

**PROPOSED AMENDMENT TO THE PDEx RULES
FOR THE FIXED INCOME SECURITIES MARKET, AS AMENDED:
PENALTIES FOR CASH SETTLEMENT BANKS**

PROPOSED AMENDMENT TO : Rule 8.5 Cash Settlement Banks

Reference No. : Proposal No. 001-2021

Rationale for the Proposal : To instill discipline on the Cash Settlement Banks to protect the integrity of the settlement process

ACTION : **FOR SEC APPROVAL**

CURRENT RULE	PROPOSED AMENDMENT
<p><i>Rule 8.5 Cash Settlement Banks</i></p> <p>xxx</p> <p><i>15. Failure to credit</i></p> <p>xxx</p> <p><i>16. Notice</i></p> <p>A Cash Settlement Bank shall continue to function as such until otherwise notified by PDEx.</p> <p>xxx</p>	<p>(Note: This New Provision will be numbered as 8.5.16 and the numbering of the succeeding provisions shall be revised to reflect the correct sequential order.)</p> <p><i>Rule 8.5 Cash Settlement Banks</i></p> <p>xxx</p> <p><i>15. Failure to credit</i></p> <p>xxx</p> <p><i>16. Handling of failure to authorize debit or credit instructions</i></p> <p>If at the final cut-off time specified in the Timeline, the Cash Settlement Bank failed to authorize a debit or credit instruction, or the Cash Settlement Bank authorized a debit or credit instruction beyond the time specified in the Timeline but the trade was not settled at the final cut-off time, the following penalties shall apply:</p> <p style="padding-left: 40px;">i. 1st to 2nd violation within a year - Warning</p> <p style="padding-left: 40px;">ii. 3rd and subsequent violations within a year - Reprimand and payment of the amount with the following computation, whichever is lower:</p> <p style="padding-left: 40px;">3rd Offense - 1 bp or Php 10,000.00</p> <p style="padding-left: 40px;">4th Offense - 2 bp or Php 20,000.00</p> <p style="padding-left: 40px;">5th Offense - 3 bp or Php 30,000.00</p>

CURRENT RULE	PROPOSED AMENDMENT
	<p>6th Offense - 4 bp or Php 40,000.00 7th Offense - 5 bp or Php 50,000.00 nth Offense - (n-2) bp based on the face value of the security involved or Php [(n-2) * 10,000]; with n being the total number of violations committed in a year</p> <p>17. <i>Notice</i></p> <p>A Cash Settlement Bank shall continue to function as such until otherwise notified by PDEx.</p> <p>xxx</p>