

GMA backs higher deposit insurance

By PAOLO ROMERO

President Arroyo is going to ask Congress to pass a law increasing deposit insurance coverage from the current P250,000 to P1 million through the infusion of as much as P50 billion from the national government as equity into the Philippine Deposit Insurance Corp. (PDIC).

Executive Secretary Eduardo Ermita said Mrs. Arroyo will certify as urgent a bill expected to be filed in Congress. She also supports a proposal from Albay Gov. Joey Salceda, her economic adviser, to increase deposit insurance to strengthen public confidence in the country's banking system.

Salceda earlier proposed injecting P10 billion into the

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PDIC and other reforms in the Philippine financial system as protection from the global economic crisis.

He briefed Mrs. Arroyo and the Cabinet during a meeting at the Palace yesterday.

"President Arroyo agreed to the various bills filed in both Houses of Congress to increase the deposit insurance coverage extended by the PDIC," Ermita said.

"However, the President agreed to the Cabinet proposal to peg the increase at P1 million as she deeply feels that this move is a proportionate response to the present global uncertainties, and while the country's financial system is stable and healthy," he said.

"The President stressed that it is better to have this increase now while we still don't need it, than to need it later when we can't have it," Ermita said.

He noted that various bills filed in both houses of Congress propose increases up to P500,000 from the current P250,000 PDIC deposit insurance coverage.

The executive secretary said Mrs. Arroyo has also instructed economic managers to thresh

out the details of this increased coverage with the PDIC to include possible injection of new government equity.

Salceda, on the other hand, said Mrs. Arroyo was already adopting the policy of "pre-emptive action" in light of the global financial crisis.

He said the initial infusion would be P10 billion, with P40 billion "callable" or to be tapped when needed.

He clarified that the current level covers 95 percent of accounts but only 13.7 percent of amount. "The Deposit Insurance Fund appears healthy at P54.3 billion versus P450 billion covered compared to the US Federal Deposit Insurance Corp. at \$45 billion for \$1.2 trillion."

Salceda said Nueva Ecija Rep. Joseph Gilbert Violago was expected to file a bill increasing the coverage to P1 million.

RP banks are stable

Meanwhile, Press Secretary Jesus Dureza said there were no unusual withdrawals or signs of possible panic from depositors even as other finan-

cial giants in developed countries have collapsed.

"Be assured that this is not in response to what is happening in our banks. Our banking system has gone through a catharsis in the 1997 Asian financial crisis, fundamentals were set in place... we are on a solid foundation," Dureza said.

"The Cabinet, upon the leadership of the President, decided so that the people will get some feeling of security and there would be more deposits and there would be no apprehensions that one would lose hard-earned deposits," he said.

According to the PDIC website, there are 847 PDIC member-banks as of end 2007.

As a deposit insurer, PDIC collects semi-annual assessments from banks.

The current rate is one-fifth of one percent of total deposits, it said.

"If the closed bank is not rehabilitated or taken over by another bank, amount in excess of the P250,000 coverage can still be claimed upon the final liquidation of the remaining assets of the closed bank," the PDIC said.

The claim may be filed with

the liquidator of the closed bank but payment of the claim will depend on the bank's available assets to settle its preferred claims (government taxes, labor claims, secured credits and trust funds) and approval of the liquidation court.

The schedule of payment beyond the P250,000 maximum insurance shall be based on priorities set by law, the PDIC said.

The PDIC added that deposits of all commercial banks, savings and mortgage banks, rural banks, private development banks, cooperative banks, savings and loan associations, as well as branches and agencies in the Philippines of foreign banks and all other corporations authorized to perform banking functions in the Philippines are insured with them.

But PDIC insurance only covers deposits in banks located in the Philippines.

"All peso and foreign currency savings deposit accounts, time deposit accounts, current or demand deposit or checking accounts in a bank licensed to operate by the Bangko Sentral ng Pilipinas are insured with PDIC," it said.

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