

PROPOSED AMENDMENT TO THE PDEX RULES ON T+N TRANSACTIONS, AS REVISED

Proposed Amendment To : Rule 8.1 on Standard Settlement Date and Rule 1.3 on Qualifications of a Trading Participant

Reference No : Proposal No. 001-2015A

Rationale for the Proposal : To govern transactions executed on the PDEX Trading System settling beyond T+2 Settlement Date, except for trades settling on T+3 due to the two-day Closed Period.

Action : FOR SEC APPROVAL

CURRENT RULE	PROPOSED AMENDMENT <i>(Submitted for Approval to the SEC and attached as Annex C-1)</i>	FEATURES & BENEFITS OF T+N TRANSACTIONS; PARAMETERS FOR ADOPTION <i>(PDEX letter to SEC and attached as Annex C-2)</i>	REVISED PROPOSED AMENDMENT <i>(Further to the SEC Approval of the Amendment on Trading Conventions on Settlement Date and as approved by the MGB in its 27 January 2015 meeting)</i>
<p>Rule 8.1 Standard Settlement Date</p> <p>A Standard Settlement Date shall be agreed upon by the Dealing Participants and shall be included as part of its Trading Conventions as approved by PDEX. In setting the Standard Settlement Date, the PDEX shall at all times ensure that the same complies with the standard settlement date set by applicable laws, regulations issued thereunder, or the Commission.</p> <p>Rule 8.2. xxx</p>	<p>Rule 8.1 Standard Settlement Date</p> <p>A Standard Settlement Date shall be agreed upon by the Dealing Participants and shall be included as part of its Trading Conventions as approved by PDEX. In setting the Standard Settlement Date, the PDEX shall at all times ensure that the same complies with the standard settlement date set by applicable laws, regulations issued thereunder, or the Commission.</p> <p><u>Transactions with settlement dates that fall beyond the Standard Settlement Date shall comply with the applicable PDEX Rules, provided, however, that the settlement dates for these transactions should not exceed 360 days.</u></p> <p>Rule 8.2. xxx</p>	<p>Features of T+N Transactions</p> <p>T+N transactions are envisioned to be used for the following purposes, among others:</p> <ol style="list-style-type: none"> As a medium for executing interest rate trading strategies; For positioning for anticipated internal portfolio requirements; and As a foundation for customized requirements of clients. <p>We have originally recommended that the settlement dates for these transactions not to exceed 360 days and make it available to PDEX Trading Participants with the condition to those Trading Participants which are under BSP supervision intending to execute transactions with settlement dates with a tenor of over 90 days to have a derivatives license.</p>	<p>Rule 8.1 Standard Settlement Date</p> <p>A Standard Settlement Date shall be agreed upon by the Dealing Participants and shall be included as part of its Trading Conventions as approved by PDEX. In setting the Standard Settlement Date, the PDEX shall at all times ensure that the same complies with the standard settlement date set by applicable laws, regulations issued thereunder, or the Commission.</p> <p><u>Transactions with settlement dates that fall beyond the Standard Settlement Date and the allowable maximum settlement date of T+2, with the exception of trades with settlement date of T+3 due to the prescribed two(2)-day Closed Period, shall comply with the applicable PDEX Rules; Provided, however, that the settlement dates for these transactions should not exceed 90 days; Provided, further, that in the event the market need arises, as may be determined by the Market Governance Board, the settlement date for these transactions may be allowed to a maximum of 360 days; Provided, finally, that these transactions are limited to Dealing Participants of PDEX.</u></p> <p>Rule 8.2. xxx</p>
<p>Rule 1.3 Qualifications of Trading Participant</p> <p>1. All Trading Participants should:</p>	<p>Rule 1.3 Qualifications of Trading Participant</p> <p>1. All Trading Participants should:</p>	<p>Changes on the Original Proposal on the Parameters of T+N Transactions</p> <p>1. Limit the participation to the Dealing</p>	<p>Rule 1.3 Qualifications of Trading Participant</p> <p>1. All Trading Participants should:</p>

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<p>xxx</p> <p>g. Have such other qualifications as shall be required by PDEX and the applicable laws and regulations</p>	<p>xxx</p> <p><u>g. For Trading Participants which are under BSP supervision intending to execute transactions with settlement dates with a tenor of over 90 days in accordance with the second paragraph of Rule 8.1, have a derivatives license from the BSP; and</u></p> <p><u>h.</u> Have such other qualifications as shall be required by PDEX and the applicable laws and regulations.</p>	<p>Participants - This change is intended to limit such facility to the most professional of the fixed income market participants. The purpose of the T+N transactions is primarily directed to the Dealing Participants and daily pricing and revaluation for these types of transactions is understood and practiced by the Dealing Participants.</p> <p>2. Limit the maximum tenor of up to 3 months from trade date instead of the original 360 days - This change is intended to contain a T+N transaction's tenor up to the point at which clear and liquid benchmark rates (i.e. funding rates from the one-day to up to three-month tenors) exist for daily revaluation of outstanding T+N transactions of the Dealing Participants.</p> <p>3. Limit the securities that shall be subject to the T+N transactions to the benchmark bond issues of the Bureau of the Treasury (BTr) - This is to mitigate the potential for settlement failures on the future dates of the T+N transactions. Benchmark Bond issues of the BTr are the most liquid government securities available, therefore T+N transactions would focus on the securities that will be most easily bought or borrowed prior to the future T+N settlement date.</p>	<p>xxx</p> <p><u>g. For Dealing Participants which are under BSP supervision intending to execute transactions with settlement dates with a tenor over two (2) days and up to ninety (90) days, and with a maximum settlement date of 360 days as may be determined by the Market Governance Board, in accordance with the second paragraph of Rule 8.1, have a derivatives license from the BSP; and</u></p> <p><u>h.</u> Have such other qualifications as shall be required by PDEX and the applicable laws and regulations.</p>