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PHILIPPINE DEPOSIT INSURANCE CORPORATION

Bank deposit mo, protektado!

Deposits are insured by PDIC up to P500,000 per depositor

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Bank Deposits Now Insured Up To P500,000 New Deposit Insurance Law takes effect June 1

The maximum deposit insurance coverage (MDIC) for bank deposits has been doubled to P500,000 effective June 1, 2009. Philippine Deposit Insurance Corporation (PDIC) President Jose C. Nograles said, "The doubling of the MDIC through the passage of Republic Act No. 9576 is a means to promote and safeguard the interests of the depositing public. At this level, 97.2% of total deposit accounts in banking system is protected with deposit insurance." Nograles clarified that the law is prospective. The higher MDIC will apply only to deposits in banks ordered closed by the Monetary Board on June 1 and thereafter. The amended Charter also granted PDIC powers to enhance its oversight on banks as well as mitigate the moral hazard posed by the increased coverage to the Deposit Insurance Fund (DIF). The DIF is the funding source for deposit insurance claims payment.

The new law also strengthened PDIC's regulatory oversight on banks through new authorities such as the conduct of special bank examinations, determination of products eligible for deposit insurance and examination of deposit accounts of ailing banks.

PDIC may now conduct special examinations on ailing banks in coordination with the BSP. In the event that there is a finding of unsafe and unsound banking practice, PDIC is authorized to examine deposits, as an exemption from RA 1405 or the Bank Secrecy law. This will give PDIC timely access to bank records and help manage risks to the DIF.

The Corporation has also been granted the authority to determine insured deposits. No payment of deposit insurance will be made on investment products, unfounded, fictitious and fraudulent deposit transactions, deposit accounts constituting and/or emanating from unsafe and unsound banking practices, and proceeds from unlawful activities.

Nograles warned against splitting of deposits. Splitting of deposits occurs when a deposit account of more than P500,000 is broken down and transferred into two or more accounts in the names of person or entities with no beneficial ownership on transferred deposits. Under RA 9576, splitting is prohibited within a 120 day-window immediately preceding a bank-declared bank holiday or closure order by the Monetary Board (MB) up from 30 days in the old Charter.

"The longer prohibition window will ensure that the benefits of the deposit insurance scheme is not circumvented and the DIF is not abused," Nograles said.

Bank directors, officers, employees, or agents found guilty of deposit-splitting may be sanctioned with prison mayor or a fine of not less than P50,000 but not more than P2 million, or both.

"In the bigger picture, these reforms will safeguard against the machinations of unscrupulous individuals or entities that prey on the hard-earned money of unsuspecting depositors," Nograles said. Nograles said the additional powers granted to PDIC will advance the government's agenda to combat unsafe and unsound banking practices that abuse the protection provided by the government.

The new law also granted tax exemption to PDIC as well as sovereign guarantee on its borrowings up to two times its DIF.

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PDIC is a government instrumentality created in 1963 by virtue of Republic Act 3591, as amended, to insure the deposits of all banks. PDIC exists to protect depositors by providing deposit insurance coverage for the depositing public and help promote financial stability



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