

AMENDING REPUBLIC ACT NUMBERED THREE THOUSAND FIVE HUNDRED NINETY-ONE, AS AMENDED, ENTITLED "AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, DEFINING ITS POWER..."

PRESIDENTIAL DECREE NO. 120, January 29, 1973

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WHEREAS, there were pending before Congress prior to the promulgation of Proclamation No. 1081, dated September 21, 1972, certain urgent measures proposing amendments to Republic Act No. 3591, as amended:

WHEREAS, the deposit insurance scheme has been adopted to generate more faith and confidence in the banking system and the Philippine Deposit Insurance Corporation, as an insurer of bank depositors, is entrusted not only with the vital role of protecting depositors from loss resulting from bank closures but also in helping develop a sound and stable banking system; and

WHEREAS, the recommendations contained in the report on the Philippine financial system which have been accepted, with certain modifications by the monetary authorities, included among others, certain proposals geared toward ensuring the effectiveness of the Corporation in performing its assigned tasks;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree the amendment of Republic Act No. 3591, as amended, as follows:

SECTION 1. Section two of Republic Act Numbered Three thousand five hundred ninety-one, as amended, is hereby amended to read as follows:

"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 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 compensation which shall be fixed by the President of the Philippines. The other appointive member, who shall be appointed for a term of four (4) years and the Governor of the Central Bank shall each receive a per diem of not exceeding fifty pesos (P50.00) for each 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 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 Directors. 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 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 a 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 regulations 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 remuneration and remove any officer or employee of the Corporation for cause: Provided, however, That officers exercising discretionary powers shall not be 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: Provided, however, That not later than one year after the appropriation and release of the additional fifteen million pesos for the permanent insurance fund as provided in Section ten (a-1) of this Act, the annual operating expenses of the Corporation may amount to not more than the equivalent of the annual gross income from the investment of the permanent insurance fund and not more than fifteen per cent of the first ten million pesos of all other income, such as assessments and earnings from the investment of funds of the Corporation other than the permanent insurance fund: Provided, further, That if all other income exceeds ten million pesos, the prescribed ceiling for the annual operating expenses may be increased by not more than ten percent of the excess: Provided, finally, That in the computation of income, recoveries and accrued income shall be excluded."

SEC. 2. Section ten (a) of the same Act is hereby amended by adding another paragraph after Section ten (a) which reads as follows:

"SEC. 10(a-1). The permanent insurance fund hereinabove created is hereby increased to twenty million pesos and for this purpose, the amount of fifteen million pesos is hereby appropriated from the General Fund."

SEC. 3. Section twelve, Subsection (c) of the same Act is hereby amended to read as follows:

"SEC. 12(c). 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: Provided, however, That funds available for this purpose shall be limited only to the permanent insurance fund referred to in Section ten (a) of this Act, additional appropriations thereto, and money borrowed from the Central Bank in accordance with the provisions of Section thirteen of this Act: Provided, further, That funds of the Corporation accumulated from assessments paid by insured banks shall not be available for this purpose nor for the repayment of loans obtained from the Central Bank for the funding of assistance to insured banks as provided in this section. Such loans and deposits may be in subordination to the rights of depositors and other creditors."

SEC. 4. This Decree shall take effect immediately.

Done in the City of Manila, this 29th day of January, in the year of Our Lord, nineteen hundred and seventy-three.

(Sgd.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.) ALEJANDRO MELCHOR

Executive Secretary

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