

Republic of the Philippines  
Congress of the Philippines

Metro Manila

Fourteenth Congress

Second Regular Session

Begun and held in Metro Manila, on Monday, the twenty-eighth day  
of July, two thousand eight.



[ REPUBLIC ACT No.     **9576** ]

AN ACT INCREASING THE MAXIMUM DEPOSIT INSURANCE  
COVERAGE, AND IN CONNECTION THEREWITH, TO  
STRENGTHEN THE REGULATORY AND ADMINISTRATIVE  
AUTHORITY, AND FINANCIAL CAPABILITY OF THE  
PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC),  
AMENDING FOR THIS PURPOSE REPUBLIC ACT  
NUMBERED THREE THOUSAND FIVE HUNDRED NINETY-  
ONE, AS AMENDED, OTHERWISE KNOWN AS THE PDIC  
CHARTER, AND FOR OTHER PURPOSES

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

SECTION 1. *Statement of State Policy and Objectives.* – It is hereby declared to be the policy of the State to strengthen the mandatory deposit insurance coverage system 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 Philippine Deposit Insurance Corporation to effectively fulfill its vital task of promoting and safeguarding the interests of the depositing public by way of providing permanent and continuing insurance coverage on all insured deposits, and in helping develop a sound and stable banking system at all times.

SEC. 2. Section 4(f) of Republic Act No. 3591, as amended, is hereby amended by adding an additional paragraph, to read as follows:

“(f) The term ‘deposit’ means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obliged to give credit to a commercial, checking, savings, time or thrift account, or issued in accordance with Bangko Sentral rules and regulations and other applicable laws, together with such other obligations of a bank, which, consistent with banking usage and practices, the Board of Directors shall determine and prescribe by regulations to be deposit liabilities of the bank: *Provided*, That any obligation of a bank which is payable at the office of the bank located outside of the Philippines shall not be a deposit for any of the purposes of this Act or included as part of the total deposits or of insured deposit: *Provided, further*, That, subject to the approval of the Board of Directors, any insured bank which is incorporated under the laws of the Philippines which maintains a branch outside the Philippines may elect to include for insurance its deposit obligations payable only at such branch.

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

"(1) Investment products such as bonds and securities, trust accounts, and other similar instruments;

"(2) Deposit accounts or transactions which are unfunded, or that are fictitious or fraudulent;

"(3) Deposit accounts or transactions constituting, and/or emanating from, unsafe and unsound banking practice/s, as determined by the Corporation, in consultation with the BSP, after due notice and hearing, and publication of a cease and desist order issued by the Corporation against such deposit accounts or transactions; and

"(4) Deposits that are determined to be the proceeds of an unlawful activity as defined under Republic Act No. 9160, as amended.

"The actions of the Corporation taken under this section shall be final and executory, and may not be restrained or set aside by the court, except on appropriate petition for *certiorari* on the ground that the action was taken in excess of jurisdiction or with such grave abuse of discretion as to amount to a lack or excess of jurisdiction. The petition for *certiorari* may only be filed within thirty (30) days from notice of denial of claim for deposit insurance."

SEC. 3. Section 4(g) of the same Act is hereby amended to read as follows:

"(g) The term 'insured deposit' means the amount due to any *bona fide* depositor for legitimate deposits in an insured bank net of any obligation of the depositor to the insured bank as of the date of closure, but not to exceed Five hundred thousand

pesos (P500,000.00). Such net amount shall be determined according to such regulations as the Board of Directors may prescribe. In determining such amount due to any depositor, there shall be added together all deposits in the bank maintained in the same right and capacity for his benefit either in his own name or in the name of others. A joint account regardless of whether the conjunction 'and,' 'or,' 'and/or' is used, shall be insured separately from any individually-owned deposit account: *Provided, That* (1) If the account is held jointly by two or more natural persons, or by two or more juridical persons or entities, the maximum insured deposit shall be divided into as many equal shares as there are individuals, juridical persons or entities, unless a different sharing is stipulated in the document of deposit, and (2) If the account is held by a juridical person or entity jointly with one or more natural persons, the maximum insured deposit shall be presumed to belong entirely to such juridical person or entity: *Provided, further, That* the aggregate of the interests of each co-owner over several joint accounts, whether owned by the same or different combinations of individuals, juridical persons or entities, shall likewise be subject to the maximum insured deposit of Five hundred thousand pesos (P500,000.00): *Provided, furthermore, That* the provisions of any law to the contrary notwithstanding, no owner/holder of any negotiable certificate of deposit shall be recognized as a depositor entitled to the rights provided in this Act unless his name is registered as owner/holder thereof in the books of the issuing bank: *Provided, finally, That*, in case of a condition that threatens the monetary and financial stability of the banking system that may have systemic consequences, as defined in Section 17 hereof, as determined by the Monetary Board, the maximum deposit insurance cover may be

adjusted in such amount, for such a period, and/or for such deposit products, as may be determined by a unanimous vote of the Board of Directors in a meeting called for the purpose and chaired by the Secretary of Finance, subject to the approval of the President of the Philippines.”

SEC. 4. The maximum deposit insurance coverage of Five hundred thousand pesos (P500,000.00) provided in Section 4(g) of Republic Act No. 3591, as amended herein, shall be paid by the Corporation: *Provided*, That, for the first three (3) years from the effectivity of this Act, the first Two hundred fifty thousand pesos (P250,000.00) of the deposit insurance coverage shall be for the account of the Corporation, and those in excess of Two hundred fifty thousand pesos (P250,000.00) but not more than Five hundred thousand pesos (P500,000.00) shall be for the account of the National Government. The Congress shall annually appropriate the necessary funding to reimburse the Corporation for any payment to insured depositors paid in excess of Two hundred fifty thousand pesos (P250,000.00).

SEC. 5. Section 8, paragraph Eighth of the same Act is hereby amended to read as follows:

“Eighth – To conduct examination of banks with prior approval of the Monetary Board: *Provided*, That no examination can be conducted within twelve (12) months from the last examination date: *Provided, however*, That the Corporation may, in coordination with the Bangko Sentral, conduct a special examination as the Board of Directors, by an affirmative vote of a majority of all of its members, if there is a threatened or impending closure of a bank: *Provided, further*, That, notwithstanding the provisions of Republic Act No. 1405, 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.”

SEC. 6. A new Section 9(h) of the same Act is hereby added to read as follows:

“(h) Unless the actions of the Corporation or any of its officers and employees are found to be in willful violation of this Act, performed in bad faith, with malice and/or gross negligence, the Corporation, its directors, officers, employees and agents are held free and harmless to the fullest extent permitted by law from any liability, and they shall be indemnified for any and all liabilities, losses, claims, demands, damages, deficiencies, costs and expenses of whatsoever kind and nature that may arise in connection with the performance of their functions, without prejudice to any criminal liability under existing laws.”

SEC. 7. Section 9(h) of the same Act is accordingly renumbered as Section 9(i).

SEC. 8. An additional paragraph to Section 17 of the same Act is hereby added after subparagraph (b) to read as follows:

“(c) It is hereby declared to be the policy of the State that the Deposit Insurance Fund of the Corporation shall be preserved and maintained at all times. Accordingly, all tax obligations of the Corporation for a period of five (5) years reckoned from the date of effectivity of this Act shall be chargeable to the Tax Expenditure Fund (TEF) in the annual General Appropriations Act pursuant to the provisions of Executive Order No. 93, series of 1986: *Provided, That*, on the 6<sup>th</sup> year and thereafter, the Corporation shall be exempt from income tax, final withholding tax, value-added tax on assessments collected from member banks, and local taxes.”

SEC. 9. Section 17(c) of the same Act shall be accordingly renumbered as Section 17(d).

SEC. 10. Section 19 is hereby amended to read as follows:

“SEC. 19. With the approval of the President of the Philippines, the Corporation is authorized to issue bonds, debentures, and other obligations, both local or foreign, as may be necessary for purposes of providing liquidity for settlement of insured deposits in closed banks as well as for financial assistance as provided herein: *Provided*, That the Board of Directors shall determine the interest rates, maturity and other requirements of said obligations: *Provided, further*, That the Corporation shall provide for appropriate reserves for the redemption or retirement of said obligation.

“All notes, debentures, bonds, or such obligations issued by the Corporation shall be exempt from taxation both as to principal and interest, and shall be fully guaranteed by the Government of the Republic of the Philippines. Such guarantee, which in no case shall exceed two times the Deposit Insurance Fund as of date of the debt issuance, shall be expressed on the face thereof.

“The Board of Directors shall have the power to prescribe rules and regulations for the issuance, reissuance, servicing, placement and redemption of the bonds herein authorized to be issued as well as the registration of such bonds at the request of the holders thereof.”

SEC. 11. Section 21, paragraph (f)(5) is hereby amended to read as follows:

“5) splitting of deposits or creation of fictitious loans or deposit accounts.

“Splitting of deposits occurs whenever a deposit account with an outstanding balance of more than the

statutory maximum amount of insured deposit maintained under the name of natural or juridical persons is broken down and transferred into two (2) or more accounts in the name/s of natural or juridical persons or entities who have no beneficial ownership on transferred deposits in their names within one hundred twenty (120) days immediately preceding or during a bank-declared bank holiday, or immediately preceding a closure order issued by the Monetary Board of the Bangko Sentral ng Pilipinas for the purpose of availing of the maximum deposit insurance coverage;"

SEC. 12. An additional paragraph shall be inserted under Section 2, to read as follows:

"SEC. 2. xxx The Board of Directors shall have the authority:

"x x x

"7. To review the organizational set-up of the Corporation and adopt a new or revised organizational structure as it may deem necessary for the Corporation to undertake its mandate and functions."

SEC. 13. *Joint Congressional Oversight Committee.* – There is hereby created a joint congressional oversight committee to oversee the implementation of this Act. The committee shall be composed of the chairpersons of the Senate Committee on Banks, Financial Institutions and Currencies and the Committee on Finance and five (5) senators to be appointed by the President of the Senate, and the chairpersons of the House Committee on Banks and Financial Intermediaries and the Committee on Appropriations and five (5) members to be appointed by the Speaker of the House of Representatives.

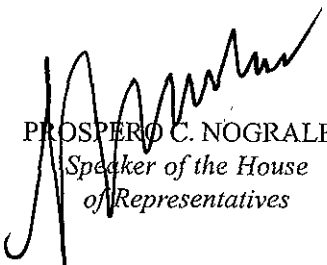
SEC. 14. *Separability Clause.* – If any provision or section of this Act or the application thereof to any person or circumstances is held invalid, the other provisions or sections of this Act, in the application of such provision or section to other persons or circumstances, shall not be affected thereby.



SEC. 15. *Repealing Clause.* – All acts or parts of acts and executive orders, administrative orders, or parts thereof, which are inconsistent with the provisions of this Act, are hereby repealed.

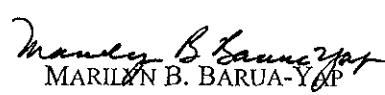
SEC. 16. *Effectivity Clause.* – This Act shall take effect fifteen (15) days following the completion of its publication in the *Official Gazette* or in two (2) newspapers of general circulation.


Approved,

  
PROSPERO C. NOGRALES  
*Speaker of the House  
of Representatives*

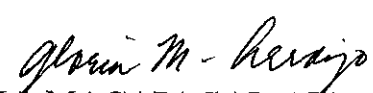
  
JUAN PONCE ENRILE  
*President of the Senate*

This Act which is a consolidation of Senate Bill No. 2964 and House Bill No. 5911 was finally passed by the Senate and the House of Representatives on March 5, 2009 and March 4, 2009, respectively.

  
MARILYN B. BARUA-YAP  
*Secretary General  
House of Representatives*

  
EMMA LIRIO REYES  
*Secretary of the Senate*

Approved: APR 29 2009

  
GLORIA MACAPAGAL-ARROYO  
*President of the Philippines*

