

**[PDIC REGULATORY ISSUANCE NO. 92-1,
September 14, 1992]**

**RULES AND REGULATIONS GOVERNING THE POSTING OF
SECURITY DEPOSIT BY BANKS**

Pursuant to Section 16(b) of R.A. 3591, as amended (the PDIC Charter), the PDIC Board of Directors, in its Resolution No. 92-07-049 dated 15 July 1992, approved the following rules and regulations governing the posting of security deposit by banks with outstanding deficiency assessment:

1. A bank shall inform PDIC in writing of any dispute raised on the amount of premium billed within 30 days after receipt of assessment billing. Failure to do so shall be construed as a waiver of the right to contest such billing and that the bank will be precluded thereafter from disputing the correctness of the amount billed.
2. A bank in default in the payment of assessment billing is prohibited from paying cash or stock dividends, remitting profits abroad, paying interest on its capital notes or debentures or from distributing capital assets. However, if the default is due to any dispute over the amount of the assessment, the bank may pay such dividends or interest after security deposit acceptable to PDIC has been made. In any case, after raising a dispute, prior notification of PDIC is required on: dividends payments; remittance of profits abroad; reimbursement of head office expense; interest payments for deposits, placements, and obligations to parent companies, affiliates, subsidiaries, and related parties. Such notification shall be made in writing and shall be served by personal service or registered mail and shall include information on the amount, dates of declaration and payment of dividends; amount of profits remitted; and/or head office expenses reimbursed.
3. The security deposit satisfactory to the Corporation shall refer to cash deposited in escrow at the head office of any of the three major government banks, namely: The Land Bank of the Philippines, the Development Bank of the Philippines and the Philippine National Bank.
4. The bank shall enter into an escrow agreement with the PDIC and shall deposit the amount equivalent to the contested outstanding deficiency with any of the designated depository banks. The escrow agent shall furnish PDIC with semi-annual reports on the balance of the escrow deposit. Further, the escrow deposit shall be accordingly increased upon receipt by the bank of an updated Statement of Account from PDIC indicating deficiency in the amount of escrow deposit. The amount of escrow deposit, net of all fees, charges and taxes should always be sufficient to cover PDIC's computation of assessment plus 12% Interest.
5. The security deposit, including interest earnings accruing thereon, shall be ceded to the party in whose favor the dispute is finally resolved.