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S. No. 1086
H. No. 18926

Sixth Congress
of the
Republic of the Philippines
Ninth Special Session

Began and held in the City of Manila on Monday, the second day of June, nineteen hundred and sixty-nine

[REPUBLIC ACT No. 6037]

AN ACT TO AMEND CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED THREE THOUSAND FIVE HUNDRED NINETY ONE ENTITLED "AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES."

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 2 of Republic Act Numbered Three thousand five hundred ninety one is hereby amended to read as follows:

"Sec. 2. The powers and functions of the Corporation shall be vested in a Board of Directors consisting of three (3) 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 (6) 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 (4) years and the Governor of the Central Bank shall each receive a *per diem* of not exceeding fifty pesos (P50.00) for each day of meeting actually attended by them but in no case shall each of them receive more than five hundred pesos (P500.00) a month. In the event of vacancy 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 of the Philippines 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 this 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 of Directors, he shall certify under oath that he has complied with this 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 new member to complete the unexpired period of the term of the member concerned.

"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 remuneration and remove any officer or employee of the Corporation for cause: *Provided, however,* That officers exercising discretionary powers shall not be subject to the Civil Service Law; and,

"4. To authorize such expenditures by the Corporation as are in the interest of the effective administration and operation of the Corporation."

SEC. 3. Section 4 of the same Act is hereby amended as follows:

"SEC. 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."

SEC. 4. Section 5 of the same Act is hereby repealed.

SEC. 5. Section 8 of the same Act is hereby amended to read as follows:

"SEC. 8. The Corporation as a corporate body shall have the powers:

"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 part 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 final judgment in any suit, action or proceeding in any court. The Board of Directors shall designate an agent upon whom service of process may be made in any province or city or jurisdiction in which the insured bank is located;

"Fifth—To appoint by its Board of Directors such officers and employees as are not otherwise provided for in this Act, to define their duties, fix their compensation,

require bonds of them and fix penalty thereof and to dismiss such officers and employees for cause;

"Sixth—To prescribe, by its Board of Directors, by-laws not inconsistent with law, regulating 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 Board of 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 so granted;

"Eighth—To make examinations of and to require information and reports from banks, as provided in this Act: *Provided*, That any examination shall be made simultaneously with the examination by the Departments of the Central Bank conducting examinations on banks;

"Ninth—To act as receiver; and

"Tenth—To prescribe by its Board of Directors such rules and regulations as it may deem necessary to carry out the provisions of this Act."

SEC. 6. Section 12 of the same Act is hereby amended to read as follows:

"SEC. 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."

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

"(c) When the Corporation has determined that an insured bank is in danger of closing, in order to prevent such closing, the Corporation, in the discretion of its Board of Directors is authorized to make loans to, or purchase the assets of, or make deposits in, such insured bank, upon such terms and conditions as the Board of Directors

may prescribe, when in the opinion of the Board of Directors the continued operation of such bank is essential to provide adequate banking service in the community. Such loans and deposits may be in subordination to the rights of depositors and other creditors."

SEC. 7. Section 13 of the same Act is hereby amended to read as follows:

"SEC. 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 Central Bank, 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 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."

SEC. 8. Section 14 of the same Act is hereby amended to read as follows:

"SEC. 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 obligations to depositors whose deposits are insured: *Provided*, That the board of directors shall determine the interest rates, maturity and other requirements of said obligations: *Provided, 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."

SEC. 9. Section 16 (a) of the same Act is hereby amended to read as follows:

"SEC. 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 advertisements which do not relate to deposits or when it is impractical to include such statement therein. The Board of Directors shall prescribe by regulation the forms of such signs and the manner of display and the substance of such statements and the manner of use. For each day an insured bank continues to violate any provisions of this subsection or any lawful provisions of said regulations, it shall be subject to a penalty of not more than P100.00, which the Corporation may recover for its use; *Provided, however*, That the penalty of imprisonment for not more than one (1) year or a fine of not exceeding two thousand pesos (P2,000.00) or both, in the discretion of the court shall be imposed upon:

"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 had 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.

"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 official 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 or in any such distribution shall, upon conviction, be fined not more than P1,000 or imprisoned not more than one year, or both: *Provided*, 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 satisfactory 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 noninsured 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) transfer assets to any noninsured bank or institution in consideration of the assumption of liabilities for any portion of the deposits made in such insured bank.

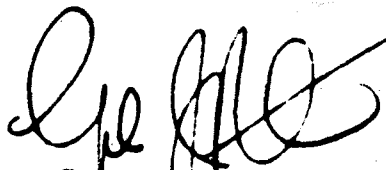
"(d) The Corporation may require any insured bank to provide protection and indemnity against burglary, de-

falcation, and other similar insurable losses. Whenever any insured bank refuses to comply with any such requirement the Corporation may contact for such protection and indemnity and add the cost thereof to the assessment otherwise payable by such bank.

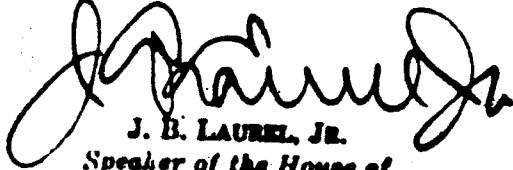
"(e) Any insured bank which willfully fails or refuses to file any certified statement or pay any assessment required under this Act shall be subject to a penalty of not more than P100 for each day that such violations continue, which penalty the Corporation may recover for its use: *Provided*, That this subsection shall not be applicable under the circumstances stated in the provisions of subsection (b) of this section."

SEC. 10. This Act shall take effect upon its approval.

Approved,




Gen. J. PUYAT
President of the Senate



J. B. LAUREL, JR.
Speaker of the House of
Representatives

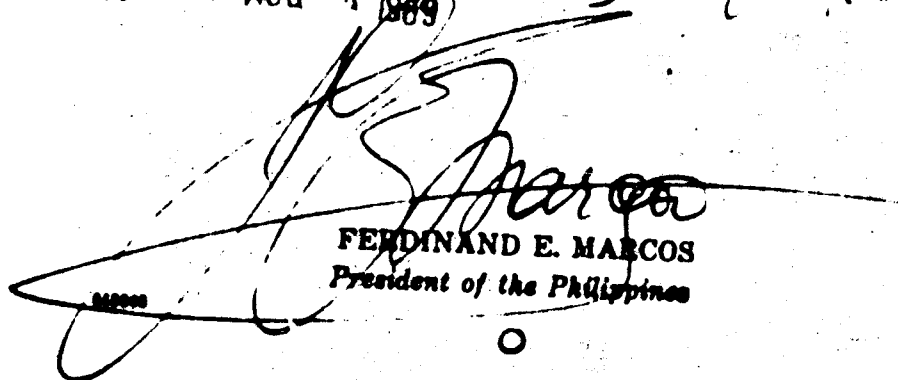
This Act, which originated in the Senate, was finally passed by the same on June 23, 1969.

Finally passed by the House of Representatives on June 24, 1969.


ELISEO M. TENZA
Secretary of the Senate

INOCENCIO B. PARRA
Secretary of the House of Representatives

Approved: AUG 1 1969


FERDINAND E. MARCOS
President of the Philippines