

PDIC backs plans to hike deposit cover to P.5M

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Financial regulator Philippine Deposit Insurance Corp. (PDIC) stated yesterday it is supporting proposals to double the maximum deposit insurance coverage from P250,000 to P500,000.

To ensure that the increase in the coverage will effectively translate to enhanced depositor protection, depositor confidence, and a stronger banking system there is a need for a package of five corollary measures to beef up PDIC reserves and strengthen its regulatory and oversight functions as a proactive move in view of the present financial turmoil overseas, PDIC president Jose Nograles said.

Nograles made the announcement in response to the Financial Defense Package Proposal of Presidential Economic Adviser and Gov. Joey Salceda and House Bill 5315 sponsored by Speaker Prospero Nograles and Congressman Jaime Lopez which both called for such an increase.

At the P500,000 level, 97.2 percent of all deposit accounts will be fully covered by insurance, compared to 95.1 percent at the current level.

The balance of 2.8 percent is partially covered by insurance with respect to the first P500,000 of the deposit account. "We are not looking at additional assessment on banks but an increase in government contribution," Nograles said.

First among the corollary measures as Salceda proposed is an increase in PDIC's capitalization through an increase in government contribution.

This is needed so that the PDIC's Deposit Insurance Fund (DIF) which is the source of insurance payments will remain sufficient to meet potential demands at a higher level of insurance, he said.

The agency's audited financial statement as of last year showed the DIF at P54.3 billion of which government contribution was only P3 billion.