

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

REPUBLIC ACT NO. 3591, June 22, 1963

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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:

- To prepare and issue rules and regulation as it considers necessary for the effective discharge of its responsibilities;
- To direct the management, operations and administration of the Corporation;
- To appoint, fix the remunerations and remove all officers and employees of the Corporation, subject to the Civil Service Law; and

- 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—

- The term "Board of Directors" means the Board of Directors of the Corporation.

- 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.

- 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.

- The term "insured bank" means any bank the deposit of which are insured in accordance with the provision of this act;

- The term "non-insured bank" means any bank the deposit of which are not insured.

- 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.

- 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.

- 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.

- 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.

- 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—

- 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

- 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 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 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.

- 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.

- 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.

- 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.

- 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.

- 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.

- 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 deemed to have accrued until the discovery by the Corporation that the certified statement is false or fraudulent.

- Should any insured bank fail or refuse to pay any assessment required to be paid by such bank under any provision of this Act, and should the bank not correct such failure or refusal within thirty days after written notice has been given by the Corporation to an officer of the bank, citing this subsection, and stating that the bank has failed or refused to pay as required by law the insured status of such bank shall be terminated by the Board of Directors. The remedies provided in this subsection and in the two preceding subsections shall not be construed as limiting any other remedies against an insured bank but shall be in addition thereto.

- Trust funds held by an insured bank in a fiduciary capacity whether held in trust or deposited in any other department or in another bank shall be insured like other forms of deposits, in an amount not to exceed P10,000 for each trust estate, and when deposited by the fiduciary bank in another insured bank such trust funds shall be similarly insured to the fiduciary bank according to the trust estates represented. Notwithstanding any other provision of this Act, such insurance shall be separate from and additional to that covering other deposits of the owners of such trust funds or the beneficiaries of such trust estates: Provided, That where the fiduciary bank deposits any of such trust funds in other insured banks, the amount so held by other insured banks on deposit shall not for the purpose of any certified statement required under subsections (b) and (c) of this section be considered to be a deposit liability of the fiduciary bank but shall be considered to be a deposit liability of the bank in which such funds are so deposited by such, fiduciary bank. The Board of Directors shall have the power by regulation to prescribe the manner of reporting and of depositing such trust funds.

SEC. 7.

- Any insured bank may, upon not less than ninety days, written notice to the Corporation, and to the Development Bank of the Philippines if it owns or holds as pledges any preferred stock; capital notes, or debentures of such bank, terminate its status as an insured bank. Whenever the Board of Directors shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of the bank or which have knowingly or negligently permitted any of its officers or agents to violate any provisions of any law or regulation to which the insured bank is subject, the Board of Directors shall first give to the Central Bank of the Philippines a statement with respect to such practices or violations for the purpose of securing the correction thereof and shall give a copy thereof to the bank. Unless such correction shall be made within one hundred twenty days or such shorter period of time as the Central Bank of the Philippines shall require, the Board of Directors, if it shall determine to proceed further, shall give to the bank not less than thirty days written notice of intention to determine the status of the bank as an insured bank, and shall fix a time and place for a hearing before the Board of Directors or before person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the Board of Directors shall make written findings which shall be conclusive. Unless the bank shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured bank. If the Board of Directors shall find that any unsafe or unsound practice or violation specified in such notice has been established and has not been corrected within the time above prescribed in which make to such correction, the Board of Directors may order that the insured status of the bank be terminated on a date subsequent to such finding and to the expiration of the time specified in such notice of intention. The Corporation may publish notice of such termination and the bank shall give notice of such termination to each of the depositors at his last address of record on the books of the bank, in such a manner and at such a time as the Board of Directors may find to be necessary and may order for

the protection of the depositors. After the termination of the insured status of any bank under the provisions of this subsection, the insured deposits of each depositor in the bank on the date of such termination, less all subsequent withdrawals from any deposits of such depositor, shall continue for a period of two years to be insured, and the bank shall continue to pay to the Corporation assessments as in the case of an insured bank during such period. No additions to any such deposits and no new deposits in such bank made after the date of such termination shall be insured by the Corporation, and the bank shall not advertise or hold itself out as having insured deposits unless in the same connection it shall also state with equal prominence that such additions to deposits and new deposits made after such date are not insured. Such bank shall, in all other respects, be subject to the duties and obligations of an insured bank for the period of two years from the date of such termination, and in the event that such bank shall be closed on account of insolvency within such period of two years, the Corporation shall have the same powers and rights with respect to such bank as in case of an insured bank.

- Notwithstanding any other provision of law, whenever the Board of Directors shall determine that an insured banking institution is not engaged in the business of receiving deposits, the Corporation shall notify the banking institution that its insured status will terminate at the expiration of the first full semiannual assessment period following such notice. A finding by the Board of Directors that a banking institution is not engaged in the business of receiving deposits shall be conclusive. The Board of Directors shall prescribe the notice to be given by the banking institution of such termination and the Corporation may publish notice thereof. Upon the termination of the insured status of any such banking institution, its deposits shall thereupon cease to be insured and the banking institution shall thereafter be relieved of all future obligations to the Corporation, including the obligation to pay future assessments.

- Whenever the liabilities of an insured bank for deposits shall have been assumed by another insured bank or banks, the insured status of the bank whose liabilities are so assumed shall terminate on the date of receipt by the Corporation of satisfactory evidence of such assumption with like effect as if its insured status had been terminated on said date by the Board of Directors after proceedings under subsection (a) of this section: Provided, That if the bank whose liabilities are so assumed gives to its depositors notice of such assumption within thirty days after such assumption takes effect, by publication or by any reasonable means, in accordance with regulations to be prescribed by the Board of Directors, the insurance of its deposits shall terminate at the end of six months from the date such assumption takes effect. Such bank shall be subject to the duties and obligations of an insured bank for the period its deposits are insured: Provided, further, That if the deposits are assumed by a newly insured bank, the bank whose deposits are assumed shall not be required to pay any assessment upon the deposit which have been so assumed after the semiannual period in which the assumption takes effect.

SEC. 8. The Corporation as a corporate body shall the power—

First.—To adopt and use a corporate seal.

Second.—To have succession until dissolved by an Act of Congress.

Third.—To make contracts.

Fourth.—To sue and be sued, complain and defend, in any court of law in the Philippines. All suits of a civil nature to which the corporation shall be a part shall be deemed to arise under the laws of the Philippines. No attachment or execution shall be issued against the Corporation or its property before final judgment in any suit, action, or proceeding in any court. The Board of Directors shall designate an agent upon whom service of process may be made in any province or city or jurisdiction in which any insured bank is located.

Fifth.—To appoint by its Board of Directors such officers and employees as are not otherwise provided for

in this Act to define their duties, fix their compensation, require bonds of them and fix penalty thereof and to dismiss such officers and employees for cause.

Sixth.—To prescribe, by its Board of Directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

Seventh.—To exercise by its Board of Directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this Act, and such incidental powers as shall be necessary to carry on the powers so granted.

Eighth.—To make examinations of and to require information and reports from banks, as provided in this Act.

Ninth.—To act as receiver.

Tenth.—To prescribe by its Board of Directors such rules and regulations as it may deem necessary to carry out the provisions of this Act.

SEC. 9.

- The Board of Directors shall administer the affairs of the Corporation fairly and impartially and without discrimination. The Corporation shall be entitled the free use of Philippine mails in the same manner as the other offices of the national government.

- The Board of Directors shall appoint examiners who shall have power, on behalf of the Corporation to examine any insured bank or any bank making application to become an insured bank, whenever in the judgment of the Board of Directors an examination of the bank is necessary. Each such examiner shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine and take and preserve the testimony of any of the officers and agents thereof, and 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 power to investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have power to administer oaths and to examine under oath and take and preserve the testimony of any person relating to such claims.

- Each insured bank shall make to the Corporation reports of condition in such form and at such times as the Board of Directors may require such reports to be published in such manner, not inconsistent with any applicable law, as it may direct. Every such bank which fails to make or publish any such report within such time, not less than five days, as the Board of Directors may require, shall be subject to a penalty of not more than P100 for each day of such failure recoverable by the Corporation for its use.

- The Corporation shall have access to reports of examination made by, and reports of condition made to the superintendent of Banks or the Governor of the Central Bank of the Philippines, and the Superintendent of Banks or the Governor of the Central Bank of the Philippines shall also have access to reports of examination made on behalf of, and reports of condition made to the Corporation.

- The members of the Board of Directors and the officers and employees of the Corporation are prohibited from revealing any information relating to the condition or business of any insured bank and any member of the Board of Directors, officer or employee of the Corporation violating this provision shall be held liable for any loss or injury suffered by the Corporation.

SEC. 10.

- permanent insurance fund in the amount of P5,000,000 to be appropriated from the General Fund is hereby created to be used by the Corporation to carry out the purposes of this Act: Provided, That the maximum amount of the insured deposit of any depositor shall be P10,000.
- For the purposes of this Act an insured bank shall be deemed to have been closed on account of insolvency in any case in which it has been closed for the purpose of liquidation without adequate provision being made for payment of its depositors.
- Whenever an insured bank shall have been closed on account of insolvency, payment of the insured deposits in such bank shall be made by the Corporation as soon as possible either (1) by cash or (2) by making available to each depositor a transferred deposit in another insured bank in an amount equal to the insured deposit of such depositor: Provided, That the Corporation, in its discretion, may require proof of claims to be filed before paying the insured deposits, and that in any case where the Corporation is not satisfied as to the validity of a claim for an insured deposit, it may require the final determination of a court of competent jurisdiction before paying such claim.
- The Corporation, upon the payment of any depositor as provided for in subsection (c) of this section shall be subrogated to all rights of the depositor against the closed bank to the extent of such payment. Such subrogation shall include the right on the part of the Corporation to receive the same dividends from the proceeds of the assets of such closed bank and recoveries on account stockholders' liability as would have been payable to the depositor on a claim for the insured deposit, but such depositor shall retain his claim for any uninsured portion of his deposit.

SEC. 11.

- Payment of an insured deposit to any person by the Corporation shall discharge the Corporation, and payment of a transferred deposit to any person by the new bank or by an insured bank in which a transferred deposit has been made available shall discharge the Corporation and such new bank or other insured bank, to the same extent that payment- to such person by the closed bank would have discharged it from liability for the insured deposit.
- Except as otherwise prescribed by the Board of Directors, neither the Corporation nor such other insured bank shall be required to recognize as the owner of any portion of a deposit appearing on the records of the closed bank under a name other than that of the claimant, any person whose name or interest as such owner is not disclosed on the records of such closed bank as part owner of said deposit, if such recognition would increase the aggregate amount of the insured deposits in such closed bank.
- The Corporation may withhold payment of such portion of the insured deposit of any depositor in a closed bank as may be required to provide for the payment of any liability of such depositor as a stockholder of the closed bank, or of any liability of such depositor to the closed bank or its receiver, which is not offset against a claim due from such bank, pending the determination and payment of such liability by such depositor or any other person liable therefor.
- If, after the Corporation shall have given at least three months notice to the depositor by mailing a copy thereof to his last-known address appearing on the records of the closed bank, any depositor in the closed bank shall fail to claim his insured deposit from the Corporation within eighteen months after the Monetary Board of Central Bank of the Philippines or the proper court shall have ordered the conversion of the assets of such closed bank into money, all rights of the depositor against the Corporation with respect to the insured deposit shall be barred,

and all rights of the depositor against the closed bank and its shareholders or the receivership estate to which the Corporation may have become subrogated, shall thereupon revert to the depositor.

SEC. 12.

- Money of the Corporation not otherwise employed shall be invested in obligations of the Republic of the Philippines or in obligations guaranteed as to principal and interest by the Republic of the Philippines: Provided, That the Corporation shall not sell or purchase any such obligations for its own account and in its own right and interest, at any one time aggregating in excess of P100,000, without the approval of the Insurance Commissioner : And Provided, further, That the Insurance Commissioner may waive the requirement of his approval with respect to any transaction or classes of transactions subject to the provisions of this subsection for such period of time and under such conditions as he may determine.

- The banking or checking accounts of the Corporation shall be kept with the Central Bank of the Philippines, with the Philippine National Bank, or with any other bank designated as depositary or fiscal agent of the Philippine Government.

- When the Corporation has determined that an insured bank is in danger of closing, in order to prevent such closing, the Corporation, in the discretion of its Board of Directors is authorized to make loans to, or purchase the assets of, or make deposits in, such insured bank, upon such terms and conditions as the Board of Directors may prescribe, when in the opinion of the Board of Directors the continued operation of such bank is essential to provide adequate banking service in the community. Such loans and deposits may be in subordination to the rights of depositors and other creditors.

SEC. 13. The corporation is authorized to borrow from the Central Bank of the Philippines and the Central Bank is authorized and directed to loan the Corporation on such terms as may be fixed by the Corporation and the Central Bank, such funds as in the judgment of the Board of Directors of the Corporation are from time to time required for insurance purposes not exceeding in the aggregate of one hundred million pesos outstanding at any one time: Provided, That the rate of interest to be charged in connection with any loan made pursuant to this section shall not be less than the current average rate on outstanding marketable and nonmarketable obligations of the Republic of the Philippines as of the last day of the month preceding the making of such loan. Any such loan shall be used by the Corporation solely in carrying out its functions with respect to such insurance.

SEC. 14. All notes, debentures, bonds, or such obligations issued by the Corporation shall be exempt from taxation.

SEC. 15.

- The Corporation shall annually make a report of its operations to the Congress as soon as practicable after the 1st day of January in each year,

- The financial transactions of the Corporation shall be audited by the General Auditing Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Auditor General. The audit shall be conducted at the place or places where accounts of the Corporation are normally kept. The representatives of the General Auditing Office shall have access to all books, accounts, records, reports, files, and all other papers, things, or property belonging to or in use by the Corporation pertaining to its financial transactions and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. All such books, accounts, records, reports, files, papers, and property of the Corporation

shall remain in possession and custody of the Corporation.

- A report of the Audit for each fiscal year ending on June 30 shall be made by the Auditor General to the Congress not later than January 15 following the close of such fiscal year. On or before December 15 following such fiscal year the Auditor General shall furnish the Corporation a short form report showing the financial position of the Corporation at the close of fiscal year. The report to the Congress shall set forth the scope of the audit and shall include a statement of assets and liabilities and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expenses; a statement of sources and application of funds and such comments and information as may be deemed necessary to inform Congress of the financial operations and condition of the Corporation, together with such recommendations with respect thereto as the Auditor General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transactions or undertaking observed in the course of the audit, which in the opinion of the Auditor General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President of the Philippines, to the Governor of the Central Bank of the Philippines, and to the Corporation at the time submitted to the Congress.

SEC. 16.

- Every insured bank shall display at each place of business maintained by it a sign or signs, and shall include a statement to the effect that its deposits are insured by the Corporation in all of its advertisements: Provided, That the Board of Directors may exempt from this requirement advertisements which do not relate to deposits or when it is impractical to include such statement therein. The Board of Directors shall prescribe by regulation the forms of such signs and the manner of display and the substance of such statements and the manner of use. For each day an insured bank continues to violate any provisions of this subsection or any lawful provisions of said regulations, it shall be subject to a penalty of not more than P100, which the Corporation may recover for its use.

- No insured bank shall pay any dividends on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) or distribute any of its capital assets while it remains in default in the payment of any assessment due to the Corporation; and any director or officer of any insured bank who participates in the declaration or payment of any such dividend or interest or in any such distribution shall, upon conviction, be fined not more than P1,000 or imprisoned not more than one year, or both: Provided, That if such default is due to a dispute between the insured bank and the Corporation over the amount of such assessment, this subsection shall not apply, if such bank shall deposit security satisfactory to the Corporation for payment upon final determination of the issue.

- Without prior written consent by the Corporation, no insured bank shall (1) merge or consolidate with any noninsured bank or institution or convert into a non-insured bank or institution or (2) assume liability to pay any deposits made in, or similar liabilities of, any non-insured bank or institution or (3) transfer assets to any non-insured bank or institution in consideration of the assumption of liabilities for any portion of the deposits made in such insured bank.

- The Corporation may require any insured bank to provide protection and indemnity against burglary, defalcation, and other similar insurable losses. Whenever any insured bank refuses to comply with any such requirement the Corporation may contract for such protection and indemnity and add the cost thereof to the assessment otherwise payable by such bank.

- Any insured bank which willfully fails or refuses to file any certified statement or pay any assessment required under this Act shall be subject to a penalty of not more than P100 for each day that such violations continue, which penalty the Corporation may recover for its use: Provided, That this subsection shall not be applicable under the circumstances stated in the provisions of subsection (b) of this section.

SEC. 17. Except with the written consent of the Corporation, no person shall serve as a director, officer or employee of an insured bank who has been convicted, or who is hereafter convicted, of any criminal offense involving dishonesty or a breach of trust. For each willful violation of this prohibition, the bank involved shall be subject to a penalty of not more than P100 for each day this prohibition is violated, which the Corporation may recover for its use.

SEC 18. If any provision or section of this Act or the application thereof to any person or circumstance is held invalid, the other provisions or sections of this Act, in the application of such provision or section to other persons or circumstances, shall not be affected thereby.

SEC. 19. All Acts or parts of Acts and executive orders, administrative orders, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed.

SEC. 20. This Act shall take effect upon approval. The Philippine Deposit Insurance Corporation shall commence business upon organization of the Board of Directors and certification by the Treasurer of the Philippines that the Permanent Insurance Fund has been appropriated.

Approved, June 22, 1963.

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