

**IMPLEMENTING RULES AND REGULATIONS
OF REPUBLIC ACT (R.A.) NO. 11840 (AN ACT
AMENDING SECTIONS 1, 3, 4, 5, 6, 7, 8, 9, 10, 11,
13, 18, 22, 24, 26, AND 28 OF REPUBLIC ACT
NO. 3591, AS AMENDED, OTHERWISE KNOWN
AS THE PHILIPPINE DEPOSIT INSURANCE
CORPORATION CHARTER, AND FOR OTHER
PURPOSES)**

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IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT (R.A.) NO. 11840 (AN ACT AMENDING SECTIONS 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 18, 22, 24, 26, AND 28 OF REPUBLIC ACT NO. 3591, AS AMENDED, OTHERWISE KNOWN AS THE PHILIPPINE DEPOSIT INSURANCE CORPORATION CHARTER, AND FOR OTHER PURPOSES)

Pursuant to Section 17 of R.A. No. 11840 otherwise known as the AN ACT AMENDING SECTIONS 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 18, 22, 24, 26, AND 28 OF REPUBLIC ACT NO. 3591, AS AMENDED, OTHERWISE KNOWN AS THE PHILIPPINE DEPOSIT INSURANCE CORPORATION CHARTER, AND FOR OTHER PURPOSES, which took effect on 20 July 2022, the following implementing rules and regulations are hereby issued:

**RULE I
GENERAL PROVISIONS**

Section 1. Title. These rules shall be known as the “Implementing Rules and Regulations of R.A. No. 11840 amending the PDIC Charter,” hereinafter referred to as the “Rules.”

Section 2. The Creation of Philippine Deposit Insurance Corporation. There is hereby created a Philippine Deposit Insurance Corporation, hereinafter referred to as the “Corporation,” which shall insure as herein provided, the deposit of all banks which are entitled to the benefits of insurance under Republic Act. No. 3591, as amended, and which shall have the powers therein granted.

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

The Corporation shall be attached to the Bangko Sentral ng Pilipinas for policy and program coordination.

In view of the crucial nature of its functions and responsibilities, the Corporation, while being a government instrumentality with corporate powers, shall enjoy fiscal and administrative autonomy.

**RULE II
DEFINITION OF TERMS**

Section 1. Definitions. The following definitions shall apply for the purposes of these Rules:

- a. **Appropriate Regulatory Authority (ARA)** refers to the Board of Directors of the Corporation for the purpose of issuing Certificates of Eligibility of Closed Bank assets for disposal to the Financial Institutions Strategic Transfer Corporations (FISTCs).
- b. **Bank Examination Report** refers to the report approved by the Board of Directors, containing among others, the assessment by the Corporation of the financial condition, deposit operations and internal controls, record-

keeping, and compliance by the bank with Regulatory Issuances, action plan and directives of the Corporation.

- c. **Board of Directors** refers to the Board of Directors of the PDIC.
- d. **BSP** refers to the Bangko Sentral ng Pilipinas.
- e. **Cease and desist order (CDO)** refers to an order issued by the Monetary Board of the BSP, based on the bank examination report submitted by the Corporation, after due notice and hearing, and after finding the said report meritorious by the Monetary Board, prohibiting a bank, its directors, officers, employees, and/or agents concerned, from performing and continuing to perform certain acts, concerning the bank's deposit operations that is determined to be unsafe and unsound banking by the Corporation. The order shall also contain a warning that non-compliance therewith may result in the termination of the bank's insured status if the respondent concerned fails or refuses to comply within thirty (30) days from notice and/or subject the bank, its directors, officers, employees and/or agents to further supervisory actions by the BSP.
- f. **Certificate of Eligibility (COE)** refers to the certificate issued by the Board of Directors as to the eligibility of the Non-Performing Loans (NPL) or Real and Other Properties Acquired (ROPA) for purposes of availing the tax exemptions and privileges, pursuant to the provisions of Republic Act No. 11523.
- g. **Closed bank** refers to a bank that has been ordered closed and placed under liquidation of the PDIC by the Monetary Board pursuant to Section 30 of Republic Act No. 7653, as amended.
- h. **Corporation** refers to the Philippine Deposit Insurance Corporation or the PDIC.
- i. **Deposit** refers to 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 BSP 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.

Certain products or arrangements of Islamic banks shall be deemed as deposit by the BSP for the purpose of this Act.

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 unsafe and unsound banking, as determined by the Corporation, in consultation with the BSP, after due notice and hearing, and the publication of a directive to cease and desist issued by the BSP against such deposit accounts, transactions or unsafe and unsound banking; and
4. Deposits that are determined to be the proceeds of an unlawful activity as defined under Republic Act No. 9160, as amended.

j. Deposit Insurance Fund (DIF) refers to the capital account of the Corporation and shall principally consist of the following:

1. The Permanent Insurance Fund, which is the total capital provided by the NG (National Government) under Section 17 of the Charter
2. Assessment Collections, net of the expenses and charges enumerated in Section 7 (d) of the Charter, as follows:
 - i. The operating costs and expenses of the Corporation for the calendar year
 - ii. Additions to reserves to provide for insurance and financial assistance losses, net of recoverable amounts from applicable assets and collaterals, during the calendar year, and
 - iii. The net insurance and financial assistance losses sustained in said calendar year
3. Reserves for insurance and financial assistance losses; and
4. Retained earnings.

k. Deposit account information pertains to the characteristics and/or features of a deposit, as follows: Deposit account number; Branch where deposit account was opened (i.e., name or code); Deposit type (Savings, Time, Demand, Negotiable Order of Withdrawal, or Negotiable Certificate of Time Deposit); Deposit sub-type (i.e., product name or code); Deposit currency code; Interest rate on deposit; Date of last interest payment/posting; Last interest payment cut-off date; Issuance and maturity dates (for term deposits); Withholding tax on interest income and other bank charges; Date of last deduction of withholding tax on interest income; Date of last deduction of dormancy charge from deposit account balance (for dormant account); Date of last deposit/withdrawal transaction; Available balance; Outstanding balance; Information on whether the account is restricted (i.e., frozen, under investigation, with pending legal case or DOSRI accounts); details of deposit transactions; and Account status (i.e., active, dormant, or escheat).

l. Deposit records refer to records, whether in electronic or physical form, including, but not limited to, subsidiary and general ledgers of deposit liabilities, duplicate copies of time certificates of deposits, deposit agreements, signature cards, client information sheet and related

documents submitted by the depositor, passbooks, corporate resolutions, orders of competent government body or agency, contracts or similar instruments, registers or logbooks used in connection with the issuance of new deposit accounts and/or processing deposit-related transactions, individual files maintained by the bank for depositors, if any, computer systems and databases (including system documentation/manuals) pertaining to deposit operations, the deposit liabilities control ledgers which are part of the General Ledger of the bank, deposit/withdrawal slips, debit/credit memos, and other similar bank records relevant to deposit liabilities, such as deposit slips, withdrawal slips, debit or credit tickets, cashier's or manager's checks, teller's blotter, proof sheets, trial balance, Statement of Condition, internal reports, electronic bank records, etc.

- m. **Depositor information** refers to the depositor basic personal information containing the following: Depositor code; Depositor type (individual, corporate [for corporations and partnerships], one person corporation, sole/single proprietorships, joint, or held-in-trust or by); Depositor full name; Depositor middle name and date of birth (for individual depositor); Depositor spouse; Depositor mother (maiden name); Depositor Philippine Identification System (PhilSys) Number (once available); Depositor Taxpayer Identification Number (TIN); Depositor Social Security System (SSS) or Government Service Insurance System (GSIS) Number, as may be applicable; Depositor mobile number; Depositor landline number; Depositor email address; Depositor complete permanent address; and Information on whether the depositor is a borrower, co-maker, guarantor, and/or owner of an account used as collateral to an outstanding loan(s) with the bank.
- n. **Directive to cease and desist (DCD)** refers to a directive issued by the Monetary Board of the BSP, based on the bank examination report submitted by the Corporation, after due notice and hearing, and after finding the said report meritorious by the Monetary Board prohibiting a bank, its directors, officers, employees, and/or agents concerned from performing and continuing to perform certain acts, concerning a particular deposit account or transaction that is determined to be unsafe and unsound banking by the Corporation. The issuance of a DCD is a basis for the Corporation not to pay deposit insurance therefor.
- o. **Examination** refers to the evaluation of the practices, activities, transactions, omissions, controls and financial condition of a bank and a determination of its compliance with pertinent laws and regulations in relation to deposit taking activities of a bank. An examination includes (i) reviewing the books of accounts, reports and documents, (ii) documenting or extracting of information or data in printed and/or electronic format, (iii) taking and preserving of testimony of any of the bank's officers or agents, and (iv) performing any other related activity.
- p. **Examination of deposit records and/or accounts** refers to an inquiry into or examination of deposit accounts, records, and all related information, whether in physical or electronic form, whenever there is a finding of fraud or unsafe and unsound banking, or after the Monetary Board declared a failure of prompt corrective action due to capital

deficiency. In the case of the Corporation, the unsafe and unsound banking mentioned herein is related to deposit taking.

- q. **Financial Institutions Strategic Transfer Corporation (FISTC)** refers to a stock corporation organized in accordance with R.A. No. 11232, otherwise known as the "Revised Corporation Code of the Philippines", the provisions of Section 4 of the FIST Act, and Rule 4 of the Implementing Rules and Regulations of the FIST Act. It is incorporated primarily to invest in or acquire Non-Performing Assets (NPAs) of financial institutions under the FIST Act. With respect to foreign FISTCs, existing laws on ownership of real properties shall apply.
- r. **Fraud** refers to anything calculated to deceive, including acts, omissions and concealment involving a breach of equitable duty, trust, or confidence justly reposed, resulting in damage to another, or by which an undue and unconscientious advantage is taken of another.
- s. **Income from other sources** refers to income actually realized by the Corporation from sources other than assessment collections, as defined by relevant and prevailing accounting standards.
- t. **Insured bank** refers to any bank the deposits of which are insured in accordance with the PDIC Charter, as amended.
- u. **Insured deposit** refers to the amount due to any bona fide 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 benefits 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 (i) 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 (ii) 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 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: 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 hereunder 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.
- v. **Non-Performing Assets (NPAs)** refer to the Non-Performing Loans (NPLs) and Real and Other Property Acquired (ROPA) of a Closed Bank,

classified as such under the FIST Act, and which have become non-performing on or before 31 December 2022.

- w. Non-Performing Loans (NPLs)** refer to secured or unsecured loans and other receivables, including restructured loans and sales contracts receivables (SCRs) of a Closed Bank, whose principal and/or interest have remained unpaid for at least ninety (90) days after they have become past due or any of the events of default under the loan agreement/restructuring agreement/sales contract, as applicable, has occurred.

NPLs shall also include loans that are classified as items in litigation for which collection and foreclosure cases have been filed or are subject to pending cases that seek to restrain foreclosure or consolidation of title of foreclosed assets, or where a restraining order or injunction has been issued to prevent foreclosure of mortgage or consolidation of title of foreclosed assets.

- x. 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 liquidation.
- y. Receiver** refers to the Corporation or any of its duly authorized agents acting as receiver of a Closed Bank.
- z. Real and Other Properties Acquired (ROPA)** refer to real and other properties acquired by a Closed Bank in settlement of loans and receivables, including real properties, shares of stocks and personal properties which have been acquired either by way of dation in payment (*dacion en pago*) or judicial or extrajudicial foreclosure or execution of judgment or enforcement of security interest.
- aa. Risk-based Assessment System (RAS)** refers 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 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.
- bb. Takaful** refers to a mutual guarantee in return for a commitment to donate an amount in the form of a specified contribution to the covered entities' risk fund, whereby a group of covered entities agree among themselves to support one another jointly for the losses arising from specified risks.
- cc. True sale** refers to a sale wherein the seller transfers or sells its NPAs to a FISTC, without recourse to cash or property in exchange for the transfer or sale, subject to the following results:

1. The transferor transfers full legal and beneficial title to and relinquishes effective control over the transferred NPAs; and
2. The transferred NPAs are legally isolated and put beyond the reach of the transferor and its creditors.

dd. Unsafe and unsound banking refers to an act or omission that constitutes conducting deposit-taking business in an unlawful, unsafe and unsound manner, as determined by the Corporation, in consultation with the BSP, or by the BSP itself, in which any of the following circumstances is present:

1. the act or omission has resulted or may result in material loss or damage, or abnormal risk or danger to the following: (1) safety, stability, liquidity, or solvency of the bank; (2) the bank's depositors, creditors, investors, and stockholders; (3) the Corporation; (4) the BSP; or (5) the public; or
2. the act or omission has caused any undue injury, or has given unwarranted benefits, advantage, or preference to the bank or any party in the discharge by the director or officer of his duties and responsibilities through manifest partiality, evident bad faith, or gross inexcusable negligence; or
3. the act or omission involves entering into any contract or transaction manifestly and grossly disadvantageous to the bank, whether or not the director or officer profited or will profit thereby; or
4. any act or omission that is (i) considered as unsafe and unsound banking based on applicable section/s and appendix/ces of BSP's Manual of Regulations for Banks, or (ii) determined by the Monetary Board as unsafe and unsound banking; or
5. any act or omission that constitutes the conduct of business in an unlawful, unsafe, and unsound manner pursuant to PDIC Regulatory Issuance No. 2011-01 or any amendments thereto, provided that such amendments shall be approved by the BSP.

RULE III DEPOSIT INSURANCE COVERAGE

Section 1. Coverage. The deposit liabilities of any bank which is engaged in the business of receiving deposits as defined under Section 5 (g) on the effective date of this PDIC Charter, or which thereafter may engage in the business of receiving deposits, shall be insured with the Corporation, including certain products or arrangements of Islamic Banks deemed as deposit by the BSP.

The Corporation may establish separate insurance funds and insurance arrangements or structures or *takaful* that take into consideration the peculiar characteristics of Islamic banking. For this purpose, the Corporation shall issue rules and regulations pertaining to the establishment of a separate insurance fund and insurance arrangements such as *takaful*.

Section 2. Authority to Increase the Maximum Deposit Insurance Coverage (MDIC). The Board of Directors may increase the amount of the MDIC to an amount indexed to

inflation or in consideration of other economic indicators as may be deemed appropriate by the Board. The Board of Directors shall review the amount of the MDIC every three (3) years and increase the MDIC as may be warranted. For this purpose, the Board of Directors may hire the services of independent actuarial consultants and other experts to determine the feasibility and advisability of increasing the MDIC.

Section 3. Exclusion from Deposit Insurance Coverage. The Corporation shall not pay deposit insurance for the following accounts or transactions:

- a. Investment products such as bonds and securities, trust accounts, and other similar instruments which do not fall under the definition of a Deposit.

The following features may be considered as grounds for determining that a product is an investment:

1. No debtor-creditor relationship exists between the bank and the client;
 2. Relationship between the bank and the client is either that of a trustee-trustor or agent-principal;
 3. Principal amount is not protected;
 4. Amount deposited is not withdrawable on demand; and/or
 5. Other analogous features.
- b. Deposit accounts or transactions which are fictitious or fraudulent, as determined by the Corporation
 1. A deposit account or transaction shall be deemed fictitious when it is simulated, feigned, or not a genuine deposit account or transaction [e.g., Money or Equivalent (of money) was made to appear to have been received by a bank, or deposit account or the name of the depositor does not appear in the records of the bank], or unfunded, [i.e., no money or equivalent (of money) is received by a bank for such account or transaction], or deposit account or the name of the depositor does not appear in the records of the bank.
 2. A deposit account or transaction shall be deemed fraudulent whenever the bank and/or depositor knowingly employ means calculated to deceive, including acts, omissions and concealment involving a breach of legal or equitable duty, trust, or confidence justly reposed, resulting in damage to another, or by which an undue and unconscientious advantage is taken of another, e.g., the named depositor denies ownership of the deposit.
 - c. Deposit accounts or transactions constituting unsafe and unsound banking, as determined by the Corporation, in consultation with the BSP, after due notice and hearing, and publication of a directive to cease and desist issued by the BSP against such deposit accounts, transactions or unsafe and unsound banking.
 - d. Deposits that are determined to be the proceeds of an unlawful activity as defined under R.A. No. 9160, as amended subject to the following rules:
 1. Payment of deposit insurance shall be deferred on any deposit which is the subject matter of any freeze order, civil forfeiture proceeding, money laundering case, or any other case, or any other case involving an Unlawful Activity, pending before the Department of Justice, Office of the Ombudsman, or the regular courts.

2. Deposit insurance payments shall only be made upon a final judgment effectively holding that the deposits do not constitute proceeds of an Unlawful Activity.
3. Deposits determined with finality by the courts to be proceeds of an Unlawful Activity shall not be paid deposit insurance.

If a deposit insurance claim is denied, the concerned depositor may file within sixty (60) days from receipt of the denial, a verified request for reconsideration based on new evidence, together with affidavit/s and other document/s in support of the claim.

The actions of the Corporation taken under Section 5(g) of R.A. 3591, as amended 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.

The Board of Directors shall issue rules and regulations prescribing the procedures under this Section.

RULE IV ASSESSMENT OF BANKS

Section 1. Assessment Rate. The assessment rate shall be determined by the Board of Directors provided that the same 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 be less than Five Thousand Pesos (P5,000.00).

Section 2. Assessment Base. The assessment base shall be the amount of the liability of a bank for deposits without any deduction for indebtedness of depositors. 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 the 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 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 shall be made in such manner and at such times or time as the Board of Directors shall prescribe.

Section 3. Risk-Based Assessment. In addition, the Board of Directors shall conduct a study on the need to establish a risk-based assessment system within five (5) years from passage of R.A. No. 11840 the results of which shall be reported to the Joint Congressional Oversight Committee to ensure compliance with the intent of the law. The Board of Directors shall consider the viability of a mechanism that adjusts the assessment rate depending on the creditworthiness or risk profile of the bank, consistent with the national development goals and impose a commensurate risk-based adjusted assessment rate per annum per bank. The risk-based assessment rate and assessment base shall be determined to ensure the adequacy and sustainability of the DIF while at

the same time rationalizing the financial burden on banks and stability of the financial system. The assessment of each insured bank shall be determined by multiplying the risk-based assessment rate with the assessment base.

Section 4. Authority to Adjust Assessment Rate. In case there will be an increase in the MDIC, the Board of Directors shall have the authority to adjust the assessment rate for banks taking into consideration the current economic conditions, and the adequacy and sustainability of the DIF.

The Corporation and the Board of Directors shall ensure and endeavor to maintain transparency under all possible conditions in the way of conducting the activities under Section 7(a) of the PDIC Charter, as amended.

RULE V EXAMINATION OF BANKS AND DEPOSIT RECORDS

Section 1. Grounds for Joint Examination. The Corporation shall exercise its authority to examine banks and deposit records, jointly with the BSP, in the following cases:

- a. There is finding of fraud;
- b. There is finding of unsafe and unsound banking related to deposit-taking;
- c. There is a failure of prompt corrective action as declared by the Monetary Board due to capital deficiency; and
- d. Whenever the BSP deems it appropriate and necessary for the Corporation to join the conduct of the examination of a bank.

Section 2. Examination in case of Findings of Fraud or Unsafe and Unsound Banking related to deposit-taking. The Corporation shall join the BSP in the conduct of examination of a bank in case there is a finding by the BSP of: (a) fraud; or (b) unsafe and unsound banking related to deposit-taking operations being committed or has been committed by a bank. In relation thereto, the Corporation has the authority to examine records and books of accounts and require information and reports from depository institutions: *Provided*, 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 BSP, may inquire into or examine deposit accounts and all information related thereto in case there is a finding of unsafe and unsound Banking: *Provided*, further, That to avoid overlapping of efforts, the examination shall maximize the efficient use of the relevant reports, information, and findings of the BSP, which it shall make available to the Corporation.

Section 3. Examination in case of failure of Prompt Corrective Action (PCA) due to Capital Deficiency. The Corporation and the BSP may examine, inquire, or look into the deposit records of a bank with failed PCA status due to capital deficiency as declared by the Monetary Board: *Provided*, That such authority may not be exercised when the failure of PCA is due to grounds other than capital deficiency. For this purpose, banks, their officers, and employees are hereby mandated to disclose and report to the Corporation and the BSP or their duly authorized officers and employees, the required deposit account information.

The Corporation and the BSP, their 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 authority shall not be deemed as 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. Any unauthorized disclosure of the information under this authority shall be subject to the same penalty under the laws protecting the secrecy or confidentiality of bank deposits.

Notwithstanding the foregoing, the Monetary Board may take other actions under existing laws that it may deem necessary.

Section 4. Examination whenever BSP deems it appropriate and necessary. Whenever the BSP deems it appropriate and necessary, the Corporation shall join the conduct of the examination of a bank.

Section 5. Insurance risk evaluation on capital deficient bank. Whenever a bank is determined 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: (a) the fair market value of the assets and liabilities of a bank; or (b) the risk classification of the bank.

Section 6. Authority of PDIC Examiner. In conducting the joint examination based on the grounds enumerated under Section 1 of this Rule, the Board of Directors shall appoint examiners who shall have power, on behalf of the Corporation, to examine any insured bank. Each examiner shall have the power to make a thorough examination of all the affairs of the bank and in doing so, shall have the power to administer oaths, to examine and take and preserve the testimony of any of the officers and agents thereof, and to compel the presentation of books, documents, papers, or records necessary in his judgment to ascertain the facts relative to the condition of the bank. The examiner shall make a full and detailed report of the condition of the bank to the Corporation. The Board of Directors in like manner shall appoint claim agents who shall have the power to investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have the power to administer oaths and examine under oath and take and preserve testimony of any person relating to such claim.

Section 7. Conduct of Examination by the BSP and PDIC. The conduct of examination by the BSP and the Corporation shall be subject to such terms and conditions as may be agreed upon.

Section 8. Bank Examination Reports. The Corporation shall prepare a Bank Examination Report, which shall be considered by the BSP in its Report of Examination.

RULE VI SHARING OF REPORTS AND OTHER INFORMATION

Section 1. Sharing of Reports and Other Information. The BSP shall have access to Bank Examination Reports made by the Corporation, and to such other reports or information as may be agreed upon by the Corporation and the BSP. The BSP shall share to the Corporation its Reports of Examination on banks, and such other reports or information as may be agreed upon by them: *Provided* that the use of such reports or information are in accordance with the terms and condition agreed upon by the Corporation and the BSP and prescribed by applicable laws and regulations. The BSP and the Corporation shall agree on the determination of the reports and information to be shared and the manner of sharing thereof.

**RULE VII
SANCTIONS AGAINST UNSAFE AND UNSOUND BANKING**

Section 1. Issuance of a CDO. 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 and unsound banking, 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 bank examination report to the Monetary Board, and if warranted, may recommend the issuance of a CDO.

Section 2. Exclusion from Deposit Insurance Coverage. As provided under Rule III, Section 3(c), the Corporation shall exclude from deposit insurance coverage deposit account/s or transaction/s subject of the Directive to Cease and Desist (DCD) issued by the BSP which exclusion shall be effective upon the publication of the DCD.

Section 3. Termination of Insured Status. The Corporation may terminate the insured status of any bank that fails or refuses to comply, within thirty (30) days from notice, with any CDO issued by the BSP pertaining to a deposit-related unsafe and/or unsound banking.

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 MDIC 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.

The Board of Directors shall issue rules and regulations prescribing the procedures under this Section.

Section 4. Other Consequences. Sanctions under this Rule are without prejudice to the authority of the Corporation to inquire into or examine deposit accounts and all information related thereto under Section 2, Rule V, and the filing of criminal, civil or administrative action against the Bank and its responsible directors, stockholders, and employees.

**RULE VIII
AUTHORITIES OF THE RECEIVER AND EFFECTS OF A BANK UNDER
LIQUIDATION**

Section 1. Authorities of the Corporation as Receiver. (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. Bank liquidation involving the purchase of all assets and assumption of all liabilities of a bank to a third party shall be exempt from the provisions of Act No. 3952, otherwise known as "The Bulk Sales Law".

(b) In addition to the powers of a receiver provided under Section 13 of Republic Act No. 3591 as amended and other existing laws, the Corporation, as receiver of a Closed Bank, is empowered to convert the assets of the Closed Bank to cash or other forms of liquid assets, as far as practicable: Provided, that the Corporation is authorized to sell assets of Closed Banks, which are held by the Corporation as receiver, to a FISTC, in accordance with the provisions of Republic Act No. 11523 or the "Financial Institutions Strategic Transfer (FIST) Act". For this purpose, the Board of Directors shall be the ARA and shall promulgate the necessary implementing rules and regulations.

As the ARA, the Board of Directors shall determine the eligibility of the NPAs of Closed Banks assets for purposes of availing the tax exemptions and privileges pursuant to the FIST Act and issue the corresponding COE.

Any transfer of the NPAs of the Closed Banks to a FISTC shall strictly comply with the requirements under Section 12 of R.A. No. 11523 and its Implementing Rules and Regulations.

The authority under this Section is without prejudice to the authority of the Corporation as Receiver under Section 16 of Republic Act No. 3591, as amended.

RULE IX DIVIDEND DECLARATION

Section 1. Dividend Declaration. 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 shall declare and remit cash dividends to the National Government in accordance with Republic Act No. 7656: provided, that Section 2(d) on the determination of the dividend base and Section 3 with respect to dividend base and the manner of payment shall not apply. In lieu thereof, the succeeding paragraphs shall be applicable.

For purposes of computing the amount of dividends to be declared and remitted to the National Government, the dividend base shall be the sum of all income, but excluding all assessment income. No other deductions from the dividend base shall be allowed. Such cash dividends accruing to the National Government shall be received by the National Treasury and recorded as income of the General Fund.

RULE X FINANCIAL ASSISTANCE

Section 1. Grant of Financial Assistance (FA). The Corporation is authorized to make loans to, or purchase the assets of, or assume liabilities of, or make deposits in:

- a) A bank in danger of closing, upon its acquisition by a qualified investor; or

- b) A qualified investor, upon its purchase of all assets and assumption of all liabilities of a bank in danger of closing; or
- c) 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 may, taking into consideration the peculiar characteristics of Islamic banks, formulate rules and regulations for the extension of financial assistance in accordance with the preceding paragraph of this Rule.

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 at the time of the granting of the FA.

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.

RULE XI ISSUANCE OF BONDS, DEBENTURES, AND OTHER OBLIGATIONS

Section 1. Issuance of Bonds, Debentures, and other Obligations. With the approval of President of the Philippines, upon the recommendation of the Department of Finance, the Corporation is authorized to issue bonds, debentures, and other obligations, both local or foreign, as may be necessary for purposes of providing liquidity for settlement of insured deposits in Closed Banks or to facilitate the implementation of financial assistance: 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 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

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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.

RULE XII FINAL PROVISIONS

Section 1. Separability Clause. If any provision of this Rules is declared unconstitutional or otherwise invalid, the validity of the other provisions shall not be affected thereby.

Section 2. Repealing Clause. All orders, rules and regulations, and other issuances, or parts thereof inconsistent with this Rules are hereby repealed or modified accordingly.

Section 3. Effectivity. These Rules shall take effect fifteen (15) days after its complete publication in the Official Gazette or a newspaper of general circulation.

The Office of the National Administrative Register (ONAR) of the UP Law Center shall be provided three (3) certified copies of these Rules.

By the:

PHILIPPINE DEPOSIT INSURANCE CORPORATION


ROBERTO B. TAN
President & CEO



BANGKO SENTRAL NG PILIPINAS


FELIPE M. MEDALLA
Governor



DEPARTMENT OF FINANCE


BENJAMIN E. DIOKNO
Secretary

