

[PDIC, March 12, 1969]

AMENDED RULES AND REGULATIONS*

Pursuant to the provisions of R.A. No. 3591, as amended, entitled "AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES", the following rules and regulations, as amended, governing the insurance of deposit liabilities of banks and banking institutions in the Philippines with the Philippine Deposit Insurance Corporation, hereinafter referred to as "PDIC", are hereby promulgated:

Part I **Definition of Terms**

SECTION 1.01. As used in these Rules and Regulations:

- a. **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.
- b. **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.
- c. **Insured Bank** — means any bank the deposits of which are insured in accordance with the provisions of R.A. 3591, as amended.
- d. **Non-insured Bank** — means any bank the deposits of which are not insured.
- e. **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 is obliged to give credit to a commercial, checking, savings, time, or thrift account or which is evidenced by passbook, check, and/or certificate of deposit, printed or issued in accordance with Central Bank rules and regulations and other applicable laws, together with such other obligations of a bank which consistent with banking usage and practices, the Board of Directors of PDIC shall find and shall prescribe by regulations 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 R.A. No. 3591, as amended, or included as part of the total deposits or of the insured deposit: *Provided, further*, That subject to the approval of the Board of Directors any insured bank which is incorporated under the laws of the Philippines which maintains a branch outside of the Philippines may elect to include for insurance its deposit obligation payable only at such branch. **(As amended by P.D. 1940, June 27, 1984)**

f. **Insured 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 P40,000.00. Such net amount shall be determined according to such regulations as the Board of Directors of PDIC 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 either in his own name or in the name of others. **(As amended by P.D. 1451, Approved June 11, 1978 and further amended by P.D. 1897, Approved June 11, 1984)**

g. **Transfer Deposit** — means a deposit in an insured bank made available to a depositor by PDIC as payment of insured deposit of such depositor in a closed bank and assumed by another insured bank.

h. **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.

i. **Base Day** — shall be the period of time from the closing of the books of the bank on the last business day immediately preceding the assessment base day according to the normal practice i.e., the usual and regular practice of the bank on business days with no deviation therefrom on base days. Holidays or other non-business days intervening between the preceding business day and the base day are a part of the base day. If the base day falls on a day when the bank is open for less than the normal number of banking hours, such as being open only until noon on Saturdays, that day shall nevertheless be used as a base day provided the bank is open for the transaction of all its business on such shorter business day.

j. **Cash Item** — means any instrument providing for the payment of money which the reporting bank in the regular course of business has received and in exchange therefor has given credit to a deposit account or has issued an instrument evidencing or constituting a deposit as defined in item (c) of this section, or has paid in cash in the regular course of business. Additionally the following requisite must concur:

1. That the instrument is in the process of collection;
2. That it is payable on presentation;
3. That the payor or drawee of the instrument is not the reporting bank or a branch or office thereof; and
4. That the instrument so received by the reporting bank is not in payment of or arising from the sale or other disposition of any of its assets.

A cash item is deemed to be in the *process of collection* from the time it is either credited to a deposit account or paid by the reporting bank and until the reporting bank has received acceptable payment in the form of cash credit, draft or officer's check, or notice of dishonor;

A cash item is deemed to be payable on *presentation* when the payor or drawee is required to pay its forthwith upon presentation.

k. **Cash Item Held for Clearing** — refers to a cash item which was received by the reporting bank in the usual course of business on the base day before the closing of the books on that day and which is held at the time of said closing for clearance on the next business day in conformity with the normal practice of the reporting bank.

l. **Cash Item Forwarded for Collection** — refers to a cash item which was received by the reporting bank in the usual course of business on the base day before the closing of the books on that day and which is either sent for collection the same day or held at the close of business on that day to be sent for collection on the next business day.

m. **Cash Item in Process of Collection** — refers to a cash item received on any day preceding the base day which has remained uncollected as of the close of business on the base day for a period not in excess of fifteen (15) days from the time it was received by the reporting bank for collection in the regular course of business. This cash item is eligible for deduction only under the (bb) method.

n. **Interbranch Item** — is an item which is drawn against a deposit account maintained in the main office or a branch office of the reporting bank, which is received and paid or credited to a deposit account by an office of the reporting bank other than the office which carries the deposit account against which such item is drawn.

o. **Reciprocal Bank Balance** — exists when the reporting bank has a deposit balance due to another bank and such reporting bank also has a deposit balance due from the same insured bank disregarding for this purpose, balances representing deposits of trust funds.

p. **Semiannual Period** — means a period beginning on January one of any calendar year and ending on June thirty on the same year or a period beginning on July one of any calendar year and ending on December thirty one of the same year.

Part II

Coverage of Deposit Insurance

SECTION 2.01. What Shall be Insured with PDIC — The deposit liabilities of any bank or banking institution which is engaged in the business of receiving deposits as herein defined, or which hereafter may engage in the business of receiving deposits shall be insured with the PDIC.

Deposits in savings and loan associations are eligible for insurance with PDIC in accordance with the provisions of Section 4(b) of R.A. No. 3779, as amended, in relation to the pertinent provisions of the PDIC Charter.

SECTION 2.02. Effective Date of Deposit Insurance — The date of effectivity of deposit insurance coverage shall be determined as follows:

a. For banks which were already engaged in the business of receiving deposits on August 4, 1969, the date of effectivity of their deposit insurance shall be on such date.

b. For banks which are authorized to accept deposits subsequent to August 4, 1969, the date of effectivity of their deposit insurance shall be the date they were granted authority to accept deposits.

Part III Assessments

SECTION 3.01. Assessment Rate — Each insured bank shall pay to PDIC an assessment at the rate of one twelfth ($\frac{1}{12}$) of one per centum per annum on its assessment base. The semi-annual assessment for each insured bank shall be the amount of the product of one half ($\frac{1}{2}$) the annual assessment rate multiplied by the assessment base but in no case shall it be less than the amount of two hundred fifty (P250.00) pesos. **(As amended by Memo Circular dated February 23, 1977 and further amended by P.D. 1940, June 27, 1984)**

SECTION 3.02. Assessment Base — The assessment base shall be the amount of the liability of the bank for deposits according to the definition of the term "deposit" pursuant to Section 3(1) of R.A. 3591, as amended, and Section 1.01(c) of these Rules and Regulations without any deduction for indebtedness of depositors but subject to the deductions and exclusions authorized in Section 6, subsection (a), (1) and (2), of said Act and Sections 3.03 and 3.05 of these Rules and Regulations. In case a bank which is incorporated under the laws of the Philippines and which maintains a branch outside the Philippines elects to include for insurance its deposit obligations payable only at such branch, it shall include such deposit obligations as part of the "deposits" subject to assessment.

Deposits maintained in foreign currencies in an insured bank shall form part of the total deposit obligations said bank. For assessment purposes, such deposits shall be converted to their equivalent amount in pesos on the basis of the interbank rate obtaining on the applicable base day/s.

SECTION 3.03. Allowable Deductions from Deposit Liabilities — The following items are allowable deductions from reported total deposit liabilities in computing the assessment base:

a. **Reciprocal bank balances** — For assessment purposes, the reporting bank may deduct from the total deposit liabilities the amount due from another insured bank not in excess of the balance due to such insured bank. For the purpose of computing the reciprocal bank balance deduction, the balance used must be subject to immediate withdrawal. This means that items in the process of collection must be excluded from the computation of both the "due to" and "due from" balances as shown on the books of the reporting bank. For instance, any outstanding unpaid draft credited to the "due from" account must be added back to the book balance to show the actual collected balance due from the other insured bank.

b. **Interbranch item** — This item may be deducted in its actual amount if it is not reflected in the books of the reporting bank on the base day as a charge against deposit liabilities.

c. **Cash item** — In computing the assessment base, cash item may be deducted under either of the two alternative methods describe in the following section without regard as to whether withdrawal has been made against the credit given to deposit

accounts in the normal course of business.

However no deductions may be made or claimed:

1. for each item after reporting bank has received payment or notice of dishonor thereof;
2. for instruments received in payment of cash items previously paid or credited to deposit accounts and forwarded for collection;
3. for instruments received in payment of clearings;
4. for each item received by the reporting bank draws against deposits maintained in banks located outside the Philippines: Provided, That such items may be claimed as a deduction only when credited to a deposit liability; and
5. by the issuing or drawee bank for drafts transferring its own funds.

Furthermore, an instrument providing for the payment of money which is paid or credited to a deposit account and which is received for the purpose of abnormally increasing deposits or reducing assessments with deductions on any assessment base day is not a cash item as defined in this Part as it is not received in the usual or regular course of business.

No two reporting banks may deduct the same cash item under the (aa) method for computing deductible cash items unless one of the banks normally and in the regular course of business is a collecting and check clearing agent of the other.

d. repealed under P.D. No. 1940.

e. Items included in the total deposit liabilities — Items or accounts which by their very nature are not assessable in accordance with these Rules and Regulations but which have been included in the total deposits liabilities may be claimed as deductions provided they are explained fully.

SECTION 3.04. Choice of Method in Computing Deductible Cash Items — An insured bank may at its option compute its deductible cash item by either of the following methods designated (aa) and (bb):

(aa) Method: — Under this method, a bank may deduct twice the amount of the total of the following:

1. "Cash items held for clearing" and
2. "Cash items forwarded for collection"

both as defined in Section 1.01 (k) and (l) respectively, of these Rules and Regulations.

(bb) Method: — Under this method, a bank may deduct the actual amount of the total of the following: