PDIC tightens bank evaluation, assessment

Philippines: Deposit Insurance Corporation (PDIC)

https://elischolar.library.yale.edu/ypfs-documents/12758
PDIC tightens bank evaluation, assessment

The Philippine Deposit Insurance Corp. (PDIC) is tightening its bank evaluation and assessment processes in an effort to improve its ability to anticipate potential problems in the banking sector.

The PDIC is reviewing its bank examination and oversight functions in preparation for new regulatory issuances that would tighten its monitoring of financial institutions.

PDIC president Jose C. Nograles said that enhancing the agency's regulatory oversight is necessary for depository protection especially in the light of the on-going turmoil in the global financial market.

According to Nograles, these policy reforms would complement PDIC's deposit insurance which would only kick in after a crisis has developed to the point of institutional collapse.

Under existing laws, deposit insurance was applicable to deposits of up to P250,000. At this level, Norgrales said 95.12 percent of all the 31.98 million deposit accounts in the country are fully insured.

Nograles said that depositor interest would be well-served by contributing towards a robust banking system.

"This calls for strengthening PDIC's oversight functions," Nograles said.

As co-regulator of banks, Nograles said the PDIC had the authority to conduct bank examinations in collaboration with the Bangko Sentral ng Pilipinas.

The PDIC was also authorized to issue Regulatory Issuances (RIs) — regulations that compel banks to comply with PDIC policy to help improve bank operations and promote transparency.

According to Nograles, the PDIC's review of its bank examination policies started before the US financial crisis but its completion was made urgent by growing depositor concern over the stability of the financial system as a whole.

"The activity addresses some of the lessons learned from the crisis such as the importance of regulatory vigilance and transparency," Nograles said. "Now is the opportune time to act, given the continued stability of the local banking sector. We should aim to operate from a position of strength."

Nograles said that among the RIs being reviewed by the PDIC was the regulation on proper record keeping by banks, with the end-view of assisting PDIC evaluate the financial health of banks and help in risk management.

"Proper record keeping also redounds to the benefit of depositors as they are assured that their bank transactions are accurately recorded," he said.

Nograles said the on-going review would result in the issuance of new regulations on documentations and more regulations are likely to come out of the ongoing parallel review of PDIC's bank examination functions. (The Philippine Star - October 8, 2008)