GUIDELINES ON TERMINATION AND REINSTATEMENT OF` INSURED STATUS OF BANKS

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Pursuant to Section 6 (h) of R.A. 3591, as amended, and in relation to Part V-A (Sec. 5.02-5.05) of the PDIC Amended Rules and Regulations, the following Guidelines on the Termination and Reinstatement of Insured Status of Banks due to Non-payment of Assessment, are hereby issued, for guidance and information:

1. PDIC shall terminate the insured status of a bank upon its continued failure or refusal to pay the assessment, due semi-annually, computed by multiplying the assessment rate as determined by the PDIC Board of Directors and the bank's liability for deposits, in accordance with Section 6(a) of R.A. 3591, as amended.

2. First demand letters shall be sent to banks through registered mail, thirty (30) days after the 31 January and 31 July prescribed deadlines for filing of certified statements and remitting the corresponding assessments. Interest charges at the legal, rate of 12% per annum, reckoned from due date/s shall be imposed upon these banks, in accordance with Section 16(e) of R.A. 3591, as amended.

3. Failure to comply within thirty (30) days after receipt of the first demand letter shall constitute willful failure or refusal by the bank to file the required certified statement and pay the corresponding assessment and interest charges. Thereafter, PDIC shall send the second demand letter through registered mail. Penalty charges at twice the rate of interest charges or 24% per annum shall be added thereon, reckoned 30 days from receipt of the first demand letter, pursuant to Section 16(e) of R.A. 3591, as amended.

4. Termination proceedings of the bank's insured status shall start thirty (30) days after receipt by the bank of PDIC's second demand letter.

5. The third and final demand letter shall be sent to the bank through registered mail. Should the bank still fail to remit the assessment payment, including interest and penalty charges within thirty (30) days from the date of mailing of the third and final demand letter, PDIC shall terminate the bank's insured status which shall be effective after the lapse of said thirty (30) days, whether or not said demand letter has been actually received by the bank.

6. The order of termination shall be sent to the bank, by such mode of service as may be expeditious and efficient, upon the expiration of the 30-day period from date of mailing of the third and final demand letter. The order of termination shall be final and executory until set aside, modified or suspended by the PDIC Board Directors.

7. The Corporation shall publish the order of termination of the insured status in a newspaper of general and/or local circulation for three (3) consecutive days. The cost of said publication shall be chargeable to the bank. Immediately upon receipt of the order of termination from the Corporation, the bank shall give written notice of such termination to each of the depositors at his last address recorded in the books of the bank. Willful failure by the bank to do so shall subject its directors and/or officer to an administrative fine not exceeding One Thousand Pesos (P1,000.00) per day under the provisions of Section 16 (f) and/or render them criminally liable for violation thereof, which is punishable by a fine of not more than Twenty Thousand Pesos (P20,000.00) and by imprisonment of not more than five years under the provisions of Section 16 (g) of R.A. 3591, as amended.

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8. Failure of the bank for whatever reason to give written notice to the depositors shall not in any way affect the validity and effectivity of the order of termination of insured status against the depositors of the bank.

9. The insured deposits of each depositor in the bank as of the effective date of termination, less all subsequent withdrawals/debit adjustment from any deposits of such depositor, shall continue to be insured for a period of ninety (90) days from the date of such termination. No additions to any such deposits and no new deposits in such bank after the date of such termination shall be insured by PDIC.

10. The bank whose insured status has been terminated shall not advertise or hold itself out as having insured deposits unless, in the same connection, the bank shall state with equal prominence that such additions to the insured deposits and new deposits made after such termination are not so insured. Any director/officer of such bank who violates or causes the violation of the foregoing shall be criminally liable therefore, with a penalty of a fine not exceeding twenty thousand pesos (P20,000.00) or imprisonment of not more than one year or both, a provided for under Section 16 (a) of R.A. 3591, as amended.

11. A bank whose insured status has been terminated may request for the reinstatement of its insured status by means of a written application filed with the Corporation. The PDIC Board of Directors may approve such application based on a recommendation that: (a) the cause or causes for termination of insured status has/have been corrected, and (b) that the bank may continue to operate with insurance cover with safety to its depositors, creditors and the general public, thereby, not exposing the Deposit Insurance Fund to undue risk.

Adopted: 26 March 2002

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Officer-in-Charge

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