

Republic of the Philippines
Congress of the Philippines
Metro Manila

Sixteenth Congress

Third Regular Session

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



[REPUBLIC ACT NO. **10846**]

AN ACT ENHANCING THE RESOLUTION AND LIQUIDATION
FRAMEWORK FOR BANKS, AMENDING FOR THE
PURPOSE REPUBLIC ACT NO. 3591, AS AMENDED, AND
OTHER RELATED LAWS

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

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

“THE CREATION OF THE PHILIPPINE
DEPOSIT INSURANCE CORPORATION

“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.”

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

“STATE POLICY

“SEC. 2. – 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 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 its functions and responsibilities, the Corporation, while being a government instrumentality with corporate powers, shall enjoy fiscal and administrative autonomy.”

SEC. 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

"SEC. 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 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

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a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as appointive director based on the performance criteria for appointive directors of the Corporation.

“Appointment to any vacancy shall be only for the unexpired term of the predecessor pursuant to Republic Act No. 10149.

“No person shall be appointed as member of the Board unless he or she 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 of office and for a period of one (1) 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 ng Pilipinas may each designate an alternate, who shall be an official with a rank not lower than assistant secretary or its equivalent 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 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 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:

“(i) If the member is physically or mentally incapacitated that he or she cannot properly discharge his or her duties and responsibilities, and such incapacity has lasted for more than six (6) months; or

“(ii) 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

“(iii) If the member no longer possesses the qualifications specified in this Act; or

“(iv) If the member does not meet the standards for performance based on the evaluation by the Governance Commission for Government-Owned or -Controlled Corporations under Republic Act No. 10149.

“The presence of four (4) members shall constitute a quorum. All decisions of the Board of Directors shall require the concurrence of at least four (4) members.

“The compensation, *per diems*, allowances, incentives, and other benefits for board members shall be determined by the Governance Commission for Government-Owned or -Controlled Corporations.

“In addition to the requirements of Republic Act No. 6713, otherwise known as the ‘Code of Conduct and Ethical Standards for Public Officials and Employees’, 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 or her interest to the Board and shall recuse from the meeting when the matter is taken up. The minutes shall reflect the disclosure made and the recusal of the member concerned.

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

“(1) To approve and issue rules and regulations for banks and the depositing public as it considers necessary for the effective discharge of its responsibilities;

“(2) To act as the policy-making body of the Corporation and constitute Board committees to oversee the management, operations and administration of the Corporation;

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

“(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) 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) 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) 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 (DIF) and the methodology for determining reserves for insurance and financial assistance losses;

“(9) 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) 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) 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. 4. Section 3 of the same Act is accordingly renumbered as Section 4.

SEC. 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

“SEC. 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 the Governance Commission for Government-Owned or -Controlled Corporations, at a sum commensurate to the importance and responsibility attached to the position. 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.”

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

“(d) To represent the Corporation 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 legal proceeding or action;

“(h) x x x. The President shall be assisted by a Vice President and other officials whose appointment and removal for cause shall be approved and whose salary shall be fixed by the Board of Directors upon recommendation of the President of the Corporation. During the absence or temporary incapacity of the President, or in case of vacancy or permanent incapacity and pending 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. 7. Section 4 of the same Act is accordingly renumbered as Section 5, and is hereby amended to read as follows:

“DEFINITION OF TERMS

“SEC. 5. As used in this Act –

“(a) The term *asset* refers to movable, immovable, tangible, or intangible resources or properties over which a bank has an established or equitable interest, including the proceeds of the sale of its bank and branch licenses subject to the approval of the Bangko Sentral ng Pilipinas.

“(b) The term *asset distribution plan* refers 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 asset distribution plan may be partial when it pertains to the distribution of a portion or some of the assets of the closed bank, or final 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 banks, 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 *closed bank* refers to a bank placed under liquidation by the Monetary Board.

“(f) The term *creditor* refers to any individual or entity with a valid claim against the assets of the closed bank.

“(g) 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, certificate of deposit, or other evidence of deposit issued in accordance with Bangko Sentral ng Pilipinas 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:

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

“(2) Deposit accounts or transactions which are fictitious or fraudulent as determined by the Corporation;

“(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 against such deposit accounts, transactions or practices; 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 Section 5(g) shall be final and executory, and may only be restrained or set aside by the Court of Appeals, upon 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.

“(h) The term *disputed claim* refers to a claim or suit against the assets of a closed bank, or for specific performance, or breach of contract, or damages, of whatever nature or character, whether for money or otherwise, liquidated or unliquidated, fixed or contingent, matured or current, denied by the receiver.

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

“(j) 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, subject to the approval of the President of the Philippines.

“(k) The term *liquidation* refers to the proceedings under Sections 12 to 16 of this Act.

“(l) 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) The term *payout* refers to the payment of insured deposits.

“(n) 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) 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) The term *receiver* refers to the Corporation or any of its duly authorized agents acting as receiver of a closed bank.

“(q) 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) 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 to:

“(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.

“(t) The term *risk-based assessment system* pertains to a method for calculating an insured bank's assessment on the probability that the DIF will incur a loss with respect to the bank, and the

likely amount of any such loss, based on its risk rating that takes into consideration the following:

“(1) Quality and concentration of assets;

“(2) Categories and concentration of liabilities, both insured and uninsured, contingent and noncontingent;

“(3) Capital position;

“(4) Liquidity position;

“(5) Management and governance; and

“(6) Other factors relevant to assessing such probability, as may be determined by the Corporation.

“(u) The term *statement of affairs* refers to a report of financial condition of the closed bank at a given date, showing the: (1) estimated realizable value of assets; (2) classification of credits; and (3) estimated liabilities to be settled.

“(v) The term *surplus dividends* refers to the remaining assets of the closed bank after satisfaction in full of all the liquidation costs, fees and expenses, and valid claims. The surplus dividends shall be computed at the legal rate of interest from the date of takeover to cut-off date of the distribution plan, and shall be paid, in cash or in kind, to creditors of the closed bank in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws.

“(w) The term *takeover* refers to the act of physically taking possession and control of the premises, assets and affairs of a closed bank for the purpose of liquidating the bank.

“(x) The term *transfer deposit* means a deposit in an insured bank made available to a depositor by the Corporation as payment of insured deposit of such depositor in a closed bank and assumed by another insured bank.

“(y) The term *trust funds* means funds held by an insured bank in a fiduciary capacity and includes without being limited to, funds held as trustee, executor, administrator, guardian or agent.

“(z) The term *valid claim* refers to the claim recognized by the receiver or allowed by the liquidation court.

“(aa) The term *winding up period* refers to the period provided in Section 16 of this Act.”

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

“DEPOSIT INSURANCE COVERAGE

“SEC. 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.

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

SEC. 10. Section 7 paragraph (a) of the same Act, as renumbered, is hereby amended to read as follows:

“ASSESSMENT OF MEMBER BANKS

“SEC. 7. (a) The assessment rate shall be determined by the Board of Directors: *Provided*, That the assessment rate shall not exceed one-fifth ($1/5$) of one *per centum* (1%) *per annum*. The semi-annual assessment for each insured bank shall be in the amount of the product of one-half ($1/2$) the assessment rate multiplied by the assessment base but in no case shall it be less than Five thousand pesos (P5,000.00). The assessment base shall be the amount of the liability of the bank for deposits as defined under subsection (g) of Section 5 without any deduction for indebtedness of depositors.

“In addition, the Board of Directors may establish a risk-based assessment system and impose a risk-based assessment rate which shall not exceed two-fifth ($2/5$) of one *per centum* (1%) *per annum* multiplied by the assessment base.

“The semi-annual assessment base for one semi-annual period shall be the average of the assessment base of the bank as of the close of business on March thirty-one and June thirty and the semi-annual assessment base for the other semi-annual period shall be the average of the assessment base of the bank as of the close of business on September thirty and December thirty-one: *Provided*, That when any of said days is a nonbusiness day or legal holiday, either national or provincial, the preceding business day shall be used. The certified statements required to be filed with the Corporation under subsections (b) and (c) of this section shall be in such form and set forth such supporting information as the Board of Directors shall prescribe. The assessment

payments required from the insured banks under subsections (b) and (c) of this section shall be made in such manner and at such time or times as the Board of Directors shall prescribe."

SEC. 11. Section 7, paragraphs (d) and (h), of the same Act, as renumbered, are hereby amended to read as follows:

"(d) All assessment collections and income from operations after expenses and charges shall be added to the DIF under Section 17 hereof. Such expenses and charges are: (1) the operating costs and expenses of the Corporation for the calendar year; (2) additions to reserve to provide for insurance and financial assistance losses, net of recoverable amounts from applicable assets and collaterals, during the calendar year; and (3) the net insurance and financial assistance losses sustained in said calendar year.

"(h) Should any insured bank fail or refuse to pay any assessment required to be paid by such bank under any provision of this Act, and should the bank not correct such failure or refusal within thirty (30) days after written notice has been given by the Corporation to an officer of the bank citing this subsection, and stating that the bank has failed or refused to pay as required by the law, the Corporation may, at its discretion, file a case for collection before the appropriate court without prejudice to the imposition of administrative sanctions allowed under the provisions of this law on the bank officials responsible for the nonpayment of assessment fees."

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

"(i) The Corporation shall have the authority to collect a special assessment from any member bank and prescribe the terms and conditions

thereof to maintain the target level of the DIF set by the Board of Directors in accordance with this Act.”

SEC. 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
UN SOUND BANKING PRACTICES

“SEC. 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 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.

“(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 deposit insurance coverage for a period of one hundred eighty (180) days. Additions to, or renewal of, existing deposits and new deposits in such bank after the effective date of termination of insured status of the bank shall not be insured by the Corporation.

“The bank shall not advertise or represent that additions to, or renewal of, existing deposits and new deposits made after the effective date of termination are covered by deposit insurance.”

SEC. 14. Section 8 of the same Act is accordingly renumbered as Section 9.

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

“Twelfth – The provisions of Presidential Decree No. 1445, as amended, Executive Order No. 292, and other similar laws notwithstanding, to compromise, condone or release, in whole or in part, any claim or settled liability to the Corporation, regardless of the amount involved, under such terms and conditions as may be imposed by the Board of Directors to protect the interest of the Corporation, and to write off the Corporation’s receivables and assets which are no longer recoverable or realizable;”

SEC. 16. Section 9 of the same Act, as renumbered, is further amended by inserting additional paragraphs after paragraph Twelfth, which shall read as follows:

“Thirteenth – To determine qualified interested acquirers or investors for any of the modes of resolution or liquidation of banks;

“Fourteenth – To determine the appropriate resolution method and to implement the same for a bank subject of resolution; and

“Fifteenth – To determine the appropriate mode of liquidation of a closed bank and to implement the same.”

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

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

“(b-1) The investigators appointed by the Board of Directors shall have the power on behalf of the Corporation to conduct investigations on frauds, irregularities and anomalies committed in banks, based on reports of examination conducted by the Corporation and Bangko Sentral ng

Pilipinas or complaints from depositors or from other government agency. Each such investigator shall have the power to administer oaths, and to examine and take and preserve the testimony of any person relating to the subject of investigation. For this purpose, the Corporation may appoint or hire persons or entities of recognized competence in forensic and fraud investigations as its agents."

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

"(c) Each insured bank shall make to the Corporation reports of condition in such form and at such times as the Board of Directors may require such reports to be published in such manner, not inconsistent with any applicable law, as it may direct. Every such bank which fails to make or publish any such report within such time, as the Board of Directors may require, shall be subject to a penalty of not more than Ten thousand pesos (P10,000.00) for each day of such failure recoverable by the Corporation for its use."

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

"(d-1) Each insured bank shall keep and maintain a true and accurate record or statement of its daily deposit transactions consistent with the standards set by the Bangko Sentral ng Pilipinas and the Corporation. Compliance with such standards shall be duly certified by the president of the bank and the compliance officer: *Provided*, That refusal or willful failure to issue the required certification shall constitute a violation of this section and shall subject such officers of the bank to the sanctions provided for under Section 26(f) of this Act."

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

“(f) The Corporation shall underwrite or advance all legal 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.”

SEC. 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 of this Act, 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.”

SEC. 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

"SEC. 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, 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 or its duly authorized officers and employees, 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 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. 24. Sections 10, 11 and 12 of the same Act are hereby deleted.

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

“LIQUIDATION OF A CLOSED BANK

“SEC. 12. (a) Whenever a bank is ordered closed by the Monetary Board, the Corporation shall be designated as receiver and it shall proceed with the takeover and liquidation of the closed bank in accordance with this Act. For this purpose, banks closed by the Monetary Board shall no longer be rehabilitated.”

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

“AUTHORITIES OF A RECEIVER AND EFFECTS OF
PLACEMENT OF A BANK UNDER LIQUIDATION

“SEC. 13. (a) The receiver is authorized to adopt and implement, without need of consent of the stockholders, board of directors, creditors or depositors of the closed bank, any or a combination of the following modes of liquidation:

“(1) Conventional liquidation; and

“(2) Purchase of assets and/or assumption of liabilities.

“(b) In addition to the powers of a receiver provided under existing laws, the Corporation, as receiver of a closed bank, is empowered to:

“(1) Represent and act for and on behalf of the closed bank;

“(2) Gather and take charge of all the assets, records and affairs of the closed bank, and administer the same for the benefit of its creditors;

“(3) Convert the assets of the closed bank to cash or other forms of liquid assets, as far as practicable;

“(4) Bring suits to enforce liabilities of the directors, officers, employees, agents of the closed bank and other entities related or connected to the closed bank or to collect, recover, and preserve all assets, including assets over which the bank has equitable interest;

“(5) Appoint or hire persons or entities of recognized competence in banking, finance, asset management or remedial management, as its deputies, assistants or agents, to perform such

powers and functions of the Corporation as receiver of the closed bank, or assist in the performance thereof;

“(6) Appoint or hire persons or entities of recognized competence in forensic and fraud investigations;

“(7) Pay accrued utilities, rentals and salaries of personnel of the closed bank for a period not exceeding three (3) months, from available funds of the closed bank;

“(8) Collect loans and other claims of the closed bank and for this purpose, modify, compromise or restructure the terms and conditions of such loans or claims as may be deemed advantageous to the interests of the creditors of the closed bank;

“(9) Hire or retain private counsel as may be necessary;

“(10) Borrow or obtain a loan, or mortgage, pledge or encumber any asset of the closed bank, when necessary to preserve or prevent dissipation of the assets, or to redeem foreclosed assets of the closed bank, or to minimize losses to its depositors and creditors;

“(11) If the stipulated interest rate on deposits is unusually high compared with prevailing applicable interest rates, the Corporation as receiver, may exercise such powers which may include a reduction of the interest rate to a reasonable rate: *Provided*, That any modifications or reductions shall apply only to earned and unpaid interest;

“(12) Utilize available funds of the bank, including funds generated by the receiver from the conversion of assets to pay for reasonable costs and expenses incurred for the preservation of the assets,

and liquidation of, the closed bank, without need for approval of the liquidation court;

“For banks with insufficient funds, the Corporation is authorized to advance the foregoing costs and expenses, and collect payment, as and when funds become available.

“(13) Charge reasonable fees for the liquidation of the bank from the assets of the bank: *Provided*, That payment of these fees, including any unpaid advances under the immediately preceding paragraph, shall be subject to approval by the liquidation court;

“(14) Distribute the available assets of the closed bank, in cash or in kind, to its creditors in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws;

“(15) Dispose records of the closed bank that are no longer needed in the liquidation in accordance with guidelines set by the PDIC Board of Directors, notwithstanding the laws on archival period and disposal of records; and

“(16) Exercise such other powers as are inherent and necessary for the effective discharge of the duties of the Corporation as receiver.

“The Board of Directors shall adopt such policies and guidelines as may be necessary for the performance of the above powers by personnel, deputies, assistants and agents of the Corporation.

“(c) After the payment of all liabilities and claims against the closed bank, the Corporation shall pay surplus, if any, dividends at the legal rate of interest from date of takeover to date of distribution to creditors and claimants of the closed bank in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws before distribution to the shareholders of the closed bank.

"(d) The officers, employees, deputies, assistants and agents of the receiver shall have no liability and shall not be subject to any action, claim or demand in connection with any act done or omitted to be done by them in good faith in connection with the exercise of their powers and functions under this Act and other applicable laws, or other actions duly approved by the court.

"(e) The placement of a bank under liquidation shall have the following effects:

"(1) On the corporate franchise or existence

"Upon placement by the Monetary Board of a bank under liquidation, it shall continue as a body corporate until the termination of the winding-up period under Section 16 of this Act. Such continuation as a body corporate shall only be for the purpose of liquidating, settling and closing its affairs and for the disposal, conveyance or distribution of its assets pursuant to this Act. The receiver shall represent the closed bank in all cases by or against the closed bank and prosecute and defend suits by or against it. In no case shall the bank be reopened and permitted to resume banking business after being placed under liquidation.

"(2) On the powers and functions of its directors, officers and stockholders

"The powers, voting rights, functions and duties, as well as the allowances, remuneration and perquisites of the directors, officers, and stockholders of such bank are terminated upon its closure. Accordingly, the directors, officers, and stockholders shall be barred from interfering in any way with the assets, records, and affairs of the bank.

"The receiver shall exercise all authorities as may be required to facilitate the liquidation of the closed bank for the benefit of all its creditors.

“(3) On the assets

“Upon service of notice of closure as provided in Section 14 of this Act, all the assets of the closed bank shall be deemed in *custodia legis* in the hands of the receiver, and as such, these assets may not be subject to attachment, garnishment, execution, levy or any other court processes. A judge, officer of the court or any person who shall issue, order, process or cause the issuance or implementation of the garnishment order, levy, attachment or execution, shall be liable under Section 27 of this Act: *Provided, however*, That collaterals securing the loans and advances granted by the Bangko Sentral ng Pilipinas shall not be included in the assets of the closed bank for distribution to other creditors: *Provided, further*, That the proceeds in excess of the amount secured shall be returned by the Bangko Sentral ng Pilipinas to the receiver.

“Any preliminary attachment or garnishment on any of the assets of the closed bank existing at the time of closure shall not give any preference to the attaching or garnishing party. Upon motion of the receiver, the preliminary attachment or garnishment shall be lifted and/or discharged.

“(4) On labor relations

“Notwithstanding the provisions of the Labor Code, the employer-employee relationship between the closed bank and its employees shall be deemed terminated upon service of the notice of closure of the bank in accordance with this Act. Payment of separation pay or benefits provided for by law shall be made from available assets of the bank in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws.

“(5) Contractual obligations

"The receiver may cancel, terminate, rescind or repudiate any contract of the closed bank that is not necessary for the orderly liquidation of the bank, or is grossly disadvantageous to the closed bank, or for any ground provided by law.

"(6) On interest payments

"The liability of a bank to pay interest on deposits and all other obligations as of closure shall cease upon its closure by the Monetary Board without prejudice to the first paragraph of Section 85 of Republic Act No. 7653 (the New Central Bank Act): *Provided*, That the receiver shall have the authority, without need for approval of the liquidation court, to assign, as payment to secured creditors, the bank assets serving as collaterals to their respective loans up to the extent of the outstanding obligations, including interest as of date of closure of the bank, as validated by the receiver. The valuation of the asset shall be based on the prevailing market value of the collaterals as appraised by an independent appraiser on an 'as is where is' basis.

"(7) Liability for penalties and surcharges for late payment and nonpayment of taxes

"From the time of closure, the closed bank shall not be liable for the payment of penalties and surcharges arising from the late payment or nonpayment of real property tax, capital gains tax, transfer tax and similar charges.

"(8) Bank charges and fees on services

"The receiver may impose, on behalf of the closed bank, charges and fees for services rendered after bank closure, such as, but not limited to, the execution of pertinent deeds and certifications.

"(9) Actions pending for or against the closed bank

“Except for actions pending before the Supreme Court, actions pending for or against the closed bank in any court or quasi-judicial body shall, upon motion of the receiver, be suspended for a period not exceeding one hundred eighty (180) days and referred to mandatory mediation. Upon termination of the mediation, the case shall be referred back to the court or quasi-judicial body for further proceedings.

“(10) Final decisions against the closed bank

“The execution and enforcement of a final decision of a court other than the liquidation court against the assets of a closed bank shall be stayed. The prevailing party shall file the final decision as a claim with the liquidation court and settled in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws.

“(11) Docket and other court fees

“Payment of docket and other court fees relating to all cases or actions filed by the receiver with any judicial or quasi-judicial bodies shall be deferred until the action is terminated with finality. Any such fees shall constitute as a first lien on any judgment in favor of the closed bank or in case of unfavorable judgment, such fees shall be paid as liquidation costs and expenses during the distribution of the assets of the closed bank.

“(12) All assets, records, and documents in the possession of the closed bank at the time of its closure are presumed held by the bank in the concept of an owner.

“(13) The exercise of authority, functions, and duties by the receiver under this Act shall be presumed to have been performed in the regular course of business.

"(14) Assets and documents of the closed bank shall retain their private nature even if administered by the receiver. Matters relating to the exercise by the receiver of the functions under this Act shall be subject to visitorial audit only by the Commission on Audit."

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

"NOTICE OF CLOSURE AND
TAKEOVER ACTIVITIES

"SEC. 14. (a) Upon the designation of the Corporation as receiver of a closed bank, it shall serve a notice of closure to the highest-ranking officer of the bank present in the bank premises, or in the absence of such officer, post the notice of closure in the bank premises or on its main entrance. The closure of the bank shall be deemed effective upon the service of the notice of closure. Thereafter, the receiver shall takeover the bank and exercise the powers of the receiver as provided in this Act.

"(b) The receiver shall have authority to use reasonable force, including the authority to force open the premises of the bank, and exercise such acts necessary to take actual physical possession and custody of the bank and all its assets, records, documents, and take charge of its affairs upon the service of the notice of closure.

"(c) Directors, officers, employees or agents of a bank hold money and other assets of the bank in trust or under administration or management by them for the bank in their fiduciary capacity. Upon service of the notice of closure to the bank, all directors, officers, employees or agents of the closed bank shall have the duty to immediately account for, surrender and turn over to the receiver, and provide information relative to, the

assets, records, and affairs of the closed bank in their possession, custody, administration or management.

“(d) When the circumstances so warrant, the local government unit and law enforcement agencies concerned shall, upon request, immediately provide assistance to the receiver during the service of notice of closure and actual takeover operations to ensure the orderly conduct thereof and the security and safety of the personnel of the receiver and the employees of the closed bank.”

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

“PURCHASE OF ASSETS AND
ASSUMPTION OF LIABILITIES

“SEC. 15. (a) The receiver shall have the authority to facilitate and implement the purchase of the assets of the closed bank and the assumption of its liabilities by another insured bank, without need for approval of the liquidation court. The exercise of this authority shall be in accordance with the Rules on Concurrence and Preference of Credits under the Civil Code or other laws, subject to such terms and conditions as the Corporation may prescribe. The disposition of the branch licenses and other bank licenses of the closed bank shall be subject to the approval of the Bangko Sentral ng Pilipinas.

“(b) Such action of the receiver to determine whether a bank may be the subject of a purchase of assets and assumption of liabilities transaction shall be final and executory, and may not be set aside by any court.”

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

"CONVENTIONAL LIQUIDATION

"A. ASSET MANAGEMENT AND CONVERSION

"SEC. 16. (a) The assets gathered by the receiver shall be evaluated and verified as to their existence, ownership, condition, and other factors to determine their realizable value. In the management, preservation and disposition of assets, the receiver shall be guided by cost-benefit considerations, resources of the closed bank, and potential asset recovery.

"(b) The conversion of the assets of the closed bank shall be carried out in a fair and transparent manner in accordance with the rules and procedures as may be determined by the receiver.

"(c) In the management and/or conversion of the assets of the closed bank, the receiver shall have the authority to:

"(1) Represent the closed bank before the Land Registration Authority (LRA), the Bureau of Lands, the 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:

"(i) Verifying the authenticity of ownership documents;

"(ii) Registering the interest of the closed bank on a specific property;

"(iii) Consolidating ownership over an asset of the closed bank;

"(iv) Securing certified true copies of documents held by the foregoing agencies/entities in relation to an asset of the closed bank;

“(v) Securing the appropriate certification from the foregoing agencies/entities in relation to an asset of the closed bank; and

“(vi) 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 LRA, the Bureau of Lands, the Register of Deeds, the LTO, the assessor's office or other appropriate office of the local government unit, or such other similar government agencies shall not allow any transaction affecting the assets of the closed bank without the consent of the receiver.

"(2) Upon issuance by the Monetary Board of the resolution ordering the closure of a bank, any person or entity in custody or possession of assets or records of the closed bank, including, but not limited to, the closed bank's deposit accounts, titles to real property, collaterals, promissory notes, evidence of indebtedness or investments shall immediately turn over custody of said assets and records to the receiver. Such obligation shall cover evidences of deposit such as passbooks or certificates of deposit issued by the bank to its depositors. Pending turnover, all persons or entities in custody or possession of any asset or record of the closed bank shall hold the said assets or records in trust for the receiver.

"(3) The persons or entities in custody or possession of such asset shall not allow, authorize or cause the withdrawal, transfer, disposition, removal, conversion, concealment, or other transaction involving or relating to the subject asset, unless otherwise directed by the receiver.

"(e) The receiver shall have the authority to invest funds received from the conversion of the assets of the closed bank in government securities, other government-guaranteed marketable securities or investment-grade debt instruments.

"(f) The proceeds of the sale of the bank and branch licenses shall be for the benefit of the creditors of the closed bank which shall be distributed in accordance with this Act and the Rules on Concurrence and Preference of Credits under the Civil Code or other laws.

"B. PETITION FOR ASSISTANCE IN THE
LIQUIDATION OF A CLOSED BANK

"(g) A petition for assistance in the liquidation is a special proceeding for the liquidation of a closed bank, and includes the declaration of the concomitant right of its creditors and the order of

payment of their valid claims in the disposition of its assets.

“Any proceeding initiated under this section shall be considered *in rem*. Jurisdiction over all persons affected by the proceeding shall be considered as acquired upon publication of the order setting the case for initial hearing in any newspaper of general circulation in the Philippines.

“(h) The liquidation court shall have exclusive jurisdiction to adjudicate disputed claims against the closed banks, assist in the enforcement of individual liabilities of the stockholders, directors and officers and decide on all other issues as may be material to implement the distribution plan adopted by the Corporation for general application to all closed banks.

“(i) The provisions of Republic Act No. 8799, otherwise known as ‘The Securities Regulation Code’, and Supreme Court Administrative Matter No. 00-8-10-SC, entitled, ‘The Rules of Procedure on Corporate Rehabilitation’, shall not be applicable to the petition for assistance in the liquidation of the closed bank.

“(j) The petition shall be filed in the RTC which has jurisdiction over the principal office of the closed bank or the principal office of the receiver, at the option of the latter.

“(k) The petition shall be filed *ex parte* within a reasonable period from receipt of the Monetary Board Resolution placing the bank under liquidation.

“(l) All persons or entities with claims against the assets of the closed bank shall file their claims with the receiver within sixty (60) days from the date of publication of the notice of closure. Claims filed outside the foregoing prescribed period shall be disallowed.

"Claims denied by the receiver shall be filed with the liquidation court within sixty (60) days from receipt of the final notice of denial of claim.

"(m) A claim whose validity has not yet been determined with finality at the time of the submission of the final asset distribution plan, either by reason of a pending suit or for whatever reason, shall be considered as contingent claim and shall not be paid under the proposed final asset distribution plan.

"(n) Upon finality of the order approving the final asset distribution plan, the petition for assistance in the liquidation of a closed bank shall henceforth be, for all intents and purposes, considered closed and terminated and the receiver, its officers, employees or agents, are forever discharged from any and all claims and/or liability arising from or in connection with the liquidation of the closed bank.

"(o) The receiver shall submit a final report on the implementation of the approved final asset distribution plan to the Monetary Board and the SEC after the expiration of the winding-up period provided in this Act.

"(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 the date of publication of notice of the approval by the court of the final asset distribution plan 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 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 or her 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 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 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-month 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 the date of publication of the approval of the final asset distribution plan. After the lapse of this period, the receiver is authorized to dispose of the same in accordance with the rules and regulations to be prescribed by the receiver."

SEC. 30. Section 13 of the same Act is hereby renumbered as Section 17.

SEC. 31. A new section entitled Section 18 of the same Act is hereby inserted between Sections 17 and 19 which shall read as follows:

"DIVIDEND DECLARATION

"SEC. 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 remit dividends to the national government only if the target DIF level for the applicable year has been reached. For purposes of computing the amount of dividends to be declared and remitted to the national government, all assessment collections shall not be considered as income. The dividend rate shall be at least fifty percent (50%) of the income from other sources only."

SEC. 32. Section 14 of the same Act is accordingly renumbered as Section 19 and is hereby amended to read as follows:

"PAYMENT OF INSURED DEPOSITS

"SEC. 19. Whenever an insured bank shall have been closed by the Monetary Board pursuant to Section 30 of Republic Act No. 7653, or upon expiration or revocation of a bank's corporate term, payment of the insured deposits on such closed bank shall be made by the Corporation as soon as possible either (1) by cash or (2) by making available to each depositor a transferred deposit in another insured bank in an amount equal to insured deposit of such depositor: *Provided, however,* That the Corporation, in its discretion, may require proof of claims to be filed before

paying the insured deposits, and that in any case where the Corporation is not satisfied as to the validity of a claim for an insured deposit, it may require final determination of a court of competent jurisdiction before paying such claim: *Provided, further,* That failure to settle the claim, within six (6) months from the date of filing of claim for insured deposit, where such failure was due to grave abuse of discretion, gross negligence, bad faith, or malice, shall, upon conviction, subject the directors, officers or employees of the Corporation responsible for the delay, to imprisonment from six (6) months to one (1) year: *Provided, furthermore,* That the period shall not apply if the validity of the claim requires the resolution of issues of facts and or law by another office, body or agency including the case mentioned in the first proviso or by the Corporation together with such other office, body or agency."

SEC. 33. Section 15 of the same Act is accordingly renumbered as Section 20 and is hereby amended to read as follows:

"SEC. 20. The Corporation, upon payment of any depositor as provided for in Section 19 of this Act, shall be subrogated to all rights of the depositor against the closed bank to the extent of such payment. Such subrogation shall include the right on the part of the Corporation to receive the same dividends and payments from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to the depositor on a claim for the insured deposits: *Provided,* That such depositor shall retain his or her claim for any uninsured portion of his or her deposit, which legal preference shall be the same as that of the subrogated claim of the Corporation for its payment of insured deposits. All payments by the Corporation of insured deposits in closed banks partake of the nature of public funds, and as such, must be considered a preferred credit in the order of

preference under Article 2244 (9) of the New Civil Code.”

SEC. 34. Section 16 of the same Act is accordingly renumbered as Section 21 and paragraph (c) thereof is hereby amended to read as follows:

“(c) Except as otherwise prescribed by the Board of Directors, neither the Corporation nor such other insured bank shall be required to recognize as the owner of any portion of a deposit evidenced by a passbook, certificate of deposit or other evidence of deposit determined by the Corporation to be an authentic document or record of the closed bank under a name other than that of the claimant, any person whose name or interest as such owner is not disclosed on the passbook, certificate of deposit or other evidence of deposit of such closed bank as part owner of said deposit, if such recognition would increase the aggregate amount of the insured deposits in such closed bank.”

SEC. 35. Section 17 of the same Act is accordingly renumbered as Section 22.

SEC. 36. Section 22 paragraph (a) of the same Act, as renumbered, is hereby amended to read as follows:

“CORPORATE FUNDS AND ASSETS

“SEC. 22. (a) Subject to guidelines and limits as approved by the Board of Directors, money of the Corporation denominated in the local currency, not otherwise employed, shall be invested in obligations of the Republic of the Philippines or in obligations guaranteed as to principal and interest by the Republic of the Philippines.

“The Corporation may also invest in debt instruments denominated in foreign currencies issued or guaranteed by the Republic of the Philippines, or debt instruments denominated in freely convertible foreign currencies issued by

supranationals, multilateral agencies, 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 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.”

SEC. 37. Section 22 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, or with any other bank designated as depository or fiscal agent of the Philippine government.”

SEC. 38. An additional paragraph to Section 22 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.”

SEC. 39. Section 17 paragraph (d) of the same Act is accordingly renumbered as Section 22 paragraph (e) and is hereby amended to read as follows:

“FINANCIAL ASSISTANCE

“(e) In the exercise of its authorities under Section 11 of this Act, 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.

"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 DIF.

"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."

SEC. 40. Section 18 of the same Act is accordingly renumbered as Section 23 and is hereby amended to read as follows:

"AUTHORITY TO BORROW

"SEC. 23. The Corporation is authorized to borrow from the Bangko Sentral ng Pilipinas and the Bangko Sentral ng Pilipinas is authorized to lend to the Corporation on such terms as may be agreed upon by the Corporation and the Bangko Sentral ng Pilipinas, such funds as in the judgment of the Board of Directors of the Corporation are from time to time required for insurance purposes and financial assistance provided for in Section 22(e) of this Act: *Provided*, That any such loan as may be granted by the Bangko Sentral ng Pilipinas shall be consistent with monetary policy: *Provided, further*, That the rate of interest thereon shall be fixed by the Monetary Board.

"When in the judgment of the Board of Directors the funds of the Corporation are not sufficient to provide for an emergency or urgent need to attain the purposes of this Act, the Corporation is likewise authorized to borrow money, obtain loans or arrange credit lines or

other credit accommodations from any bank: *Provided*, That such loan shall be of short-term duration: *Provided, further*, That no prior Monetary Board opinion shall be required for the Corporation and its counterparties on individual drawdowns or borrowings within an approved borrowing program where prior Monetary Board opinion has already been obtained, pursuant to Section 123 of Republic Act No. 7653."

SEC. 41. Section 19 of the same Act is accordingly renumbered as Section 24 and is hereby amended to read as follows:

"ISSUANCE OF BONDS, DEBENTURES
AND OTHER OBLIGATIONS

"SEC. 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, 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.

"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 DIF as of date of the debt issuance, shall be expressed on the face thereof.

"The Corporation may issue notes, debentures, bonds, or other debt instruments without the approval of the President of the Philippines, as long as these shall not be guaranteed by the national government.

"The Board of Directors shall have the power to prescribe the terms and conditions, 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. 42. Section 20 of the same Act is accordingly renumbered as Section 25.

SEC. 43. Section 21 of the same Act is accordingly renumbered as Section 26.

SEC. 44. Section 26 paragraph (f) of the same Act, as renumbered, is hereby amended to read as follows:

"(f) The penalty of imprisonment of not less than six (6) years but not more than twelve (12) years or a fine of not less than Fifty thousand pesos (P50,000.00) but not more than Ten million pesos (P10,000,000.00), or both, at the discretion of the court, shall be imposed upon:

"(1) Any director, officer, employee or agent of a bank for:

"(a) Any willful refusal to submit reports as required by law, rules and regulations;

"(b) Any unjustified refusal to permit examination and audit of the deposit records or the affairs of the institution;

"(c) Any willful making of a false statement or entry in any bank report or document required by the Corporation;

“(d) Submission of false material information in connection with or in relation to any financial assistance of the Corporation extended to the bank;

“(e) Splitting of deposits or creation of fictitious or fraudulent 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;

“(f) Refusal to receive the notice of closure as provided under Section 14 of this Act;

“(g) Refusal to allow the Corporation to take over a closed bank or obstructing such action of the Corporation;

“(h) Refusal to turn over or destroying or tampering bank records;

“(i) Fraudulent disposal, transfer or concealment of any asset, property or liability of the closed bank;

“(j) Violation of, or causing any person to violate, the exemption from garnishment, levy, attachment or execution provided under this Act and the New Central Bank Act;

“(k) Any willful failure or refusal to comply with, or violation of any provision of this Act, or commission of any other irregularities, and/or

conducting business in an unsafe or unsound manner as may be determined by the Board of Directors in relation to Section 56 of Republic Act No. 8791, or 'The General Banking Law of 2000'.

"Notwithstanding any law to the contrary, the foregoing acts of directors, officers, employees or agents of the bank shall be considered as additional grounds for disqualification under the fit and proper rules of the Bangko Sentral ng Pilipinas.

"(1) Other acts inimical to the interest of the bank or the Corporation, such as, but not limited to, conflict of interest, disloyalty, authorizing related party transactions with terms detrimental to the bank and its stakeholders, and unauthorized disclosure of confidential information, as may be determined by the Corporation.

"(2) Any person for:

"(a) Refusal to disclose information, records or data pertaining to the bank accounts of a closed bank to the receiver;

"(b) Refusal to turn over possession or custody of the asset and record of the closed bank to the receiver, notwithstanding any agreement to the contrary;

"(c) Refusal or delaying the:

"(i) Verification of authenticity of the ownership documents;

"(ii) Registration of interest of the closed bank on a specific property;

"(iii) Consolidation of ownership over an asset of the closed bank;

"(iv) Act of securing certified true copies of documents in relation to an asset of the closed bank;

“(v) Act of securing the appropriate certification from the agencies or entities stated in Section 16 of this Act in relation to an asset of the closed bank;

“(vi) Conduct of a physical or ocular inspection of the properties owned by, or mortgaged to, the closed bank, to determine their existence and present condition; or

“(vii) Other related activities of the receiver;
or

“(d) Allowing the withdrawal from deposits or disposition of any asset of the closed bank other than by the receiver;

“(e) Willfully violating any provision of this Act;

“(f) Conspiring or willfully participating in any of the offenses enumerated in Paragraph 1 of this section;

“(3) Any law enforcement officer or local government official who refuses or fails to assist the receiver in the service of the notice of closure, as provided under Section 14 of this Act.”

SEC. 45. Additional paragraphs to Section 26 of the same Act, as renumbered, are hereby inserted after paragraph (g) which shall read as follows:

“(h) The penalty of imprisonment of not less than ten (10) years but not more than twelve (12) years, or a fine of not less than Five hundred thousand pesos (P500,000.00) but not more than Ten million pesos (P10,000,000.00), or both, at the discretion of the court, shall be imposed upon:

“(1) Any depositor who files a fictitious and/or fraudulent claim for deposit insurance;
and

“(2) Any bank officer who certifies to the validity of the deposit liabilities which is subsequently verified to be fictitious and/or fraudulent.

“(i) The penalty of imprisonment of not less than twelve (12) years but not more than fourteen (14) years shall be imposed upon any person who participates, or attempts to participate, in a scheme to defraud a bank.

“If the offense shall have been committed by a director or officer of the bank, the penalty of imprisonment of not less than fifteen (15) years, but not more than seventeen (17) years shall be imposed.

“If the offense shall have resulted in systemic consequences, as determined by the Bangko Sentral ng Pilipinas, the penalty of imprisonment of not less than eighteen (18) years but not more than twenty (20) years shall be imposed.”

SEC. 46. Section 22 of the same Act is accordingly renumbered as Section 27.

SEC. 47. Section 23 of the same Act is hereby renumbered as Section 28 and amended to read as follows:

“SEC. 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. 248, 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.”

SEC. 48. Section 24 of the same Act is deleted and a new Section 29 is added to read as follows:

“SEC. 29. *Transitory Provisions.* – (a) The incumbent President of the Corporation and private sector members of the Board of Directors shall continue to exercise their respective duties and functions until replaced by the President of the Philippines: *Provided,* That such new appointees shall be subject to the term of office provided under Section 3 of this Act, as amended.

“(b) Payment of surplus dividends under Section 13(c) of this Act, as amended, shall be applicable to banks without a court-approved final asset distribution plan at the time of the effectivity of this Act.

“(c) The preference indicated under Section 15 of this Act, as amended, shall be likewise effective upon liquidation proceedings already commenced and pending as of the effectivity of this Act, where no distribution of assets has been made.

“(d) The provisions in Section 10 of this Act, as amended, on legal assistance, protection and indemnification shall apply to all cases pending before the effectivity of this Act.”

SEC. 49. Section 25 of the same Act is accordingly renumbered as Section 30.

SEC. 50. The Corporation may be reorganized by its Board of Directors by adopting if it so desires, an entirely new staffing pattern or organizational structure to suit the

operations of the Corporation under this Act. No preferential or priority right shall be given to or enjoyed by any personnel for appointment to any position in the new staffing pattern nor shall any personnel be considered as having prior or vested rights with respect to retention in the Corporation or in any position which may be created in the new staffing pattern, even if he or she should be the incumbent of a similar position prior to reorganization. The reorganization shall be completed within six (6) months after the effectivity of this Act. Personnel who are not retained are deemed separated from the service.

SEC. 51. The Board of Directors is hereby authorized to provide separation incentives, and all those who shall retire or be separated from the service on account of reorganization under the preceding section shall be entitled to such incentives which may be in addition to all gratuities and benefits to which they may be entitled under existing laws.

SEC. 52. *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. 53. *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. 54. *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,

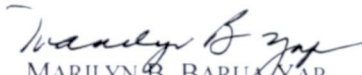


FELICIANO BELMONTE JR.
Speaker of the House
of Representatives



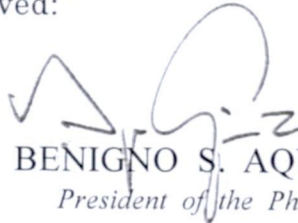
FRANKLIN M. DRILON
President of the Senate

Senate Bill No. 2976, which was approved by the Senate on December 14, 2015, was adopted as an amendment to House Bill No. 6020 by the House of Representatives on January 19, 2016.


MARILYN B. BARUA YAP
Secretary General
House of Representatives


OSCAR G. YABES
Secretary of the Senate

Approved: (MAY 23 2016)


BENIGNO S. AQUINO III
President of the Philippines



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