



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

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. **8445**



Introduced by Representative Junie E. Cua
Lone District, Quirino

AN ACT
AMENDING SECTIONS 1, 3, 4, 5, 6, 8, 9, 10, 11, 18, 22, 24, 26 and 28
OF REPUBLIC ACT NO. 3591, AS AMENDED, OTHERWISE KNOWN AS THE
PHILIPPINE DEPOSIT INSURANCE CORPORATION CHARTER
AND FOR OTHER PURPOSES

EXPLANATORY NOTE

With the rapidly changing times and financial landscape, the Philippine Deposit Insurance Corporation (PDIC) prepares itself to providing depositor protection effectively. Amendments to its legal and operational framework as provided in Republic Act No. 3591, or the PDIC Charter, as amended, become necessary.

In the exercise of its core mandates as deposit insurer and liquidator of banks, certain powers of PDIC are modified to enable PDIC to effectively and efficiently fulfill its mandate. The proposed amendments would prevent an overlap in the functions of the PDIC with the primary regulator of banks, the Bangko Sentral ng Pilipinas (BSP). The powers of the PDIC on bank resolution including granting consent to mergers and acquisitions, and the issuance of cease-and-desist orders pertaining to deposit-related unsafe and/or unsound banking would be centralized with the BSP. Instances for the exercise of the powers on bank examination are limited in order to prevent duplication of bank examination powers of the BSP and the PDIC.

To adapt to the changing times, the Board of Directors will be given the authority to increase the maximum deposit insurance coverage when financial

stability is threatened, which shall be in consideration of empirical and actuarial studies, inflation or other economic indicators.

To ensure alignment of PDIC with other GOCCs and government financial institutions in terms of compensation, the exemption of PDIC from the salary standardization laws is proposed to be removed. The bill clarifies the applicability of Republic Act No. 7656 or the Dividend Law, subject to certain conditions on the determination of the dividend base and the flexibility clause.

The authority for PDIC to setup deposit insurance schemes for the protection of users of new financial products, and depositors in Islamic banks are provided in the proposed amendments. This would address the increasing number of issuers of new financial products, and the potential to expand Islamic banking in the country.

Finally, to ensure better policy and program coordination between the agencies, the PDIC is likewise proposed to be attached to the BSP (from the Department of Finance).

Considering the foregoing, the immediate passage of this bill is requested.



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

SEC. 1. Section 1 of Republic Act No. 3591, as amended (PDIC Charter) is hereby amended to read as follows:

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

The Corporation shall, as a basic policy, promote and safeguard the interests of the depositing public by providing insurance coverage on all insured deposits and helping maintain a sound and stable banking system.

THE CORPORATION SHALL BE AN AGENCY ATTACHED TO THE BANGKO SENTRAL NG PILIPINAS FOR POLICY AND PROGRAM COORDINATION.

SEC. 2. Section 3 of the PDIC Charter is hereby amended to read as follows:

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) members as follows:

(1) The Secretary of Finance who shall be the ex officio [~~Chairman~~]
CHAIRPERSON 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 a shortlist prepared by the Governance Commission for Government-Owned or –Controlled Corporations pursuant to Republic Act No. 10149 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) members from the private sector to be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for Government-Owned or –Controlled Corporations pursuant to Republic Act No. 10149. The appointive directors shall serve for a term of six (6) years unless sooner removed for cause and shall be subject to only one (1) reappointment: Provided, That of those first appointed, the first two (2) appointees shall serve for a period of three (3) years; Provided, however, That the appointive director shall continue to hold office until the successor is appointed. An appointive director may be nominated by the Governance Commission for Government-Owned or –Controlled Corporations for reappointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year as tenure as appointive director based on the performance criteria for appointive directors of the Corporation.

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The Secretary of Finance and the Governor of the Bangko Sentral ng Pilipinas may each designate an alternate, who shall be an official with a rank not lower than assistant secretary **OF THE DEPARTMENT OF FINANCE** or ~~[its equivalent]~~ **DEPUTY GOVERNOR OF THE BANGKO SENTRAL NG PILIPINAS** with written authority from the Secretary of Finance or the Governor of the Bangko Sentral ng Pilipinas to attend such meetings and to vote on behalf of their respective principals. Whenever the ~~[Chairman]~~ **CHAIRPERSON** 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, ~~[and in the absence of the Vice Chairman the members of the Board shall designate from among themselves who]~~ **HIS OR HER DESIGNATED ALTERNATE** shall ~~[act as Chairman]~~ **PRESIDE. IN THE ABSENCE OF THE CHAIRPERSON AND HIS OR HER DESIGNATED ALTERNATE, THE REPRESENTATIVE OF THE BANGKO SENTRAL NG PILIPINAS SHALL PRESIDE.**

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

(1) To approve and issue rules and regulations for banks, ~~[and]~~ the depositing public, **AND OTHER INSTITUTIONS SUPERVISED BY BANGKO SENTRAL NG PILIPINAS** as it considers necessary for the effective discharge of its responsibilities **IN THIS ACT INCLUDING, BUT NOT LIMITED TO, THE ESTABLISHMENT OF SEPARATE INSURANCE FUNDS, AND INSURANCE ARRANGEMENTS OR STRUCTURES OR TAKAFUL, TAKING INTO CONSIDERATION THE PECULIAR CHARACTERISTICS OF ISLAMIC BANKING AND/OR OTHER DEPOSIT PRODUCTS, AS MAY BE DEFINED BY BANGKO SENTRAL NG PILIPINAS, OFFERED BY INSTITUTIONS SUPERVISED BY BANGKO SENTRAL NG PILIPINAS. THIS AUTHORITY INCLUDES, BUT NOT LIMITED TO, SETTING OF THE INSURANCE COVERAGE, ELIGIBILITY OF THE INSTITUTIONS, ASSESSMENT PREMIUM RATE, AND OTHER IMPLEMENTATION RULES AND REGULATIONS;**

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~~[(4) To approve a compensation structure as an integral component of the Corporation's human resource development program based on job evaluation studies and wage surveys, and revise the same as it may deem necessary: Provided, That all positions in the Corporation shall be governed by a compensation package, position classification system and qualification standards approved by the Board based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation structure shall be comparable to that of other financial institutions based on prevailing market standards, and shall provide for yearly merit reviews or increases based on productivity. The Corporation shall therefore be exempt from existing laws, rules and regulations on compensation package, position classification and qualification standards. It shall however endeavor to make its system conform as closely as possible with the principles under Republic Act No. 6758, as amended;]~~

~~[(5)]~~ (4) To appoint, ~~[establish the rank, fix the remuneration, benefits, including health care services through a Health Maintenance Organization (HMO) and medical benefits other than those provided for under Republic Act No. 7875, as amended,]~~ 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, further, That in no case shall there be any diminution of existing salaries, benefits and other emoluments;

~~[(6)]~~ (5) To approve policy on local and foreign travel, and the corresponding expenses, allowances and per diems, of officers, employees, agents of the Corporation, which shall be comparable with the expenses, allowances and per diems of personnel of other financial institutions based on prevailing market standards, 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)]~~ (6) 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)]~~ (7) To approve the target level of the Deposit Insurance Fund (DIF) and the methodology for determining reserves for insurance and financial assistance losses;

~~[(9)]~~ (8) To review the organizational set-up of the Corporation and adopt a new or revised organizational structure as it may deem necessary for the Corporation to undertake its mandate and functions;

~~[(10)]~~ (9) To design, adopt and revise, 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 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)]~~ (10) To promote and sponsor the local or foreign training or study of personnel in the fields of banking, finance, management, information technology and law. Towards 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.

SEC. 3. Section 4 of the PDIC Charter is hereby amended to read as follows:

Section 4. The President of the Corporation shall be its Chief Executive Officer ~~[and the Vice-Chairman of its Board of Directors]~~ and his or her salary shall be ~~[fixed by the President of the Philippines upon the recommendation of]~~ **BASED ON THE COMPENSATION AND POSITION CLASSIFICATION SYSTEM DEVELOPED BY the Governance Commission for Government-Owned or -Controlled Corporations [at a sum commensurate to the importance and responsibility attached to the position.] AND AS APPROVED BY THE PRESIDENT OF THE PHILIPPINES.** The sum total of the salary, allowances, benefits and other emoluments of the President of the Corporation shall be higher than the compensation package of the next highest ranking executive of the Corporation.

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The President shall be assisted by a Vice President and other officials whose appointment and removal for cause shall be approved ~~[and whose salary shall be fixed]~~ by the Board of Directors upon recommendation of the President of the Corporation. **THE SALARY OF THE VICE PRESIDENT AND OTHER OFFICIALS SHALL BE BASED ON THE COMPENSATION AND POSITION CLASSIFICATION SYSTEM DEVELOPED BY THE GOVERNANCE COMMISSION FOR GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS AND AS APPROVED BY THE PRESIDENT OF THE PHILIPPINES.** During the absence or temporary incapacity of the President, or in case of vacancy or permanent incapacity and pending appointment of a new President of the Corporation by the President of the Philippines, the Board of Directors shall designate the officer-in-charge of the Corporation.

SEC. 4. Section 5 of the PDIC Charter is hereby amended to read as follows:

DEFINITION OF TERMS

SECTION 5. As used in this Act. —

(g) xxx

(3) Deposit accounts or transactions constituting, and/or emanating from, unsafe and unsound banking ~~[practice/s]~~, as determined by the Corporation, in consultation with the Bangko Sentral ng Pilipinas, after due notice and hearing, and publication of a directive to cease and desist issued by the ~~{Corporation}~~ **BANGKO SENTRAL NG PILIPINAS** against such deposit accounts, transactions or ~~[practices]~~ **UNSAFE AND UNSOUND BANKING**; and

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(i) **THE TERM *INCOME FROM OTHER SOURCES* MEANS INCOME ACTUALLY REALIZED BY THE CORPORATION FROM SOURCES OTHER THAN ASSESSMENT COLLECTIONS, AS DEFINED BY RELEVANT AND PREVAILING ACCOUNTING STANDARDS.**

~~{(i)}~~ (j) The term *insured bank* means any bank the deposits of which are insured in accordance with the provisions of this Act.

~~{(j)}~~ (k) The term *insured deposit* means the amount due to any bonafide depositor for legitimate deposits in an insured bank as of the date of closure but not to exceed Five hundred thousand pesos (P500,000.00). Such amount shall be determined according to such regulations as the Board of Directors may prescribe. In determining such amount due to any depositor, there shall be added together all deposits in the bank maintained in the same right and capacity for his or her benefit either in his or her own name or in the

name of others. A joint account regardless of whether the conjunction 'and', 'or', 'and/or' is used, shall be insured separately from any individually-owned deposit account: Provided, That (1) if the account is held jointly by two or more natural persons, or by two or more juridical persons or entities, the maximum insured deposit shall be divided into as many equal shares as there are individuals, juridical persons or entities, unless a different sharing is stipulated in the document of deposit, and (2) if the account is held by a juridical person or entity jointly with one or more natural persons, the maximum insured deposit shall be presumed to belong entirely to such juridical person or entity: Provided, further, That the aggregate of the interest of each co-owner over several joint accounts, whether owned by the same or different combinations of individuals, juridical persons or entities, shall likewise be subject to the maximum insured deposit [~~of Five hundred thousand pesos (P500,000.00)~~]: Provided, furthermore, That the provisions of any law to the contrary notwithstanding, no owner/holder of any passbook, certificate of deposit or other evidence of deposit shall be recognized as a depositor entitled to the rights provided in this Act unless the passbook, certificate of deposit or other evidence of deposit is determined by the Corporation to be an authentic document or record of the issuing bank.

~~[Provided, finally, That]~~ In case of a condition that threatens the monetary and financial stability of the banking system that may have systemic consequences, as defined in Section 22 hereof, as determined by the Monetary Board, the maximum deposit insurance cover may be adjusted in such amount, for such a period, and/or for such deposit products, as may be determined by a unanimous vote of the Board of Directors in a meeting called for the purpose and chaired by the Secretary of Finance **OR HIS/HER DESIGNATED ALTERNATE**, subject to the approval of the President of the Philippines.

THE BOARD OF DIRECTORS CAN INCREASE THE AMOUNT OF THE MAXIMUM DEPOSIT INSURANCE COVERAGE TO AN AMOUNT INDEXED TO INFLATION OR IN CONSIDERATION OF OTHER ECONOMIC INDICATORS AS MAY BE DEEMED APPROPRIATE BY THE BOARD. THE BOARD OF DIRECTORS SHALL REVIEW THE AMOUNT OF THE MAXIMUM DEPOSIT INSURANCE COVERAGE EVERY THREE (3) YEARS AND ADJUST THE MAXIMUM DEPOSIT INSURANCE COVERAGE AS MAY BE WARRANTED. IN THE EXERCISE OF THIS AUTHORITY, THE BOARD MAY CONSIDER ECONOMIC INDICATORS OTHER THAN INFLATION. FOR THIS PURPOSE, THE BOARD MAY HIRE THE SERVICES OF ACTUARIAL CONSULTANTS AND OTHER EXPERTS TO DETERMINE THE FEASIBILITY AND ADVISABILITY OF ADJUSTING THE MAXIMUM DEPOSIT INSURANCE COVERAGE

~~{(k)}~~ (l) The term *liquidation* refers to the proceedings under Sections 12 to 16 of this Act.

~~{(l)}~~ (m) The term *liquidation court* refers to the Regional Trial Court (RTC) of general jurisdiction where the petition for assistance in the liquidation of a closed bank is filed and given due course.

~~{(m)}~~ (n) The term *payout* refers to the payment of insured deposits.

~~{(n)}~~ (o) The term *petition for assistance in the liquidation of a closed bank* refers to the petition filed by the receiver with the RTC in accordance with Section 16 of this Act.

~~{(o)}~~ (p) The term *purchase of assets and assumption of liabilities* refers to a transaction where an insured bank purchases any or all assets and assumes any or all liabilities of another bank under [~~resolution or~~] liquidation, as provided in this Act.

~~{{p}}~~ (q) The term *receiver* refers to the Corporation or any of its duly authorized agents acting as receiver of a closed bank.

~~{{q}}~~ (r) The term *records* include all documents, titles, papers and electronic data of the closed bank, including those pertaining to deposit accounts of and with the closed bank, its assets, transactions and corporate affairs.

~~{{r}}~~ (s) The term *residual assets* refer to assets, in cash or in kind, to be turned over to the closed bank's stockholders of record, in proportion to their interest in the closed bank as of date of closure, after payment in full of liquidation costs, fees and expenses, and the valid claims and surplus dividends to all the creditors.

~~{{s}}~~ The term *resolution* refers to the actions undertaken by the [Corporation under Section 11 of this Act]:

- ~~(1) Protect depositors, creditors and the DIF;~~
- ~~(2) Safeguard the continuity of essential banking services or maintain financial stability; and~~
- ~~(3) Prevent deterioration or dissipation of bank assets.]~~

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(z) THE TERM UNSAFE AND UNSOUND BANKING MAY REFER TO THE CONDUCT OF BUSINESS IN AN UNLAWFUL, UNSAFE OR UNSOUND MANNER AS MAY BE DEFINED BY THE BANGKO SENTRAL NG PILIPINAS UNDER REPUBLIC ACT NO. 7653, AS AMENDED BY REPUBLIC ACT NO. 11211, AND REPUBLIC ACT NO. 8791.

~~{{z}}~~ (aa) The term *valid claim* refers to the claim recognized by the receiver or allowed by the liquidation court.

~~{{aa}}~~ (bb) The term *winding up period* refers to the period provided in Section 16 of this Act.

SEC. 5. Section 6 of the PDIC Charter is hereby amended to read as follows:

DEPOSIT INSURANCE COVERAGE

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

FURTHER, THE CORPORATION MAY ESTABLISH SEPARATE INSURANCE FUNDS, AND INSURANCE ARRANGEMENTS OR STRUCTURES OR TAKAFUL, THAT TAKE INTO CONSIDERATION THE PECULIAR CHARACTERISTICS OF ISLAMIC BANKING, AND/OR OTHER DEPOSIT PRODUCTS, AS MAY BE DEFINED BY BANGKO SENTRAL NG PILIPINAS, OFFERED BY INSTITUTIONS SUPERVISED BY BANGKO SENTRAL NG PILIPINAS.

WHENEVER AN INSTITUTION OTHER THAN BANKS THAT IS SUPERVISED BY THE BANGKO SENTRAL NG PILIPINAS IS ORDERED CLOSED BY THE MONETARY BOARD AND SUCH INSTITUTION HAS DEPOSITS OR PRODUCTS COVERED BY AN INSURANCE OF THE CORPORATION, THE CORPORATION SHALL BE DESIGNATED AS RECEIVER OF SUCH INSTITUTION AND THE CORPORATION SHALL

PROCEED WITH ITS TAKEOVER AND LIQUIDATION IN ACCORDANCE WITH THIS ACT.

Whenever a bank is determined by the Bangko Sentral ng Pilipinas to be capital deficient, the Corporation may conduct an insurance risk evaluation on the bank to enable it to assess the risks to the DIF. Such evaluation may include the determination of: (i) the fair market value of the assets and liabilities of a bank; or (ii) the risk classification of a bank [~~; or (iii) possible resolution modes under Section 11 of this Act, subject to such terms and conditions as the PDIC Board may prescribe.~~].

SEC. 6. Section 8 of the PDIC Charter 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~~] **BANKING** [~~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 26(g) 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.]~~

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~~[(e)]~~ (b) 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] **BANGKO SENTRAL NG PILIPINAS**, [~~or with any corrective action imposed by the Monetary Board, under this section~~] pertaining to a deposit-related unsafe and/or unsound banking [~~practice~~].

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SEC. 7. Section 9 of the PDIC Charter is hereby amended to read as follows:

SECTION 9. The Corporation as a corporate body shall have the powers:

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Fifth — To appoint by its Board of Directors such officers and employees as are not otherwise provided for in this Act, to define their duties, ~~[fix their compensation,]~~ require bonds of them and fix penalty thereof and to dismiss such officers and employees for cause;

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Eighth — To conduct examination of banks ~~[with prior approval of the Monetary Board: Provided, That no examination can be conducted within twelve (12) months from the last examination date: Provided, however, That the Corporation may, in coordination with the Bangko Sentral, conduct a special examination as the Board of Directors, by an affirmative vote of a majority of all of its members, if there is a threatened or impending closure of a bank:]~~ **WHENEVER THE BSP DEEMS IT APPROPRIATE AND NECESSARY SUCH AS WHEN THERE IS A FINDING OF FRAUD OR UNSAFE OR UNSOUND BANKING RELATED TO DEPOSIT-TAKING,** ~~Provided, [further,]~~ That, notwithstanding the provisions of Republic Act No. 1405, as amended, Republic Act No. 6426, as amended, Republic Act No. 8791, and other laws, the Corporation and/or the Bangko Sentral, may inquire into or examine deposit accounts and all information related thereto ~~[in case there is a finding of unsafe or unsound banking practice]:~~ ~~Provided, finally, That to avoid overlapping of efforts, the examination shall maximize the efficient use of the relevant reports, information, and findings of the Bangko Sentral, which it shall make available to the Corporation.~~

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~~[Fourteenth — To determine the appropriate resolution method and to implement the same for a bank subject of resolution; and]~~

~~[Fifteenth]~~ **FOURTEENTH** — To determine the appropriate mode of liquidation of a closed bank and to implement the same.

SEC. 8. Section 10 of the PDIC Charter is hereby amended to read as follows:

SECTION 10. xxx

(b) WHENEVER THE BANGKO SENTRAL DEEMS IT APPROPRIATE AND NECESSARY FOR PDIC TO JOIN THE CONDUCT OF EXAMINATION, [†] The Board of Directors shall appoint examiners who shall have power, on behalf of the Corporation to examine any insured bank. Each such examiner shall have the power to make a thorough examination of all the affairs of the bank and in doing so, he shall have the power to administer oaths, to examine and take and preserve the testimony of any the officers and agents thereof, and to compel the presentation of books, documents, papers or records necessary in his judgment to ascertain the facts relative to the condition of the bank: and shall make a full and detailed report of the condition of the bank to the Corporation. The Board of Directors in like manner shall appoint claim agents who shall have the power to investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have the power to administer oaths and examine under oath and take and preserve testimony of any person relating to such claim.

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(d) The ~~[Corporation]~~ **BANGKO SENTRAL NG PILIPINAS** shall have access to ~~[reports of examination]~~ **BANK EXAMINATION REPORTS** made by **THE CORPORATION**, ~~[and reports of condition made to the Bangko Sentral ng Pilipinas or its appropriate supervising departments, and the Bangko Sentral ng Pilipinas shall also~~

~~have access to reports of examination made by, and reports of condition made to the Corporation: Provided, That the provisions of any law to the contrary notwithstanding, the Corporation shall likewise have access to reports, findings and any other information derived from any special or general examination of inquiry conducted by the Bangko Sentral in respect to bank fraud or serious irregularity in an insured bank;]~~ **AND TO SUCH OTHER REPORTS OR INFORMATION AS MAY BE AGREED UPON BY THE CORPORATION AND THE BANGKO SENTRAL NG PILIPINAS. THE BANGKO SENTRAL SHALL SHARE TO THE CORPORATION ITS REPORTS OF EXAMINATION ON BANKS, AND SUCH OTHER REPORTS OR INFORMATION AS MAY BE AGREED UPON BY THEM.** Provided, that, ~~[the Corporation shall use such reports and findings under similar terms and conditions prescribed by applicable laws on the Bangko Sentral]~~ **THE USE OF SUCH REPORTS OR INFORMATION ARE IN ACCORDANCE WITH THE TERMS AND CONDITIONS AGREED UPON BY THE CORPORATION AND BANGKO SENTRAL AND PRESCRIBED BY APPLICABLE LAWS AND REGULATIONS.**

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SEC. 9. Section 11 of the PDIC Charter is hereby amended to read as follows:

[BANK RESOLUTION] AUTHORITY TO EXAMINE DEPOSIT RECORDS

SECTION 11. ~~[(a) — The Corporation, in coordination with the Bangko Sentral ng Pilipinas, 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 ng Pilipinas 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, agreements or documents, including any order of the Monetary Board, in relation to the prompt corrective action. The Corporation shall have the authority to inquire and monitor the status of banks under prompt corrective action.]~~

~~[(c)]~~ When there is a failure of prompt corrective action as declared by the Monetary Board ~~[due to capital deficiency]~~, the Corporation ~~[, its duly authorized officers or employees,]~~ **AND THE BANGKO SENTRAL NG PILIPINAS** may examine, inquire or look into the deposit records of a bank: ~~[Provided, That such authority may not be exercised when the failure of prompt corrective action is due to grounds other than capital deficiency.]~~ For this purpose, banks, their officers and employees are hereby mandated to disclose and report to the Corporation **AND BANGKO SENTRAL NG PILIPINAS** or ~~[its]~~ **THEIR** duly authorized officers and employees, **THE REQUIRED** deposit account information ~~[in said bank].~~

~~[The Corporation, its duly authorized officers or employees are prohibited from disclosing information obtained under this section to any person, government official, bureau or office. Any act done pursuant to this section shall not be deemed as a violation of Republic Act No. 1405, as amended, Republic Act No. 6426, as amended, Republic Act No. 8791, and other similar laws protecting or safeguarding the secrecy or confidentiality of bank deposits: Provided, That a]~~ Any unauthorized disclosure of the information under this section shall be subject to the same penalty under the ~~[foregoing]~~ laws protecting the secrecy or confidentiality of bank deposits.

~~[(d) — The stockholders, directors, officers or employees of the bank shall have the following obligations:]~~

~~[(1) — Ensure bank compliance with the terms and conditions prescribed by the Corporation for the resolution of the bank;]~~

~~[(2) — Cause the engagement, with the consent of the Corporation, of an independent appraiser or auditor for the purpose of determining the valuation of the bank consistent with generally accepted valuation standards;]~~

~~[(3) — Ensure prudent management and administration of the bank's assets, liabilities and records; and]~~

~~[(4) — Cooperate with the Corporation in the conduct or exercise of any or all of its authorities under this Act and honor in good faith its commitment or undertaking with the Corporation on the resolution of the bank.]~~

~~[(e) — Within a period of one hundred eighty (180) days from a bank's entry into resolution, the Corporation, through the affirmative vote of at least five (5) members of the PDIC Board, shall determine whether the bank may be resolved through the purchase of all its assets and assumption of all its liabilities, or merger or consolidation with, or its acquisition, by a qualified investor.]~~

~~[For this purpose, the Corporation may:]~~

~~[(1) Determine a resolution package for the bank;]~~

~~[(2) Identify and, with the approval of the Monetary Board, pre-qualify possible acquirers or investors;]~~

~~[(3) Authorize pre-qualified acquirers or investors to conduct due diligence on the bank, for purposes of determining the valuation of a bank through an objective and thorough review and appraisal of its assets and liabilities, and assessment of risks or events that may affect its valuation; and]~~

~~[(4) Conduct a bidding to determine the acquirer of the bank.]~~

~~[(f) — In determining the appropriate resolution method for a bank, the Corporation shall consider the:]~~

~~[(1) Fair market value of the assets of the bank, its franchise, as well as the amount of its liabilities;]~~

~~[(2) Availability of a qualified investor;]~~

~~[(3) Least cost to the DIF; and]~~

~~[(4) Interest of the depositing public.]~~

~~[(g) — The Corporation may appoint or hire persons or entities of recognized competence in banking, finance, asset management or remedial management, as its agents, to perform such powers and functions of the Corporation in the resolution of a bank, or assist in the performance thereof.]~~

~~[(h) The PDIC Board shall prescribe the guidelines or criteria for a bank to be placed under resolution.]~~

~~[(i) Upon a determination by the Corporation that the bank may not be resolved, the Monetary Board may act in accordance with Section 30 of Republic Act No. 7653 or the New Central Bank Act.]~~

~~[(j) Bank resolution involving the purchase of all assets and assumption of all liabilities of a bank shall be exempt from the provisions of Act No. 3952, otherwise known as "The Bulk Sales Law".]~~

~~[(k)]~~ The provisions of this section are without prejudice to any action that the Monetary Board may take under existing laws.

SEC. 10. Section 18 of the PDIC Charter is hereby amended to read as follows:

DIVIDEND DECLARATION

SECTION 18. Consistent with the policy of the State to generate, preserve, maintain faith and confidence in the country's banking system, the Corporation shall build up and maintain the DIF at the target level set by the PDIC Board of Directors. Such target level shall be subject to periodic review and may be adjusted as necessary.

The Corporation ~~[is exempt from Republic Act No. 7656; instead, the Corporation shall]~~ **SHALL DECLARE AND** remit dividends to the [n] National [g] Government ~~[only if the target DIF level for the applicable year has been reached.]~~ **IN ACCORDANCE WITH REPUBLIC ACT NO. 7656, PROVIDED THAT SECTION 2.D ON THE DETERMINATION OF THE DIVIDEND BASE AND SECTION 5 FLEXIBLE CLAUSE THEREOF SHALL NOT APPLY. IN LIEU OF SECTION 2.D AND SECTION 5 OF REPUBLIC ACT NO. 7656, THE SUCCEEDING PARAGRAPHS SHALL GOVERN.**

For purposes of computing the amount of dividends to be declared and remitted to the [n] National [g] Government, all assessment collections shall not be considered as income **AND THE DIVIDEND BASE SHALL BE THE SUM OF ALL INCOME FROM OTHER SOURCES ONLY. UNREALIZED INCOME SUCH AS, BUT NOT LIMITED TO, REVERSALS OF ALLOWANCES AND RESERVES, AND UNREALIZED EXCHANGE GAINS, SHALL NOT BE PART OF INCOME FROM OTHER SOURCES. NO DEDUCTIONS SHALL BE ALLOWED FROM THE INCOME FROM OTHER SOURCES.**

The dividend rate shall be at least fifty percent (50%) of the **SUM OF ALL THE** income from other sources only. **IN CONSIDERATION OF MAINTAINING THE DIF AT A REASONABLE LEVEL, THE DIVIDEND RATE MAY BE ADJUSTED BY THE PRESIDENT OF THE PHILIPPINES UPON RECOMMENDATION BY THE SECRETARY OF FINANCE; OR THE CORPORATION MAY BE ALLOWED TO DEFER THE PAYMENT OF THE FIFTY PERCENT (50%) DIVIDEND DUE AS MAY BE DETERMINED BY THE SECRETARY OF FINANCE.**

SEC. 11. Section 22 of the PDIC Charter is hereby amended to read as follows:

CORPORATE FUNDS AND ASSETS SECTION 22. xxx

(e) ~~[In the exercise of its authorities under Section 11 of this Act, t]~~ The Corporation is authorized to make loans to, or purchase the assets of, or assume liabilities of, or make deposits in:

(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 conditions as the Board of Directors may prescribe, when in the opinion of the Board of Directors, 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.

xxx

SEC. 12. Section 24 of the PDIC Charter is hereby amended to read as follows:

ISSUANCE OF BONDS, DEBENTURES AND OTHER OBLIGATIONS

SECTION 24. With the approval of the President of the Philippines, upon the recommendation of the Department of Finance, the Corporation is authorized to issue bonds, debentures, and other obligations, both local or foreign, as may be necessary for purposes of providing liquidity for settlement of insured deposits in closed banks[;] **OR** to facilitate the implementation of ~~[bank resolution under Section 11 of this Act, as well as for]~~ financial assistance as provided herein: Provided, That the Board of Directors shall determine the interest rates, maturity and other requirements of said obligations: Provided, further, That the Corporation may provide for appropriate reserves for the redemption or retirement of said obligation.

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SEC. 13. Section 26 (c) of the PDIC Charter is hereby deleted and renumbered accordingly:

xxx

~~(e) Without prior consent of the Corporation, no insured bank shall (1) merge or consolidate with any non-insured bank or institution or convert into a non-insured bank or institution or (2) assume liability to pay any deposits made in, or similar liabilities of, any non-insured bank or institution or (3) transfer of assets to any non-insured bank or institution in consideration of the assumption of liabilities for any portion of the deposits made in such insured banks.~~

xxx

SEC. 14. Section 28 of the PDIC Charter is hereby deleted and replaced by Section 11 (j) as follows:

~~[SECTION 28. Exempting Clause. — The Corporation shall be exempt from Presidential Decree No. 985, Presidential Decree No. 1597, Republic Act No. 6758, as amended, Joint Resolution No. 4 (2009) and other laws on salary standardization, Presidential Decree No. 1177, Executive Order No. 245, as amended, Executive Order No. 298 and the provisions of Republic Act No. 10149 with regard to position classification, qualification standards, and the compensation package of the employees of the Corporation: Provided, That the PDIC shall be subject to all other policies under Republic Act No. 10149, including, but not limited to, performance evaluation by the~~

~~Governance Commission for Government Owned or Controlled Corporations, selection and nomination of appointive directors, and limitations on the creation of subsidiaries and the acquisition of affiliates except in the case of acquisition of shares in the grant of financial assistance under this Act.]~~

[+] SECTION 28. EXEMPTION FROM THE BULK SALES LAW. - BANK LIQUIDATION INVOLVING THE PURCHASE OF ALL ASSETS AND ASSUMPTION OF ALL LIABILITIES OF A BANK SHALL BE EXEMPT FROM THE PROVISIONS OF ACT NO. 3952, OTHERWISE KNOWN AS 'THE BULK SALES LAW'.

SEC. 15. *Separability Clause.* – If any provision of this Act is subsequently declared invalid or unconstitutional, the other provisions hereof which are not affected thereby shall remain in full force and effect.

SEC. 16. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.