordingly renumbered as Section 4.

SECTION 5. The first paragraph of Section 4 of the same Act, as renumbered, is hereby amended to read as follows:

"PRESIDENT OF THE CORPORATION  
COMPENSATION, POWERS AND DUTIES

SECTION 4. The President of the Corporation shall be **ITS** [the] Chief Executive [thereof] and his salary, **ALLOWANCES, BENEFITS AND OTHER EMOLUMENTS** shall be fixed by the President of the Philippines, **UPON THE RECOMMENDATION OF THE SECRETARY OF FINANCE**, 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.]

SECTION 6. Section 4, paragraphs (d) and (f), of the same Act, as renumbered, are hereby amended to read as follows:

"(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;

(f) To represent the Corporation, either personally or through counsel, **INCLUDING PRIVATE COUNSEL, AS MAY BE AUTHORIZED BY THE PDIC BOARD**, in **ANY** [all] legal proceeding or action;"

SECTION 7. Section 4 of the same Act is accordingly renumbered as Section 5, and is hereby amended to read as follows:

"DEFINITION OF TERMS

SECTION 5. As used in this Act –

(a) THE TERM "ASSET" SHALL REFER TO MOVABLE, IMMOVABLE, TANGIBLE, OR INTANGIBLE RESOURCES OR PROPERTIES OVER WHICH A BANK HAS AN ESTABLISHED OR EQUITABLE INTEREST, INCLUDING ITS BRANCH LICENSES.

(b) THE TERM "ASSET DISTRIBUTION PLAN" OR "ADP" SHALL REFER TO THE PLAN OF DISTRIBUTION OF THE ASSETS OF A CLOSED BANK TO ITS CREDITORS, BASED ON ITS ESTIMATED REALIZABLE VALUE AS OF A CERTAIN CUT-OFF DATE, PREPARED IN ACCORDANCE WITH THE RULES ON CONCURRENCE AND PREFERENCE OF CREDITS UNDER THE CIVIL CODE OR OTHER LAWS.

AN ADP MAY BE PARTIAL (PARTIAL ASSET DISTRIBUTION PLAN OR PADP), WHEN IT PERTAINS TO THE DISTRIBUTION OF A PORTION OR SOME OF THE ASSETS OF THE CLOSED BANK, OR FINAL (FINAL ASSET DISTRIBUTION PLAN OR FADP), WHEN IT PERTAINS TO THE DISTRIBUTION OF ALL THE ASSETS OF THE CLOSED BANK.

(c) The term "Board of Directors" means the Board of Directors of the Corporation.

(d) 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.

(e) **THE TERM "BRIDGE BANK" SHALL REFER TO A CORPORATION THAT IS LICENSED BY THE BANGKO SENTRAL TO OPERATE AS A TEMPORARY BANK, ESTABLISHED AND OPERATED TO ACQUIRE ASSETS AND ASSUME THE INSURED DEPOSITS OF A CLOSED BANK.**

(f) **THE TERM "CLOSED BANK" SHALL REFER TO A BANK PLACED UNDER LIQUIDATION BY THE MONETARY BOARD.**

(g) **THE TERM "CREDITOR" SHALL REFER TO ANY INDIVIDUAL OR ENTITY WITH A VALID CLAIM AGAINST THE ASSETS OF THE CLOSED BANK.**

(h) 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, **EVIDENCED BY A PASSBOOK, CHECK AND/OR CERTIFICATE OF DEPOSIT, OR OTHER EVIDENCE OF DEPOSIT**, 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;

- 1           3) Deposit accounts or transactions constituting, and/or  
2           emanating from, unsafe and unsound banking practice/s, as  
3           determined by the Corporation, in consultation with the  
4           **BANGKO SENTRAL** [BSP], after due notice and hearing, and  
5           publication of a **DIRECTIVE TO** cease and desist [order] issued by  
6           the Corporation against such deposit accounts, transactions  
7           **OR PRACTICES**; and  
8  
9           4) Deposits that are determined to be the proceeds of an unlawful  
10          activity as defined under Republic Act 9160, as amended.

11  
12          The actions of the Corporation taken under [this] section **5(h)** shall be  
13          final and executory, and may not be restrained or set aside by the  
14          [court] **COURT OF APPEALS**, except on appropriate petition for  
15          certiorari on the ground that the action was taken in excess of  
16          jurisdiction or with such grave abuse of discretion as to amount to a  
17          lack or excess of jurisdiction. The petition for certiorari may only be filed  
18          within thirty (30) days from notice of denial of claim for deposit  
19          insurance.

- 20  
21          (i)       **THE TERM "DISPUTED CLAIM" SHALL REFER TO A CLAIM OR SUIT**  
22          **AGAINST THE ASSETS OF A CLOSED BANK, OR FOR SPECIFIC**  
23          **PERFORMANCE, OR BREACH OF CONTRACT, OR DAMAGES, OF**  
24          **WHATEVER NATURE OR CHARACTER, WHETHER FOR MONEY OR**  
25          **OTHERWISE, LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT,**  
26          **MATURED OR UNMATURED.**  
27  
28          (j)       **THE TERM "DUE DILIGENCE" SHALL REFER TO A PROCESS OF**  
29          **DETERMINING THE VALUATION OF A BANK THROUGH AN OBJECTIVE**  
30          **AND THOROUGH REVIEW AND APPRAISAL OF ITS ASSETS AND LIABILITIES,**  
31          **AND ASSESSMENT OF RISKS OR EVENTS THAT MAY AFFECT ITS**  
32          **VALUATION.**  
33  
34          (k)       **THE TERM "INSURED BANK" MEANS ANY BANK THE DEPOSITS OF**  
35          **WHICH ARE INSURED IN ACCORDANCE WITH THE PROVISIONS OF THIS**  
36          **ACT.**  
37  
38          (l)       The term "insured deposit" means the amount due to any bona  
39          fide depositor for legitimate deposits in an insured bank **EXCLUSIVE**  
40          [net] of any obligation of the depositor to the insured bank as of the  
41          date of closure, **EXCEPT THOSE COVERED BY HOLD-OUT AGREEMENTS,**  
42          but not to exceed Five Hundred Thousand Pesos (P500,000.00). Such  
43          [net] amount shall be determined according to such regulations as the  
44          Board of Directors may prescribe. In determining such amount due to  
45          any depositor, there shall be added together all deposits in the bank  
46          maintained in the same right and capacity for his benefit either in his  
47          own name or in the name of others. A joint account regardless of  
48          whether the conjunction "and," "or," "and/or" is used, shall be insured  
49          separately from any individually-owned deposit account: *Provided,*  
50          *That (1) If the account is held jointly by two or more natural persons, or*  
51          *by two or more juridical persons or entities, the maximum insured*  
52          *deposit shall be divided into as many equal shares as there are*

1 individuals, juridical persons or entities, unless a different sharing is  
2 stipulated in the document of deposit, and (2) if the account is held by  
3 a juridical person or entity jointly with one or more natural persons, the  
4 maximum insured deposit shall be presumed to belong entirely to such  
5 juridical person or entity: *Provided, further,* That the aggregate of the  
6 interest of each co-owner over several joint accounts, whether owned  
7 by the same or different combinations of individuals, juridical persons  
8 or entities, shall likewise be subject to the maximum insured deposit of  
9 Five Hundred Thousand Pesos (P500,000.00): *Provided, furthermore,*  
10 That the provisions of any law to the contrary notwithstanding, no  
11 owner/holder of any **PASSBOOK**, certificate of deposit, **OR OTHER**  
12 **EVIDENCE OF DEPOSIT** shall be recognized as a depositor entitled to  
13 the rights provided in this Act unless **THE PASSBOOK, CERTIFICATE OF**  
14 **DEPOSIT OR OTHER EVIDENCE OF DEPOSIT IS DETERMINED TO BE AN**  
15 **AUTHENTIC DOCUMENT OR RECORD** of the issuing bank [his name is  
16 registered as owner/holder thereof in the books]: *Provided, finally,*  
17 That, in case of a condition that threatens the monetary and financial  
18 stability of the banking system that may have systemic consequences,  
19 as defined in section 23 [17] hereof, as determined by the Monetary  
20 Board, the maximum deposit insurance cover may be adjusted in such  
21 amount, for such a period, and/or for such deposit products, as may  
22 be determined by a unanimous vote of the Board of Directors in a  
23 meeting called for the purpose and chaired by the Secretary of  
24 Finance, subject to the approval of the President of the Philippines.

- 25
- 26 (m) **THE TERM "LIQUIDATION" SHALL REFER TO THE PROCEEDINGS UNDER**  
27 **SECTIONS 12 TO 17 OF THIS ACT.**
- 28
- 29 (n) **THE TERM "LIQUIDATION COURT" SHALL REFER TO THE REGIONAL**  
30 **TRIAL COURT OF GENERAL JURISDICTION WHERE THE PETITION FOR**  
31 **ASSISTANCE IN THE LIQUIDATION OF A CLOSED BANK IS FILED AND**  
32 **GIVEN DUE COURSE.**
- 33
- 34 (o) **THE TERM "PAYOUT" SHALL REFER TO THE PAYMENT OF INSURED**  
35 **DEPOSITS.**
- 36
- 37 (p) **THE TERM "PETITION FOR ASSISTANCE IN THE LIQUIDATION OF A**  
38 **CLOSED BANK" OR "PAL" SHALL REFER TO THE PETITION FILED BY THE**  
39 **RECEIVER WITH THE REGIONAL TRIAL COURT (RTC) IN ACCORDANCE**  
40 **WITH SECTION 17 OF THIS ACT.**
- 41
- 42 (q) **THE TERM "PURCHASE OF ASSETS AND ASSUMPTION OF LIABILITIES"**  
43 **OR "P&A" SHALL REFER TO A TRANSACTION WHERE AN INSURED BANK**  
44 **PURCHASES ANY OR ALL ASSETS AND ASSUMES ANY OR ALL LIABILITIES**  
45 **OF ANOTHER BANK UNDER RESOLUTION OR LIQUIDATION, AS PROVIDED**  
46 **IN THIS ACT.**
- 47
- 48 (r) **THE TERM "RECEIVER" SHALL REFER TO THE CORPORATION OR ANY**  
49 **OF ITS DULY AUTHORIZED AGENTS ACTING AS RECEIVER OF A CLOSED**  
50 **BANK.**
- 51

- 1 (s) THE TERM "RECORDS" SHALL INCLUDE ALL DOCUMENTS, TITLES,  
2 PAPERS AND ELECTRONIC DATA OF THE CLOSED BANK, INCLUDING  
3 THOSE PERTAINING TO DEPOSIT ACCOUNTS OF AND WITH THE CLOSED  
4 BANK, ITS ASSETS, TRANSACTIONS AND CORPORATE AFFAIRS.  
5
- 6 (f) THE TERM "RESIDUAL ASSETS" SHALL REFER TO ASSETS, IN CASH OR  
7 IN KIND, TO BE TURNED OVER TO THE CLOSED BANK'S STOCKHOLDERS OF  
8 RECORD, IN PROPORTION TO THEIR INTEREST IN THE CLOSED BANK AS OF  
9 DATE OF CLOSURE, AFTER PAYMENT IN FULL OF LIQUIDATION COSTS, FEES  
10 AND EXPENSES, AND THE VALID CLAIMS AND SURPLUS DIVIDENDS TO ALL  
11 THE CREDITORS.  
12
- 13 (u) THE TERM "RESOLUTION" SHALL REFER TO THE ACTIONS  
14 UNDERTAKEN BY THE CORPORATION UNDER SECTION 11 OF THIS ACT TO:  
15
- 16 1) PROTECT DEPOSITORS, CREDITORS AND THE DEPOSIT INSURANCE  
17 FUND;  
18 2) SAFEGUARD THE CONTINUITY OF ESSENTIAL BANKING SERVICES  
19 OR MAINTAIN FINANCIAL STABILITY; AND  
20 3) PREVENT DETERIORATION OR DISSIPATION OF BANK ASSETS.  
21
- 22 (v) THE TERM "RISK-BASED ASSESSMENT SYSTEM" SHALL PERTAIN TO A  
23 SYSTEM FOR CALCULATING AN INSURED BANK'S ASSESSMENT BASED ON  
24 THE FOLLOWING FACTORS:  
25
- 26 1) THE PROBABILITY THAT THE DEPOSIT INSURANCE FUND WILL INCUR  
27 A LOSS WITH RESPECT TO THE BANK, BASED ON ITS RISK RATING  
28 THAT TAKES INTO CONSIDERATION THE RISKS ATTRIBUTABLE TO –  
29
- 30 a. QUALITY AND CONCENTRATION OF ASSETS  
31 b. CATEGORIES AND CONCENTRATION OF LIABILITIES, BOTH  
32 INSURED AND UNINSURED, CONTINGENT AND NON-  
33 CONTINGENT  
34 c. CAPITAL POSITION  
35 d. LIQUIDITY POSITION  
36 e. MANAGEMENT AND GOVERNANCE  
37 f. OTHER FACTORS RELEVANT TO ASSESSING SUCH PROBABILITY,  
38 AS MAY BE DETERMINED BY THE CORPORATION.  
39
- 40 2) THE LIKELY AMOUNT OF ANY SUCH LOSS, AND  
41 3) THE TARGET LEVEL OF THE DEPOSIT INSURANCE FUND.  
42
- 43 (w) THE TERM "STATEMENT OF AFFAIRS" OR "SOA" SHALL REFER TO A  
44 REPORT OF FINANCIAL CONDITION OF THE CLOSED BANK AT A GIVEN  
45 DATE, SHOWING THE: 1) ESTIMATED REALIZABLE VALUE OF ASSETS; 2)  
46 CLASSIFICATION OF CREDITS; AND 3) ESTIMATED LIABILITIES TO BE  
47 SETTLED.  
48
- 49 (x) THE TERM "SURPLUS DIVIDENDS" SHALL REFER TO THE REMAINING  
50 ASSETS OF THE CLOSED BANK AFTER SATISFACTION IN FULL OF ALL THE  
51 LIQUIDATION COSTS, FEES AND EXPENSES, AND VALID CLAIMS. THE  
52 SURPLUS DIVIDENDS SHALL BE COMPUTED AT THE LEGAL RATE OF

1 INTEREST FROM THE DATE OF TAKEOVER TO CUT-OFF DATE OF THE  
2 DISTRIBUTION PLAN, AND SHALL BE PAID, IN CASH OR IN KIND, TO  
3 CREDITORS OF THE CLOSED BANK IN ACCORDANCE WITH THE RULES ON  
4 CONCURRENCE AND PREFERENCE OF CREDITS UNDER THE CIVIL CODE  
5 OR OTHER LAWS.

6  
7 (y) THE TERM "TAKEOVER" SHALL REFER TO THE ACT OF PHYSICALLY  
8 TAKING POSSESSION AND CONTROL OF THE PREMISES, ASSETS AND  
9 AFFAIRS OF A CLOSED BANK FOR THE PURPOSE OF LIQUIDATING THE  
10 BANK.

11  
12 (z) The term "transfer deposit" means a deposit in an insured bank  
13 made available to a depositor by the Corporation as payment of  
14 insured deposit of such depositor in a closed bank and assumed by  
15 another insured bank.

16  
17 (aa) The term "trust funds" means funds held by an insured bank in a  
18 fiduciary capacity and includes without being limited to, funds held as  
19 trustee, executor, administrator, guardian or agent.

20  
21 (bb) THE TERM "VALID CLAIM" REFERS TO THE CLAIM RECOGNIZED BY  
22 THE RECEIVER OR ALLOWED BY THE LIQUIDATION COURT.

23  
24 (cc) THE TERM "WINDING UP PERIOD" SHALL REFER TO THE PERIOD  
25 PROVIDED IN SECTION 17 OF THIS ACT.

26  
27 SECTION 8. Section 5 of the same Act is accordingly renumbered as Section 6, and is  
28 hereby amended to read as follows:

29  
30 DEPOSIT INSURANCE COVERAGE

31  
32 SECTION 6. The deposit liabilities of any bank or banking institution,  
33 which is engaged in the business of receiving deposits as herein  
34 defined on the effective date of this Act, or which thereafter may  
35 engage in the business of receiving deposits, shall be insured with the  
36 Corporation.

37  
38 THE CORPORATION MAY CONDUCT A PERIODIC INSURANCE RISK  
39 EVALUATION ON BANKS TO ENABLE IT TO ASSESS THE RISKS TO THE  
40 DEPOSIT INSURANCE FUND. SUCH EVALUATION MAY INCLUDE THE  
41 DETERMINATION OF THE (i) THE FAIR MARKET VALUE OF THE ASSETS AND  
42 LIABILITIES OF A BANK, OR (ii) THE RISK CLASSIFICATION OF A BANK, OR  
43 (iii) POSSIBLE RESOLUTION MODES, SUBJECT TO SUCH TERMS AND  
44 CONDITIONS AS THE PDIC BOARD MAY PRESCRIBE.

45  
46 BANKS OR BANKING INSTITUTIONS, THEIR OFFICERS AND EMPLOYEES ARE  
47 HEREBY MANDATED TO DISCLOSE AND REPORT TO THE CORPORATION,  
48 OR ITS DULY AUTHORIZED OFFICERS OR EMPLOYEES, THE BALANCES IN  
49 ALL DEPOSIT ACCOUNTS OF EACH DEPOSITOR TO ENABLE THE  
50 CORPORATION TO DETERMINE THE INSURED AND UNINSURED DEPOSITS.  
51

1 THE CORPORATION, ITS DULY AUTHORIZED OFFICERS OR EMPLOYEES,  
2 SHALL HAVE THE AUTHORITY TO EXAMINE, INQUIRE OR LOOK INTO THE  
3 DEPOSIT RECORDS PERTAINING TO THE INFORMATION DISCLOSED AND  
4 REPORTED UNDER THIS SECTION AND ALL INFORMATION RELATED  
5 THERETO.  
6

7 THE CORPORATION, ITS DULY AUTHORIZED OFFICERS OR EMPLOYEES,  
8 SHALL BE PROHIBITED FROM DISCLOSING INFORMATION OBTAINED  
9 UNDER THIS SECTION TO ANY PERSON, GOVERNMENT OFFICIAL, BUREAU  
10 OR OFFICE, EXCEPT UPON WRITTEN PERMISSION OF THE DEPOSITOR, OR  
11 IN CASES OF IMPEACHMENT, OR UPON ORDER OF A COMPETENT COURT  
12 IN CASES OF BRIBERY OR DERELICTION OF DUTY OF PUBLIC OFFICIALS,  
13 OR IN CASES WHERE THE MONEY DEPOSITED OR INVESTED IS THE SUBJECT  
14 MATTER OF THE LITIGATION, OR WHEN THE DISCLOSURE OF THE  
15 INFORMATION OBTAINED UNDER THIS SECTION IS NECESSARY FOR  
16 EXPEDITIOUS PAYMENT OF DEPOSIT INSURANCE OR THE PROTECTION OF  
17 THE DEPOSIT INSURANCE SYSTEM, OR TO CARRY OUT THE MANDATE OF  
18 THE CORPORATION AS A RESOLUTION AUTHORITY.  
19

20 ANY ACT DONE PURSUANT TO THIS SECTION SHALL NOT BE DEEMED TO  
21 HAVE VIOLATED REPUBLIC ACT NO. 1405, AS AMENDED, REPUBLIC ACT  
22 NO. 6426, AS AMENDED, REPUBLIC ACT NO. 8791, AND OTHER SIMILAR  
23 LAWS PROTECTING OR SAFEGUARDING THE SECRECY OR  
24 CONFIDENTIALITY OF BANK DEPOSITS.  
25

26 SECTION 9. Section 6 of the same Act is accordingly renumbered as Section 7.

27  
28 SECTION 10. Section 7 paragraph (a) of the same Act, as renumbered, is hereby  
29 amended to read as follows:  
30

31 "ASSESSMENT OF MEMBER BANKS  
32

33 SECTION 7. (a) The assessment rate shall be determined by the Board  
34 of Directors: *Provided*, That the assessment rate shall not exceed one-  
35 fifth (1/5) of one per centum (1%) per annum. The semi-annual  
36 assessment for each insured bank shall be in the amount of the  
37 product of one-half (1/2) the assessment rate multiplied by the  
38 assessment base but in no case shall it be less than Five thousand  
39 pesos (P5,000.00). The assessment base shall be the amount of the  
40 liability of the bank for deposits as defined under subsection (h) [(f)] of  
41 Section 5 [4] without any deduction for indebtedness of depositors:  
42 **PROVIDED, THAT, THE BOARD OF DIRECTORS MAY ESTABLISH AND**  
43 **IMPOSE A RISK-BASED ASSESSMENT SYSTEM FOR INSURED BANKS:**  
44 **PROVIDED, FURTHER, THAT THE RISK-BASED ASSESSMENT RATE SHALL NOT**  
45 **EXCEED TWO-FIFTH (2/5) OF ONE PER CENTUM (1%) PER ANNUM**  
46 **MULTIPLIED BY THE ASSESSMENT BASE.**  
47

48 The semi-annual assessment base for one semi-annual period shall be  
49 the average of the assessment base of the bank as of the close of  
50 business on March thirty-one and June thirty and the semi-annual  
51 assessment base for the other semi-annual period shall be the average  
52 of the assessment base of the bank as of the close of business on

1 September thirty and December thirty-one: *Provided*, That when any  
2 of said days is a non-business day or legal holiday, either national or  
3 provincial, the preceding business day shall be used. The certified  
4 statements required to be filed with the Corporation under subsections  
5 (b) and (c) of this Section shall be in such form and set forth such  
6 supporting information as the Board of Directors shall prescribe. The  
7 assessment payments required from the insured banks under  
8 subsections (b) and (c) of this Section shall be made in such manner  
9 and at such time or times as the Board of Directors shall prescribe[,  
10 provided the time or times so prescribed shall not be later than sixty  
11 (60) days after filing the certified statement setting forth the amount of  
12 assessment]."

13  
14 SECTION 11. Section 7, paragraphs (d) and (h), of the same Act, as renumbered, is  
15 hereby amended to read as follows:

16  
17 "(d) All assessment collections and income from operations after  
18 expenses and charges shall be added to the Deposit Insurance Fund  
19 under Section 18 [13] hereof. Such expenses and charges are: (1) the  
20 operating costs and expenses of the Corporation for the calendar  
21 year; (2) additions to reserve to provide for insurance and financial  
22 assistance losses, net of recoverable amounts from applicable assets  
23 and collaterals, during the calendar year; and (3) the net insurance  
24 and financial assistance losses sustained in said calendar year.

25  
26 (h) [The Corporation shall not terminate the insured status of any bank  
27 which continues to operate or receive deposits.] Should any insured  
28 bank fail or refuse to pay any assessment required to be paid by such  
29 bank under any provision of this Act, and should the bank not correct  
30 such failure or refusal within thirty (30) days after written notice has  
31 been given by the Corporation to an officer of the bank citing this  
32 subsection, and stating that the bank has failed or refused to pay as  
33 required by the law, the Corporation may, at its discretion, file a case  
34 for collection before the appropriate court without prejudice to the  
35 imposition of administrative sanctions allowed under the provisions of  
36 this Law on the bank officials responsible for the non-payment of  
37 assessment fees."

38  
39 SECTION 12. An additional paragraph to Section 7 of the same Act, as renumbered,  
40 is hereby inserted after paragraph (h) which shall read as follows:

41  
42 **"(I) THE CORPORATION SHALL HAVE THE AUTHORITY TO COLLECT A**  
43 **SPECIAL ASSESSMENT FROM ANY MEMBER BANK AND PRESCRIBE THE**  
44 **TERMS AND CONDITIONS THEREOF TO MAINTAIN THE TARGET LEVEL OF**  
45 **THE DEPOSIT INSURANCE FUND SET BY THE BOARD OF DIRECTORS IN**  
46 **ACCORDANCE WITH THIS ACT: PROVIDED, THAT, THE COLLECTION OF A**  
47 **SPECIAL ASSESSMENT MAY LIKEWISE BE MADE FOR THE PURPOSE OF**  
48 **REIMBURSING THE NATIONAL GOVERNMENT FOR ANY FINANCIAL**  
49 **ASSISTANCE IT MAY HAVE EXTENDED TO AFFECTED INSTITUTIONS OR**  
50 **ORGANIZATIONS DURING A SYSTEMIC SCENARIO."**  
51

SECTION 13. Section 7 of the same Act is accordingly renumbered as Section 8, and is hereby amended to read as follows:

"SANCTIONS AGAINST UNSAFE AND  
UNSOUND BANKING PRACTICES

SECTION 8. (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 **27 (g)** [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.

(b) The actions and proceedings provided in the preceding subsections 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.

**(c) THE CORPORATION MAY TERMINATE THE INSURED STATUS OF ANY BANK THAT FAILS OR REFUSES TO COMPLY, WITHIN THIRTY (30) DAYS FROM NOTICE, WITH ANY CEASE-AND-DESIST ORDER ISSUED BY THE CORPORATION, OR WITH ANY CORRECTIVE ACTION IMPOSED BY THE MONETARY BOARD, UNDER THIS SECTION PERTAINING TO A DEPOSIT-RELATED UNSAFE AND/OR UNSOUND BANKING PRACTICE.**

**SUCH TERMINATION SHALL BE FINAL AND EXECUTORY, AND SHALL BE EFFECTIVE UPON PUBLICATION OF THE NOTICE OF TERMINATION IN A NEWSPAPER OF GENERAL CIRCULATION.**

**THE DEPOSITS OF EACH DEPOSITOR IN THE BANK ON THE EFFECTIVE DATE OF THE TERMINATION OF INSURANCE COVERAGE, LESS ALL SUBSEQUENT WITHDRAWALS, SHALL CONTINUE TO BE INSURED UP TO THE MAXIMUM**

1 DEPOSIT INSURANCE COVERAGE FOR A PERIOD OF ONE HUNDRED  
2 EIGHTY (180) DAYS. ADDITIONS TO, OR RENEWAL OF, EXISTING DEPOSITS  
3 AND NEW DEPOSITS IN SUCH BANK AFTER THE EFFECTIVE DATE OF  
4 TERMINATION OF INSURED STATUS OF THE BANK SHALL NOT BE INSURED  
5 BY THE CORPORATION.

6  
7 THE BANK SHALL IMMEDIATELY GIVE WRITTEN NOTICE OF SUCH  
8 TERMINATION AND THE INTERIM DEPOSIT INSURANCE COVERAGE TO  
9 EACH OF ITS DEPOSITORS AT THEIR ADDRESS AS RECORDED IN THE  
10 BOOKS OF THE BANK.

11  
12 THE BANK SHALL NOT ADVERTISE OR REPRESENT THAT ADDITIONS TO, OR  
13 RENEWAL OF, EXISTING DEPOSITS AND NEW DEPOSITS MADE AFTER THE  
14 EFFECTIVE DATE OF TERMINATION ARE COVERED BY DEPOSIT  
15 INSURANCE."

16  
17 SECTION 14. Section 8 of the same Act is accordingly renumbered as Section 9.

18  
19 SECTION 15. Section 9, paragraph Twelfth of the same Act, as renumbered , is  
20 hereby amended to read as follows:

21  
22 "Twelfth - **THE PROVISIONS OF PRESIDENTIAL DECREE NO. 1445, AS**  
23 **AMENDED, EXECUTIVE ORDER NO. 292, AND OTHER SIMILAR LAWS**  
24 **NOTWITHSTANDING, [T]o compromise, condone or release, in whole or**  
25 **in part, any claim or settled liability to the Corporation, regardless of**  
26 **the amount involved, under such terms and conditions as may be**  
27 **imposed by the Board of Directors to protect the interest of the**  
28 **Corporation, AND TO WRITE OFF THE CORPORATION'S RECEIVABLES AND**  
29 **ASSETS WHICH ARE NO LONGER RECOVERABLE OR REALIZABLE;"**

30  
31 SECTION 16. Section 9 of the same Act, as renumbered, is further amended by  
32 inserting additional paragraphs after paragraph Twelve, which shall read as follows:

33  
34 **"THIRTEENTH - TO DETERMINE QUALIFIED INTERESTED ACQUIRERS**  
35 **OR INVESTORS FOR ANY OF THE MODES OF RESOLUTION OR**  
36 **LIQUIDATION OF BANKS;**

37  
38 **FOURTEENTH - TO DETERMINE THE APPROPRIATE RESOLUTION**  
39 **METHOD AND TO IMPLEMENT THE SAME FOR A BANK SUBJECT OF**  
40 **RESOLUTION;**

41  
42 **FIFTEENTH - TO DETERMINE THE APPROPRIATE MODE OF**  
43 **LIQUIDATION OF A CLOSED BANK AND TO IMPLEMENT THE SAME;**

44  
45 **SIXTEENTH - TO ESTABLISH A BRIDGE BANK FOR THE PURPOSE OF**  
46 **FACILITATING THE LIQUIDATION OF A CLOSED BANK AND FOR THIS**  
47 **PURPOSE, MAKE ADVANCES TO THE BRIDGE BANK FOR PAYMENT OF**  
48 **INSURED DEPOSITS ASSUMED BY THE BRIDGE BANK AND FOR THE**  
49 **OPERATIONS OF THE BRIDGE BANK, UPON SUCH TERMS AND**  
50 **CONDITIONS AND IN SUCH FORM AND AMOUNTS AS THE PDIC BOARD**  
51 **MAY PRESCRIBE: PROVIDED, THAT, SUCH ADVANCES FOR INSURED**  
52 **DEPOSITS SHALL TAKE THE NATURE OF A SUBROGATED CLAIM AS**

1 PROVIDED UNDER SECTION 21 OF THIS ACT: *PROVIDED, FURTHER, THAT,*  
2 ADVANCES FOR OPERATIONS SHALL BE PAID IMMEDIATELY BY THE  
3 BRIDGE BANK AS SOON AS IT IS ABLE TO GENERATE SUFFICIENT FUNDS:  
4 *PROVIDED, FINALLY, THAT,* IN THE EVENT THAT THE BRIDGE BANK IS  
5 TERMINATED PURSUANT TO PARAGRAPHS (i)(4) AND (i)(5) OF SECTION 16  
6 OF THIS ACT, THE ADVANCES FOR OPERATIONS SHALL PARTAKE OF THE  
7 NATURE OF LIQUIDATION EXPENSES."  
8

9 SECTION 17. Section 9 of the same Act is accordingly renumbered as Section 10.

10  
11 SECTION 18. Section 10 paragraph (b-1) of the same Act, as renumbered, is hereby  
12 amended to read as follows:  
13

14 "(b-1) The investigators appointed by the Board of Directors shall have  
15 the power on behalf of the Corporation to conduct investigations on  
16 frauds, irregularities and anomalies committed in banks, based on  
17 reports of examination conducted by the Corporation and *Bangko*  
18 *Sentral ng Pilipinas* or complaints from depositors or from other  
19 government agency. Each such investigator shall have the power to  
20 administer oaths, and to examine and take and preserve the  
21 testimony of any person relating to the subject of investigation. **FOR**  
22 **THIS PURPOSE, THE CORPORATION MAY APPOINT OR HIRE PERSONS OR**  
23 **ENTITIES OF RECOGNIZED COMPETENCE IN FORENSIC AND FRAUD**  
24 **INVESTIGATIONS AS ITS AGENTS."**  
25

26 SECTION 19. Section 10 paragraph (c) of the same Act, as renumbered, is hereby  
27 amended to read as follows:  
28

29 "(c) Each insured bank shall make to the Corporation reports of  
30 condition in such form and at such times as the Board of Directors may  
31 require such reports to be published in such manner, not inconsistent  
32 with any applicable law, as it may direct. Every such bank which fails  
33 to make or publish any such report within such time, as the Board of  
34 Directors may require, shall be subject to a penalty of not more than  
35 **P10,000 [P100]** for each day of such failure recoverable by the  
36 Corporation for its use."  
37

38 SECTION 20. Section 10 paragraph (d-1) of the same Act, as renumbered herein, is  
39 hereby amended to read as follows:  
40

41 "(d-1) Each insured bank shall keep and maintain a true and accurate  
42 record or statement of its daily deposit transactions consistent with the  
43 standards set by the *Bangko Sentral ng Pilipinas* and the Corporation.  
44 Compliance with such standards shall be duly certified by the  
45 president of the bank [or] **AND** the compliance officer: *Provided, That*  
46 refusal or willful failure to issue the required certification shall constitute  
47 a violation of this Section and shall subject such officers of the bank to  
48 the sanctions provided for under Section **27 [21]** (f) of this Act."  
49

50 SECTION 21. Section 10 paragraph (f) of the same Act, as renumbered, is hereby  
51 amended to read as follows:  
52

"(f) The Corporation shall underwrite or advance **ALL LEGAL** [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."

SECTION 22. The second paragraph of Section 10 paragraph (i) of the same Act, as renumbered, is hereby amended to read as follows:

"(i) Notwithstanding the provisions of this Section and Section 3 [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."

SECTION 23. A new section entitled Section 11 of the same Act is hereby inserted between Sections 10 and 12 which shall read as follows:

## "BANK RESOLUTION

SECTION 11. (a) THE CORPORATION, IN COORDINATION WITH THE BANGKO SENTRAL, MAY COMMENCE THE RESOLUTION OF A BANK UNDER THIS SECTION UPON:

- 1) FAILURE OF PROMPT CORRECTIVE ACTION AS DECLARED BY THE MONETARY BOARD; OR
- 2) REQUEST BY A BANK TO BE PLACED UNDER RESOLUTION.

THE CORPORATION SHALL INFORM THE BANK OF ITS ELIGIBILITY FOR ENTRY INTO RESOLUTION.

(b) THE BANGKO SENTRAL SHALL INFORM THE CORPORATION OF THE INITIATION OF PROMPT CORRECTIVE ACTION ON ANY BANK AND SHALL BE AUTHORIZED TO SHARE WITH THE CORPORATION ALL INFORMATION.

1 AGREEMENTS OR DOCUMENTS, INCLUDING ANY ORDER OF THE  
2 MONETARY BOARD, IN RELATION TO THE PROMPT CORRECTIVE ACTION.  
3 THE CORPORATION SHALL HAVE THE AUTHORITY TO INQUIRE AND  
4 MONITOR THE STATUS OF BANKS UNDER PROMPT CORRECTIVE ACTION.

5  
6 (c) THE STOCKHOLDERS, DIRECTORS, OFFICERS OR EMPLOYEES OF THE  
7 BANK SHALL HAVE THE FOLLOWING OBLIGATIONS:

- 8  
9 1) ENSURE BANK COMPLIANCE WITH TERMS AND CONDITIONS  
10 PRESCRIBED BY THE CORPORATION FOR THE RESOLUTION OF THE  
11 BANK;  
12 2) CAUSE THE ENGAGEMENT, WITH THE CONSENT OF THE  
13 CORPORATION, OF AN INDEPENDENT APPRAISER OR AUDITOR  
14 FOR THE PURPOSE OF DETERMINING THE VALUATION OF THE BANK  
15 CONSISTENT WITH GENERALLY ACCEPTED VALUATION  
16 STANDARDS;  
17 3) ENSURE PRUDENT MANAGEMENT AND ADMINISTRATION OF THE  
18 BANK'S ASSETS, LIABILITIES AND RECORDS;  
19 4) COOPERATE WITH THE CORPORATION IN THE CONDUCT OR  
20 EXERCISE OF ANY OR ALL OF ITS AUTHORITIES UNDER THIS ACT  
21 AND HONOR IN GOOD FAITH ITS COMMITMENT OR  
22 UNDERTAKING WITH THE CORPORATION ON THE RESOLUTION OF  
23 THE BANK.  
24

25 (d) WITHIN A PERIOD OF ONE HUNDRED EIGHTY (180) DAYS FROM A  
26 BANK'S ENTRY INTO RESOLUTION, THE CORPORATION, THROUGH THE  
27 AFFIRMATIVE VOTE OF AT LEAST FIVE MEMBERS OF THE PDIC BOARD,  
28 SHALL DETERMINE WHETHER THE BANK MAY BE RESOLVED THROUGH THE  
29 PURCHASE OF ALL ITS ASSETS AND ASSUMPTION OF ALL ITS LIABILITIES,  
30 OR MERGER OR CONSOLIDATION WITH, OR ITS ACQUISITION, BY A  
31 QUALIFIED INVESTOR.  
32

33 FOR THIS PURPOSE, THE CORPORATION MAY:

- 34  
35 1) DETERMINE A RESOLUTION PACKAGE FOR THE BANK;  
36 2) IDENTIFY AND, WITH THE APPROVAL OF THE MONETARY BOARD,  
37 PRE-QUALIFY POSSIBLE ACQUIRERS OR INVESTORS;  
38 3) AUTHORIZE PRE-QUALIFIED ACQUIRERS OR INVESTORS TO  
39 CONDUCT DUE DILIGENCE ON THE BANK;  
40 4) CONDUCT A BIDDING TO DETERMINE THE ACQUIRER OF THE  
41 BANK.  
42

43 (e) IN DETERMINING THE APPROPRIATE RESOLUTION METHOD FOR A  
44 BANK, THE CORPORATION SHALL CONSIDER THE:

- 45  
46 1) FAIR MARKET VALUE OF THE ASSETS OF THE BANK, ITS FRANCHISE,  
47 AS WELL AS THE AMOUNT OF ITS LIABILITIES;  
48 2) AVAILABILITY OF A QUALIFIED INVESTOR;  
49 3) LEAST COST TO THE DEPOSIT INSURANCE FUND;  
50 4) INTEREST OF THE DEPOSITING PUBLIC.  
51

1 (f) THE CORPORATION MAY APPOINT OR HIRE PERSONS OR ENTITIES OF  
2 RECOGNIZED COMPETENCE IN BANKING, FINANCE, ASSET  
3 MANAGEMENT OR REMEDIAL MANAGEMENT, AS ITS AGENTS, TO  
4 PERFORM SUCH POWERS AND FUNCTIONS OF THE CORPORATION IN THE  
5 RESOLUTION OF A BANK, OR ASSIST IN THE PERFORMANCE THEREOF.

6  
7 (g) THE PDIC BOARD SHALL PRESCRIBE THE GUIDELINES OR CRITERIA FOR  
8 A BANK TO BE PLACED UNDER RESOLUTION.

9  
10 (h) UPON A DETERMINATION BY THE CORPORATION THAT THE BANK MAY  
11 NOT BE RESOLVED, THE MONETARY BOARD MAY ACT IN ACCORDANCE  
12 WITH SECTION 30 OF REPUBLIC ACT NO. 7653, AS AMENDED.

13  
14 (i) BANK RESOLUTION INVOLVING THE PURCHASE OF ALL ASSETS AND  
15 ASSUMPTION OF ALL LIABILITIES OF A BANK SHALL BE EXEMPT FROM THE  
16 PROVISIONS OF ACT NO. 3952, OTHERWISE KNOWN AS THE BULK SALES  
17 LAW.

18  
19 (j) THE PROVISIONS OF THIS SECTION ARE WITHOUT PREJUDICE TO ANY  
20 ACTION THAT THE MONETARY BOARD MAY TAKE UNDER EXISTING  
21 LAWS."

22  
23 SECTION 24. Sections 10, 11 and 12 of the same Act are hereby deleted.

24  
25 SECTION 25. A new section entitled Section 12 of the same Act is hereby inserted  
26 between Sections 11 and 13 which shall read as follows:

27  
28 "LIQUIDATION OF A CLOSED BANK

29  
30 SECTION 12. (a) WHENEVER A BANK IS ORDERED CLOSED BY THE  
31 MONETARY BOARD, THE CORPORATION SHALL BE DESIGNATED AS  
32 RECEIVER AND IT SHALL PROCEED WITH THE TAKEOVER AND  
33 LIQUIDATION OF THE CLOSED BANK. FOR THIS PURPOSE, THE FOLLOWING  
34 CLAUSE IN SECTION 30 OF REPUBLIC ACT NO. 7653, AS AMENDED, SHALL  
35 NOT BE APPLICABLE TO BANKS:

36  
37 'THE RECEIVER SHALL DETERMINE, AS SOON AS POSSIBLE,  
38 BUT NOT LATER THAN NINETY (90) DAYS FROM TAKE-OVER,  
39 WHETHER THE INSTITUTION MAY BE REHABILITATED OR  
40 OTHERWISE PLACED IN SUCH A CONDITION SO THAT IT  
41 MAY BE PERMITTED TO RESUME BUSINESS WITH SAFETY TO  
42 ITS DEPOSITORS AND CREDITORS AND THE GENERAL  
43 PUBLIC: PROVIDED, THAT ANY DETERMINATION FOR THE  
44 RESUMPTION OF BUSINESS OF THE INSTITUTION SHALL BE  
45 SUBJECT TO PRIOR APPROVAL OF THE MONETARY  
46 BOARD.'

47  
48 SECTION 26. A new section entitled Section 13 of the same Act is hereby inserted  
49 between Sections 12 and 14 which shall read as follows:

50  
51 "AUTHORITIES OF A RECEIVER AND EFFECTS OF PLACEMENT OF A BANK  
52 UNDER LIQUIDATION

1  
2 SECTION 13. (a) THE RECEIVER IS AUTHORIZED TO ADOPT AND  
3 IMPLEMENT, WITHOUT NEED OF CONSENT OF THE STOCKHOLDERS,  
4 BOARD OF DIRECTORS, CREDITORS OR DEPOSITORS OF THE CLOSED  
5 BANK, ANY OR A COMBINATION OF THE FOLLOWING MODES OF  
6 LIQUIDATION:  
7

- 8 1) CONVENTIONAL LIQUIDATION  
9 2) PURCHASE OF ASSETS AND/OR ASSUMPTION OF LIABILITIES  
10 3) BRIDGE BANK  
11

12 (b) IN ADDITION TO THE POWERS OF A RECEIVER PROVIDED UNDER  
13 EXISTING LAWS, THE CORPORATION, AS RECEIVER OF A CLOSED BANK,  
14 IS EMPOWERED TO:  
15

- 16 1) REPRESENT AND ACT FOR AND IN BEHALF OF THE CLOSED BANK;  
17  
18 2) GATHER AND TAKE CHARGE OF ALL THE ASSETS, RECORDS AND  
19 AFFAIRS OF THE CLOSED BANK, AND ADMINISTER THE SAME FOR  
20 THE BENEFIT OF ITS CREDITORS;  
21  
22 3) CONVERT THE ASSETS OF THE CLOSED BANK TO CASH OR OTHER  
23 FORMS OF LIQUID ASSETS, AS FAR AS PRACTICABLE;  
24  
25 4) BRING SUITS TO ENFORCE LIABILITIES OF THE DIRECTORS,  
26 OFFICERS, EMPLOYEES, AGENTS OF THE CLOSED BANK AND  
27 OTHER ENTITIES RELATED OR CONNECTED TO THE CLOSED BANK  
28 OR TO COLLECT, RECOVER, AND PRESERVE ALL ASSETS,  
29 INCLUDING ASSETS OVER WHICH THE BANK HAS EQUITABLE  
30 INTEREST;  
31  
32 5) APPOINT OR HIRE PERSONS OR ENTITIES OF RECOGNIZED  
33 COMPETENCE IN BANKING, FINANCE, ASSET MANAGEMENT OR  
34 REMEDIAL MANAGEMENT, AS ITS DEPUTIES, ASSISTANTS OR  
35 AGENTS, TO PERFORM SUCH POWERS AND FUNCTIONS OF THE  
36 CORPORATION AS RECEIVER OF THE CLOSED BANK, OR ASSIST IN  
37 THE PERFORMANCE THEREOF;  
38  
39 6) PAY ACCRUED UTILITIES, RENTALS AND SALARIES OF PERSONNEL  
40 OF THE CLOSED BANK FOR A PERIOD NOT EXCEEDING THREE (3)  
41 MONTHS, FROM AVAILABLE FUNDS OF THE CLOSED BANK;  
42  
43 7) COLLECT LOANS AND OTHER CLAIMS OF THE CLOSED BANK AND  
44 FOR THIS PURPOSE, MODIFY, COMPROMISE OR RESTRUCTURE THE  
45 TERMS AND CONDITIONS OF SUCH LOANS OR CLAIMS AS MAY BE  
46 DEEMED ADVANTAGEOUS TO THE INTERESTS OF THE CREDITORS  
47 OF THE CLOSED BANK;  
48  
49 8) HIRE OR RETAIN PRIVATE COUNSEL AS MAY BE NECESSARY;  
50  
51 9) BORROW OR OBTAIN A LOAN, OR MORTGAGE, PLEDGE OR  
52 ENCUMBER ANY ASSET OF THE CLOSED BANK, WHEN NECESSARY

1 TO PRESERVE OR PREVENT DISSIPATION OF THE ASSETS, OR TO  
2 REDEEM FORECLOSED ASSETS OF THE CLOSED BANK, OR TO  
3 MINIMIZE LOSSES TO ITS DEPOSITORS AND CREDITORS;  
4

5 10) IF THE STIPULATED INTEREST RATE ON DEPOSITS IS UNUSUALLY HIGH  
6 COMPARED WITH PREVAILING APPLICABLE INTEREST RATES, THE  
7 CORPORATION AS RECEIVER, MAY EXERCISE SUCH POWERS  
8 WHICH MAY INCLUDE A REDUCTION OF THE INTEREST RATE TO A  
9 REASONABLE RATE: *PROVIDED*, THAT ANY MODIFICATIONS OR  
10 REDUCTIONS SHALL APPLY ONLY TO EARNED AND UNPAID  
11 INTEREST;  
12

13 11) UTILIZE AVAILABLE FUNDS OF THE BANK, INCLUDING FUNDS  
14 GENERATED BY THE RECEIVER FROM THE CONVERSION OF ASSETS  
15 TO PAY FOR REASONABLE COSTS AND EXPENSES INCURRED FOR  
16 THE PRESERVATION OF THE ASSETS, AND LIQUIDATION OF, THE  
17 CLOSED BANK, WITHOUT NEED FOR APPROVAL OF THE  
18 LIQUIDATION COURT;  
19

20 FOR BANKS WITH INSUFFICIENT FUNDS, THE CORPORATION IS  
21 AUTHORIZED TO ADVANCE THE FOREGOING COSTS AND  
22 EXPENSES, AND COLLECT PAYMENT, AS AND WHEN FUNDS  
23 BECOME AVAILABLE.  
24

25 12) CHARGE REASONABLE FEES FOR THE LIQUIDATION OF THE BANK  
26 FROM THE ASSETS OF THE BANK: *PROVIDED THAT*, PAYMENT OF  
27 THESE FEES, INCLUDING ANY UNPAID ADVANCES UNDER THE  
28 IMMEDIATELY PRECEDING PARAGRAPH, SHALL BE SUBJECT TO  
29 APPROVAL BY THE LIQUIDATION COURT;  
30

31 13) DISTRIBUTE THE AVAILABLE ASSETS OF THE CLOSED BANK, IN CASH  
32 OR IN KIND, TO ITS CREDITORS IN ACCORDANCE WITH THE RULES  
33 ON CONCURRENCE AND PREFERENCE OF CREDITS UNDER THE  
34 CIVIL CODE OR OTHER LAWS;  
35

36 14) DISPOSE RECORDS OF THE CLOSED BANK THAT ARE NO LONGER  
37 NEEDED IN THE LIQUIDATION, NOTWITHSTANDING THE LAWS ON  
38 ARCHIVAL PERIOD AND DISPOSAL OF RECORDS;  
39

40 15) EXERCISE SUCH OTHER POWERS AS ARE INHERENT AND  
41 NECESSARY FOR THE EFFECTIVE DISCHARGE OF THE DUTIES OF THE  
42 CORPORATION AS RECEIVER.  
43

44 THE BOARD OF DIRECTORS SHALL ADOPT SUCH POLICIES AND  
45 GUIDELINES AS MAY BE NECESSARY FOR THE PERFORMANCE OF THE  
46 ABOVE POWERS BY PERSONNEL, DEPUTIES, ASSISTANTS AND AGENTS OF  
47 THE CORPORATION.  
48

49 (c) AFTER THE PAYMENT OF ALL LIABILITIES AND CLAIMS AGAINST THE  
50 CLOSED BANK OF ALL ITS CREDITORS, THE CORPORATION SHALL PAY  
51 ANY SURPLUS DIVIDENDS AT THE LEGAL RATE OF INTEREST FROM DATE OF  
52 TAKEOVER TO DATE OF DISTRIBUTION TO CREDITORS AND CLAIMANTS OF

1 THE CLOSED BANK IN ACCORDANCE WITH THE RULES ON  
2 CONCURRENCE AND PREFERENCE OF CREDITS UNDER THE CIVIL CODE  
3 OR OTHER LAWS BEFORE DISTRIBUTION TO THE SHAREHOLDERS OF THE  
4 CLOSED BANK.

5  
6 (d) THE OFFICERS, EMPLOYEES, DEPUTIES, ASSISTANTS AND AGENTS OF  
7 THE RECEIVER SHALL HAVE NO LIABILITY AND SHALL NOT BE SUBJECT TO  
8 ANY ACTION, CLAIM OR DEMAND IN CONNECTION WITH ANY ACT  
9 DONE OR OMITTED TO BE DONE BY THEM IN GOOD FAITH IN  
10 CONNECTION WITH THE EXERCISE OF THEIR POWERS AND FUNCTIONS  
11 UNDER THIS ACT AND OTHER APPLICABLE LAWS, OR OTHER ACTIONS  
12 DULY APPROVED BY THE COURT.

13  
14 (e) THE PLACEMENT OF A BANK UNDER LIQUIDATION SHALL HAVE THE  
15 FOLLOWING EFFECTS:

16  
17 1) ON THE CORPORATE FRANCHISE OR EXISTENCE

18  
19 UPON PLACEMENT BY THE MONETARY BOARD OF A BANK UNDER  
20 LIQUIDATION, IT SHALL CONTINUE AS A BODY CORPORATE UNTIL  
21 THE TERMINATION OF THE WINDING UP PERIOD UNDER SECTION  
22 17 OF THIS ACT. SUCH CONTINUATION AS A BODY CORPORATE  
23 SHALL ONLY BE FOR THE PURPOSE OF LIQUIDATING, SETTLING AND  
24 CLOSING ITS AFFAIRS AND FOR THE DISPOSAL, CONVEYANCE OR  
25 DISTRIBUTION OF ITS ASSETS PURSUANT TO THIS ACT. THE RECEIVER  
26 SHALL REPRESENT THE CLOSED BANK IN ALL CASES BY OR  
27 AGAINST THE CLOSED BANK AND PROSECUTE AND DEFEND SUITS  
28 BY OR AGAINST IT. IN NO CASE SHALL THE BANK BE REOPENED  
29 AND PERMITTED TO RESUME BANKING BUSINESS AFTER BEING  
30 PLACED UNDER LIQUIDATION.

31  
32 2) ON THE POWERS AND FUNCTIONS OF ITS DIRECTORS,  
33 OFFICERS AND STOCKHOLDERS

34  
35 THE POWERS, VOTING RIGHTS, FUNCTIONS AND DUTIES, AS WELL  
36 AS THE ALLOWANCES, REMUNERATION AND PERQUISITES OF THE  
37 DIRECTORS, OFFICERS, AND STOCKHOLDERS OF SUCH BANK ARE  
38 TERMINATED UPON ITS CLOSURE. ACCORDINGLY, THE  
39 DIRECTORS, OFFICERS, AND STOCKHOLDERS SHALL BE BARRED  
40 FROM INTERFERING IN ANY WAY WITH THE ASSETS, RECORDS, AND  
41 AFFAIRS OF THE BANK.

42  
43 THE RECEIVER SHALL EXERCISE ALL AUTHORITIES AS MAY BE  
44 REQUIRED TO FACILITATE THE LIQUIDATION OF THE CLOSED BANK  
45 FOR THE BENEFIT OF ALL ITS CREDITORS.

46  
47 3) ON THE ASSETS

48  
49 UPON SERVICE OF NOTICE OF CLOSURE AS PROVIDED IN SECTION  
50 14 OF THIS ACT, ALL THE ASSETS OF THE CLOSED BANK SHALL BE  
51 DEEMED IN *CUSTODIA LEGIS* IN THE HANDS OF THE RECEIVER AND  
52 AS SUCH THESE ASSETS MAY NOT BE SUBJECT TO ATTACHMENT,

1 GARNISHMENT, EXECUTION, LEVY OR ANY OTHER COURT  
2 PROCESSES. A JUDGE, OFFICER OF THE COURT OR ANY PERSON  
3 WHO SHALL ISSUE, ORDER, PROCESS OR CAUSE THE ISSUANCE OR  
4 IMPLEMENTATION OF THE WRIT OF GARNISHMENT, LEVY,  
5 ATTACHMENT OR EXECUTION, SHALL BE LIABLE UNDER SECTION 28  
6 OF THIS ACT.  
7

8 ANY PRELIMINARY ATTACHMENT OR GARNISHMENT ON ANY OF  
9 THE ASSETS OF THE CLOSED BANK EXISTING AT THE TIME OF  
10 CLOSURE SHALL NOT GIVE ANY PREFERENCE TO THE ATTACHING  
11 OR GARNISHING PARTY. UPON MOTION OF THE RECEIVER, THE  
12 PRELIMINARY ATTACHMENT OR GARNISHMENT SHALL BE LIFTED  
13 AND/OR DISCHARGED.  
14

#### 15 4) ON LABOR RELATIONS

16  
17 NOTWITHSTANDING THE PROVISIONS OF THE LABOR CODE, THE  
18 EMPLOYER-EMPLOYEE RELATIONSHIP BETWEEN THE CLOSED BANK  
19 AND ITS EMPLOYEES SHALL BE DEEMED TERMINATED UPON  
20 SERVICE OF THE NOTICE OF CLOSURE OF THE BANK IN  
21 ACCORDANCE WITH THIS ACT. PAYMENT OF SEPARATION PAY OR  
22 BENEFITS PROVIDED FOR BY LAW SHALL BE MADE FROM  
23 AVAILABLE ASSETS OF THE BANK[,] IN ACCORDANCE WITH THE  
24 RULES ON CONCURRENCE AND PREFERENCE OF CREDITS UNDER  
25 THE CIVIL CODE OR OTHER LAWS.  
26

#### 27 5) CONTRACTUAL OBLIGATIONS

28  
29 THE RECEIVER MAY CANCEL, TERMINATE, RESCIND OR REPUDIATE  
30 ANY CONTRACT OF THE CLOSED BANK THAT IS NOT NECESSARY  
31 FOR THE ORDERLY LIQUIDATION OF THE BANK, OR IS GROSSLY  
32 DISADVANTAGEOUS TO THE CLOSED BANK, OR FOR ANY  
33 GROUND PROVIDED BY LAW.  
34

#### 35 6) ON INTEREST PAYMENTS

36  
37 THE LIABILITY OF A BANK TO PAY INTEREST ON DEPOSITS AND ALL  
38 OTHER OBLIGATIONS AS OF CLOSURE SHALL CEASE UPON ITS  
39 CLOSURE BY THE MONETARY BOARD: *PROVIDED, THAT,* THE  
40 RECEIVER SHALL HAVE THE AUTHORITY, WITHOUT NEED FOR  
41 APPROVAL OF THE LIQUIDATION COURT, TO ASSIGN, AS PAYMENT  
42 TO SECURED CREDITORS, THE BANK ASSETS SERVING AS  
43 COLLATERALS TO THEIR RESPECTIVE LOANS UP TO THE EXTENT OF  
44 THE OUTSTANDING OBLIGATIONS, INCLUDING INTEREST AS OF  
45 DATE OF CLOSURE OF THE BANK, AS VALIDATED BY THE RECEIVER.  
46 THE VALUATION OF THE ASSET SHALL BE BASED ON THE  
47 PREVAILING MARKET VALUE OF THE COLLATERALS AS APPRAISED  
48 BY AN INDEPENDENT APPRAISER ON AN "AS IS WHERE IS" BASIS.  
49

#### 50 7) LIABILITY FOR PENALTIES AND SURCHARGES FOR LATE 51 PAYMENT AND NON-PAYMENT OF TAXES 52

1 FROM THE TIME OF CLOSURE, THE CLOSED BANK SHALL NOT BE  
2 LIABLE FOR THE PAYMENT OF PENALTIES AND SURCHARGES  
3 ARISING FROM THE LATE PAYMENT OR NONPAYMENT OF REAL  
4 PROPERTY TAX, CAPITAL GAINS TAX, TRANSFER TAX AND SIMILAR  
5 CHARGES.

6  
7 8) BANK CHARGES AND FEES ON SERVICES

8  
9 THE RECEIVER MAY IMPOSE, ON BEHALF OF THE CLOSED BANK,  
10 CHARGES AND FEES FOR SERVICES RENDERED AFTER BANK  
11 CLOSURE, SUCH AS, BUT NOT LIMITED TO, THE EXECUTION OF  
12 PERTINENT DEEDS AND CERTIFICATIONS.

13  
14 9) ACTIONS PENDING FOR OR AGAINST THE CLOSED BANK

15  
16 EXCEPT FOR ACTIONS PENDING BEFORE THE SUPREME COURT,  
17 ACTIONS PENDING FOR OR AGAINST THE CLOSED BANK IN ANY  
18 COURT OR QUASI-JUDICIAL BODY SHALL, UPON MOTION OF THE  
19 RECEIVER, BE SUSPENDED FOR A PERIOD NOT EXCEEDING ONE  
20 HUNDRED EIGHTY (180) DAYS AND REFERRED TO MANDATORY  
21 MEDIATION. UPON TERMINATION OF THE MEDIATION, THE CASE  
22 SHALL BE REFERRED BACK TO THE COURT OR QUASI-JUDICIAL  
23 BODY FOR FURTHER PROCEEDINGS.

24  
25 10) FINAL DECISIONS AGAINST THE CLOSED BANK

26  
27 THE EXECUTION AND ENFORCEMENT OF A FINAL DECISION OF A  
28 COURT OTHER THAN THE LIQUIDATION COURT AGAINST THE  
29 ASSETS OF A CLOSED BANK SHALL BE STAYED. THE PREVAILING  
30 PARTY SHALL FILE THE FINAL DECISION AS A CLAIM WITH THE  
31 LIQUIDATION COURT AND SETTLED IN ACCORDANCE WITH THE  
32 RULES ON CONCURRENCE AND PREFERENCE OF CREDITS UNDER  
33 THE CIVIL CODE OR OTHER LAWS.

34  
35 11) DOCKET AND OTHER COURT FEES

36  
37 PAYMENT OF DOCKET AND OTHER COURT FEES RELATING TO ALL  
38 CASES OR ACTIONS FILED BY THE RECEIVER WITH ANY JUDICIAL  
39 OR QUASI-JUDICIAL BODIES SHALL BE DEFERRED UNTIL THE  
40 ACTION IS TERMINATED WITH FINALITY. ANY SUCH FEES SHALL  
41 CONSTITUTE AS A FIRST LIEN ON ANY JUDGMENT IN FAVOR OF  
42 THE CLOSED BANK OR IN CASE OF UNFAVORABLE JUDGMENT,  
43 SUCH FEES SHALL BE PAID AS LIQUIDATION COSTS AND EXPENSES  
44 DURING THE DISTRIBUTION OF THE ASSETS OF THE CLOSED BANK.

45  
46 12) ALL ASSETS, RECORDS, AND DOCUMENTS IN THE POSSESSION OF  
47 THE CLOSED BANK AT THE TIME OF ITS CLOSURE ARE PRESUMED  
48 HELD BY THE BANK IN THE CONCEPT OF AN OWNER.

49  
50 13) THE EXERCISE OF AUTHORITY, FUNCTIONS, AND DUTIES BY THE  
51 RECEIVER UNDER THIS ACT SHALL BE PRESUMED TO HAVE BEEN  
52 PERFORMED IN THE REGULAR COURSE OF BUSINESS.

1  
2 14) ASSETS AND DOCUMENTS OF THE CLOSED BANK SHALL RETAIN  
3 THEIR PRIVATE NATURE EVEN IF ADMINISTERED BY THE RECEIVER.  
4 MATTERS RELATING TO THE EXERCISE BY THE RECEIVER OF THE  
5 FUNCTIONS UNDER THIS ACT SHALL BE SUBJECT TO VISITORIAL  
6 AUDIT ONLY BY THE COMMISSION ON AUDIT.  
7

8 SECTION 27. A new section entitled Section 14 of the same Act is hereby inserted  
9 between Sections 13 and 15 which shall read as follows:  
10

11 "NOTICE OF CLOSURE AND TAKEOVER ACTIVITIES  
12

13 SECTION 14. (a) UPON THE DESIGNATION OF THE CORPORATION AS  
14 RECEIVER OF A CLOSED BANK, IT SHALL SERVE A NOTICE OF CLOSURE TO  
15 THE HIGHEST-RANKING OFFICER OF THE BANK PRESENT IN THE BANK  
16 PREMISES, OR IN THE ABSENCE OF SUCH OFFICER, POST THE NOTICE OF  
17 CLOSURE IN THE BANK PREMISES OR ON ITS MAIN ENTRANCE. THE  
18 CLOSURE OF THE BANK SHALL BE DEEMED EFFECTIVE UPON THE SERVICE  
19 OF THE NOTICE OF CLOSURE. THEREAFTER, THE RECEIVER SHALL  
20 TAKEOVER THE BANK AND EXERCISE THE POWERS OF THE RECEIVER AS  
21 PROVIDED IN THIS ACT.  
22

23 (b) THE RECEIVER SHALL HAVE AUTHORITY TO USE REASONABLE FORCE,  
24 INCLUDING THE AUTHORITY TO FORCE OPEN THE PREMISES OF THE BANK,  
25 AND EXERCISE SUCH ACTS NECESSARY TO TAKE ACTUAL PHYSICAL  
26 POSSESSION AND CUSTODY OF THE BANK AND ALL ITS ASSETS, RECORDS,  
27 DOCUMENTS, AND TAKE CHARGE OF ITS AFFAIRS UPON THE SERVICE OF  
28 THE NOTICE OF CLOSURE.  
29

30 (c) DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS OF A BANK HOLD  
31 MONEY AND OTHER ASSETS OF THE BANK IN TRUST OR UNDER  
32 ADMINISTRATION OR MANAGEMENT BY THEM FOR THE BANK IN THEIR  
33 FIDUCIARY CAPACITY. UPON SERVICE OF THE NOTICE OF CLOSURE TO  
34 THE BANK, ALL DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS OF THE  
35 CLOSED BANK SHALL HAVE THE DUTY TO IMMEDIATELY ACCOUNT FOR,  
36 SURRENDER AND TURN OVER TO THE RECEIVER, AND PROVIDE  
37 INFORMATION RELATIVE TO, THE ASSETS, RECORDS, AND AFFAIRS OF THE  
38 CLOSED BANK IN THEIR POSSESSION, CUSTODY, ADMINISTRATION OR  
39 MANAGEMENT.  
40

41 (d) WHEN THE CIRCUMSTANCES SO WARRANT, THE LOCAL GOVERNMENT  
42 UNIT AND LAW ENFORCEMENT AGENCIES CONCERNED SHALL, UPON  
43 REQUEST, IMMEDIATELY PROVIDE ASSISTANCE TO THE RECEIVER DURING  
44 THE SERVICE OF NOTICE OF CLOSURE AND ACTUAL TAKEOVER  
45 OPERATIONS TO ENSURE THE ORDERLY CONDUCT THEREOF AND THE  
46 SECURITY AND SAFETY OF THE PERSONNEL OF THE RECEIVER AND THE  
47 EMPLOYEES OF THE CLOSED BANK."  
48

49 SECTION 28. A new section entitled Section 15 of the same Act is hereby inserted  
50 between Sections 14 and 16 which shall read as follows:  
51

52 "PURCHASE OF ASSETS AND ASSUMPTION OF LIABILITIES (P&A)

1  
2 SECTION 15. (a) THE RECEIVER SHALL HAVE THE AUTHORITY TO  
3 FACILITATE AND IMPLEMENT THE PURCHASE OF THE ASSETS OF THE  
4 CLOSED BANK AND THE ASSUMPTION OF ITS LIABILITIES BY ANOTHER  
5 INSURED BANK[,] IN ACCORDANCE WITH THE RULES ON CONCURRENCE  
6 AND PREFERENCE OF CREDITS UNDER THE CIVIL CODE OR OTHER LAWS,  
7 SUBJECT TO SUCH TERMS AND CONDITIONS AS THE CORPORATION MAY  
8 PRESCRIBE, WITHOUT NEED FOR PRIOR APPROVAL OF THE LIQUIDATION  
9 COURT.

10  
11 (b) SUCH ACTION OF THE RECEIVER TO DETERMINE WHETHER A BANK  
12 MAY BE THE SUBJECT OF A PURCHASE OF ASSETS AND ASSUMPTION OF  
13 LIABILITIES TRANSACTION SHALL BE FINAL AND EXECUTORY, AND MAY  
14 NOT BE SET ASIDE BY ANY COURT."

15  
16 SECTION 29. A new section entitled Section 16 of the same Act is hereby inserted  
17 between Sections 15 and 17 which shall read as follows:

18  
19 "BRIDGE BANK

20  
21 SECTION 16. (a) THE CORPORATION MAY FORM, ESTABLISH, ORGANIZE,  
22 OPERATE, AND/OR CONTRACT TO OPERATE CORPORATIONS WHOSE  
23 PRIMARY PURPOSE IS TO OPERATE AS A BRIDGE BANK. THE SECURITIES  
24 AND EXCHANGE COMMISSION AND THE BANGKO SENTRAL SHALL  
25 PRESCRIBE THE REQUIREMENTS FOR THE ESTABLISHMENT, LICENSING AND  
26 SUPERVISION OF A BRIDGE BANK. A BRIDGE BANK SHALL NOT BE  
27 SUBJECT TO THE MINIMUM CAPITALIZATION REQUIREMENTS FOR  
28 CORPORATIONS AND BANKS.

29  
30 (b) A BRIDGE BANK MODE OF LIQUIDATION MAY BE ADOPTED ONLY IF  
31 THE CORPORATION DETERMINES THAT:

- 32  
33 1) THE PRESERVATION OF CRITICAL BANKING FUNCTIONS IS IN THE  
34 BEST INTEREST OF THE DEPOSITORS AND THE PUBLIC;  
35  
36 2) IT IS LESS COSTLY COMPARED TO PAYOUT, AND WILL AID IN THE  
37 EXPEDITIOUS DISPOSITION OF THE ASSETS AND PROMPT  
38 SETTLEMENT OF THE CLAIMS OF THE CREDITORS OF THE CLOSED  
39 BANK;  
40  
41 3) THE CONTINUED OPERATION OF A BANK IS ESSENTIAL TO PROVIDE  
42 ADEQUATE BANKING SERVICES IN THE COMMUNITY;  
43  
44 4) THERE ARE QUALIFIED INVESTORS INTERESTED IN ACQUIRING THE  
45 BANK; AND  
46  
47 5) THERE ARE ENOUGH ASSETS RETAINED IN THE CLOSED BANK TO  
48 COVER PREFERRED CREDITS.

49  
50 SUCH DETERMINATION OF THE CORPORATION SHALL BE FINAL AND  
51 EXECUTORY, AND MAY NOT BE SET ASIDE BY ANY COURT.  
52

1 (c) THE BRIDGE BANK SHALL HAVE THE AUTHORITY TO:

- 2
- 3 1) PURCHASE ASSETS, ASSUME INSURED DEPOSITS AND OTHER
- 4 LIABILITIES OF THE CLOSED BANK WHICH THE RECEIVER MAY
- 5 DETERMINE TO BE APPROPRIATE;
- 6
- 7 2) PERFORM BANKING FUNCTIONS AS MAY BE AUTHORIZED BY THE
- 8 MONETARY BOARD.
- 9

10 (d) UPON MOTION BY THE BRIDGE BANK, ALL ACTIONS PENDING BEFORE

11 ANY COURT WHERE THE BRIDGE BANK IS A PARTY BY VIRTUE OF ITS

12 ACQUISITION OF ASSETS OR ASSUMPTION OF ANY LIABILITIES OF A

13 CLOSED BANK SHALL BE STAYED FOR A PERIOD OF UP TO ONE HUNDRED

14 (180) DAYS.

15

16 (e) TO CARRY OUT ITS AUTHORITY UNDER THIS SECTION, THE RECEIVER, IN

17 ADDITION TO THE AUTHORITIES ENUMERATED UNDER THIS ACT, SHALL

18 HAVE THE POWER TO:

19

- 20 1) SELL, ASSIGN, TRANSFER, OR CONVEY ITS SHAREHOLDINGS IN THE
- 21 BRIDGE CORPORATION TO THE CLOSED BANK;
- 22
- 23 2) TRANSFER SUCH ASSETS AND INSURED DEPOSITS OF A CLOSED
- 24 BANK TO THE BRIDGE BANK IN ACCORDANCE WITH THE RULES ON
- 25 CONCURRENCE AND PREFERENCE OF CREDITS UNDER THE CIVIL
- 26 CODE OR OTHER LAWS, AS THE RECEIVER MAY DEEM
- 27 APPROPRIATE: *PROVIDED, THAT,* WITHIN ONE HUNDRED (180)
- 28 DAYS FROM ESTABLISHMENT OF THE BRIDGE BANK, THE RECEIVER
- 29 MAY REPLACE OR SUBSTITUTE ANY ASSET PURCHASED OR LIABILITY
- 30 ASSUMED FROM THE CLOSED BANK SUBJECT TO SUCH TERMS AND
- 31 CONDITIONS AS THE PDIC BOARD MAY PRESCRIBE. ALL
- 32 TRANSFERS OF ASSETS UNDER THIS SUBSECTION SHALL:
- 33
- 34 a. NOT BE SUBJECT TO ANY TAXES, SUCH AS CAPITAL GAINS TAX,
- 35 INCOME TAX, VALUE ADDED TAX AND DOCUMENTARY STAMP
- 36 TAX, AND OTHER TAXES, AS MAY BE APPLICABLE;
- 37
- 38 b. BE EFFECTIVE WITHOUT NEED OF CONSENT FROM THE
- 39 STOCKHOLDERS AND CREDITORS OF THE CLOSED BANK,
- 40 NOTWITHSTANDING ANY PROVISION OF LAW TO THE
- 41 CONTRARY.
- 42
- 43 3) APPOINT, INSTALL, DESIGNATE, AND/OR REMOVE THE DIRECTORS,
- 44 OFFICERS AND OTHER PERSONNEL OF A BRIDGE BANK, AND FIX
- 45 THEIR COMPENSATION.
- 46

47 THE PROVISIONS OF EXISTING LAWS NOTWITHSTANDING, THE

48 APPOINTEE MEMBERS OF THE BOARD, OFFICERS AND EMPLOYEES

49 OF THE CORPORATION MAY BE ASSIGNED AND/OR SECONDED

50 AS DIRECTORS, OFFICERS OR OTHER PERSONNEL OF A BRIDGE

51 BANK UNDER SUCH TERMS AND CONDITIONS AS THE PDIC BOARD

52 OF DIRECTORS MAY PRESCRIBE: *PROVIDED, THAT,* IF ASSIGNED OR

1           SECONDED ON FULL TIME BASIS AS OFFICERS OR EMPLOYEES OF  
2           THE BRIDGE BANK, THEY SHALL NOT, SOLELY BY VIRTUE OF SUCH  
3           ASSIGNMENT AND/OR SECONDMENT, LOSE ANY EXISTING STATUS  
4           AS AN OFFICER OR EMPLOYEE OF THE CORPORATION.

5  
6           SECTION 10 OF THIS ACT SHALL LIKEWISE APPLY TO ALL  
7           DIRECTORS, OFFICERS AND OTHER EMPLOYEES OF A BRIDGE  
8           BANK WHO ARE APPOINTED, INSTALLED OR DESIGNATED BY THE  
9           CORPORATION.

10  
11          (f) THE BRIDGE BANK IS NOT AN AGENCY, CORPORATION, OR  
12          INSTRUMENTALITY OF THE GOVERNMENT OF THE REPUBLIC OF THE  
13          PHILIPPINES. THE BRIDGE BANK IS AN ENTITY SEPARATE AND DISTINCT  
14          FROM THE CLOSED BANK.

15  
16          (g) THE BRIDGE BANK SHALL BE EXEMPT FROM THE PAYMENT OF  
17          ASSESSMENT UNDER SECTION 7 OF THIS ACT.

18  
19          (h) THE BRIDGE BANK LICENSE SHALL BE EFFECTIVE FOR TWO (2) YEARS  
20          FOLLOWING THE DATE IT WAS GRANTED A BANKING LICENSE: *PROVIDED,*  
21          *THAT,* THE RECEIVER, WITH THE CONSENT OF THE *BANGKO SENTRAL,* MAY  
22          EXTEND THE STATUS OF THE BRIDGE BANK IF DEEMED NECESSARY TO  
23          CONCLUDE PENDING NEGOTIATIONS FOR THE MERGER OR  
24          CONSOLIDATION, SALE, OR ACQUISITION OF THE BRIDGE BANK BY AN  
25          ACQUIRER: *PROVIDED,* FURTHER, THAT THE MAXIMUM EXTENSION SHALL  
26          BE FOR ANOTHER YEAR.

27  
28          (i) THE BRIDGE BANK SHALL TERMINATE UPON THE EARLIEST OF ANY OF  
29          THE FOLLOWING OCCURRENCES:

- 30  
31               1) THE MERGER OR CONSOLIDATION OF THE BRIDGE BANK WITH  
32               ANOTHER BANK THAT IS NOT A BRIDGE BANK; OR  
33  
34               2) THE SALE OF THE BRIDGE BANK TO A QUALIFIED BUYER, AS MAY BE  
35               DETERMINED BY THE RECEIVER; OR  
36  
37               3) THE PURCHASE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS AND  
38               ASSUMPTION OF ALL OR SUBSTANTIALLY ALL OF THE DEPOSITS  
39               AND OTHER LIABILITIES OF THE BRIDGE BANK BY A QUALIFIED  
40               THIRD PARTY; OR  
41  
42               4) THE EXPIRATION OF THE PERIOD PROVIDED IN PARAGRAPH (h) OF  
43               THIS SECTION; OR  
44  
45               5) THE DETERMINATION BY THE RECEIVER THAT THE OPERATION OF  
46               THE BRIDGE BANK IS NO LONGER VIABLE, NOTWITHSTANDING  
47               ANY OTHER PROVISION OF LAW TO THE CONTRARY.

48  
49          (j) EFFECTS OF TERMINATION EVENTS. –

- 50  
51               1) FOLLOWING THE TERMINATION OF A BRIDGE BANK UNDER  
52               PARAGRAPHS (i)(1), (i)(2) and (i)(3), THE NET PROCEEDS FROM

1 SUCH TRANSACTION SHALL FORM PART OF THE ASSETS OF THE  
2 CLOSED BANK AVAILABLE FOR DISTRIBUTION TO THE CREDITORS  
3 OF THE CLOSED BANK IN ACCORDANCE WITH THE RULES ON  
4 CONCURRENCE AND PREFERENCE OF CREDITS UNDER THE CIVIL  
5 CODE OR OTHER LAWS.  
6

- 7 2) ONCE THE TERM OF A BRIDGE BANK HAS EXPIRED AS PROVIDED  
8 IN PARAGRAPH (h) OR IS TERMINATED OR DISSOLVED EARLIER BY  
9 THE RECEIVER PURSUANT TO PARAGRAPH (i)(5) OF THIS SECTION,  
10 THE CORPORATION SHALL PAY DEPOSIT INSURANCE, SUBJECT TO  
11 ITS RIGHT TO SUBROGATION UNDER SECTION 21 OF THIS ACT. FOR  
12 THIS PURPOSE, ALL OUTSTANDING DEPOSITS OF THE BRIDGE BANK  
13 AS OF THE TIME OF EXPIRATION OF ITS TERM UNDER PARAGRAPH  
14 (h) OR EARLY TERMINATION UNDER PARAGRAPH (i)(5) ARE  
15 DEEMED INSURED WITH THE CORPORATION. THE BRIDGE BANK  
16 SHALL PAY ALL LIABILITIES AND THE REMAINING ASSETS, IF ANY,  
17 SHALL BE TURNED OVER TO THE RECEIVERSHIP ESTATE.  
18

19 (k) MATTERS RELATING TO THE EXERCISE BY THE PDIC OF THE FUNCTIONS  
20 UNDER THIS SECTION SHALL BE SUBJECT TO VISITORIAL AUDIT ONLY.  
21

22 (l) THE CORPORATION SHALL PROMULGATE RULES AND REGULATIONS TO  
23 IMPLEMENT THE PROVISIONS OF THIS SECTION. IN ALL THE FOREGOING  
24 CASES, THE RECEIVER SHALL HAVE ALL THE RIGHTS, POWERS, AND  
25 PRIVILEGES, AND SHALL PERFORM THE DUTIES RELATED TO THE EXERCISE  
26 OF SUCH RIGHTS, POWERS, OR PRIVILEGES, GRANTED BY THIS ACT TO THE  
27 RECEIVER OF A CLOSED BANK."  
28

29 SECTION 30. A new section entitled Section 17 of the same Act is hereby inserted  
30 between Sections 16 and 18 which shall read as follows:  
31

## 32 "CONVENTIONAL LIQUIDATION

### 33 A. ASSET MANAGEMENT AND CONVERSION

34  
35 SECTION 17. (a) THE ASSETS GATHERED BY THE RECEIVER SHALL BE  
36 EVALUATED AND VERIFIED AS TO THEIR EXISTENCE, OWNERSHIP,  
37 CONDITION, AND OTHER FACTORS TO DETERMINE THEIR REALIZABLE  
38 VALUE. IN THE MANAGEMENT, PRESERVATION AND DISPOSITION OF  
39 ASSETS, THE RECEIVER SHALL BE GUIDED BY COST-BENEFIT  
40 CONSIDERATIONS, RESOURCES OF THE CLOSED BANK, AND POTENTIAL  
41 ASSET RECOVERY.  
42

43  
44 (b) THE CONVERSION OF THE ASSETS OF THE CLOSED BANK SHALL BE  
45 CARRIED OUT IN A FAIR AND TRANSPARENT MANNER IN ACCORDANCE  
46 WITH THE RULES AND PROCEDURES AS MAY BE DETERMINED BY THE  
47 RECEIVER.  
48

49 (c) IN THE MANAGEMENT AND/OR CONVERSION OF THE ASSETS OF THE  
50 CLOSED BANK, THE RECEIVER SHALL HAVE THE AUTHORITY TO:  
51

- 1) REPRESENT THE CLOSED BANK BEFORE THE LAND REGISTRATION AUTHORITY (LRA), BUREAU OF LANDS, REGISTER OF DEEDS, THE LAND TRANSPORTATION OFFICE (LTO), THE ASSESSOR'S OFFICE OR OTHER APPROPRIATE OFFICE OF THE LOCAL GOVERNMENT UNIT, THE SECURITIES AND EXCHANGE COMMISSION (SEC), OR SUCH OTHER SIMILAR GOVERNMENT AGENCIES OR PRIVATE ENTITIES IN ---
  - a. VERIFYING THE AUTHENTICITY OF OWNERSHIP DOCUMENTS;
  - b. REGISTERING THE INTEREST OF THE CLOSED BANK ON A SPECIFIC PROPERTY;
  - c. CONSOLIDATING OWNERSHIP OVER AN ASSET OF THE CLOSED BANK;
  - d. SECURING CERTIFIED TRUE COPIES OF DOCUMENTS HELD BY THE FOREGOING AGENCIES/ENTITIES IN RELATION TO AN ASSET OF THE CLOSED BANK;
  - e. SECURING THE APPROPRIATE CERTIFICATION FROM THE FOREGOING AGENCIES/ENTITIES IN RELATION TO AN ASSET OF THE CLOSED BANK; AND
  - f. PERFORMING OTHER RELATED ACTIVITIES;
- 2) CONDUCT A PHYSICAL OR OCULAR INSPECTION OF THE PROPERTIES OWNED BY, OR MORTGAGED TO, THE CLOSED BANK, TO DETERMINE THEIR EXISTENCE AND PRESENT CONDITION;
- 3) DETERMINE THE DISPOSAL PRICE OF ASSETS IN ACCORDANCE WITH GENERALLY ACCEPTED VALUATION PRINCIPLES, STANDARDS AND PRACTICES, SUBJECT TO SUCH GUIDELINES AS THE RECEIVER MAY DETERMINE;
- 4) DISPOSE REAL OR PERSONAL PROPERTIES OF THE CLOSED BANK THROUGH BIDDING, NEGOTIATED SALE OR ANY OTHER MODE INCLUDING LEASE WITH OPTION TO PURCHASE, WHETHER BY PIECE OR BY LOT, AS MAY BE REASONABLY DETERMINED BY THE RECEIVER BASED ON COST BENEFIT CONSIDERATIONS AND TO ALLOW EFFICIENT DISTRIBUTION OF ASSETS TO CREDITORS; AND
- 5) ENGAGE THIRD PARTIES TO ASSIST IN THE LIQUIDATION, MANAGE AND/OR DISPOSE THE ASSETS, HANDLE CASES FILED AGAINST OR BY THE CLOSED BANK, SUBJECT TO SUCH GUIDELINES AS DETERMINED BY THE RECEIVER.

(d) NOTWITHSTANDING ANY PROVISION OF LAW TO THE CONTRARY, THE FOLLOWING RULES SHALL APPLY TO THE MANAGEMENT AND/OR CONVERSION BY THE RECEIVER OF THE ASSETS OF THE CLOSED BANK:

- 1) UPON NOTIFICATION OF THE CLOSURE OF A BANK, THE LAND REGISTRATION AUTHORITY, BUREAU OF LANDS, REGISTER OF DEEDS, THE LAND TRANSPORTATION OFFICE, THE ASSESSOR'S OFFICE OR OTHER APPROPRIATE OFFICE OF THE LOCAL GOVERNMENT UNIT, THE SECURITIES AND EXCHANGE COMMISSION OR SUCH OTHER SIMILAR GOVERNMENT AGENCIES OR PRIVATE ENTITIES SHALL NOT ALLOW ANY TRANSACTION

1 AFFECTING THE ASSETS OF THE CLOSED BANK WITHOUT THE  
2 CONSENT OF THE RECEIVER.

3  
4 2) UPON ISSUANCE BY THE MONETARY BOARD OF THE RESOLUTION  
5 ORDERING THE CLOSURE OF A BANK, ANY PERSON OR ENTITY IN  
6 CUSTODY OR POSSESSION OF ASSETS OR RECORDS OF THE  
7 CLOSED BANK, INCLUDING, BUT NOT LIMITED TO, DEPOSIT  
8 ACCOUNTS, TITLES TO REAL PROPERTY, COLLATERALS,  
9 PROMISSORY NOTES, EVIDENCE OF INDEBTEDNESS OR  
10 INVESTMENTS SHALL IMMEDIATELY TURN OVER CUSTODY OF SAID  
11 ASSETS AND RECORDS TO THE RECEIVER. PENDING TURNOVER,  
12 ALL PERSONS OR ENTITIES IN CUSTODY OR POSSESSION OF ANY  
13 ASSET OR RECORD OF THE CLOSED BANK SHALL HOLD THE SAID  
14 ASSETS OR RECORDS IN TRUST FOR THE RECEIVER.

15  
16 3) THE PERSONS OR ENTITIES IN CUSTODY OR POSSESSION OF SUCH  
17 ASSET SHALL NOT ALLOW, AUTHORIZE OR CAUSE THE  
18 WITHDRAWAL, TRANSFER, DISPOSITION, REMOVAL, CONVERSION,  
19 CONCEALMENT, OR OTHER TRANSACTION INVOLVING OR  
20 RELATING TO THE SUBJECT ASSET, UNLESS OTHERWISE DIRECTED BY  
21 THE RECEIVER.

22  
23 (e) THE RECEIVER SHALL HAVE THE AUTHORITY TO INVEST FUNDS  
24 RECEIVED FROM THE CONVERSION OF THE ASSETS OF THE CLOSED BANK  
25 IN GOVERNMENT SECURITIES, OTHER GOVERNMENT-GUARANTEED  
26 MARKETABLE SECURITIES OR INVESTMENT GRADE BONDS AND OTHER  
27 DEBT AND EQUITY INSTRUMENTS.

28  
29 (f) THE PROCEEDS OF THE SALE OF THE BANKING FRANCHISE SHALL BE  
30 FOR THE BENEFIT OF THE CREDITORS OF THE CLOSED BANK WHICH SHALL  
31 BE DISTRIBUTED IN ACCORDANCE WITH THIS ACT AND THE RULES ON  
32 CONCURRENCE AND PREFERENCE OF CREDITS UNDER THE CIVIL CODE  
33 OR OTHER LAWS.

34  
35 B. PETITION FOR ASSISTANCE  
36 IN THE LIQUIDATION (PAL) OF A CLOSED BANK

37  
38 (g) A PETITION FOR ASSISTANCE IN THE LIQUIDATION (PAL) IS A SPECIAL  
39 PROCEEDING FOR THE LIQUIDATION OF A CLOSED BANK, AND INCLUDES  
40 THE DECLARATION OF THE CONCOMITANT RIGHT OF ITS CREDITORS AND  
41 THE ORDER OF PAYMENT OF THEIR VALID CLAIMS IN THE DISPOSITION OF  
42 ITS ASSETS.

43  
44 ANY PROCEEDING INITIATED UNDER THIS SECTION SHALL BE  
45 CONSIDERED *IN REM*. JURISDICTION OVER ALL PERSONS AFFECTED BY  
46 THE PROCEEDING SHALL BE CONSIDERED AS ACQUIRED UPON  
47 PUBLICATION OF THE ORDER SETTING THE CASE FOR INITIAL HEARING IN  
48 ANY NEWSPAPER OF GENERAL CIRCULATION IN THE PHILIPPINES.

49  
50 (h) THE LIQUIDATION COURT SHALL HAVE EXCLUSIVE JURISDICTION TO  
51 ADJUDICATE DISPUTED CLAIMS AGAINST THE CLOSED BANKS, ASSIST IN  
52 THE ENFORCEMENT OF INDIVIDUAL LIABILITIES OF THE STOCKHOLDERS,

1 DIRECTORS AND OFFICERS AND DECIDE ON ALL OTHER ISSUES AS MAY  
2 BE MATERIAL TO IMPLEMENT THE DISTRIBUTION PLAN ADOPTED BY THE  
3 CORPORATION FOR GENERAL APPLICATION TO ALL CLOSED BANKS.  
4

5 (i) THE PROVISIONS OF REPUBLIC ACT NO. 8799, OTHERWISE KNOWN AS  
6 "THE SECURITIES REGULATION CODE," AND SUPREME COURT  
7 ADMINISTRATIVE MATTER NO. 00-8-10-SC, ENTITLED, "THE RULES OF  
8 PROCEDURE ON CORPORATE REHABILITATION," SHALL NOT BE  
9 APPLICABLE TO THE PAL OF THE CLOSED BANK.  
10

11 (j) THE PETITION SHALL BE FILED IN THE REGIONAL TRIAL COURT WHICH  
12 HAS JURISDICTION OVER THE PRINCIPAL OFFICE OF THE CLOSED BANK  
13 OR THE PRINCIPAL OFFICE OF THE RECEIVER, AT THE OPTION OF THE  
14 LATTER.  
15

16 (k) THE PETITION SHALL BE FILED *EX PARTE* WITHIN A REASONABLE PERIOD  
17 FROM RECEIPT OF THE MONETARY BOARD RESOLUTION PLACING THE  
18 BANK UNDER LIQUIDATION.  
19

20 (l) ALL PERSONS OR ENTITIES WITH CLAIMS AGAINST THE ASSETS OF THE  
21 CLOSED BANK SHALL FILE THEIR CLAIMS WITH THE RECEIVER WITHIN SIXTY  
22 (60) DAYS FROM DATE OF PUBLICATION OF THE NOTICE OF CLOSURE.  
23 CLAIMS FILED OUTSIDE THE FOREGOING PRESCRIBED PERIOD SHALL BE  
24 DISALLOWED.  
25

26 CLAIMS DENIED BY THE RECEIVER SHALL BE FILED WITH THE LIQUIDATION  
27 COURT WITHIN SIXTY (60) DAYS FROM RECEIPT OF THE FINAL NOTICE OF  
28 DENIAL OF CLAIM.  
29

30 (m) A CLAIM WHOSE VALIDITY HAS NOT YET BEEN DETERMINED WITH  
31 FINALITY AT THE TIME OF THE SUBMISSION OF THE FINAL ASSET  
32 DISTRIBUTION PLAN (FADP), EITHER BY REASON OF A PENDING SUIT OR  
33 FOR WHATEVER REASON, SHALL BE CONSIDERED AS CONTINGENT CLAIM  
34 AND SHALL NOT BE PAID UNDER THE PROPOSED FINAL ASSET  
35 DISTRIBUTION PLAN (FADP).  
36

37 (n) UPON FINALITY OF THE ORDER APPROVING THE FINAL ASSET  
38 DISTRIBUTION PLAN (FADP), THE PETITION FOR ASSISTANCE IN THE  
39 LIQUIDATION OF A CLOSED BANK SHALL HENCEFORTH BE, FOR ALL  
40 INTENTS AND PURPOSES, CONSIDERED CLOSED AND TERMINATED AND  
41 THE RECEIVER, ITS OFFICERS, EMPLOYEES OR AGENTS, ARE FOREVER  
42 DISCHARGED FROM ANY AND ALL CLAIMS AND/OR LIABILITY ARISING  
43 FROM OR IN CONNECTION WITH THE LIQUIDATION OF THE CLOSED  
44 BANK.  
45

46 (o) THE RECEIVER SHALL SUBMIT A FINAL REPORT ON THE  
47 IMPLEMENTATION OF THE APPROVED FINAL ASSET DISTRIBUTION PLAN  
48 (FADP) TO THE MONETARY BOARD AND THE SECURITIES AND EXCHANGE  
49 COMMISSION (SEC) AFTER THE EXPIRATION OF THE WINDING UP PERIOD  
50 PROVIDED IN SECTION 17 OF THIS ACT.  
51

(p) THE SUPREME COURT SHALL PROMULGATE THE APPROPRIATE PROCEDURAL RULES TO IMPLEMENT THIS SECTION.

#### C. WINDING UP

(q) THE CREDITORS SHALL HAVE A PERIOD OF SIX (6) MONTHS FROM DATE OF PUBLICATION OF NOTICE OF THE APPROVAL BY THE COURT OF THE FINAL ASSET DISTRIBUTION PLAN (FADP) OF THE CLOSED BANK WITHIN WHICH TO CLAIM PAYMENT OF THE PRINCIPAL OBLIGATIONS AND SURPLUS DIVIDENDS. DURING THIS SIX MONTH PERIOD, THE RECEIVER SHALL HOLD AS TRUSTEE THE ASSETS ALLOCATED IN THE FINAL ASSET DISTRIBUTION PLAN (FADP) FOR SAID CREDITORS.

FAILURE BY THE CREDITOR TO COMPLY WITH THE DOCUMENTARY REQUIREMENTS WITHIN THE PRESCRIBED PERIOD AND/OR REFUSAL TO ACCEPT THE ASSET AS PAYMENT SHALL BE DEEMED AS ABANDONMENT OR WAIVER OF HIS RIGHT TO PAYMENT.

(r) THE INDIVIDUAL STOCKHOLDERS OF RECORD OR THEIR DULY-AUTHORIZED REPRESENTATIVE OR THE COURT-APPOINTED STOCKHOLDERS' REPRESENTATIVE SHALL HAVE A PERIOD OF SIX (6) MONTHS FROM PUBLICATION OF NOTICE OF THE APPROVAL BY THE COURT OF THE FINAL ASSET DISTRIBUTION PLAN (FADP) OF THE CLOSED BANK WITHIN WHICH TO CLAIM THE RESIDUAL ASSETS. DURING THIS SIX MONTH PERIOD, THE RECEIVER SHALL HOLD AS TRUSTEE THE ASSETS ALLOCATED IN THE FINAL ASSET DISTRIBUTION PLAN (FADP) FOR SAID STOCKHOLDERS OF RECORD.

FAILURE BY THE INDIVIDUAL STOCKHOLDERS OF RECORD OR THEIR DULY-AUTHORIZED REPRESENTATIVE OR THE COURT-APPOINTED STOCKHOLDERS' REPRESENTATIVE TO COMPLY WITH THE DOCUMENTARY REQUIREMENTS WITHIN THE PRESCRIBED PERIOD AND/OR REFUSAL TO ACCEPT THE RESIDUAL ASSETS IN KIND SHALL BE DEEMED AS ABANDONMENT OR WAIVER OF RIGHT TO RECEIVE THE RESIDUAL ASSETS.

(s) AFTER THE LAPSE OF THE SIX MONTHS PERIOD PROVIDED IN PARAGRAPHS (q) AND (r) OF THIS SECTION, ALL ASSETS WHICH REMAIN UNCLAIMED BY THE CREDITORS AND/OR STOCKHOLDERS OF RECORD SHALL BE TURNED OVER TO THE BUREAU OF TREASURY.

(t) THE RECEIVER SHALL CONTINUE TO KEEP ALL THE PERTINENT RECORDS OF THE CLOSED BANK FOR A PERIOD OF SIX (6) MONTHS FROM DATE OF PUBLICATION OF THE APPROVAL OF THE FINAL ASSET DISTRIBUTION PLAN (FADP). AFTER THE LAPSE OF THIS PERIOD, THE RECEIVER IS AUTHORIZED TO DISPOSE OF THE SAME IN ACCORDANCE RULES AND REGULATIONS TO BE PRESCRIBED BY THE RECEIVER."

SECTION 31. Section 13 of the same Act is hereby renumbered as Section 18.

SECTION 32. A new section entitled Section 19 of the same Act is hereby inserted between Sections 18 and 20 which shall read as follows:

1 "DIVIDEND DECLARATION

2  
3 SECTION 19. CONSISTENT WITH THE POLICY OF THE STATE TO GENERATE,  
4 PRESERVE, MAINTAIN FAITH AND CONFIDENCE IN THE COUNTRY'S  
5 BANKING SYSTEM, THE CORPORATION SHALL BUILD UP AND MAINTAIN  
6 THE DEPOSIT INSURANCE FUND (DIF) AT THE TARGET LEVEL SET BY THE  
7 PDIC BOARD OF DIRECTORS. SUCH TARGET LEVEL SHALL BE SUBJECT TO  
8 PERIODIC REVIEW AND MAY BE ADJUSTED AS NECESSARY.  
9

10 THE CORPORATION SHALL REMIT DIVIDENDS TO THE NATIONAL  
11 GOVERNMENT ONLY IF THE TARGET DIF LEVEL FOR THE APPLICABLE YEAR  
12 HAS BEEN REACHED. THE DIVIDEND RATE SHALL BE AT LEAST FIFTY  
13 PERCENT (50%) OF THE NET INCOME OF THE CORPORATION AFTER  
14 DEDUCTING ANY ADDITION TO RESERVES FOR INSURANCE AND  
15 FINANCIAL ASSISTANCE LOSSES, AND OTHER PROVISIONS FOR LOSSES.  
16

17 THE PROVISIONS OF REPUBLIC ACT NO. 7656 SHALL NOT APPLY TO THE  
18 CORPORATION."  
19

20 SECTION 33. Section 14 of the same Act is accordingly renumbered as Section 20  
21 and is hereby amended to read as follows:  
22

23 "PAYMENT OF INSURED DEPOSITS

24  
25 SECTION 20. Whenever an insured bank shall have been closed by the  
26 Monetary Board pursuant to Section 30 of R.A. 7653, **OR UPON**  
27 **EXPIRATION OR REVOCATION OF A BANK'S CORPORATE TERM**, payment  
28 of the insured deposits on such closed bank shall be made by the  
29 Corporation as soon as possible either (1) by cash or (2) by making  
30 available to each depositor a transferred deposit in another insured  
31 bank in an amount equal to insured deposit of such depositor:  
32 *Provided, however,* That the Corporation, in its discretion, may require  
33 proof of claims to be filed before paying the insured deposits, and that  
34 in any case where the Corporation is not satisfied as to the [viability]  
35 **VALIDITY** of a claim for an insured deposit, it may require final  
36 determination of a court of competent jurisdiction before paying such  
37 claim: *Provided, further,* That failure to settle the claim, within six (6)  
38 months from the date of filing of claim for insured deposit, where such  
39 failure was due to grave abuse of discretion, gross negligence, bad  
40 faith, or malice, shall, upon conviction, subject the directors, officers or  
41 employees of the Corporation responsible for the delay, to  
42 imprisonment from six (6) months to one (1) year: *Provided,*  
43 *furthermore,* That the period shall not apply if the validity of the claim  
44 requires the resolution of issues of facts and or law by another office,  
45 body or agency including the case mentioned in the first proviso or by  
46 the Corporation together with such other office, body or agency."  
47

48 SECTION 34. Section 15 of the same Act is accordingly renumbered as Section 21  
49 and is hereby amended to read as follows:  
50

51 "SECTION 21. The Corporation, upon payment of any depositor as  
52 provided for in [subsection (c) of this]Section **20 OF THIS ACT**, shall be

1 subrogated to all rights of the depositor against the closed bank to the  
2 extent of such payment. Such subrogation shall include the right on  
3 the part of the Corporation to receive the same dividends and  
4 payments from the proceeds of the assets of such closed bank and  
5 recoveries on account of stockholders' liability as would have been  
6 payable to the depositor on a claim for the insured deposits: [but,]  
7 **PROVIDED, THAT** such depositor shall retain his claim for any uninsured  
8 portion of his deposit, **WHICH LEGAL PREFERENCE SHALL BE IMMEDIATELY**  
9 **BELOW THAT OF THE SUBROGATED CLAIM OF THE CORPORATION FOR ITS**  
10 **PAYMENT OF INSURED DEPOSITS.** All payments by the Corporation of  
11 insured deposits in closed banks partake of the nature of public funds,  
12 and as such, must be considered a preferred credit similar to taxes  
13 due to the National Government in the order of preference under  
14 Article 2244 of the New Civil Code.[: Provided, further, That this  
15 preference shall be likewise effective upon liquidation proceedings  
16 already commenced and pending as of the approval of this Act,  
17 where no distribution of assets has been made.]”  
18

19 SECTION 35. Section 16 of the same Act is accordingly renumbered as Section 22  
20 and paragraph (c) thereof is hereby amended to read as follows:  
21

22 “(c) Except as otherwise prescribed by the Board of Directors, neither  
23 the Corporation nor such other insured bank shall be required to  
24 recognize as the owner of any portion of a deposit [appearing on the  
25 records]**EVIDENCED BY A PASSBOOK, CERTIFICATE OF DEPOSIT OR**  
26 **OTHER EVIDENCE OF DEPOSIT DETERMINED TO BE AN AUTHENTIC**  
27 **DOCUMENT OR RECORD** of the closed bank under a name other than  
28 that of the claimant, any person whose name or interest as such  
29 owner is not disclosed on the **PASSBOOK, CERTIFICATE OF DEPOSIT OR**  
30 **OTHER EVIDENCE OF DEPOSIT** [records] of such closed bank as part  
31 owner of said deposit, if such recognition would increase the  
32 aggregate amount of the insured deposits in such closed bank.”  
33

34 SECTION 36. Section 17 of the same Act is accordingly renumbered as Section 23.  
35

36 SECTION 37. Section 23 paragraph (a) of the same Act, as renumbered, is hereby  
37 amended to read as follows:  
38

#### 39 “CORPORATE FUNDS AND ASSETS

40  
41 SECTION 23. (a) **SUBJECT TO GUIDELINES AND LIMITS AS APPROVED BY**  
42 **THE BOARD OF DIRECTORS,** [M]money of the Corporation denominated  
43 in the local currency, not otherwise employed, shall be invested in  
44 obligations of the Republic of the Philippines or in obligations  
45 guaranteed as to principal and interest by the Republic of the  
46 Philippines.  
47

48 **THE CORPORATION MAY ALSO INVEST IN DEBT INSTRUMENTS**  
49 **DENOMINATED IN FOREIGN CURRENCIES ISSUED OR GUARANTEED BY**  
50 **THE REPUBLIC OF THE PHILIPPINES, OR DEBT INSTRUMENTS DENOMINATED**  
51 **IN FREELY CONVERTIBLE FOREIGN CURRENCIES ISSUED BY**

SUPRANATIONALS OR FOREIGN GOVERNMENTS WITH AT LEAST AN INVESTMENT GRADE CREDIT RATING.

THE CORPORATION SHALL LIKEWISE BE AUTHORIZED TO BUY AND/OR SELL DEBT INSTRUMENTS AND FOREIGN CURRENCIES FROM ANY GOVERNMENT SECURITIES ELIGIBLE DEALERS (GSEDs), OR ANY COUNTERPARTIES OR BROKERS, ACCREDITED BY THE PDIC BOARD.

FOR THIS PURPOSE, THE CORPORATION SHALL BE AUTHORIZED TO OPEN SECURITIES CUSTODIANSHIP AND SETTLEMENT ACCOUNTS."

SECTION 38. Section 23 paragraph (b) of the same Act, as renumbered, is hereby amended to read as follows:

"(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."

SECTION 39. An additional paragraph to Section 23 of the same Act, as renumbered, is hereby inserted after paragraph (c) which shall read as follows:

**"(d) ASSETS OF THE CORPORATION SHALL BE EXEMPT FROM ATTACHMENT, GARNISHMENT OR ANY OTHER ORDER OR PROCESS OF ANY COURT, AGENCY OR ANY OTHER ADMINISTRATIVE BODY ISSUED TO SATISFY THE CLAIM OF A PARTY."**

SECTION 40. Section 17 paragraph (d) of the same Act is accordingly renumbered as Section 23 paragraph (e) and is hereby amended to read as follows:

#### "FINANCIAL ASSISTANCE

(e) [When the Corporation has determined that an insured bank is in danger of closing, in order to prevent such closing,] **IN THE EXERCISE OF ITS AUTHORITIES UNDER SECTION 11 OF THIS ACT**, 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,]:

- 1) **A BANK IN DANGER OF CLOSING, UPON ITS ACQUISITION BY A QUALIFIED INVESTOR; OR**
- 2) **A QUALIFIED INVESTOR, UPON ITS PURCHASE OF ALL ASSETS AND ASSUMPTION OF ALL LIABILITIES OF A BANK IN DANGER OF CLOSING; OR**
- 3) **A SURVIVING OR CONSOLIDATED INSTITUTION THAT HAS MERGED OR CONSOLIDATED WITH A BANK IN DANGER OF CLOSING;**

upon such terms and condition~~s~~ as the Board of Directors may prescribe, when in the opinion of the Board of Directors, [the continued operation of such bank] **SUCH ACQUISITION, PURCHASE OF ASSETS, ASSUMPTION OF LIABILITIES, MERGER OR CONSOLIDATION**, is

essential to provide adequate banking service in the community or maintain financial stability in the economy.

[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.]

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 quasi-equity 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."

SECTION 41. Section 18 of the same Act is accordingly renumbered as Section 24 and is hereby amended to read as follows:

1  
2 "AUTHORITY TO BORROW  
3

4 SECTION 24. The Corporation is authorized to borrow from the *Bangko*  
5 *Sentral ng Pilipinas* and the *Bangko Sentral* is authorized to lend TO the  
6 Corporation on such terms as may be agreed upon by the  
7 Corporation and the *Bangko Sentral*, such funds as in the judgment of  
8 the Board of Directors of the Corporation are from time to time  
9 required for insurance purposes and financial assistance provided for  
10 in Section [17] **23(e)** of this Act: *Provided*, That any such loan as may  
11 be granted by the *Bangko Sentral* shall be consistent with monetary  
12 policy; *Provided*, further, That the rate of interest thereon shall be fixed  
13 by the Monetary Board but shall not exceed the treasury bill rate **AT**  
14 **THE TIME OF APPROVAL OF THE LOAN BY THE MONETARY BOARD.**  
15

16 When in the judgment of the Board of Directors the funds of the  
17 Corporation are not sufficient to provide for an emergency or urgent  
18 need to attain the purposes of this Act, the Corporation is likewise  
19 authorized to borrow money, obtain loans or arrange credit lines or  
20 other credit accommodations from any bank [designated as  
21 depository or fiscal agent of the Philippine Government]: *Provided*,  
22 That such loan shall be of short-term duration, **PROVIDED, FURTHER,**  
23 **THAT SECTION 123 OF THE NEW CENTRAL BANK ACT, AS AMENDED,**  
24 **SHALL NOT APPLY."**  
25

26 SECTION 42. Section 19 of the same Act is accordingly renumbered as Section 25  
27 and is hereby amended to read as follows:  
28

29 "ISSUANCE OF BONDS, DEBENTURES AND OTHER  
30 OBLIGATIONS  
31

32 SECTION 25. With the approval of the President of the Philippines, the  
33 Corporation is authorized to issue bonds, debentures, and other  
34 obligations, both local or foreign, as may be necessary for purposes of  
35 providing liquidity for settlement of insured deposits in closed banks, **TO**  
36 **FACILITATE THE IMPLEMENTATION OF BANK RESOLUTION UNDER SECTION**  
37 **11 OF THIS ACT**, as well as for financial assistance as provided herein,  
38 *Provided*, That the Board of Directors shall determine the interest rates,  
39 maturity and other requirements of said obligations: *Provided*, further,  
40 That the Corporation shall provide for appropriate reserves for the  
41 redemption or retirement of said obligation.  
42

43 All notes, debentures, bonds, or such obligations issued by the  
44 Corporation shall be exempt from taxation both as to principal and  
45 interest, and shall be fully guaranteed by the Government of the  
46 Republic of the Philippines. Such guarantee, which in no case shall  
47 exceed two times the Deposit Insurance Fund as of date of the debt  
48 issuance, shall be expressed on the face thereof: **PROVIDED, THAT, THE**  
49 **CORPORATION MAY ISSUE NOTES, DEBENTURES, BONDS, OR OTHER DEBT**  
50 **INSTRUMENTS WITHOUT GUARANTEE OF THE NATIONAL GOVERNMENT**  
51 **AND/OR APPROVAL BY THE PRESIDENT OF THE PHILIPPINES.**  
52

1 The Board of Directors shall have the power to prescribe **THE TERMS**  
2 **AND CONDITIONS**, rules and regulations for the issuance, reissuance,  
3 servicing, placement and redemption of the bonds herein authorized  
4 to be issued as well as the registration of such bonds at the request of  
5 the holders thereof."

6  
7 SECTION 43. Section 20 of the same Act is accordingly renumbered as Section 26.

8  
9 SECTION 44. Section 21 of the same Act is accordingly renumbered as Section 27.

10  
11 SECTION 45. Section 27 paragraph (f) of the same Act, as renumbered, is hereby  
12 amended to read as follows:

13  
14 "(f) The penalty of **IMPRISONMENT OF NOT LESS THAN SIX YEARS BUT**  
15 **NOT MORE THAN TWELVE YEARS** [*prision mayor*] or a fine of not less  
16 than Fifty thousand pesos (P50,000.00) but not more than **TEN** [Two]  
17 million pesos (P10,000,000.00), [(P2,000,000.00).] or both, at the  
18 discretion of the court, shall be imposed upon [any director, officer,  
19 employee or agent of a bank];

20  
21 **1) ANY DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF A BANK FOR:**

- 22  
23 a. [for] any willful refusal to submit reports as required by law,  
24 rules and regulations;  
25  
26 b. any unjustified refusal to permit examination and audit of  
27 the deposit records or the affairs of the institution;  
28  
29 c. any willful making of a false statement or entry in any bank  
30 report or document required by the Corporation;  
31  
32 d. submission of false material information in connection with or  
33 in relation to any financial assistance of the Corporation  
34 extended to the bank;  
35  
36 e. splitting of deposits or creation of fictitious **OR FRAUDULENT**  
37 loans or deposit accounts.

38  
39 Splitting of deposits occurs whenever a deposit account  
40 with an outstanding balance of more than the statutory  
41 maximum amount of insured deposit maintained under the  
42 name of natural or juridical persons is broken down and  
43 transferred into two (2) or more accounts in the name/s of  
44 natural or juridical persons or entities who have no beneficial  
45 ownership on transferred deposits in their names within one  
46 hundred twenty (120) days immediately preceding or during  
47 a bank-declared bank holiday, or immediately preceding a  
48 closure order issued by the Monetary Board of the *Bangko*  
49 *Sentral ng Pilipinas* for the purpose of availing of the  
50 maximum deposit insurance coverage;

51  
52 **f. REFUSAL TO RECEIVE THE NOTICE OF CLOSURE;**

- 1  
2 g. refusal to allow the Corporation to take over a closed bank  
3 [placed under its receivership] or obstructing such action of  
4 the Corporation;  
5  
6 h. refusal to turn over or destroying or tampering bank records;  
7  
8 i. fraudulent disposal, transfer or concealment of any asset,  
9 property or liability of the closed bank [under the  
10 receivership of the Corporation];  
11  
12 j. violation of, or causing any person to violate, the exemption  
13 from garnishment, levy, attachment or execution provided  
14 under this Act and the New Central Bank Act;  
15  
16 k. any willful failure or refusal to comply with, or violation of any  
17 provision of this Act, or commission of any other irregularities,  
18 and/or conducting business in an unsafe or unsound manner  
19 as may be determined by the Board of Directors[,] **IN**  
20 **RELATION TO SECTION 56 OF REPUBLIC ACT NO. 8791, OR THE**  
21 **GENERAL BANKING LAW OF 2000.**  
22

23 **NOTWITHSTANDING ANY LAW TO THE CONTRARY, THE**  
24 **FOREGOING ACTS OF DIRECTORS, OFFICERS, EMPLOYEES OR**  
25 **AGENTS OF THE BANK SHALL BE CONSIDERED AS ADDITIONAL**  
26 **GROUND FOR NON- COMPLIANCE WITH FIT AND PROPER**  
27 **RULES OF THE BANGKO SENTRAL.**  
28

- 29 l. **OTHER ACTS INIMICAL TO THE INTEREST OF THE BANK OR THE**  
30 **CORPORATION, SUCH AS, BUT NOT LIMITED TO, CONFLICT OF**  
31 **INTEREST, DISLOYALTY, AND DISCLOSURE OF CONFIDENTIAL**  
32 **INFORMATION, AS MAY BE DETERMINED BY THE**  
33 **CORPORATION.**  
34

35 **2) ANY PERSON FOR:**  
36

- 37 a. **REFUSAL TO DISCLOSE INFORMATION, RECORDS OR DATA**  
38 **PERTAINING TO THE BANK ACCOUNTS OF A CLOSED BANK TO**  
39 **THE RECEIVER;**  
40  
41 b. **REFUSAL TO TURN OVER POSSESSION OR CUSTODY OF THE**  
42 **ASSET AND RECORD OF THE CLOSED BANK TO THE RECEIVER,**  
43 **NOTWITHSTANDING ANY AGREEMENT TO THE CONTRARY;**  
44  
45 c. **REFUSAL OR DELAYING THE:**  
46  
47 i. **VERIFICATION OF AUTHENTICITY OF THE OWNERSHIP**  
48 **DOCUMENTS;**  
49  
50 ii. **REGISTRATION OF INTEREST OF THE CLOSED BANK ON A**  
51 **SPECIFIC PROPERTY;**  
52

1                   iii. CONSOLIDATION OF OWNERSHIP OVER AN ASSET OF THE  
2                   CLOSED BANK;

3  
4                   iv. ACT OF SECURING CERTIFIED TRUE COPIES OF DOCUMENTS  
5                   IN RELATION TO AN ASSET OF THE CLOSED BANK;

6  
7                   v. ACT OF SECURING THE APPROPRIATE CERTIFICATION FROM  
8                   THE AGENCIES OR ENTITIES STATED IN SECTION 17 OF THIS  
9                   ACT IN RELATION TO AN ASSET OF THE CLOSED BANK;

10  
11                  vi. CONDUCT OF A PHYSICAL OR OCULAR INSPECTION OF  
12                  THE PROPERTIES OWNED BY, OR MORTGAGED TO, THE  
13                  CLOSED BANK, TO DETERMINE THEIR EXISTENCE AND  
14                  PRESENT CONDITION; OR

15  
16                  vii. OTHER RELATED ACTIVITIES OF THE RECEIVER; OR

17  
18                  d. ALLOWING THE WITHDRAWAL FROM DEPOSITS OR  
19                  DISPOSITION OF ANY ASSET OF THE CLOSED BANK OTHER  
20                  THAN BY THE RECEIVER,

21  
22                  e. WILLFULLY VIOLATING ANY PROVISION OF THIS ACT;

23  
24                  3) ANY LAW ENFORCEMENT OFFICER WHO REFUSES OR FAILS TO  
25                  ASSIST THE RECEIVER IN THE SERVICE OF THE NOTICE OF CLOSURE,  
26                  AS PROVIDED UNDER SECTION 14 OF THIS ACT."

27  
28       SECTION 46. Additional paragraphs to Section 27 of the same Act, as renumbered,  
29       are hereby inserted after paragraph (g) which shall read as follows:

30  
31                  "(h) THE PENALTY OF IMPRISONMENT OF NOT LESS THAN TEN (10) YEARS  
32                  BUT NOT MORE THAN TWELVE (12) YEARS, OR A FINE OF NOT LESS THAN  
33                  FIVE HUNDRED THOUSAND PESOS (P500,000.00) BUT NOT MORE THAN  
34                  TEN MILLION PESOS (P10,000,000.00), OR BOTH, AT THE DISCRETION OF  
35                  THE COURT, SHALL BE IMPOSED UPON:

36  
37                       1) ANY DEPOSITOR WHO FILES A FICTITIOUS AND/OR FRAUDULENT  
38                       CLAIM FOR DEPOSIT INSURANCE; AND

39                       2) ANY BANK OFFICER WHO CERTIFIES TO THE VALIDITY OF THE  
40                       DEPOSIT LIABILITIES WHICH IS SUBSEQUENTLY VERIFIED TO BE  
41                       FICTITIOUS AND/OR FRAUDULENT.

42  
43                  (i) THE PENALTY OF IMPRISONMENT OF NOT LESS THAN TWELVE (12)  
44                  YEARS BUT NOT MORE THAN FOURTEEN (14) YEARS SHALL BE IMPOSED  
45                  UPON ANY PERSON WHO PARTICIPATES, OR ATTEMPTS TO PARTICIPATE,  
46                  IN A SCHEME TO DEFRAUD A BANK.

47  
48                  IF THE OFFENSE SHALL HAVE BEEN COMMITTED BY A DIRECTOR OR  
49                  OFFICER OF THE BANK, THE PENALTY OF IMPRISONMENT OF NOT LESS  
50                  THAN FIFTEEN (15) YEARS BUT NOT MORE THAN SEVENTEEN (17) YEARS  
51                  SHALL BE IMPOSED.  
52

1 IF THE OFFENSE SHALL HAVE RESULTED IN SYSTEMIC CONSEQUENCES, AS  
2 DETERMINED BY THE BANGKO SENTRAL, THE PENALTY OF IMPRISONMENT  
3 OF NOT LESS THAN EIGHTEEN (18) YEAR BUT NOT MORE THAN TWENTY  
4 (20) YEARS SHALL BE IMPOSED."  
5

6 SECTION 47. Section 22 of the same Act is accordingly renumbered as Section 28.  
7

8 SECTION 48. Section 23 of the same Act is hereby renumbered as Section 29 and  
9 reinstated as follows:  
10

11 "SECTION 29. THE CORPORATION MAY BE REORGANIZED BY THE BOARD  
12 OF DIRECTORS BY ADOPTING IF IT SO DESIRES, AN ENTIRELY NEW  
13 STAFFING PATTERN OR ORGANIZATIONAL STRUCTURE TO SUIT THE  
14 OPERATIONS OF THE CORPORATION UNDER THIS ACT. NO PREFERENTIAL  
15 OR PRIORITY RIGHT SHALL BE GIVEN TO OR ENJOYED BY ANY PERSONNEL  
16 FOR APPOINTMENT TO ANY POSITION IN THE NEW STAFFING PATTERN  
17 NOR SHALL ANY PERSONNEL BE CONSIDERED AS HAVING PRIOR OR  
18 VESTED RIGHTS WITH RESPECT TO RETENTION IN THE CORPORATION OR IN  
19 ANY POSITION WHICH MAY BE CREATED IN THE NEW STAFFING PATTERN,  
20 EVEN IF HE SHOULD BE THE INCUMBENT OF A SIMILAR POSITION PRIOR TO  
21 REORGANIZATION. THE REORGANIZATION SHALL BE COMPLETED WITHIN  
22 SIX (6) MONTHS AFTER THE EFFECTIVITY OF THIS ACT. PERSONNEL WHO  
23 ARE NOT RETAINED ARE DEEMED SEPARATED FROM THE SERVICE."  
24

25 SECTION 49. Section 24 of the same Act is accordingly renumbered as Section 30.  
26

27 SECTION 50. Section 25 of the same Act is accordingly renumbered as Section 31.  
28

29 SECTION 51. A new section entitled Section 32 of the same Act is hereby inserted  
30 between Sections 31 and 33 which shall read as follows:  
31

32 "SECTION 32. EXEMPTING CLAUSE. - THE CORPORATION SHALL BE  
33 EXEMPT FROM SECTION 30 OF REPUBLIC ACT NO. 7653, AS AMENDED,  
34 PRESIDENTIAL DECREE NO. 985, PRESIDENTIAL DECREE NO. 1597,  
35 REPUBLIC ACT NO. 6758, AS AMENDED, JOINT RESOLUTION NO. 4 (2009),  
36 REPUBLIC ACT NO. 10149, PRESIDENTIAL DECREE NO. 1177, EXECUTIVE  
37 ORDER NO. 248, AS AMENDED, AND EXECUTIVE ORDER NO. 298.  
38

39 SECTION 52. A new section entitled Section 33 of the same Act is hereby inserted  
40 between Sections 32 and 34 which shall read as follows:  
41

42 "SECTION 33. TRANSITORY PROVISIONS. - (a) THE INCUMBENT PRESIDENT  
43 OF THE CORPORATION AND PRIVATE SECTOR MEMBERS OF THE BOARD  
44 OF DIRECTORS SHALL CONTINUE TO EXERCISE THEIR RESPECTIVE DUTIES  
45 AND FUNCTIONS UNTIL REPLACED BY THE PRESIDENT OF THE PHILIPPINES:  
46 PROVIDED, THAT, SUCH NEW APPOINTEES SHALL BE SUBJECT TO THE TERM  
47 OF OFFICE PROVIDED UNDER SECTION 3 OF THIS ACT, AS AMENDED.  
48

49 (b) PAYMENT OF SURPLUS DIVIDENDS UNDER SECTION 13(C) OF THIS  
50 ACT, AS AMENDED, SHALL BE APPLICABLE TO BANKS WITHOUT A COURT-  
51 APPROVED FINAL ASSET DISTRIBUTION PLAN AT THE TIME OF THE  
52 EFFECTIVITY OF THIS ACT.

1  
2 (c) THE PREFERENCE INDICATED UNDER SECTION 21 OF THIS ACT, AS  
3 AMENDED, SHALL BE LIKEWISE EFFECTIVE UPON LIQUIDATION  
4 PROCEEDINGS ALREADY COMMENCED AND PENDING AS OF THE  
5 EFFECTIVITY OF THIS ACT, WHERE NO DISTRIBUTION OF ASSETS HAS BEEN  
6 MADE.  
7

8 (d) THE PROVISIONS IN SECTION 10 OF THIS ACT, AS AMENDED, ON  
9 LEGAL ASSISTANCE, PROTECTION AND INDEMNIFICATION SHALL APPLY  
10 TO ALL CASES PENDING BEFORE THE EFFECTIVITY OF THIS ACT."  
11

12 SECTION 53. Section 26 of the same Act is accordingly renumbered as Section 34.  
13

14 SECTION 54. Section 27 of the same Act is accordingly renumbered as Section 35.  
15

16 SECTION 55. Section 28 of the same Act is accordingly renumbered as Section 36.  
17

18 SECTION 56. **Separability Clause.** - If any provision or section of this Act or the  
19 application thereof to any person or circumstances is held invalid, the other  
20 provisions or sections of this Act, in the application of such provision or section to  
21 other persons or circumstances, shall not be affected thereby.  
22

23 SECTION 57. **Repealing Clause.** - All acts or parts of acts and executive orders,  
24 administrative orders, or parts thereof which are inconsistent with the provisions of  
25 this Act are hereby repealed.  
26

27 SECTION 58. **Effectivity Clause.** - This Act shall take effect fifteen (15) days following  
28 the completion of its publication in the *Official Gazette* or in two (2) newspapers of  
29 general circulation.  
30

31 Approved,