

### Check on the latest list of PDEX Broker Members

<http://www.pdex.com.ph/> and look under Home > Trading Participants > Public Market

#### SEC-Registered PDEX Broker Members

Banco de Oro Unibank, Inc.  
Bank of Commerce  
Bank of the Philippine Islands  
BDO Capital & Investment Corporation  
BPI Capital Corporation  
China Banking Corporation  
Chinatrust (Philippines) Commercial Bank Corporation  
Citicorp Financial Services & Insurance Brokerage Phils., Inc.  
Development Bank of the Philippines  
East West Banking Corporation  
First Metro Investment Corporation  
Land Bank of the Philippines  
Maybank Philippines, Inc.  
Metropolitan Bank & Trust Company  
Multinational Investment Bancorporation  
Philippine Commercial Capital, Inc.  
Philippine National Bank  
Philippine Veterans Bank  
Robinsons Savings Bank  
Rizal Commercial Banking Corporation  
Security Bank Corporation  
Standard Chartered Bank  
Sterling Bank of Asia, Inc.  
The Hong Kong and Shanghai Banking Corporation Limited  
Union Bank of the Philippines  
United Coconut Planters Bank  
Vical Investment, Inc.



37F, Tower 1, The Enterprise Center  
6766 Ayala Avenue corner Paseo de Roxas  
1226 Makati City, Philippines  
[www.pds.com.ph](http://www.pds.com.ph)  
T. +632 884 5000  
F. +632 884 5099



## BUYING AND SELLING Fixed Income (FI) Securities in the Secondary Market

PDEX: An SEC-Registered FI Securities Secondary Market

### SECONDARY MARKET

The Secondary Market today refers to the venue where purchases and sales of fixed income securities are executed. It is called a secondary market because the transactions occur after the original or “primary” issuance of the securities. Participants in the secondary market are SEC-licensed Dealers, SEC-licensed Brokers, Qualified Investors and Public Investors, who buy and/ or sell fixed income securities in the secondary market. Public investors participate in the secondary market through the SEC-licensed Brokers tasked to act in the best interest of their Client Investor as “public representatives”.

### IMPORTANCE OF THE SECONDARY MARKET

In the Secondary Market, fixed income securities can be bought and sold between holders after they have been sold in the primary market even while the instrument has not yet matured.

Perhaps you are a public investor holding a fixed income security (a “bondholder”) who suddenly is in need of money. You can sell your fixed income securities holdings and convert it to cash, by simply approaching a licensed Broker and instructing the Broker to sell your securities in the secondary market. Or perhaps you have extra money and you want to invest. You may also ask your licensed Broker to buy securities for you in the secondary market.

The existence of an active secondary market therefore gives investors the confidence that if they want to buy fixed income securities or sell the ones they have, there is a venue for these transactions to take place.

## What is the role of PDEx as a registered FI Securities Secondary Market?

The Philippine Dealing & Exchange Corp. (PDEx) is licensed by the Philippine Securities and Exchange Commission (SEC) to operate a Fixed Income Securities secondary market. The SEC exercises authority over PDEx to ensure that it operates properly to provide the secondary market place for the buying and selling of fixed income securities.

PDEx has active SEC-registered Dealers, Brokers, and Qualified Investors as Members. It is also licensed by the SEC to act as a Self Regulatory Organization, overseeing activities in its Government Securities (GS) Market and its Corporate Securities Market. The SRO registration requires it to ensure that its marketplace is orderly and that its members observe the law and regulations.

The PDEx Fixed Income Securities Secondary Market has PDEx Broker Members. These PDEx Broker Members are key members for GS public investors and serve as "public representatives". As such, each GS Broker firm and SEC-licensed salesman must execute orders for the benefit of their clients. Public investors must go through these brokers when they participate in the market to ensure that their interests are protected.

## Why does it have to be from an SEC-registered PDEx Broker Member and SEC-registered salesman?

It has to be an SEC-registered PDEx broker member so you can be assured that the institution has the proper licenses from the SEC to perform such function. And your participation in the secondary market has to be through an SEC-registered salesman because this is the person who has been licensed by the SEC to act as public representative whose main priority is the protection of your interest. An SEC-registered salesman is authorized to take your order to buy or sell securities in the secondary market.

## How do brokers keep themselves up-to-date on market information when you place your order?

PDEx provides its Broker Members with Fixed Income Broker Workstations that allow each broker salesman to place a Client Investor's orders directly into the electronic market. Regardless of the location of your broker salesman, even if he is outside Metro Manila, he can still access real-time data to give you up-to-the-minute market information; he can place your purchase or sale orders in real-time, and facilitate quick execution of your orders. Remember that your broker salesman should be servicing you so that your resultant transaction is most favorable to you under prevailing market conditions.

## After placing your buy order with your salesman, what happens next?

You should receive an official confirmation from your broker for trade orders entered on your behalf. When your order is executed in the secondary market, the fixed income market infrastructure provides sound settlement of your transaction. Under this system, when you are buying or investing in fixed income securities, cash from your cash settlement account will be debited only if the fixed income securities you buy are ready to be credited to your Securities Settlement Account, an exchange of securities delivery and cash payment that occurs simultaneously.

## What if you want to sell your GS in the Secondary Market? What should you as a public investor do?

As a fixed income securities investor, you would have already opened the necessary accounts. Therefore, all you need to do is place your sell order with your broker salesman.

Your transaction will follow the same process of order entry, execution, and settlement as well as confirmation as explained in the buying portion of this brochure.

## What are the benefits of going to an SEC-registered secondary market like PDEx?

**Price Discovery & Transparency.** Your PDEx Member Broker's salesman can access live bids and offers and done trades published on a real-time basis in this electronic market.

**Best Execution.** As a public representative, your broker salesman is required to execute the trade at a price that is most favourable to you under existing market conditions.

**Liquidity from an Integrated Marketplace.** All market players (dealers, brokers, investors) are transacting in the same electronic venue. Therefore, Investors have much more prices available for their executing Brokers to access, when they need to purchase or sell fixed income securities.

**Regulatory Oversight.** PDEx as an SEC-licensed Self-Regulatory Organization (SRO) ensures an orderly marketplace by monitoring and enforcing members' compliance with law and regulations.

## Straight-Through Process Delivery versus Payment.

Thru PDTC, the delivery of securities and payment of cash occurs simultaneously, assuring both parties that they do not part with their cash or security until the equivalent asset is delivered.

# BUYING GOVERNMENT SECURITIES IN THE SECONDARY MARKET

- 1 Visit your SEC-registered PDEx Broker Member, and ask for an SEC-Registered Salesman.



- 2 Submit the \*requirements so that your salesman can open the necessary accounts for you.



Note: Your salesman will explain these to you



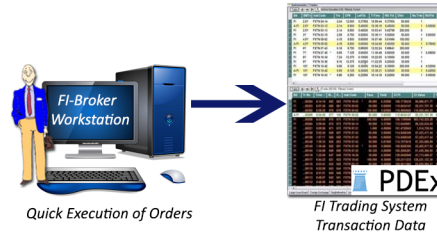
Cash Settlement Account



Securities Settlement Account (\*\*BTR-RoSS)



- 3 Place your buy order with your Salesman.



\* Requirements include standard documentary requirements such as Cash Account Opening Form and Special Power of Attorney authorizing creation and delivery of purchased securities in the appropriate Principal Securities Account.

\*\*Bureau of the Treasury (BTR) operates its Registry of Scripless Securities (RoSS), the official Registry of absolute ownership, legal or beneficial titles or interest in GS (Treasury Bills and Treasury Bonds).



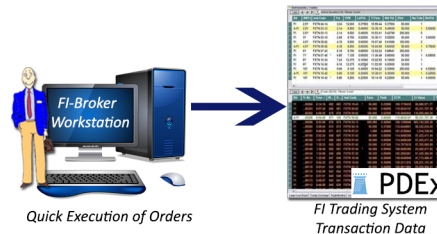
Buyer Securities Settlement Account CREDIT



Buyer Cash Settlement Account DEBIT

# SELLING GOVERNMENT SECURITIES IN THE SECONDARY MARKET

- 1 Place your sell order with your Salesman.



- 2 After your sale is executed, you will receive an official confirmation of your transaction.



Seller Securities Settlement Account DEBIT



Seller Cash Settlement Account CREDIT