

**[ REPUBLIC ACT NO. 3591, June 22, 1963 ]**

**AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES.**

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

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.

SEC. 2. The powers and functions of the Corporation shall be vested in a board of directors consisting of three (3) members one of whom shall be the Governor of the Central Bank of the Philippines and two of whom shall be citizens of the Republic of the Philippines to be appointed by the President of the Philippines with the advice and consent of the Commission on Appointments. One of the appointive members shall be the Chairman of the Board of Directors of the Corporation who shall be appointed on a full time basis for a term of six (6) years at an annual salary of twenty four thousand Pesos (P24,000.00). The other appointive member, who shall be appointed for a term of four (4) years and Governor of the Central Bank shall each receive a *per diem* of not exceeding fifty pesos (P50.00) for 1 day of meeting actually attended by them but in no case shall each of them receive more than five hundred pesos (P500.00) a month. In the event of a vacancy in the Office of the Governor of the Central bank of the Philippines, and pending the appointment of his successor or during the absence of the Governor, the Acting Governor of the Central Bank of the Philippines shall act as member of the Board of Director. In the event of a vacancy in the Office of the Chairman of the Board of Directors and pending the appointment of his successor, the Governor of the Central Bank of the Philippines shall act as Chairman. The members of the Board of Directors shall be ineligible during the time they are in office and for a period of two years thereafter to hold any office, position or employment in any insured bank, except that this restriction shall not apply to any member who has served the full term for which he was appointed. No member of the Board of Directors shall be an officer or director of any insured bank; and before entering upon his duties as member of the Board of Directors he shall certify under oath that he has complied with this requirement and such certification shall be filed with the Secretary of the Board of Directors. Any vacancy in the Board created by the death, resignation, or removal of an appointive member shall be filled by the appointment of new member to complete the unexpired period of the term of the member concerned.

The Board of Directors shall have the authority:

1. To prepare and issue rules and regulation as it considers necessary for the effective discharge of its responsibilities;
2. To direct the management, operations and administration of the Corporation;
3. To appoint, fix the remunerations and remove all officers and employees of the Corporation, subject to the Civil Service Law; and
4. To authorize such expenditures by the Corporation as are in the interest of the effective administration and operation of the Corporation.

SEC. 3. As used in this Act—

- a. The term "Board of Directors" means the Board of Directors of the Corporation.
- b. 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, trust companies, branches and agencies in the Philippines of foreign banks and all other companies, corporations, partnership performing banking functions in the Philippines.
- c. The term "receiver" includes a receiver, liquidating agent, conservator, commission, person, or other agency charged by law with the duty of winding up the affairs of a bank.
- d. The term "insured bank" means any bank the deposit of which are insured in accordance with the provision of this act;
- e. The term "non-insured bank" means any bank the deposit of which are not insured.
- f. The term "deposit" means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obliged to give credit to a commercial, checking, savings, time or thrift account or which is evidenced by its certificate of deposit, and trust funds held by such bank whether retained or deposited in any department of such bank or deposited in another bank, together with such other obligations of a bank as the Board of Directors shall find and shall 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 the insured deposit: *Provided, further*, That 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 obligation payable only at such branch.
- g. The term "insured deposit" means the net amount due to any depositor for deposits in an insured bank (after deducting offsets) less any part thereof which is in excess of P10,000. Such net amount shall be determined according to such regulations as the Board of Directors may prescribe and in determining the amount due to any depositor there shall be added together all deposits in the bank maintained in the same capacity and the same right for his benefit or in his own name or in the names of others.
- h. 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.

- i. 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.

SEC. 4. Any bank or banking institution 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, may insure its deposit liabilities with the Corporation. Before approving the application of such bank to become an insured bank, the Board of Directors shall give consideration to the factors enumerated in Section 5 and shall determine upon the basis of a thorough examination of such bank, that its assets in excess of its capital requirements are adequate to enable it to meet all its liabilities to depositors and other creditors as shown by the books of the bank.

SEC. 5. The factors to be considered by the Board of Directors under the preceding section shall be the following: the financial history and condition of the Bank, the adequacy of its capital structure, its future earning prospects, the general character of its management, the convenience and needs of the community to be served by the Bank and whether or not its corporate powers are consistent with the purposes of this Act.

SEC. 6.

- a. The assessment rate shall be determined by the Board of Directors: *Provided*, That the assessment rate shall not exceed one-twelfth of one *per centum per annum*. The semiannual 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. The assessment base shall be the amount of the liability of the bank for deposits, according to the definition of the term "deposit" in and pursuant to subsection (f) of Section 3 without any deduction for indebtedness of depositors: *Provided, further*, That the bank—

1. may deduct (i) from the deposit balance due to an insured bank the deposit balance due from such insured bank (other than trust funds deposited by it in such bank) which is subject to an immediate withdrawal; and (ii) cash items as determined by either of the following methods, at the option of the bank: (aa) by multiplying by 2 the total of the cash items forwarded for collection on the assessment base days (being the days on which the average deposits are computed) and cash items held for clearings at the close of business on said days, which are in the process of collection and which the bank has paid in the regular course of business or credited to deposit accounts; or (bb) by deducting the total of cash items forwarded for collection on the assessment base days and cash items held for clearings at the close of business on said days, which are in the process of collection and which the bank has paid in the regular course of business or credited to deposit accounts, plus such uncollected items paid or credited on preceding days which are in the process of collection: *Provided*, that the Board of Directors may define the terms "cash items", "process of collection", and "uncollected

items" and shall fix the maximum period for which any such item may be deducted; and

2. may exclude from its assessment base (i) drafts by it on deposit accounts in other banks which are issued in the regular course of business; and the amount of advices or authorizations issued by it for cash letters received, directing that its deposit account in the sending bank be charged with the amount thereof; and (ii) cash funds which are received and held solely for the purpose of securing a liability to the bank but not in an amount in excess of such liability, and which are not subject to withdrawal by the obligor and are carried in a special non-interest bearing account designated to properly show their purpose.

Each insured bank, as a condition to the right to make any such deduction or exclusion in determining its assessment base, shall maintain such records as will readily permit verification of the correctness thereof. The semi-annual assessment base for one semiannual 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 semiannual assessment base for the other semiannual 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 non-business day or a 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 insured banks under subsection (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, provided the time or times so prescribed shall not be later than sixty days after filing the certified statement setting forth the amount of assessment.

- b. On or before the 15th of July of each year, each insured bank shall file with the Corporation a certified statement showing for the six months ending on the preceding June thirty the amount of the assessment base and the amount of the semiannual assessment due to the Corporation for the period ending on the following December thirty-one, determined in accordance with sub-section (a) of this section, which shall contain or be verified written declaration that it is made under the penalties of perjury. Each insured bank shall pay to the Corporation the amount of the semiannual assessment it is required to certify. On or before the 15th day of January of each year, each insured bank shall file with the Corporation a similar certified statement for the six months ending on the preceding December thirty-one and shall pay to the Corporation the amount of the semiannual assessment for the period ending on the following June thirty which it is required to certify.
- c. Each bank which becomes an insured bank shall not be required to file any certified statement or pay any assessment for the semiannual period in which it becomes an insured bank. On the expiration of such period, each such bank shall comply with the provisions of subsection (b) of this section except that the semiannual assessment base for its first certified statement shall be the assessment base of the bank as of the close of business on the preceding June thirty or December thirty-one, whichever is applicable, determined in accordance with subsection (a) of this section. If such bank has assumed the

liabilities for deposits of another bank or banks, it shall include such liabilities in its assessment base. The first certified statement shall show as the amount of the first semiannual assessment due to the Corporation, an amount equal to the product of one-half of the annual assessment rate multiplied by such assessment base.

- d. As of December thirty-one nineteen hundred sixty-four, and as of December thirty-one of each calendar year thereafter, the Corporation shall transfer 40 *per centum* of its net assessment income to its capital account and the balance of the net assessment income shall be credited *pro rata* to the insured banks based upon the assessment of each bank becoming due during said calendar year.

Each year such credit shall be applied by the Corporation toward the payment of the total assessment becoming due for the semiannual assessment period beginning the next ensuing July 1 and any excess credit shall be applied upon the assessment next becoming due. The term "net assessment income" as used therein means the total assessments which become due during the calendar year less (1) the operating costs and expenses of the Corporation for the calendar year; (2) additions to reserve to provide for insurance losses during the calendar year except that any adjustments to reserve which result in a reduction of such reserve shall be added; and (3) the insurance losses sustained in said calendar year plus losses from any preceding years in excess of such reserves. If the above deductions exceed in amount the total assessments which become due during the calendar year, the amount of such excess shall be restored by deduction from total assessments becoming due in subsequent years.

- e. The Corporation (1) may refund to an insured bank any payment of assessment in excess of the amount due to the Corporation or (2) may credit such excess toward the payment of the assessment next becoming due from such bank and upon succeeding assessments until the credit is exhausted.
- f. Any insured bank which fails to file any certified statement required to be filed by it in connection with determining the amount of any assessment payable by the bank to the Corporation may be compelled to file such statement by mandatory injunction or other appropriate remedy in a suit brought for such purpose by the Corporation against the bank and any officer or officers thereof in any court of the Philippines of competent jurisdiction in which such bank is located.
- g. The Corporation, in a suit brought in any court of competent jurisdiction, shall be entitled to recover from any insured bank the amount of any unpaid assessment lawfully payable by such insured bank to the Corporation whether or not such bank shall have filed any such certified statement and whether or not suit shall have been brought to compel the bank to file any such statement.

No action or proceeding shall be brought for recovery of assessment due to the Corporation or for the recovering of any amount paid to the Corporation in excess of the amount due to it, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except where the Insured bank has made or filed with the Corporation a false or fraudulent certified statement with the intent to evade, in whole or in part, the payment of assessment, in which case the claim shall not have been