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RULES AND REGULATIONS ON EXAMINATION OF BANKS

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Pursuant to Section 8 of Republic Act No. 3591, as amended by Republic Act No. 9576, the PDIC Board of Directors under Resolution No. 2009-10-179 dated 7 October 2009, promulgated the following rules and regulations on examination of banks.

SECTION 1. Statement of Policy

PDIC is tasked to promote and safeguard the interests of the depositing public by way of providing permanent and continuing insurance coverage on all insured deposits, and in helping develop a sound and stable banking system at all times. To achieve this end, PDIC shall conduct examination of banks, in close coordination with the Bangko Sentral ng Pilipinas (BSP), to determine their overall financial condition and compliance with banking rules and regulations. 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 PDIC.

SECTION 2. Types of Examination

a. Regular Examination - An examination conducted independently or jointly with the BSP. It requires the prior approval of the PDIC Board of Directors and the Monetary Board (MB). It may be conducted only after an interval of at least twelve (12) months from the closing date of the last Regular Examination.

b. Special Examination - An examination conducted at any time in coordination with the BSP, by an affirmative vote of a majority of all the members of the PDIC Board of Directors, without need of prior MB approval, if there is a threatened or impending bank closure as determined by the PDIC Board of Directors.

SECTION 3. Scope of Examination

The examination shall include, but need not be limited to, the following:

a. Determination of the bank's solvency and liquidity position;
b. Evaluation of asset quality as well as determination of sufficiency of valuation reserves on loans and other risk assets;
c. Review of all aspects of bank operations;
d. Assessment of risk management system, including the evaluation of the effectiveness of the bank management's oversight functions, policies, procedures, internal control and audit;
e. Appraisal of overall management of the bank;
f. Review of compliance with applicable banking laws, and rules and regulations, including PDIC issuances;
g. Follow-through of specific exceptions/violations noted during a previous examination; and
h. Any other activity relevant to the above.

SECTION 4. Authority of Examiners

The PDIC examiners shall have the authority to conduct Regular or Special Examination of banks, whether independently or jointly with the BSP, on behalf of the Corporation. They shall be authorized to:

a. Make a thorough examination of all the affairs of the bank;

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b. Administer oaths, examine, take and preserve the testimony of any of the officers and agents of the bank;
c. Compel the presentation and/or submission of books, documents or records necessary to ascertain the facts relative to the condition of the bank;
d. Inquire into or examine deposit accounts and all information related thereto in case there is a finding of unsafe and unsound banking practice under a previous BSP examination or in the course of an ongoing examination conducted by the PDIC; and
e. Make a full and detailed report of the condition of the bank to the PDIC Board.

SECTION 5. Examination Findings

The examiners shall give the bank a copy of the examination findings. The bank may respond to such findings during the exit conference and submit its written comments within ten (10) calendar days after the exit conference.

The examination findings, together with the comments of the bank, shall be submitted to the PDIC Board for appropriate action, and shall be further submitted to the BSP in case of a joint examination.

However, PDIC findings with respect to violation and/or compliance with PDIC issuances, rules and regulations shall be independently acted upon by the PDIC Board.

SECTION 6. Authority to Examine Deposit Accounts

PDIC may inquire into or examine deposit accounts and all information and documents related thereto, in case there is a finding by the PDIC or the BSP of unsafe or unsound banking practice in accordance with the BSP Circular 341, series of 2002, as amended by BSP Circular No. 640, series of 2009, or such other banking activities which the PDIC Board, through appropriate resolution or regulation, may determine to be unsafe or unsound banking practice.

SECTION 7. Penalties

The penalty of prision mayor or a fine of not less than fifty thousand pesos (P50,000.00) but not more than two million pesos (P2,000,000.00) or both, at the discretion of the court, as provided for under Section 21 (f) of the PDIC Charter, shall be imposed upon any responsible director, officer, employee or agent of bank for:

a. Any willful refusal to submit reports as required by law, rules and regulations;
b. Any unjustified refusal to permit examination and/or audit of the affairs of the bank;
c. Any willful making of a false statement or entry in any bank report or document submitted to the PDIC; and
d. Any willful failure or refusal to comply with, or any violation of any provision of the PDIC Charter, and/or conducting business in an unsafe and unsound manner as may be determined by the PDIC Board.

The foregoing is without prejudice to the imposition of administrative fines against the bank and its responsible directors, officers, employees, or agents by the PDIC Board of Directors, pursuant to Section 21 (g) of the PDIC Charter, and its implementing regulatory issuance.

SECTION 8. Effectivity

This Regulatory Issuance shall take effect fifteen (15) days after publication in any newspaper of general circulation in the country.

SECTION 9. Repealing Clause

All other related rules and/or regulations of the PDIC, which are inconsistent herewith are hereby repealed or amended accordingly.

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Adopted: 2009

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