

PDIC @ 61

Historical Highlights (1963 – 2024)

Updates on PDIC Charter, Mandates/Authorities and Regulations

1963

PDIC was created through Republic Act 3591 (June 22, 1963), which provided, among others:

- a. deposit insurance coverage for deposits in Philippine banks
- b. maximum deposit insurance coverage of PhP10,000 per depositor
- c. maximum assessment rate of 1/12 of 1 percent of net assessable deposits per annum
- d. financial assistance to distressed banks when in the opinion of the Board, the continued operation of the bank is essential to provide adequate banking service in the community or maintain financial stability
- e. Permanent Insurance Fund (PIF) at PhP5 million
- f. voluntary insurance membership with PDIC
- g. formation of a 3-member PDIC Board of Directors

1964

PhP5 million was appropriated from the General Fund to bankroll the Permanent Insurance Fund (PIF) (Republic Act 4083).

1969

- The PDIC Board approved the By-Laws of the Corporation setting up the organization and redefining the powers and responsibilities of each department. Also approved were the Implementing Rules and Regulations of Republic Act 3591.
- Membership to PDIC was made compulsory for all banks (Republic Act 6037).

1970

PDIC started collecting assessment rate at maximum 1/18 of 1 percent of net assessable deposits per annum.

1972

Republic Act 6426 was passed, instituting the foreign currency deposit system and providing insurance coverage for said deposits, payment of which may be made in the same currency in which insured deposits are denominated.

1973

Presidential Decree (PD) 120 was issued that provided for:

- a. increased Permanent Insurance Fund (PIF) to PhP20 million from PhP5 million
- b. availability of funds for financial assistance to be limited only to PIF, additional appropriations, and money borrowed from the Central Bank
- c. funds from assessments paid by insured banks shall not be used for financial assistance purposes or repayment of loans from Central Bank incurred for funding of assistance.

1977

Assessment rate was increased to a maximum of 1/15 from 1/18 of 1 percent of net assessable deposits starting the semester ending June.

1978

Maximum deposit insurance coverage was increased to PhP15,000 per depositor from PhP10,000 (Presidential Decree 1451).

1981

The PDIC Chairman was appointed Liquidator of six rural banks ordered closed by the Monetary Board pursuant to Monetary Board Resolution No. 459.

1983

The PDIC Board was reconstituted with the following members:

- a. The Governor of the Central Bank of the Philippines as Chairman;
- b. The President of the Corporation as Vice-Chairman and ex-officio member of the Board; and
- c. The Deputy Minister of Finance as may be designated by the Minister of Finance from among his deputies (Executive Order 890).

1984

- Maximum deposit insurance coverage was increased to PhP40,000 per depositor, from PhP15,000 (Presidential Decree 1897).
- Presidential Decree 1940 was issued and provided for the following:
 - a. PDIC made a preferred creditor over unsecured creditors;
 - b. Trust accounts excluded from insurance coverage; and
 - c. Minimum assessment premium paid by banks set at PhP250.

1985

- The Permanent Insurance Fund (PIF) was increased to PhP2 billion from PhP20 million (Presidential Decree 1985).
- Assessment rate for banks was adjusted to 1/12 from 1/15 of 1 percent of net assessable deposits.

1987

The Monetary Board approved in November the return to the Central Bank of the responsibility to liquidate six rural banks assigned to PDIC in 1981.

1992

Republic Act 7400 was passed on April 13, 1992 amending Republic Act 3591, and providing among others:

- increased maximum deposit insurance coverage to PhP100,000 from PhP40,000;
- adjusted assessment rate to a maximum of 1/5 of 1 percent of total deposit liabilities;
- increased Permanent Insurance Fund to PhP3 billion from PhP2 billion;
- authority to conduct independent examination of banks;
- assumption of liabilities as an additional mode of financial assistance;
- mandated as receiver and liquidator of banks ordered closed by the Monetary Board;
- and amendment to the composition of the PDIC Board, designating the Finance Secretary as Chairman, PDIC President as Vice-Chairman, Bangko Sentral ng Pilipinas Governor as member, and two representatives from the private sector.

2000

The General Banking Law of 2000 (Republic Act 8791) was enacted in May 2000, repealing PDIC's authority to conduct independent examination of banks. Examination authority was limited to banks granted or are availing of financial assistance and banks applying for reinstatement of insured status.

2004

Republic Act 9302, or the amendments to the PDIC Charter, was passed into law. The amendments aimed to provide increased depositor protection. Major provisions included:

- increase in the maximum deposit insurance coverage to PhP250,000 from PhP100,000;
- restoration of PDIC's authority to examine banks with prior approval by the Monetary Board;
- continuing insurance coverage of banks;
- grant of financial assistance to distressed banks under systemic risk conditions;
- authority to investigate banks on frauds, irregularities and anomalies based on complaints received and reports of bank examinations;

- and enhancement of PDIC's receivership and liquidation authority.

2009

The PDIC Charter was amended with the passage of Republic Act 9576 that took effect on June 1, 2009. The most significant provisions are:

- increase in the maximum deposit insurance coverage from PhP250,000 to PhP500,000;
- grant of the flexibility to adjust the maximum deposit insurance coverage in case of a condition that threatens the monetary and financial stability of the banking system, subject to the approval by the President of the Philippines;
- and grant of institutional and financial strengthening measures to mitigate moral hazard caused by the increase in insurance coverage and to beef up the level of the Deposit Insurance Fund.

The PDIC adopted its Corporate Governance Code and implemented the Citizen's Charter.

2011

The PDIC expanded the threshold for waived filing of deposit insurance claims to PhP10,000 from PhP5,000.

2012

PDIC implemented various innovations to further streamline procedures in claims settlement. Among these initiatives are the expansion of the ceiling for waived filing of claims to PhP15,000 from PhP10,000; outright payment for valid deposit accounts through the postal money order (PMO) scheme and; the adoption of a Project Management Team approach in claims settlement operations of closed banks. All these resulted in the faster reimbursement of depositors' hard-earned money and overall, improved PDIC's deposit insurance operations.

2014

Bills amending the PDIC Charter to enhance its authorities were filed with the House of Representatives and the Senate. House Committee on Banks and Financial Intermediaries Chairman Rep. Nelson "Sonny" Collantes filed House Bill 4392 on May 12. A Senate counterpart bill was filed by Sen. Sergio Osmeña III, Chairman of the Senate Committee on Banks, Financial Institutions and Currencies. Among the proposed amendments is an enhanced resolution and liquidation framework to strengthen bank resolution and enhance depositor protection as well as align the Philippine deposit insurance system with international standards.

2015

- PDIC issued the Rules and Regulations Governing Computerized Records of Bank Deposits, a set of regulations on computerized deposit record-keeping to efficiently determine the amount of insured bank deposits and enable prompt and accurate reimbursement of deposit insurance claims.
- The maximum amount of deposits eligible for early payment of deposit insurance claims was doubled to PhP100,000 from the previous ceiling of PhP50,000. Under this expansion, more depositors were provided immediate access to deposit insurance and more convenience as payments are mailed to their addresses.

2016

Republic Act No. 10846 amending the PDIC Charter or the deposit insurance law was signed into law on May 23, 2016. The law will benefit the depositing public through strengthened depositor protection, minimized disruption in the financial system, continued access to banking services, and alignment of PDIC processes with international best practices. RA 10846 took effect on June 11, 2016.

Republic Act No. 11840 has amended the Charter of the PDIC and provided enhanced authorities to the state deposit insurer to further strengthen and expand the financial safety net for depositors and creditors of Philippine banks. The latest amendments to the PDIC Charter lapsed into law on June 17, 2022, 30 days after the Bill was presented by Congress to the Office of the President of the Republic of the Philippines. The law took effect on July 20, 2022.

Among its salient provisions are:

- PDIC may now adjust the maximum deposit insurance coverage (MDIC) based on inflation and other relevant economic indicators without the need for legislation. The MDIC is up for revisiting every three years and the PDIC Board of Directors is authorized to increase it, if necessary.
- The law also reclassifies the PDIC as an attached agency of the Bangko Sentral ng Pilipinas (BSP) vice the Department of Finance (DOF). Under this structure, both the BSP and PDIC can optimize regulatory coordination efficiency.
- The PDIC is now mandated to provide insurance cover to Islamic bank products or arrangements classified as deposits by the BSP. Because of the peculiar characteristics of Islamic banking, the amended Charter authorizes the PDIC to establish a separate deposit insurance fund or takaful to cover these types of deposit products.
- The PDIC now has the authority to sell closed bank assets to financial institution strategic transfer corporations (FISTCs).

The Implementing Rules and Regulations for R.A. No. 11840 was jointly signed by PDIC President and CEO Roberto B. Tan, BSP Governor and PDIC Chairperson Felipe M. Medalla, and Finance Secretary and PDIC Vice Chairperson Benjamin E. Diokno through a virtual ceremony on September 30, 2022. The IRR will guide the implementation of the amended PDIC Charter and is seen to further strengthen the deposit insurance system for the benefit of the depositing public. The IRR took effect on October 26, 2022.