

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 include for insurance its deposit obligation payable only at such branch.

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

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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

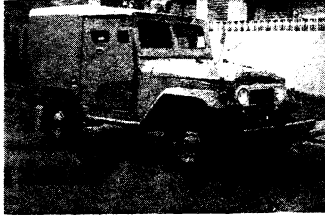
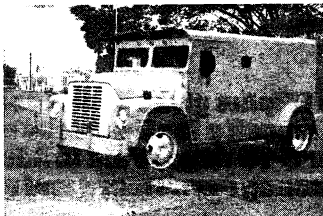
SECTION 6. (a) The assessment rate shall be determined by the board of directors. Provided, That the assessment rate shall not exceed one twelfth of one per centum per annum. The semi-annual assessment for each insured bank shall be the amount of the product of one-half (1/2) the assessment rate multiplied 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 in 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 is found to be in 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 or annual assessment period 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 compensation, and fix the bonds of them and to receive therefor 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 the filing of 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 cash, 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. 4, 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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Tel. No. 21-81-83

DAVAO BRANCH
883 Claro M. Recto
Davao City
Tel. Nos. 7-85-91 — 7-73-51

PASAY BRANCH
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Tel. Nos. 80-58-89 & 80-81-90

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SOLER BRANCH
1087 Soler St., Manila
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ERMITA BRANCH
1137 A. Mabini St., Manila
Tel. No. 59-58-79

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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.

(d) 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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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!

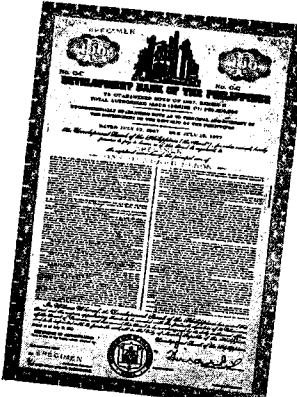
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