

Lessons from the Crisis: A Case for Reforms in Bank Liquidation Laws in the Philippines

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The Article examines the bank liquidation laws in the Philippines, and analyzes the adequacy of the framework they provide for failed banks or banking institutions. It delves into the system of bank regulation by looking at the roles of the Bangko Sentral ng Pilipinas (BSP) and the Philippine Deposit Insurance Corporation (PDIC) as the foremost bank regulatory agencies in the Philippines. It also discusses in detail the four remedies available in dealing with banks in distress, such as prompt corrective action, conservatorship, receivership, and liquidation.

The Article then proposes several possible reforms to the bank liquidations laws. These measures include: the removal of the 90-day receivership period to provide for the automatic liquidation of banks, a provision for rules of procedure specific to bank liquidation, the consideration of alternative liquidation processes such as purchase and assumptions transactions and bridge banking, and the early intervention of the PDIC into the liquidation process. It concludes by emphasizing the immediate consideration of these reforms in the light of the financial crises being experienced worldwide.