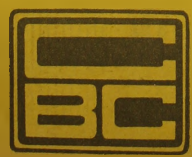
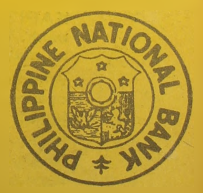
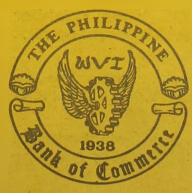
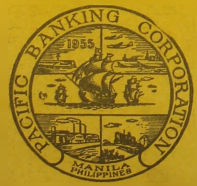
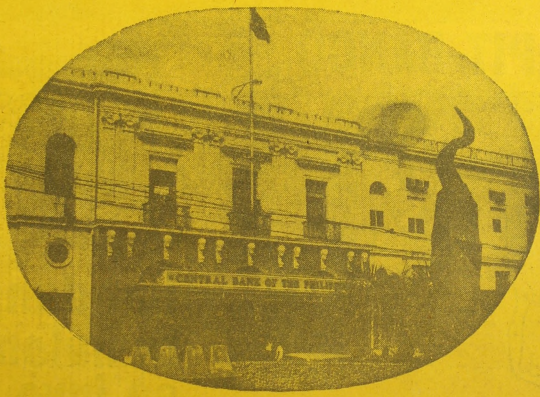
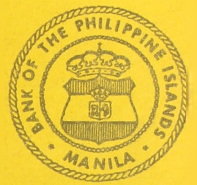
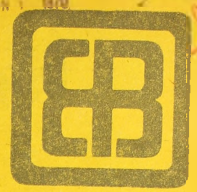
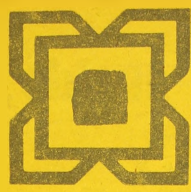


The Philippines Herald  
MAY 31, 1970

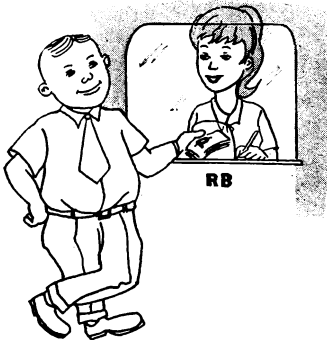


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The past twenty years

# BANKING COMMUNITY FLOURISHED

By NICASIO REBONG II  
Herold Staff Member

The banking community in the Philippines has grown by leaps and bounds since the Central Bank was established in 1949 and thus the adoption of the managed currency system.

This could be gleaned from the proliferation of commercial banks, rural banks, savings banks, private development banks, and other institutions engaged in banking services now in operation in this country.

A tourist had observed that there are more banks here than even in more developed countries. And C.B. statistical data seemed to bear this out.

As of Dec. 31, 1969, the total number of commercial banks reached 606, composed of 39 offices and 567 branches and agencies. Last year alone, 23 branches and agencies of commercial banks were established.

## 452 Rural Banks

Forty new rural banks were opened in 1969, bringing the total number to 452. Of this total, 226 rural banks were located in Luzon, 79 in the Visayas and 47 in Mindanao. Sixty rural banks were authorized to accept demand deposits.

No new savings bank was established in 1969. However, six branches and one extension office were opened, bringing the total number of savings banks in actual operation to 48 (10 head offices, 19 branches and 19 extension offices).

Sixteen postal stations of the government-owned Postal Savings Bank were opened in 1969, bringing the total number in operation to 1,445 during the period under review.

The total number of private development banks

grew to 29 with the opening of two new private development banks last year.

## Growth Factors

The phenomenal growth of the banking community was attributed to the following factors: liberal minimum capital requirements for the establishment of banks, favorable conditions, and other incentives.

For the past 20 years, the C.B. has actively sought to encourage the growth of the banking system. Commercial banks mergers are facilitated and large scale or branch banking is encouraged so that the capital structure of the banking system can be strengthened, its liquidity position improved and the economies of large-scale banking may be enjoyed.

## P12 Billion

According to the C.B. annual report for 1969, total resources of commercial banks amounted to P12,950 million, representing a growth of P1,139 million or 13.2 per cent compared to the increment of P1,276 million or 13.2 per cent in 1968.

Earning assets increased by P933 million or 82 per cent of the total expansion in banks' resources, compared with the

P867 million growth in the previous year.

By reducing the increase in their liquid assets to only P55 million or 3.3 per cent, as against P342 million or 26.1 per cent last year, the commercial banks increased their other assets by P152 million or 20.8 per cent as against P67 million or 10.1 per cent in 1968.

With the increase in demand deposits, current liabilities of commercial banks expanded considerably by \$945 million or 14.8 per cent in 1969, compared with expansion of P326 million in 1968.

## 54 Per Cent

Demand deposits increased by P511 million or 54 per cent of the overall increment. Savings and time deposits gained P314 million as against increment of P200 million in 1968. Similarly, bills payable went up by P213 million, slightly below the P283 million growth in 1968 while guarantee accounts declined by P254 million in 1969 compared to a considerable increase of P429 million in 1968.

Net worth of commercial banks rose from P1,140 million in December 1968 to P1,294 million at the end of 1969, or an increase of P154 million compared to an increase

of P98 million in 1968.

As regards the rural banks, the C.B. reported their total resources amounted to P409 million as of July 31, 1969, an increase of P30 million or seven per cent from the 1968 level.

Outstanding loans went up by P26 million to P416 million and investments in government securities gained nominally by P0.5 million to P7 million.

Total deposit liabilities also expanded by P15 million to P183 million and net worth rose to P193 million.

## Savings Banks

Meanwhile, total loans granted by savings banks dropped by P38 million or 27 per cent as against the P15 million or 11 per cent expansion registered in 1968, the C.B. report said.

Similarly, the growth in resources slowed down from 21 per cent in 1968 to only 16 per cent in 1969. The P76 million expansion in resources in 1969 was brought about mainly by the P82 million increment in holdings of government securities.

The savings banks during the period under review were granted an additional P4.1 million emergency loans by the C.B. but repaid P27.5 million. As a result, outstanding emergency loans of these banks from the C.B. dropped by P23.4 million to P29.5 million at the end of 1969.

Loans outstanding increased slightly by P2 million to P275 million. Deposit liabilities improved by P82 million or 24 per cent as against a drop of P7 million or two per cent in 1968 while net worth decreased by P2 million or three per cent to P66 million.

Total resources of PSB increased by P2 million from the 1968 level. However, savings deposits decreased by P1 million to P58 million.

## Private Banks

Private development banks expanded by P14 million to reach P144 million in total assets in 1969. Total loans outstanding increased by P9 million to a level of P115 million and investments in securities rose by P0.1 million to P2 million.

Deposit liabilities likewise increased by P9 million to P54 million. Similarly, outstanding rediscounts with the Development Bank of the Philippines went up by P0.4 million to P25 million and capital assistance from this institution increased by P1 million to P25 million.

Net worth also grew by P4 million to P60 million.

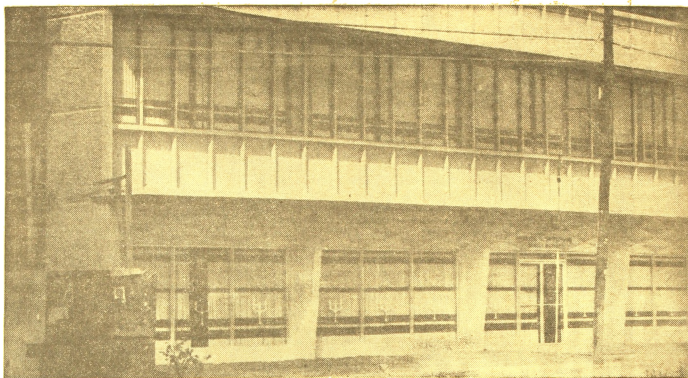
An interim study prepared by Syey, Gorra, Velasco & Co. for a three-month period ending March 31, 1970 said that total assets of commercial banking system were P8 billion; less than in Dec. 31, 1969.

## Largest Drop

The largest drop in total assets was registered by the Philippine National Bank manifested in its investments by P2 million and the drop in its cash and due from banks of P38 million.

The SGV study attributed the decline in total assets of PNB mainly to the reduction in its bills payable and "other liabilities" by P170 million.

Other highlights of the SGV study are: —Five private development banks showed reductions in total assets of



**Equitable Bank Branch in Makati**



**Banco Filipino Provincial Branch**



**Philippine Banking Corporation Head Office at Port Area**

more than P10 million each, with one bank showing a drop of P43 million.

—The net decline in total assets of private domestic banks amounted to only P3 million. Principal cause of the decline was the drop in deposits with private domestic banks of P64 million, which was counterbalanced by additions to these banks' bills payable and "other liabilities" of P52 million and an increase in their net worth of P12 million.

—In contrast to domestic banks, the four branches of foreign banks registered net additions to total assets of P86 million during the quarter, with two banks accounting for most of this increase. Main sources of additions to the total assets of foreign banks were the increase in their deposit balances of P44 million and in their due to head office accounts of P25 million.

—Total liquid assets of the commercial banking system of P2,795 million as of March 31, fell short by P69 million of balances at year-end 1969. Of the 35 domestic banks, 25 showed declines in liquid assets. All foreign banks showed increase in liquid assets.

—The decline in liquid assets was mainly from cash and due from banks, which dropped by P126 million. The increase in cash and due from banks as of Dec. 31, 1969 from balances of the previous quarter was about P388 million.

—About P58 million was added to investments in bonds and other securities during the quarter, with a private bank showing an increase of P23 million; PNB, P14 million; and a foreign bank, P10 million. About half of the private domestic banks registered declines in investments.

—Loans outstanding of the commercial banking system amounting to about P7.9 billion as of March 31, comprise approximately 66 per cent of the banks' total assets. Private domestic banks hold about 55 per cent of the total loans; PNB, about 35 per cent.

—This quarter's increase of P110 million was due principally to loan additions from the private banks (domestic P45 million, foreign P50 million).

—PNB's net increment in total loans during the quarter amounted to only P18 million, after the substantial decline in its overdraft balances of P90 million. Loans and discounts as well as customers' liability acceptances of PNB rose by P57 million and P58 million respectively.

—As of March 31, deposits with the Philippine commercial banking system totalled P7.1 billion, of which 59 per cent is

with private domestic banks and 30 per cent with PNB.

—The net increment of P50 million in deposits with the commercial banking system resulted from additions to time and savings deposits of P115 million and deposits with the government of P39 million, after reductions in demand deposits and deposits of banks by P71 million and P33 million, respectively.

—Deposits with private domestic banks dropped by a net amount of P63 million; those with PNB and foreign banks rose by P69 million and P44 million, respectively.

—This quarter, PNB reduced its bills payable and "other liabilities by a substantial P170 million.

—Private domestic banks continued to liquidate their bills payable (by P45 million this quarter). Net additions to this group of account arose mainly from the incurrence of additional "other liabilities" of P50 million and additions to marginal deposits on letters of credit of P33 million.

An increase of P20 million during the first quarter of 1970 brought the total net worth of domestic commercial banks to about P1.2 million as of March 1970.

—Unused letters of credit rose by a substantial P1,484 million this quarter, with PNB accounting for P929 million of the increase. The increment

of P929 million is about 174 per cent of the additions to PNB's unused letters of credit for 1969.

—Unused letters of credit of private domestic banks rose by P326 million. Last year, unused letters of credit of these banks dropped by P68 million from the previous year.

—The significant increase in unused letters of credit may be attributed mainly to the floating exchange rate adopted on Feb. 21, 1970 and the simultaneous lifting of the ceiling on foreign currency letters of credit. The floating rate for the peso is around P6 to U.S. \$1 as compared to the parity rate of P3.90 to U.S. \$1.

## DOMESTIC CREDITS OUTSTANDING OF THE COMMERCIAL BANKING SYSTEM

1949-1970

(Amount in million pesos)

End of period	TOTAL				CLASSIFIED BY SECTOR				CLASSIFIED BY TYPE OF CREDIT			
	Amount		Per cent of total credits of the Banking System	Per cent average over 1949-1970	Public		Private		Demand deposits	Time deposits	Government	Outstanding letters of credit
	1970	1949			Per cent of total	Per cent of total	Per cent of total	Per cent of total				
1949	439.6	81.7	—	91.2	13.8	348.4	85.2	441.0	289.3	222.4	119.0	
1950	673.1	75.5	+ 2.0	108.7	16.1	564.4	87.8	72.1	292.1	261.1	47.8	
1951	841.7	76.1	+25.0	89.1	10.6	752.6	90.8	63.1	320.9	324.7	132.8	
1952	967.6	76.6	+ 3.1	114.4	13.2	753.2	86.8	79.7	365.4	311.8	108.0	
1953	967.8	78.8	+11.3	132.2	13.7	835.6	86.3	90.9	394.9	342.6	137.4	
1954	1,045.6	87	+ 7.4	121.9	11.7	923.7	88.3	101.1	427.6	368.2	136.3	
1955	1,311.4	79.8	+25.7	228.7	17.4	1,082.7	82.0	223.4	444.0	421.3	222.7	
1956	1,565.7	76.8	+19.4	343.9	22.0	1,221.8	78.0	223.4	545.4	396.3	181.6	
1957	1,819.4	65.8	+ 3.4	161.8	10.0	1,657.6	90.0	121.2	683.2	392.6	222.1	
1958	1,869.3	61.4	+ 3.1	184.2	9.8	1,585.1	90.2	111.5	739.2	605.5	173.1	
1959	1,871.4	60.0	+12.2	175.8	9.4	1,695.6	90.6	113.8	680.5	723.5	164.4	
1960	2,052.4	62.7	+ 8.6	187.2	9.1	1,865.2	90.9	133.1	953.5	744.2	221.6	
1961	2,022.2	60.0	+17.3	320.4	17.2	2,502.8	82.8	435.8	1,259.3	939.5	389.5	
1962	3,427.2	69.2	+13.2	426	12.3	3,001.2	87.7	378.6	1,544.2	1,025.5	408.9	
1963	4,554.2	74.5	+32.9	609.5	13.4	3,944.7	86.6	468.7	2,122.7	1,343.3	624.5	
1964	5,232.4	69.3	+14.9	717.7	13.6	4,514.7	86.4	476.7	2,423.0	1,515.4	791.3	
1965	5,925.4	70.6	+11.5	1,001.8	18.9	4,923.6	81.1	620.9	2,327.0	1,658.8	803.6	
1966	6,409.5	78.1	+14.4	1,135.0	17.5	5,274.5	82.5	795.4	3,221.1	1,550.1	917.6	
1967	7,895	78.5	+21.8	1,622.8	20.9	6,272.2	79.1	1,062.6	4,175.1	1,962.7	971.6	
1968	8,808.5	78.9	+11.2	1,872.2	21.3	6,936.3	78.7	1,217.5	4,391.2	1,833.7	964.0	
1969	9,744.9	78.8	+10.9	2,496.3	25.6	7,248.7	74.4	1,628.7	5,500.7	2,725.5	884.1	
1970 January	9,929.1	78.8	+ 8.7	2,214.8	26.0	7,714.3	77.0	1,682.9	5,468.3	1,971.4	869.5	

SOURCES OF BASIC DATA: Statements of Conditions of the Commercial Banking System.  
 † Consisting of all commercial banks and rural banks accepting demand deposits.  
 ‡ Including unused overdraft lines.

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(Continued on Page 16)

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# CB Plays Vital Role in Controlling Credit



## 'Bank of Banks'

### Central Bank Encourages Growth of RP Banking

By DANIEL A. MONTILLA

It is indubitably clear that credit should be regulated since unrestrained credit expansion or contraction can lead to unprecedented booms or slumps, causing unhealthy or undesirable effects to the economy.

In the Philippines, as

well as in other countries where central banking operates, the Central Bank plays a vital role in controlling credit and, if done properly and efficaciously, can contribute to economic stability.

Republic Act No. 265, the law which established

the Central Bank of the Philippines, provides for various instruments of credit control and these serve not only as implementing monetary policies but to a great extent they underlie and shape them as well.

A significant instru-

ment of credit control is the imposition of bank reserve requirements. Under the law, the Monetary Board may prescribe ratios from 10 per cent to 50 per cent against demand deposits and 5 per cent to 25 per cent against time and savings deposits.

Within these ranges undue expansion of credit can very well be restricted.

### 100 Per Cent

However, in periods of inflation if such percentages are not sufficient to contain credit the law al-

(Continued on Page 9)



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## CB Plays

(Continued from Page 6) lows the MB to prescribe ratios even as high as 100 per cent against any future increase in the deposits of each bank and a decrease in these reserve requirements in times of deflation.

An equally important instrument designed for

the same end is the fixing of interest or rediscount rates on Central Bank loans. Judging from the experiences of many countries, this instrument in the hands of the CB remains a most potent and lasting inflationary and deflationary tendencies. However, in order not to cause harm, this instrument should be used only in accordance with the character and terms of

credit operations, the credit needs of the market, composition of the Central Bank's portfolio and the general requirements of the national monetary policy.

Thus, in this connection, the law requires that the rediscounts, discounts, loans and advances which the CB is authorized to extend to banking institutions shall be used to regulate the volume, costs,

availability and character of bank credit and to provide the banking system with liquid funds in times of need.

### Circulars

A third type of credit control is direct action by the Central Bank. This kind of instrument regulating credit may assume direct dealings with banks on a bank-to-bank basis where the other means of

control have failed or proved inadequate. The forms of direct action may consist of memoranda and circulars and these are necessarily coercive requiring compliance from individual banks and car-effective weapon in regu-rying penalties in case of non-compliance.

However, short of employing the coercive measure of direct action or without resorting to the



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other equally mandatory instruments of credit control. The CB can still attain the desired goal by means of moral suasion.

This tool may take the form of published announcements, holding of conferences, meetings with the Bankers Association of the Philippines (BAP) and the like wherein plans and courses of action are proposed and discussed. The object is to seek the cooperation of banks in the realization of the objectives of the Central Bank to stabilize the currency and promote overall economic progress.

That this approach has proven successful in many cases in the past, in that the banking community has heeded the call of

support by the Central Bank, is due largely to the fact that appeals of this sort have instilled in the banks a sense of belonging and of being enthusiastic partners with the CB in the praiseworthy task of bringing about monetary stability and material welfare.

### Open Market

Another important measure of credit control which is beginning to take roots in developing countries although still in its infancy in the Philippines is the traditional tool of open market operations. This instrument can very well serve as a brake to unwarranted expansion of credit in times of inflation and as an accelerator in

granting more credit in periods of deflation.

The first situation can be effected when the Central Bank shall not make purchases of securities in the open market or at best minimize such purchases or even sell its security holdings. On the other hand, the second situation, i.e., in case of declining money supply and big doses are needed to be injected into the economy, is realized when the CB undertakes more purchases, withholds sales of its security holdings or repurchases its bonds or certificates of indebtedness.

In this country open market operations has been resorted to not only to control credit but also

to make more people bank conscious since commercial banks serve as agents in the encashment of bonds, to encourage good savings habits and, most importantly, to finance economic development of the country.

In addition, when open market operations expand or restrict credit, bank reserves are either increased or decreased. When the Central Bank purchases securities in the open market the proceeds of the sale are credited to its member bank's deposit accounts at the Central Bank. This will increase the reserves of the banks because of an increase of the money available for circulation.

Conversely, when the CB sells securities in the open market, the deposit accounts of the member bank will be debited, resulting in the shrinkage of money supply and thereby in the bank reserves. Thus if the bank reserves are expanded member banks can provide more credit to the public and if bank reserves are reduced less credit is available.

### Other Reasons

Besides the fact that open market operations as a device in controlling credit is comparatively of recent vintage in the Philippines, there are other reasons why it cannot be used extensively as yet in this country. For one thing, the market for securities is small and the country is still largely agricultural where it is difficult to develop among the people the consciousness of investing their money in bonds and securities.

For another thing, the people are not accustomed to buying and selling them and it is believed it would take some time to reorient their minds toward investment in securities. Nevertheless, education and moral suasion can be very useful measures that can bring about changes in this direction.

There are still other instruments that can control credit and which are better known as selective credit control measures such as the placing of ceilings on rediscounts of commercial banks and the requirement that commercial banks should maintain a one-to-one ratio between their actual foreign exchange assets and foreign exchange liabilities.

There are authorities, however, such as Dr. Gregorio S. Miranda, who claim that the former measure did not entirely curb lendings made by commercial banks and therefore not very effective in controlling credit. But the one-to-one ratio which was designed to check unnecessary imports has been more effective

in regulating credit with the added advantage of reducing the amount of the foreign exchange liabilities of commercial banks with the corresponding increase in their foreign exchange assets.

### Other Measures

Still in certain instances these traditional instruments of credit control may not be effective enough to cope with the situation, say a rapid skyrocketing in money supply or an unchecked decrease in the quantity of money in circulation, bringing about a serious case of deflation. To be sure, many central banks in the world, including ours, have invariably employed other measures, singly or collectively in conjunction with the traditional instruments.

These measures are the rationing of credit (i.e., placing a limit on discounts), prescribing minimum cash margins for opening letters of credit and the imposition of minimum ratios which capital and surplus of banks must bear to the volume of their assets.

By and large, however, all these credit control measures, despite their limitations imposed by circumstances, lack of fiscal restraint, the law and the usual unmet needs spending on developmental projects and public works, have contributed in one form or another toward the expansion of credit and the curbing of unwarranted expansion and consequently that too of the money supply.

This work on this matter, Business and Government, has been used as reference for this article.

## The Corner Bank

(Continued from Page 5)  
 according to 53 per cent of Provident's total number of depositors and 42 per cent of its total deposits.

To keep pace with the bank's growth, Provident has expanded its lending operations. At present, its total outstanding loans amount to over P41 million. A majority of these loans were granted for real estate development and housing construction as a response to the present need for housing facilities.

Provident today enjoys the trust and confidence of over 110,000 depositors who avail of the 12-hour service of the bank from Monday to Saturday. Such trust it has continuously earned through its tried and better services and relentless efforts in looking for means to bring higher returns for the funds entrusted to it by these depositors.

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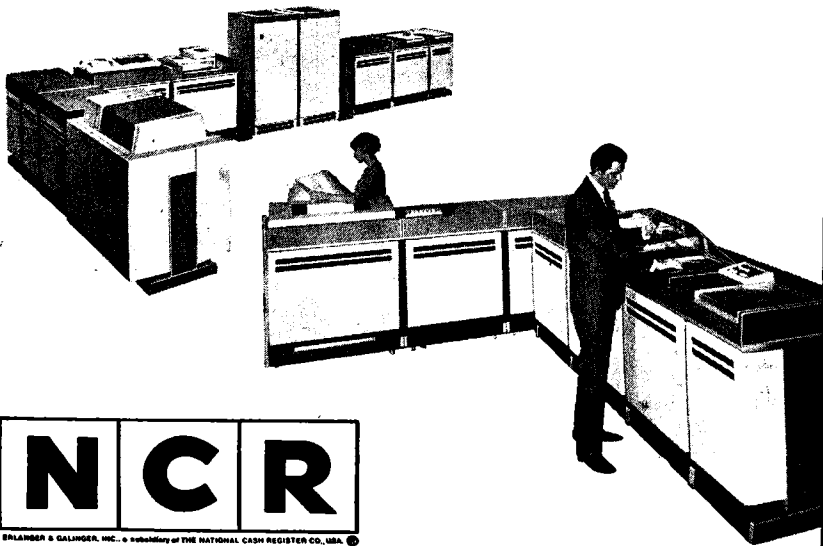
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# How PDIC Strengthens Banking System

The Philippine Deposit Insurance Corporation is a government entity created by law to protect bank depositors and to safeguard the nation's money supply. Under Republic Act No. 3591, PDIC insures individual depositors up to P10,000 of their balances in every PDIC insured bank.

This is PDIC's primary objective. However, PDIC's ultimate goal is that of strengthening the entire banking system. By working towards this goal, PDIC — as an insurance company — would in turn be reducing the risk it insures against.

This is why the Deposit Insurance Act also vested PDIC with the government functions of supervising and examining insured banks. Following

are the provisions of the act.

**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 herein-after granted.

### Board

**SECTION 2.** The powers and functions of the corporation shall be vested in a board of directors; consisting of three 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 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 years and the Governor of the Central Bank shall each receive a per diem of not exceeding P50 for each day of meeting actually attended by them but in no case shall each of them receive more than P500 a month.

In the event of a vacan-

cy 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 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 his 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 he shall certify under oath that he has complied with his 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. (As amended by RA No. 6037, approved August 4, 1969).

### Functions

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 remunerations and remove any officer or employe of the corporation for cause. Provided, however, that officers exercising discretionary powers shall not be subject to the Civil Service Law (as amended by Republic Act No. 6037, approved August 4, 1969); and
4. To authorize such expenditures by the corporation as are in the interest of the effective administration and operation of the corporation.

**SECTION 3.** As used in this Act—

(a) The term "Board of Directors" means the board of directors of the corporation.

(b) 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, partnerships performing banking functions in the Philippines.

(c) 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.

(d) The term "insured bank" means any bank the deposits of which are insured in accordance with the provisions of this Act.

(e) The term "non-insured bank" means any bank the deposits of which are not insured.

### Deposit

(f) 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 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 an 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 be insured for its deposit obligation payable only at such branch.

(g) The term "insured" (Continued on Page 14)

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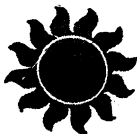
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## How PDIC Helps Banking System

(Continued from Page 13)  
"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 ₱10,000. 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 his own name or in the name of others.

(1) 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.

### Trust Funds

(1) The term "trust funds" means funds held by an insured bank in a fiduciary capacity and includes without being limited to, funds held as trustees, executor, administrator, guardian or agent.

SECTION 4. The deposit liabilities of 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 shall be insured with the corporation. (As amended by R.A. No. 6037 approved August 4, 1960).

### SECTION 5 HAS BEEN REPEALED

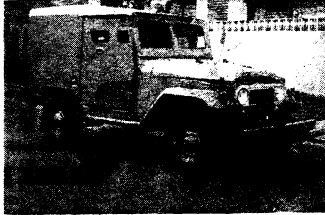
SECTION 6. (a) The assessment rate shall be determined by the board of directors. Provided, That the assessment rate shall not exceed one twelfth of one per centum per annum. The semi-annual assessment for each insured bank shall be the amount of the product of one-half (1/2) the assessment rate multiplied by the assessment base. The assessment base shall be the amount of liability of the bank for deposits, according to the definition of the term "deposit" in the pursuant to subsection (f) of Section 3 without any deduction for indebtedness of depositors. Provided further, That the Bank—

(1) 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



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of the following methods at the option of the bank; (a) 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 made) 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 by its regular course of business or credited to deposit accounts, or (bb) by deducting the total cash items held for clearing at the close of business on said days, which are in the process of collection and which the bank has paid in the regular source 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

(2) may exclude from its assessment base (i) drafts drawn 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.

### Conditions

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 semiannual 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 semiannual 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 nonbusiness day or a legal holiday,

either National or Provincial, the said 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 supporting information as the Board of Directors shall prescribe. The assessment payments required from insured banks under subsection (d) 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.

(b) 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 semiannual assessment due to the Corporation for the period ending on the following December thirty-one, determined in accordance with subsection (a) of this section, which shall contain or be verified by a written declaration that it is made under the penalty of perjury.

(c) 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.

### Pro Rata

(d) 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 the insured banks based upon the assessment of each bank becoming due during each 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 assess-

ment income" as used therein means the total assessments which become due during 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 a deduction from total assessments coming due in subsequent

years.

(c) 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 assessments until the credit is exhausted.

### Injunction

(f) 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.

(g) 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.

### Failure

(h) Showed any insured bank fail or refuse to



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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.

(i) Trust funds held by an insured bank in a fiduciary capacity whether 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.

### Notice

SECTION 7. (a) 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 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 a 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.

### Violation

If the board of directors of any insured bank or of unsound practice or violation specified in such notice has been established and has not been corrected within the time above prescribed in which to make such correction, the board of directors may order that the insured status of the bank be ter-

minated 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 at 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.

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.

### Termination

(b) 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 year following such notice.

(c) Whenever the liabilities of an insured bank for deposits shall have been assumed by another insured bank, 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 proceeding under sub-section (a) of this section: **Provided** That if the bank whose liabilities are so assumed gives to its depositors notice of such assumption within 30 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 on the deposits which have been so assumed after the semi-annual period in which the assumption takes effect.

### Powers

SECTION 8. The corporation as a corporate body shall have 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 party 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 a final judgment in any suit, action, or proceeding in any court. The board 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 provi-

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

Sixth. — To prescribe, by its board of directors, by laws not inconsistent with law, regulations in 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 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 granted.

Eighth. — To make examinations of and to require reports from banks, as provided in this Act: **Provided**, that any examination shall be made simultaneously with the examination by the Corporation of the Central Bank conducting examinations of banks: (As amended by R.A. No. 6037, approved Aug. 4, 1969)

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 provision of this Act.

### Use of Mails

SECTION 9. (a) The board shall administer the affairs of the corporation in an economical and without discrimination. The corporation shall be entitled to the free use of Philippine mails in the same manner as the offices of the national government.

(b) The board 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.

(c) 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 may be directed. Every such bank which fails to make or publish any such report within such time, not less than five days, as the board 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.

### Access

(d) The corporation shall have access to reports of examination made



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by, and reports of condition made to the Superintendent of Banks or the Governor of the Central Bank, 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.

(c) The members of the board and the officers and employees of the corporation are prohibited from revealing a ny information relating to the condition or business of an insured bank and any member of the Board, officer or employee of the corporation violating this provision shall be held liable for any loss or injury suffered by the corporation.

SECTION 10. (a) A permanent insurance fund in the amount of ₱5,000,000 to be appropriated from the general fund hereafter 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 ₱10,000.

(b) 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 purposes of liquidation without adequate provision being made for payment of its depositors.

### Insolvency

(c) 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 claim 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.

(d) 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 of 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.

### Payment

SECTION 11. (a) Payment of an insured deposit to any person by the corporation shall be discharged, the corporation, any payment of a transferred deposit to any person by the new bank or by an insured bank in a transferred deposit has been made available shall discharge the corporation and such new bank or other insured bank, to the same extent as if the person by the closed bank would have discharged it from liability for the insured deposit.

(b) Except as otherwise prescribed by the board, 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.

(c) 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 corporation 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.

### 3 Months Notice

(d) 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 date the Board of Directors of the 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.

SECTION 12. (a) 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. (As amended by R. A. No. 6037, approved Aug. 4, 1969).

(b) The banking or accounts of the corporation shall be kept with the Central Bank of the Philippines, with the Philippine National Bank, or with any other designated as depository or fiscal agent of the Government.

### CB Loan

SECTION 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 CB, such funds as in the judgment of the board of directors of the corporation are from time to time required for insurance purposes including those provided for in Section 12(c) 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 non-marketable 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. (As amended by R. A. No. 6037, approved Aug. 4, 1969).

SECTION 14. With the approval of the President of the Philippines, to issue bonds, debentures, and other obligations whenever its capital or funds are not sufficient to meet its obligation to depositors whose deposits are insured: Provided, That the board of directors shall determine the interest rates, maturity and other requirements of said obligations; and further, that the corporation shall provide for appropriate reserves for the redemption or retirement of said obligations. All notes, debentures, bonds, or such obligations issued by the corporation shall be exempt from taxation. (As amended by R. A. No. 6037, approved Aug. 14, 1969).

SECTION 15. (a) The corporation shall annual-

ly make a report of its operations to Congress as soon as practicable after the 1st day of January each year.

### Audit

(b) 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.

(c) A report of the auditor for each fiscal year ending on June 30 shall be made by the auditor general to Congress not later than 15 following the close of such fiscal year. On or before Dec. 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.

### Display

SECTION 16. (a) 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 ad-



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vertisements which do not relate to deposits or when it is impractical to include such statement therein.

1. The directors and officers of any bank, corporation, partnership or any other company performing banking functions in the Philippines not insured under the provisions of this Act, which shall in any manner, advertise or hold itself out as having insured status for the purpose of making it appear that its deposits are insured with the corporation.

2. The directors and officers of a bank whose insured status has already been terminated, if such

bank shall continue to advertise in any manner or hold itself out as having insured deposits, unless in the same connection, it shall also state with the same prominence that additional and/or new deposits made after the effective date of termination of its insured status are no longer insured.

### Fraudulent Use

3. Any person, who knowing the purpose for which the official sign, advertising statement and/or emblem, as duly prescribed by the board of directors of the corporation is to be used, reproduces or supplies such sign, advertising

statement and/or emblem or a colorable imitation thereof, for the use of a bank not insured under the provisions of this Act, to enable such bank to fraudulently use the same in connection with the advertising of its services.

(b) 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 on any such distribution shall, upon conviction, be fined not more than P1,000 or imprisoned not more than one year or both.

(c) 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 to the corporation for payment upon final determination of the issue.

(c) Without prior written consent by the corporation, no insured bank shall (1) merge or consolidate with any non-

insured 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) assume any liability to a non-insured bank or institution in consideration of the assumption of liabilities for any portion of the insured bank.

### Indemnity

(d) 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 the cost thereof to the assessment otherwise payable by such bank.

(e) 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 violation continues, 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.

SECTION 17. Except with the written consent of the corporation, no person shall serve as a director, or employ 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.

SECTION 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 provisions or section to other persons or circumstances, shall not be affected thereby.

SECTION 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.

SECTION 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.

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**DBP PROGRESS BONDS ARE LIQUID - THEY MAY BE CASHED ANYTIME, ANYWHERE!**

Other forms of investment may tie up your capital indefinitely. Not so with DBP Progress Bonds. Although the bonds (registered or bearer) of P100, P1,000, and P10,000 have a term of 10 years, they may be cashed any time at the holder's option and for a small service charge at DBP or any of its many service agencies. In case you should need money in a hurry, therefore, DBP Progress Bonds are easy to convert to cash! **MORE LIQUID!**

**DBP PROGRESS BONDS ARE FULLY GUARANTEED ABSOLUTELY NO RISK INVOLVED!**

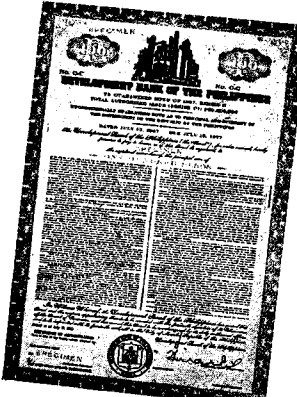
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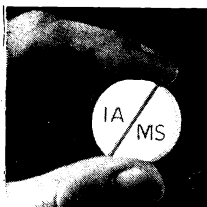
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