

**[ REPUBLIC ACT NO. 10846, May 23, 2016 ]**

**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 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