

**PROPOSED AMENDMENTS TO THE PDEx RULES
FOR THE FIXED INCOME SECURITIES MARKET, AS AMENDED
AMENDMENTS TO DELAYED SETTLEMENT**

PROPOSED AMENDMENTS TO : Rule 8.3 -Definitions
Rule 8.4 -Settlement Participants

REFERENCE NO. : Proposal No. 002-2023

RATIONALE : To update the rule on authorization of trades by removing references to Delayed Settlement and its penalties and other items that are no longer relevant

STATUS : For SEC Approval

CURRENT RULE	PROPOSED AMENDMENTS <i>Submitted for SEC Information</i>	PROPOSED AMENDMENTS <i>MGB Approved on 22 January 2024</i>
<i>Rule 8.3 Definitions</i> xxx 21. Failed Trades and Delayed Settlement shall have the meaning given to it in Rule 8.4, par. 17(a)(i) and (ii). 22. Failed Trades Report shall refer to a report or inquiry screen in the eDvP System made available to Settlement Participants in accordance with the Timeline giving details of the Failed Trades and Delayed Settlements of a Settlement Participant. xxx	<i>Rule 8.3 Definitions</i> xxx 21. Failed Trades and Delayed Settlement shall have the meaning given to it in Rule 8.4, par. 17(a)(i) and (ii). 22. Failed Trades Report shall refer to a report or inquiry screen in the eDvP System made available to Settlement Participants in accordance with the Timeline giving details of the Failed Trades and Delayed Settlements of a Settlement Participant. xxx	<i>Rule 8.3 Definitions</i> xxx 21. Failed Trades and Delayed Settlement shall have the meaning given to it in Rule 8.4, par. 17(a)(i) and (ii) . 22. Failed Trades Report shall refer to a report or inquiry screen in the eDvP System made available to Settlement Participants in accordance with the Timeline giving details of the Failed Trades and Delayed Settlements of a Settlement Participant. xxx

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<p>Rule 8.4 Settlement Participants</p> <p>xxx</p> <p>16. Settlement and Post Settlement</p> <p>xxx</p> <p>g. Monitoring Settlement Status</p> <p>i. The eDvP System shall make information of the settlement status of Trades available to Settlement Participants throughout the Settlement day, which status could be any of the following:</p> <p>a. successfully settled;</p> <p>b. awaiting Earmarking of Securities by the Depository;</p> <p>c. awaiting debit of funds by the Buyer's Cash Settlement Bank; or</p> <p>d. awaiting debit of Buyer Cash Settlement Bank's DDA by the BSP.</p> <p>ii. Settlement Participants shall be solely responsible for monitoring the Settlement status of their Trades through the eDvP System. PDEX shall not be liable to any Settlement Participant for Failed Trades and Delayed Settlements whether such Settlement Participant utilized the eDvP System monitoring capability or not. (rev052810)</p> <p>xxx</p>	<p>Rule 8.4 Settlement Participants</p> <p>xxx</p> <p>16. Settlement and Post Settlement</p> <p>xxx</p> <p>g. Monitoring Settlement Status</p> <p>i. The eDvP Settlement System shall make information of the settlement status of Trades available to Settlement Participants throughout the Settlement day, which status could be any of the following:</p> <p>a. successfully settled;</p> <p>b. awaiting Earmarking of Securities by the Depository;</p> <p>c. awaiting debit of funds by the Buyer's Cash Settlement Bank; or</p> <p>d. awaiting debit of Buyer Cash Settlement Bank's DDA by the BSP.</p> <p>ii. Settlement Participants shall be solely responsible for monitoring the Settlement status of their Trades through the eDvP System. PDEX shall not be liable to any Settlement Participant for Failed Trades and Delayed Settlements whether such Settlement Participant utilized the eDvP System monitoring capability or not.</p> <p>xxx</p>	<p>Rule 8.4 Settlement Participants</p> <p>xxx</p> <p>16. Settlement and Post Settlement</p> <p>xxx</p> <p>g. Monitoring Settlement Status</p> <p>i. The eDvP Settlement System shall make information of the settlement status of Trades available to Settlement Participants throughout the Settlement day, which status could be any of the following:</p> <p>a. successfully settled;</p> <p>b. awaiting Earmarking of Securities by the Depository;</p> <p>c. awaiting debit of funds by the Buyer's Cash Settlement Bank; or</p> <p>d. awaiting debit of Buyer Cash Settlement Bank's DDA by the BSP.</p> <p>ii. Settlement Participants shall be solely responsible for monitoring the Settlement status of their Trades through the eDvP Settlement System. PDEX shall not be liable to any Settlement Participant for Failed Trades and Delayed Settlements whether such Settlement Participant utilized the eDvP Settlement System monitoring capability or not. (rev052810)</p>

<p>17. Management of Failed Trades and Delayed Settlements</p> <p>a. Definition</p> <p>i. There is deemed to be a Failed Trade if, at the final cut-off time specified in the Timeline, any or both Settlement Participants failed to authorize the Trade, or the Buyer did not have sufficient cash at that time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade.</p> <p>ii. There is deemed to be a Delayed Settlement if, the trade was settled on the settlement date but was not authorized at the time specified in the Timeline, or was not settled at the specified Turnaround Trade cut- off time specified in the Timeline. “Turnaround Trade” shall be defined as a trade whose settlement is dependent on the settlement of another trade.</p> <p>iii. Trades shall be regarded as Failed Trades or Delayed Settlements in accordance with this Rule regardless of whether the eDvP System was fully operational if it can be shown that the Buyer did not have sufficient cash at the time to settle the Trade and/or the Seller did not have sufficient</p>	<p>17. Management of Failed Trades and Delayed Settlements</p> <p>a. Definition of Failed Trade</p> <p>i. There is deemed to be a Failed Trade if, at the final cut-off time specified in the Timeline, any or both Settlement Participants failed to authorize the Trade, or the Buyer did not have sufficient cash at that time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade.</p> <p>ii. There is deemed to be a Delayed Settlement if, the trade was settled on the settlement date but was not authorized at the time specified in the Timeline, or was not settled at the specified Turnaround Trade cut- off time specified in the Timeline. The settlement failure of a turnaround trade shall not be regarded as a Failed Trade, provided that there are no other factors or reasons that contribute to the settlement failure. “Turnaround Trade” shall be defined as a trade whose settlement is dependent on the settlement of another trade.</p>	<p>xxx</p> <p>17. Management of Failed Trades and Delayed Settlements</p> <p>a. Definition of Failed Trade</p> <p>i. There is deemed to be a Failed Trade if, at the final cut-off time specified in the Timeline, any or both Settlement Participants failed to authorize the Trade, or the Buyer did not have sufficient cash at that time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade.</p> <p>ii. There is deemed to be a Delayed Settlement if, the trade was settled on the settlement date but was not authorized at the time specified in the Timeline, or was not settled at the specified Turnaround Trade cut- off time specified in the Timeline. The settlement failure of a turnaround trade shall not be regarded as a Failed Trade, provided that there are no other factors or reasons that contribute to the settlement failure. “Turnaround Trade” shall be defined as a trade whose settlement is dependent on the settlement of another trade.</p>
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<p>securities at the time to settle the Trade.</p> <p>b. Reporting of Failed Trades and Delayed Settlements (rev052810)</p> <p>In accordance with the eDVP Timeline, the eDVP System shall notify PDEX of all Trades that failed to settle.</p> <p>xxx</p> <p>f. Handling of Failed Trades and Delayed Settlements</p> <p>The Settlement Participants shall handle the disposition of Failed Trades and Delayed Settlements subject to the PDEX Rules. PDEX shall have no responsibility over Failed Trades and Delayed Settlements. Cash Settlement Banks shall have no responsibility for Failed Trades and Delayed Settlements.</p> <p>g. Delayed Settlements shall carry the following penalties:</p> <p>i. 3rd violation within a year without being considered a Habitual Offender - Warning</p> <p>ii. 4th and subsequent violations within a year without being considered a Habitual Offender- Reprimand</p> <p>iii. Habitual Offender - Php 1,000 per offense payable to the counterparty; "Habitual Offender" is defined as three (3) violations per quarter and/or two (2) violations per month.</p>	<p>iii. Trades shall be regarded as Failed Trades or Delayed Settlements in accordance with this Rule regardless of whether the eDVP System was fully operational if it can be shown that the Buyer did not have sufficient cash at the time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade.</p> <p>b. Reporting of Failed Trades and Delayed Settlements (rev052810)</p> <p>In accordance with the eDVP Timeline, the eDVP System shall notify PDEX shall be notified of all Trades that failed to settle.</p> <p>xxx</p> <p>f. Handling of Failed Trades and Delayed Settlements</p> <p>The Settlement Participants shall handle the disposition of Failed Trades and Delayed Settlements subject to the PDEX Rules. PDEX shall have no responsibility over Failed Trades and Delayed Settlements. Cash Settlement Banks shall have no responsibility for Failed Trades and Delayed Settlements.</p> <p>g. Delayed Settlements shall carry the following penalties:</p> <p>i. 3rd violation within a year without being considered a Habitual Offender - Warning</p> <p>ii. 4th and subsequent violations within a year without</p>	<p>iii. Trades shall be regarded as Failed Trades or Delayed Settlements in accordance with this Rule regardless of whether the eDVP Settlement System was fully operational if it can be shown that the Buyer did not have sufficient cash at the time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade.</p> <p>b. Reporting of Failed Trades and Delayed Settlements (rev052810)</p> <p>In accordance with the eDVP Timeline, the eDVP System Settlement Systems shall notify PDEX of all Trades that failed to settle.</p> <p>xxx</p> <p>f. Handling of Failed Trades and Delayed Settlements</p> <p>The Settlement Participants shall handle the disposition of Failed Trades and Delayed Settlements subject to the PDEX Rules. PDEX shall have no responsibility over Failed Trades and Delayed Settlements. Cash Settlement Banks shall have no responsibility for Failed Trades and Delayed Settlements.</p> <p>g. Delayed Settlements shall carry the following penalties:</p> <p>i. 3rd violation within a year without being considered a Habitual Offender - Warning</p>
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<p>h. Failed Trades shall carry the following penalties:</p> <ul style="list-style-type: none"> i. 1st to 2nd violation within a year - Warning iii. 3rd and subsequent violations within a year - Reprimand and Php10,000 or 1bp based on the face value of the security involved, whichever is higher. 	<p>being considered a Habitual Offender- Reprimand</p> <p>iii. Habitual Offender - Php 1,000 per offense payable to the counterparty; "Habitual Offender" is defined as three (3) violations per quarter and/or two (2) violations per month.</p> <p>hg.. Failed Trades shall carry the following penalties:</p> <ul style="list-style-type: none"> i. 1st to 2nd violation within a year - Warning ii. iii. 3rd and subsequent violations within a year - Reprimand and Php10,000 or 1bp based on the face value of the security involved, whichever is higher. 	<p>ii. 4th and subsequent violations within a year without being considered a Habitual Offender- Reprimand</p> <p>iii. Habitual Offender - Php 1,000 per offense payable to the counterparty; "Habitual Offender" is defined as three (3) violations per quarter and/or two (2) violations per month.</p> <p>hg. Failed Trades shall carry the following penalties:</p> <ul style="list-style-type: none"> i. 1st to 2nd violation within a year - Warning ii. iii. 3rd and subsequent violations within a year - Reprimand and Php10,000 or 1bp based on the face value of the security involved, whichever is higher.
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- nothing follows -