

**PDEX RULES FOR THE FIXED INCOME SECURITIES MARKET,
AS AMENDED**

These Rules shall govern all transactions dealt on the PDEX Trading Platforms for Fixed Income Securities.

DEFINITION OF TERMS

As used in these Rules, the following terms shall have the definitions given herein:

1. **'Brokering Participant'** shall refer to the type of Trading Participant that buys and sells Securities for the account of others.
2. **'BSP'** shall refer to the *Bangko Sentral ng Pilipinas*.
3. **'Commission' or 'SEC'** shall refer to the Securities and Exchange Commission.
4. **'Counterparty Limit Officers'** shall refer to those Officers designated and authorized by Trading Participants to enter Counterparty Limits as defined and described in Rule 2.4 hereof, for and on behalf of such Trading Participant.
5. **'Customer'** shall refer to a person for whose account a Brokering Participant buys or sells Securities. A Customer may be an individual or a corporation or other entity, and may be a Qualified Investor or a Non-Qualified Investor.
6. **'Dealing Participant'** shall refer to the type of Trading Participant that buys or sells Securities for its own account.
7. **'Enrolled Securities'** shall refer to Securities that are available for purchase and sale to Dealing Participants, and Brokering Participants trading on behalf of Qualified Investor-customers only, as admitted for trading in the PDEX Trading System in accordance with these Rules. (rev 102918)
8. **'Firm'**, in relation to a quote, shall mean a representation given by a party to a transaction that will be considered good by another party until the sooner of their cancellation or the close of the trading session. It shall also have the meaning given to the term in Rule 3.4 of these Rules.
9. **'Government Securities'** means treasury bills and bonds issued by the National Government.
10. **'Guarantor'** means the party that takes responsibility for the payment of a debt or performance of an obligation if the person primarily liable fails to perform.
11. **'Issuer'** shall refer to the person or entity that is obligated in a Security.
12. **'Listed Securities'** shall refer to Securities that are available for purchase and sale to all types of Customers, including Non-Qualified Investors, as admitted for trading in the PDEX Trading System in accordance with these Rules.
13. **'Market Controller'** shall refer to that PDEX officer tasked to oversee all trading and trading-related activities and ensure orderly conduct of the

market activities within, among others, the PDEX Trading Platform.

14. **'Market-Makers'** shall refer to those Dealing Participants qualified by PDEX in accordance with Rule 1.5 hereof and required to perform the functions also specified in said Rule 1.5.
15. **'Non-Trading Participant'** shall refer to any person or legal entity that is not a Trading Participant and is either an SEC-registered broker, dealer or Qualified Investor. (new071709).
16. **'Off-market quotes'** shall refer to those quotes determined by PDEX to be unreasonable given the market conditions at a particular time. (rev 102918)
17. **'PDEX'** shall refer to the Philippine Dealing & Exchange Corp.
18. **'PDEX Rules'** or **'Rules'** shall refer to rules adopted by PDEX and approved by the Securities and Exchange Commission, as the same are amended from time to time.
19. **'Price'** shall refer to the amount paid to buy a specified unit or units, e.g. 1 or 100, of a security.
20. **'Qualified Investor'** shall refer to an investor that is not an SEC-registered securities dealer or broker, and is any one of the Qualified Investors as defined under the relevant SEC rules and regulations. (new071709)
21. **'Representative'** shall refer to the authorized signatory and authorized recipient of notices designated by the Trading Participant for its transactions with PDEX.
22. **'Salesmen'** shall refer to the SEC-registered salesman designated sales personnel of the Brokering Participant authorized to buy or sell securities for the account of its Customers in the PDEX Trading System and registered as such by PDEX.
23. **'Securities'** means fixed income securities, including Government Securities insofar as the same may be applicable.
24. **'Securities Laws'** shall refer to the Securities Regulation Code, including the implementing rules and regulations adopted under and by virtue thereof, as well as related regulations, forms, applications, and instructions thereto, as the same may be amended from time to time.
25. **'Settlement Person'** shall have the meaning given to the term in Part Two of Rule 8.3 of these Rules. (new060914)
26. **'SRC'** shall refer to the Securities Regulation Code, or such other relevant law adopted and implemented to regulate the securities industry, as the same may be amended from time to time.
27. **'Traders'** shall refer to the SEC-registered salesman designated dealing personnel of the Dealing Participant authorized to buy or sell Securities for its own account in the PDEX Trading System and registered as such by PDEX. (rev 102918)
28. **'Trading Delay'** shall have the meaning given to that term in Rule 9 of these Rules.

29. '**Trading Halt**' shall have the meaning given to that term in Rule 9 of these Rules.
30. '**Trading Participant**' shall refer to any person or legal entity that has been qualified to trade on the PDEX Trading System.
31. '**Yield**' shall refer to the percentage return on the Security based on the price paid therefor versus the proceeds at maturity.



RULE 1 TRADING PARTICIPANTS
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Rule 1.1. General Provisions

1. No person shall be allowed to trade on the PDEX Trading System without being qualified to do so by PDEX.
2. A Trading Participant shall be any person that has been qualified to trade on the PDEX Trading System.

Rule 1.2 Types of Trading Participants (rev 102918)

There shall be two (2) types of Trading Participants. These are:

1. Dealing Participants, who may be Market-Making Participants as defined below; and
2. Brokering Participants.

Rule 1.3 Qualifications of a Trading Participant

1. All Trading Participants should:
 - a. Have a demand deposit account with the BSP or have designated a cash settlement account with any PDEX-qualified settlement bank;
 - b. Have a securities settlement account with the designated depository, or with the Bureau of Treasury (BTr) National Registry of Scripless Securities (NRoSS), when trading in Government Securities; (rev 102918)
 - c. Be technically capable of connecting to the PDEX Trading System;
 - d. In cases where the applicant is a member of another self-regulatory organization (SRO) and/or duly accredited broker/dealer association, have a certificate from such other SRO and/or broker/dealer association certifying its good standing thereat and absence of derogatory record for three (3) years immediately prior to the application with PDEX;
 - e. Have at least one (1) Associated Person duly registered as such with the SEC, who shall be identified as such in the application; (rev 102918)
 - f. Have at least one (1) representative in the person of the treasurer of the Trading Participant or such other equivalent officer designated by the President of the Trading Participant in the case of a Dealing Participant or in the person of the head of sales in the case of the Brokering Participant (“Representative”) who shall be empowered to sign and execute any and all documents for and on behalf of the Trading Participant on PDEX and to receive all the notices from PDEX, except where a different signatory or recipient is warranted, who shall be identified as such in the application; and (rev 102918)
 - g. Have such other qualifications as shall be required by PDEX and the

applicable laws and regulations.

2. In addition to the qualifications under Rule 1.3(1), a Dealing Participant should:
 - a. Be a bank duly licensed as such by the *Bangko Sentral ng Pilipinas* (BSP) or an investment house duly licensed as such by the SEC;
 - b. Be duly registered by the SEC as a securities dealer in fixed income securities, or government securities dealer when trading government securities
 - c. Have at least one (1) trained Trader duly registered with the SEC which shall be identified in the application; and
 - d. Have an unimpaired paid-up capital as required under P.D. 129, as amended, otherwise known as the Investment Houses Law, the Securities Regulation Code or applicable banking laws and their implementing rules and regulations, the pertinent circulars and orders issued by the SEC and the BSP, and rules and regulations of other relevant regulatory agencies.
3. In addition to the qualifications under Rule 1.3(1), a Brokering Participant should:
 - a. Be duly registered by the SEC as a securities broker in fixed income securities, and a government securities broker when buying or selling Government Securities;
 - b. Have unimpaired paid-up capital as required under P.D. 129, as amended, otherwise known as the Investment Houses Law, the Securities Regulation Code or applicable banking laws and their implementing rules and regulations, the pertinent circulars and orders issued by the SEC and the BSP, and rules and regulations of other relevant regulatory agencies; and
 - c. Have at least one (1) trained Salesman duly registered with the SEC which shall be identified in the application.

Rule 1.4 **Documentary Requirements**

1. The applicant for admission as a Trading Participant shall accomplish the required application form and submit the same to the PDEX, accompanied by:
 - a. Certified true copies of the applicant's latest Articles of Incorporation and By-Laws and the Articles of Incorporation and By-Laws of any juridical person who beneficially owns at least ten percent (10%) of the voting rights of the applicant;
 - b. Documents showing corporate authority to enter into the Trading Participant Agreement and give the consents that may be required by PDEX pursuant to the Admissions Process;
 - c. Signed Trading Participant Agreement; and
 - d. All other documents that may be required by PDEX that will show proof of compliance to qualification requirements under Rule 1.3.

2. PDEX may require the applicant to furnish further information in support of the application and may, with the consent of the applicant, institute such examination that it deems necessary to verify such information.

Rule 1.5 Continuing Obligations of Trading Participants

A Trading Participant shall:

1. Be responsible for knowing, understanding, and complying with all the requirements under the Securities Laws and the PDEX Rules as well as any applicable decision or determination by PDEX;
2. Continue to satisfy the admission criteria under Rule 1.3;
3. File with PDEX, the reports required to be filed with the SEC, BSP or other pertinent regulatory agencies where the same relate to the conduct of their securities business conducted on any PDEX Systems or necessarily have an impact thereon; (rev 102918)
4. Disclose to PDEX any information that may affect its obligations as a Trading Participant;
5. Be responsible for ensuring and monitoring compliance by its personnel with Securities Laws and these Rules, and shall be responsible for the surveillance of PDEX-related activities of its personnel;
6. Have an adequate program for the supervision of all persons employed by it who are engaged in any part of its securities business;
7. Immediately report to PDEX any information received from the Dealing or Brokering Participant's Associated Person relative to the Trading Participant's or its personnel's material non-compliance with legal, regulatory (both imposed by the SEC and by PDEX) requirements, and its own internal policies, procedures and rules, including its findings and action taken thereon; (rev 102918)
8. Submit to such examination as may be conducted by PDEX, as warranted and allowed under applicable law, regulation and these Rules;
9. Ensure that the Trading Participant's information contained in its application is kept current, complete and accurate at all times by filing of amendments to its original application within seven (7) days from the occurrence of the event causing the amendment, unless otherwise provided in these PDEX Rules.
10. Make and keep such books and records relating to its securities business as shall be required by the Securities Laws and the PDEX Rules. All books, documents or records shall be made available to PDEX or to any requesting relevant regulatory authority, upon request, for audit or inspection. Such books and records shall be preserved and retained in an accessible place during the period specified under the Securities Laws and the PDEX Rules, whichever is longer; and
11. Pay the applicable fees as notified by PDEX.

Rule 1.6 Registered Personnel

1. The Trading Participant must register with PDEX all of the following personnel (hereafter, “Registered Personnel”), as applicable, in accordance with the procedures of PDEX:
 - a. its dealing personnel authorized to buy or sell Securities for its own account (“Traders”);
 - b. its sales personnel authorized to buy or sell Securities for the account of its customers (“Salesmen”);
 - c. its SEC-registered Associated Person; (rev 102918)
 - d. its Representative officer;
 - e. its Counterparty limit officers (“Counterparty Limit Officers”); and
 - f. its Settlement persons. (rev060914)
2. To register its Registered Personnel, the Trading Participant shall submit the prescribed registration forms to PDEX, accompanied by copies of underlying regulatory licenses of said personnel, as applicable, and other supporting documents that will be required by PDEX.
3. The Trading Participant represent that these Traders, Salesmen, Counterparty Limit Officers, Settlement Persons, and its agents have the authority to bind the Trading Participant to deals concluded and trades settled on the PDEX Trading and Settlement System and/or perform the acts contemplated under their registration with PDEX. (rev060914)
4. The Trading Participant shall further represent that its Traders, Salesmen and Associated Persons are duly registered under the applicable law or regulation to perform their respective duties under these Rules.
5. PDEX shall maintain a registry of all the Traders, Salesmen, Associated Persons, Representatives, Counterparty Limit Officers, and Settlement Persons registered with PDEX. (rev060914)
6. The Trading Participant shall notify PDEX in writing as soon as it is given notice of any of the enumerated events or as soon as any of the enumerated events below occur, whichever is earlier, which in no case shall extend beyond 24 hours from the occurrence of the event. Failure to so notify PDEX shall entitle the latter to rely on the continued authority of the Registered Personnel to bind and act on behalf of the Trading Participant.
 - a. Any change in the particulars relating to its Registered Personnel; and
 - b. Any resignation and/or termination or cessation of service of any of its Registered Personnel and any replacements thereto. The Trading Participant shall be obliged to promptly cause the registration of the Registered Personnel’s replacement. Any resignation, termination or cessation of service of a Registered Personnel shall cause the automatic termination of the PDEX registration granted to such Registered Personnel under this Rule.
7. In the case of Traders, Salesmen and Associated Persons, the registration granted under this Rule shall be renewable annually upon showing that the

underlying regulatory licenses continue to be in force and effect.

8. All Registered Personnel shall conduct himself and his transactions in accordance with the applicable codes of conduct imposed upon him by the Commission, PDEX, and the Trading Participant of which they are employees.
9. A Trading Participant shall promptly notify PDEX in writing if any of its Registered Personnel shall have been or are found guilty of any improper conduct by any registered exchange, other self-regulatory organization, any current or previous employer, any professional association, any government agency, or any court of law, whether of local or foreign jurisdiction. PDEX shall issue a notice to all Trading Participants pertaining to the said improper conduct. PDEX shall have the right to impose the appropriate sanction as warranted by the facts.

Rule 1.7 *The Associated Person*

A Trading Participant shall appoint an Associated Person who shall:

- a. Be registered as an Associated Person with the SEC, *Provided* that no Trading Participant shall carry on the business of buying and selling Securities under these Rules unless the Associated Person appointed by the Trading Participant remains registered by PDEX as required by this Rule and registered with the SEC. (rev 102918)
 - b. If the Trading Participant is a Trading Participant of another SRO and the Associated Person is such officer even with respect to such other SRO, then they must be in good standing at such other SRO.
2. The appointment of an Associated Person shall not in any way relieve the Trading Participant from any of the duties and responsibilities in terms of the Securities Laws and the PDEX Rules, and these duties and responsibilities shall remain of a principal nature and shall not be accessory or subordinate to the functions of such officer.

Rule 1.8 *Functions of the Associated Person*

The Associated Person shall:

1. Oversee compliance at all times by the Trading Participant, and its officers, and Registered Personnel, and other employees engaged in the securities business with Securities Laws and the PDEX Rules, including financial resource requirements and any decision or determination by PDEX and the Trading Participant's own rules and procedures;
2. Ensure that any and all reports required under Securities Laws and PDEX Rules are submitted to PDEX in a timely manner;
3. Receive all notices from PDEX and ensure compliance with the requirements of such notice;
4. Report to the Trading Participant's management all occurrences of material

non-compliance by the Trading Participant or its personnel with legal, regulatory (both imposed by SEC and by PDEX) requirements, and its own internal policies, procedures and rules;

5. Keep and maintain a logbook of all material non-compliance reports with appropriate notations of the action taken by the Trading Participant's management on the said occurrences, which logbook shall be kept current both with respect to its contents and its registration with the SEC;
6. In the event of any breach or error arising in respect of any trades entered into by the Trading Participant, assist the relevant authorized personnel to take or cause to be taken all such steps as may be necessary to rectify the breach or to eliminate the error;
7. Conduct a compliance meeting with or interview persons engaged in securities transaction as required under SRC Rule 30.2 (6)(B)(v); (rev042210)
8. Develop procedures governing his supervisory function and introducing enhancements thereto with notice thereof to PDEX;
9. Ensure that there is an audit trail with an appropriate degree of integrity and reliability which documents compliance with applicable Securities Laws and PDEX Rules and facilitates detection of violations thereof.

Rule 1.9 ***Voluntary Suspension or Termination of Trading Participants***

1. A Trading Participant may voluntarily have its participation suspended or terminated by PDEX by submitting a request therefor within sixty (60) calendar days prior to intended effective date of suspension or termination.
2. PDEX shall by written notice to the other Trading Participants, at least thirty (30) calendar days prior to the intended date of suspension or termination, give notice of the intention of the Trading Participant to suspend or terminate its participation.
3. PDEX shall consider such request for suspension or termination and may accept such request either unconditionally or on such conditions as it may deem fit, or may refuse to accept such request until it is satisfied that all outstanding obligations of the Trading Participant in terms of these Rules and other rules of PDEX under which the Trading Participant operates have been complied with.
4. In case of Brokering Participants, in no case shall the voluntary termination applied for be granted unless and until the Brokering Participant can adequately show to PDEX that it has arranged for or effected the transfer of all its accounts to another Brokering Participant to handle the said accounts.
5. PDEX shall notify the SEC of its action hereunder in accordance with Securities Laws.

Rule 1.10 *Involuntary Suspension or Termination of Trading Participants*

1. PDEX may suspend or terminate the participation of a Trading Participant under the following grounds:
 - a. Where a regulatory agency has issued an order revoking the license or other regulatory recognition of the Participant, the participation of such Trading Participant shall automatically be deemed terminated; (rev 102918)
 - b. Where a cease and desist order has been issued against the Dealing or Brokering Participant or the Trading Participant has been placed under receivership or similar insolvency, the participation of such Trading Participant shall automatically be deemed suspended pending the lifting of said order and grant of the authority to continue with the business operations or pending the lifting of the temporary disqualification or pending the lifting of receivership or similar insolvency; (rev 102918)
 - c. The Trading Participant has furnished information to PDEX in connection with its application for or maintenance of its participation or the application for or maintenance of the registration of any of its officers, which is found in any material respect to be untrue or misleading; or
 - d. The Trading Participant has been found to have violated Securities Laws, or Rules, decisions or agreements by final judgment of a court or administrative body (including a self-regulatory organization). In cases where the Trading Participant appeals a judgment, PDEX may suspend the Trading Participant pending such appeal.
 - e. The Trading Participant commits or suffers other similar and analogous acts or circumstances.
2. The Trading Participant whose participation has been suspended or terminated and the date from which such termination shall take effect shall be made known by PDEX by means of a notice to Trading Participants.
3. Registration issued by PDEX to the Associated Person and other Registered Personnel of the Trading Participant shall be deemed revoked simultaneously with the suspension or termination of the participation of the Trading Participant.
4. PDEX shall require the Brokering Participant to notify all its customers of its termination as a Trading Participant and require the Brokering Participant to cause the closure of all its customer accounts and/or effect the transfer of the same to another Brokering Participant. Such notification shall be at the cost of the Brokering Participant.
5. PDEX, in addition to the suspension or termination of the participation, may impose such other sanctions as it deems appropriate under the circumstances, taking into consideration the gravity of the violation and extent of damage caused.
6. PDEX shall notify the SEC of its action hereunder in accordance with Securities Laws.
7. Except for cases where suspension or termination results from a revocation or temporary suspension of a regulatory license, or from the placement under

receivership under sub-items (a) and (b) hereof, which suspension or termination takes place automatically, other involuntary suspension or termination shall undergo the disciplinary process set forth under Rule 12 of these Rules.

Rule 1.11 Obligations of Suspended or Terminated Trading Participants

1. Notwithstanding its voluntary or involuntary suspension, a suspended Trading Participant shall continue to be subject to its obligations under its Trading Participant Agreement and these Rules to the extent of obligations that survive such suspension or termination.
2. Notwithstanding its voluntary or involuntary termination, a terminated Trading Participant shall remain liable to PDEX for any liabilities incurred under these Rules during its period of participation. The terminated Trading Participant shall also remain subject to disciplinary actions for any offense committed during its period of participation.

Rule 1.12 Market-Making Participants

1. Market-Making Participants (“Market-Makers”) are Dealing Participants that commit: (1) to maintain firm two way quotes for specified securities during the open trading sessions, provided, however, that until a securities borrowing/lending facility is in place for those specified securities, the Market-Maker commits to maintain a firm bid for specified securities and (2) to honor those quotes for amounts up to their posted volumes.
2. Market-Makers should abide by the PDEX Market-Making Program Guidelines.
3. Dealing Participants seeking to be qualified as Market-Makers shall be qualified by the PDEX.
4. PDEX may require such other qualifications it may deem necessary in accordance with applicable laws and regulations.



**RULE 2
ACCREDITATION OF VOICE BROKERS**

**[FINAL APPROVAL OF THIS RULE 2
IS STILL PENDING WITH THE SEC
AS OF 08 FEBRUARY 2008]**

Rule 2.1 Prohibition on the Use of Unaccredited Voice Brokers

No Trading Participant shall involve a Voice Broker in the arrangement, negotiation or other facilitation of trades in Securities unless the Voice Broker is a Voice Broker duly accredited by PDEX.

Rule 2.2. Voice Broker

A Voice Broker intending to participate in transactions in Securities involving Trading Participants shall be accredited by PDEX on submission of the following:

1. A duly executed Declaration of Intent to be accredited as a Voice Broker of PDEX;
2. Proof of registration with the SEC as a broker;
3. A signed Sworn undertaking executed by the duly authorized representative of the Voice Broker to comply with the Securities Regulation Code, its implementing rules and regulations, and the PDEX Rules; and
4. A signed Agreement to regularly submit reports in accordance with the PDEX Rules.

PDEX reserves the right to charge fees associated with the accreditation.

Rule 2.3 Renewal of Accreditation

A Voice Broker may renew its accreditation on satisfactory proof that its SEC registration as a broker continues to be in effect.

Rule 2.4 Obligations of Accredited Voice Brokers

1. Accredited Voice Broker shall submit duly certified timely, accurate and complete reports in substantially in the form prescribed by PDEX. Such reports shall be submitted no later than the end of each Trading Session. In addition, accredited Voice Brokers shall submit other reports that may reasonably be required by PDEX.
2. Accredited Voice Brokers warrant that the information contained in any such report is accurate and complete, and that the person giving the same is duly authorized to do so.

3. Accredited Voice Broker shall regularly update all information given to PDEX with respect to itself promptly and expeditiously.
4. The Compliance Officer of the accredited Voice Broker who is duly registered with the SEC as an Associated Person shall certify, on a semi-annual basis, that it has faithfully complied with all its obligations under this Rule.
5. Accredited Voice Brokers shall allow PDEX to examine or inspect relevant books and records kept and maintained in respect of securities transactions of Trading Participants to ensure compliance with this Rule.
6. Violations or breaches of the obligations contained herein shall entitle PDEX to disaccredit the Voice Broker, without prejudice to other sanctions that may be lawfully imposed.

Rule 2.5 Voluntary Discreditation of Voice Brokers

1. Accredited Voice Brokers may disaccredit themselves by notifying PDEX thereof at least thirty (30) days prior to the intended effectivity thereof.
2. The discreditation granted shall be subject to payment and/or performance of all outstanding obligations to PDEX.
3. If the discreditation is granted, Trading Participants shall be informed of the same.

Rule 2.6 Involuntary Discreditation of Voice Brokers

1. Accredited Voice Brokers may be disaccredited on the following grounds:
 - a. Termination, revocation or other loss of the SEC broker license;
 - b. Failure to submit the required reports and/or certifications;
 - c. Submission of inaccurate or incomplete reports, or failure to observe the periods within which to submit the reports; and
 - d. Any other violation of the Securities Regulation Code, its implementing rules and regulations, and/or the PDEX Rules.
2. The accreditation of a Voice Broker shall automatically terminate upon its loss of the SEC broker registration, for whatever reason. However, if the SEC broker registration is merely suspended, the accreditation of the Voice Broker shall likewise be automatically suspended, until the SEC broker registration is restored.
3. If the ground for discreditation is other than the loss of the SEC broker registration, the Voice Broker shall be notified of the violation and given a chance to explain the same. Where the explanation is found unmeritorious, PDEX shall disaccredit the Voice Broker and inform all Trading Participants of the same.
4. Notwithstanding the discreditation herein, the Voice Broker shall remain liable for all outstanding obligations to PDEX incurred during the period that it was accredited, and other applicable sanctions.

Rule 2.7 Penalties

Failure to submit the required reports and/or certifications and/or unjustified delay in the same shall subject the accredited Voice Broker to the following penalties, which shall be reckoned on a yearly basis, counted from the anniversary date of the grant of accreditation:

First Offense	Reprimand/Warning
Second Offense	P10,000 plus P100 per day of delay
Third Offense	P15,000 plus P100 per day of delay
Fourth Offense	Disaccreditation

Rule 2.8 Obligations of Trading Participants in Respect of Voice Brokers

Trading Participants shall execute all deals on the PDEX Trading System within one (1) minute from the conclusion of negotiations with the accredited Voice Broker. The deal shall be executed on the Negotiated Dealing Board and shall be subject to fees accordingly. Failure of Trading Participants to execute its deals as required herein, or to observe the period for the same shall be subject to the appropriate penalty.



RULE 3 TRADING

Rule 3.1 *Trading Day and Non-Trading Day*

Everyday shall be a Trading Day except for Saturdays, Sundays, legal holidays, and days when Philippine Clearing House Corporation clearing operations are suspended.

Rule 3.2 *Pre-Open Session and Trading Sessions*

1. Trading Sessions shall be the regular hours within a Trading Day when Trading Participants may transact and conclude trades on PDEX.
2. The Pre-Open Session and Trading Sessions shall be included as part of the trading conventions as approved by PDEX.
3. The Pre-Open Session shall only be used for the execution of trades done after 4:00PM of the previous trading day. (new 102918)

Rule 3.3 *Trading System and Infrastructure*

1. The PDEX Trading System is the technology infrastructure that provides the Trading Participants with automated deal capture and price discovery. The Trading Participants shall use the PDEX Trading System to transact and conclude their trades, except as otherwise provided in these Rules. Trades arranged or negotiated outside the PDEX Trading System shall be executed on the PDEX Trading System for settlement purposes within one (1) minute from conclusion of negotiation. Every trade not executed on the PDEX Trading System shall be considered as a Category III violation of the party determined to be responsible for the non-execution.

A failure to execute a trade on the PDEX Trading System within the prescribed period shall be considered a Category II violation. A repeated failure to execute a trade on the PDEX Trading System within the prescribed period shall be considered as a Category III violation. For the purpose of this rule, repeated failure shall mean execution of a trade on the PDEX Trading System beyond the prescribed period a fourth time or oftener during the calendar year.

To ensure compliance herewith, every Trading Participant shall submit within the first five (5) days of every month a sworn certification executed by its Associated Person, in such form and containing such information and documents as PDEX shall prescribe, attesting that:

- a. All trades have been executed on the PDEX Trading System;
- b. All trades arranged or negotiated outside the PDEX Trading System have been executed on the PDEX Trading System within one (1) minute from conclusion of negotiation;
- c. All trades that have failed have been duly settled.



In cases where the Associated Person cannot attest to perfect compliance as described above, he shall instead attest to the number of non-compliant trades and state the cause of each failure to comply. All non-compliant trades shall be subject to the appropriate sanctions and penalties as provided in these Rules.

The Certification shall further contain a list of all trades executed by the Trading Participant, which list shall be attested as being complete, accurate, and in accordance with any reports of the same nature filed with a regulator.

Delay in submission of the required certification beyond ten (10) days after the deadline, shall be charged a penalty in the amount of FIVE THOUSAND PESOS (P5,000.00), provided, however, that failure to submit within 30 days from the required deadline shall be considered a Category III violation and penalized accordingly.

2. The Trading Participants should comply with the operational, procedural, and technical requirements of the PDEX Trading System. (rev 102918)
3. The PDEX Terminal, available to Dealing Participants shall solely be used for the buying and selling of securities for the account of such Dealing Participant. (rev 102918)
4. The PDEX Terminal, available to Brokering Participants shall solely be used for the buying and selling of securities for the account of the customers of the Brokering Participant. (rev 102918)

Rule 3.4 *Trading Mechanics (rev 102918)*

1. The Trading Participants shall have access to the Fixed Income Board of the PDEX Trading System, which shall have the following transaction methods:
 - a. Order Book. In this method, firm orders are posted by either Dealing Participants or Brokering Participants in an anonymous order book. All other Trading Participants may select and trade on those firm orders posted subject to mutually available Counterparty Limits;
 - b. Request for Quote (RFQ). In this method, any Trading Participant (Dealing or Brokering) may request a one-way quote (firm bid only or firm offer only) or two-way quote (firm bid and offer) from any other Dealing Participant/s and transact accordingly; and
 - c. Trade Input. In this method, there are two ways of inputting transactions arranged or negotiated outside the PDEX Trading System within the period required under the SEC Rules:
 - i. Direct Input. For this method, one Trading Participant sends another Trading Participant a trade ticket to confirm the details of a transaction arranged or negotiated outside the PDEX Trading System (e.g. Voice transaction); The transmitted trade ticket will not be fully accepted into the PDEX Trading System until the receiving Trading Participant affirms the trade.
 - ii. Voice Broker Input. For this method, a voice broker sends two

Trading Participants a trade ticket to confirm the details of a transaction arranged or negotiated outside the PDEX Trading System; The transmitted trade ticket will not be fully accepted into the PDEX Trading System until both the receiving Trading Participants affirm the trade.

2. The following rules shall apply for trading in the Order Book:
 - a. Trading on an order-taking basis shall take place in the Order Book of the PDEX Trading System.
 - b. Opening price
 - i. The first trade that is done after the commencement of the official Morning Session shall be the opening price/yield of the security.
 - c. Trading Participants shall enter their orders for purchase or sale into the Order Book, which orders shall be displayed according to price and time.
 - d. An order entered into the Order Book shall be deemed valid until the validity period indicated by the Trading Participant; However, such order may be modified or cancelled prior to its execution in accordance with the next paragraph.
 - e. Any order may be modified or cancelled prior to its execution, in accordance with the following general guidelines:
 - i. An order may be modified by suspending the order first. After modifying the order details, then the order may be restored.
 - ii. An order can only be withdrawn or cancelled if the same has not yet been executed.
 - f. Orders shall be executed on the basis of existence of mutually available Counterparty Limits.
 - g. The PDEX Order Book shall display the market best bid (highest bid price and lowest bid yield) and best offer (lowest offer price and highest offer yield) available for each security. The PDEX Order Book's display for each security may also be expanded to display the full "depth of market" i.e. the Bid/Offer orders of each Trading Participant sorted by each order's price level and the time that order was last updated.
3. The following rules shall apply for trading via the Request for Quote (RFQ):
 - a. Trading Participants may request ("Requesting Party") for one-way or two-way quotes for a specific security and given volume from other Dealing Participants.
 - b. Dealing Participants providing quotes ("Quoting Party") may specify a lower amount than the requested volume.
 - c. All quotes provided by a Quoting Party to a Requesting Party shall only be valid for a period of time during which the Requesting Party should respond and after which period such provided quote/s shall automatically expire.
 - d. It shall be the responsibility of the Trading Participants to check the availability of counterparty credit lines. All confirmed transactions via the Request for Quote (RFQ) method shall be considered binding.

4. The following rules shall apply for trading in the Trade Input Method:
 - a. Direct Input Method
 - i. Only Dealing and Brokering Participants may initiate and send trade tickets to one another;
 - ii. A trade ticket initiated by the Dealing or Brokering Participant (the “Calling Party”) shall have the details of the transaction arranged or negotiated outside the PDEX Trading System;
 - iii. The Trading Participant that receives the trade ticket (the “Receiving Party”) shall affirm the trade ticket if all the details are correct, otherwise the Receiving Party shall reject the trade ticket;
 - iv. All unaffirmed trade tickets are deemed rejected at the end of trading day.
 - b. Voice Broker Input Method
 - i. For transactions done through a Voice Broker, the Voice Broker shall initiate a trade ticket to be sent to the Buying Trading Participant and the Selling Trading Participant;
 - ii. The trade ticket shall have the details of the transaction arranged or negotiated outside the PDEX Trading System;
 - iii. Both the Buying Trading Participant and the Selling Trading Participant shall, if all the details are correct, affirm the trade ticket, otherwise the Trading Participants shall reject the trade ticket;
 - iv. Only mutually affirmed trade tickets will be accepted in the PDEX Trading System. If any or both of the Trading Participants reject the trade ticket, it is deemed rejected;
 - v. Trade tickets which are unaffirmed by any or both of the Trading Participants at the end of the trading day are deemed rejected.
 - c. It shall be the responsibility of the Trading Participants to check the availability of counterparty credit lines. All affirmed transactions via the Trade Input method shall be considered binding.
5. The counterparty limit system shall be enforced for trading in the PDEX Fixed Income Board under the guidelines set forth hereunder:
 - a. All trades executed in any of the transaction methods shall consume their corresponding credit limit amount from the Counterparty Credit Limit System.
 - b. For purposes hereof, the term “Granting Trading Participant” shall refer to that Trading Participant granting a Counterparty Limit in favor of another Trading Participant. The term “Receiving Trading Participant” shall refer to that Trading Participant in whose favor such Counterparty Limit was granted.
 - c. A Counterparty Limit may be entered at any time during the Trading Day.
 - d. A Granting Trading Participant’s entry of a Counterparty Limit in favor of the Receiving Trading Participant finally, irrevocably and absolutely binds the Granting Trading Participant to honor the limit granted, if the

same is availed of by the Receiving Trading Participant by way of a PDEX Trade prior to it being withdrawn. Otherwise, a Granting Trading Participant may amend or withdraw any Counterparty Limit granted prior to its consumption. If there has been partial consumption of the Counterparty Limit, then only the remainder of the unconsumed Counterparty Limit may be amended or withdrawn.

- e. A Counterparty Limit once entered is valid for the entire Trading Day, without prejudice to the Granting Trading Participant's right to amend or withdraw the same under these Rules.
 - f. A Counterparty Limit shall be deemed automatically replenished at the start of a Trading Day only to the extent of the Counterparty Limit granted at the end of the immediately preceding Trading Day.
6. Trade Cancellation. Incorrect executed deals may be cancelled at the instance of the Trading Participants involved, as long as both parties to the deal agree to the cancellation. A monthly report on all trade cancellations shall be provided by PDEX to the Associated Person and Dealing or Brokering Representative of each involved Trading Participant and a consolidated report shall be provided to the SEC within the first ten (10) days of the succeeding month.

Rule 3.5 - Order-taking Mechanics for Brokering Participants

1. Only Brokering Participants may take an order of a Customer.
2. A Brokering Participant shall execute the orders of its Customers in any method it deems appropriate provided that the Brokering Participant complies with all other provisions of these Rules. (rev 102918)
3. All orders shall be entered in the same order in which the orders were received. (rev 102918)
4. A Brokering Participant is required to document each order or each modification thereof through an order ticket which shall contain, at the minimum, the following information as required under the Securities Laws:
 - a. Time of receipt of order or each modification thereof;
 - b. Subsequent action on order or each modification thereof;
 - c. Terms and conditions of the order or instructions, including a notation if the order is a short sale;
 - d. Any subsequent modification or cancellation;
 - e. The method of execution of the order; (rev 102918)
 - f. Name of customer for which order was entered; (rev 102918)
 - g. Name of salesman who took the order;
 - h. The price at which it was executed;
 - i. Whether the order was solicited or unsolicited.
5. All records concerning orders shall be classified chronologically, kept and maintained for the period of five years or such period as required under

Securities Laws, whichever is longer, the first two (2) years in an easily accessible place. The records shall be made available to PDEX during the said period and the SEC as it may require.

Rule 3.6 - Trades with Non-Trading Participants (new071709)

1. Dealing Participants may deal directly with Non-Trading Participants upon submission to PDEX of the necessary documents as required by and in such form as may be prescribed by PDEX, provided that, if the Non-Trading Participant is a SEC-registered broker or dealer, the same and the SRO of which it is a member shall comply with the requirements of the OTC Rules.
2. The Dealing Participant shall execute the transaction within one (1) minute from the conclusion of the negotiation using the feature designated by PDEX. (rev 102918)
3. The Dealing Participant shall ensure that a process is in place to validate the authenticity of the trade and the Non-Trading Participant.
4. All other obligations of the Dealing Participant in respect of trades executed in the PDEX Trading System shall be applicable to its trades under this Rule 3.6.

Rule 3.7 - Records

1. When orders are taken by telephone, Brokering Participants shall have adequate procedures for documenting telephone conversations pertaining to the reception, execution, or confirmation of orders, preferably through a medium that allows subsequent verbatim reproduction of such conversations, in order to provide undeniable proof of the information required to be contained in the order ticket. If voice recording is used, the Brokering Participant shall ensure that its procedures adequately provide for a reasonable manner to identify the parties to the call and the material particulars of the call. The procedures of the Brokering Participant shall further ensure that telephone records are maintained in such a way as to allow reasonably easy identification of any telephone call and facility of access to any telephone call in the file or record. Any such recording shall be maintained for a period of six (6) months. The records shall be made available to PDEX for inspection during the said period.
2. Trading Participants shall, on a daily basis, reconcile their transactions against the executed transactions as displayed in the PDEX Trading System.
3. PDEX shall acknowledge trades or orders entered into the PDEX Trading System which shall assign a unique identification number per trade or order, which shall be immediately disclosed to the concerned Trading Participant.

Rule 3.8 Fees

Fees shall be levied on each transaction executed on the PDEX Trading System. The Fees shall be based on the tables of fees that PDEX will issue and which PDEX may periodically amend.



PDEX

Philippine Dealing & Exchange Corp.

<p style="text-align: center;">RULE 4 TRADING CONVENTIONS</p>

All trades in PDEX shall be governed by Trading Conventions agreed upon by the Dealing Participants and approved by PDEX.

RULE 5
CUSTOMER PROTECTION AND BUSINESS FAILURE OF TRADING PARTICIPANT

Rule 5.1 Segregation and Limitation of Functions of Trading Participants

Any Trading Participant that assumes the functions of both Dealing Participant and Brokering Participant shall maintain proper segregation of those functions within the firm to prevent any conflict of interest or flow of information that will enable front-running or insider trading, or any other practice that will redound to the disadvantage of the customer, by complying with the following minimum requirements:

1. The Trading Participant shall establish written procedures to ensure compliance with this Rule, which shall be monitored by the Associated Person.
2. Its functions as Dealing Participant shall be confined to the buying and selling of securities for its own account while its functions as a Brokering Participant shall be confined to buying and selling for the account of its customers.
3. The Trading Participant shall use only the Dealing Terminal for the buying and selling of Securities for its own account, and the only the Sales Terminal for the buying and selling of Securities for the account of its customers.
4. A Trader who executes trades for the account of the Trading Participant cannot at the same time be a Salesman who executes trades for the account of customers, and vice-versa.
5. The Trading Participant shall assign different officers directly supervising and accountable for the actions of its Salesmen and Traders.
6. The Trading Participant shall institute policies and sanctions that will ensure that material non-public information that may affect the buying and selling prices of the Securities will not be used by its personnel for himself or for the Trading Participant.
7. The Trading Participant shall institute policies and sanctions that will ensure that customer orders and positions are kept with utmost confidentiality by its personnel who receive such information in the exercise of their functions.
8. The Trading Participant shall ensure that Trading Personnel for separate functions are aware of, understand, and acknowledge in writing, the conflict of interest sought to be prevented, their specific duties to prevent such conflict, and the liabilities they will incur in case of non-

compliance with these duties.

9. The Associated Person shall report to PDEX any violation of these Rules, as well as the action and/or sanctions taken and/or imposed by the Trading Participant with respect thereto.

Rule 5.2 *Opening and Maintenance of Customer Accounts*

1. Trading Participants shall ensure absolute segregation between customers' funds and properties and their own funds and properties as required under Securities Laws and these Rules in such cases but not limited to instances where it requires margin deposits in the form of cash and securities prior to settlement of customer's trade or safekeeping of securities of its clients. Trading Participants shall hold such customers' funds and properties in a fiduciary capacity.
2. A Trading Participant shall open customer accounts in accordance with Securities Laws and shall develop and diligently employ clear customer acceptance policies and procedures. In addition, the Trading Participant shall adopt recording procedures and standards that ensure proper identification of customers as provided in these Rules.
3. A Trading Participant shall verify the following facts, with respect to corporate customers, and in respect hereof shall have appropriate procedures to ensure compliance herewith:
 - a. the legal existence of corporate customers;
 - b. the authority and identification of all persons purporting to act on behalf of the corporation;
 - c. that the corporation is in good financial health and is not subject of dissolution, winding up, liquidation, or being voided or that is not in the process of being closed, shut down, phased out or otherwise terminated;
 - d. that the corporation is a *bona fide* legal entity and not a mere shell corporation.
4. In case of a customer who acts on behalf of another, as trustee, nominee, agent or other similar capacity, a Trading Participant shall ascertain and record the true and full identity of the person on whose behalf a transaction is being conducted and make necessary inquiries to ensure the existence of a business relationship between the parties.
5. The Trading Participant shall ensure that its customer account information is kept and maintained current.

Rule 5.3 Maintenance of Financial Adequacy Measures

1. Every Trading Participant shall ensure compliance at all times with the Securities Laws with respect to the maintenance of the financial adequacy measurements imposed by the Commission or the relevant regulator. All reports submitted to the Commission in respect hereof shall simultaneously be submitted to PDEX under this Rule.
2. A Trading Participant which ceases to do business as an SEC-registered broker and/or dealer due to financial inadequacy as defined by the Commission or the relevant regulator shall immediately notify PDEX thereof, and coordinate with PDEX in the disposition of its accounts and accountabilities.
3. Nothing in this Rule shall preclude PDEX from requiring a Trading Participant to submit reports which reflect their financial and operational condition, including net capital, from time to time, at the discretion of PDEX.

Rule 5.4 Cash and Margin Accounts**Cash Purchases**

1. Purchases by a customer in a cash account shall be settled in compliance with the Settlement Rules and Trading Conventions on settlement particular to the Securities.
2. Failure of the customer to deliver cash or securities arising from its trade within the cut-off time prescribed in the Settlement Rules shall be automatically assumed by the Trading Participant. The Trading Participant must be able to deliver the cash or securities within the prescribed period. Otherwise, the Trading Participant shall be subject to penalties and sanctions in accordance to PDEX Rules on Failed Trades and Delayed Settlement. (rev052810)
3. The Trading Participant shall be obligated to take action to enforce an unpaid customer liability in the manner and within the period prescribed by the Securities Laws.

Margin Trading

4. Every Trading Participant extending credit to its customers shall comply with the Securities Laws and these Rules with respect to the amount of margin allowed, maintenance of margins, and remediation of insufficiency of margin and failure by a customer to respond to a margin call.

Rule 5.5 Restrictions on Borrowings and Enforcement of Margin Requirements

1. This Rule shall apply to all Trading Participants that require deposits in cash or

securities as defined in Rule 5.4 or other instances where it holds in its safekeeping cash or securities in behalf of its customers, *except*:

- a. A Trading Participant that carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a Broker Dealer and does not otherwise hold funds or securities for, or owe money or securities to, customers.
 - b. A Trading Participant that has been granted an exemption from this Rule by the Commission.
2. A Trading Participant shall comply with the Securities Laws with respect to physical possession and control of all fully paid securities and excess margin securities carried for the account of customers. In addition and pursuant hereto, any contract intended to provide for the borrowing of securities shall conform to the requirements imposed under the Securities Laws.

Rule 5.6 Business Failure of a Trading Participant

1. Business failure shall be deemed to occur when the Trading Participant has become insolvent, or when PDEX shall have found that the financial condition of said Trading Participant has so deteriorated that it cannot readily meet the demands of its customers for the delivery of Securities and/or payment of sales proceeds.
2. In all instances of business failures as provided in this Rule, PDEX shall only facilitate the settling of the failed Trades of the Trading Participant that resulted to liabilities to its customer. PDEX shall not, in any way, substitute itself as a counter party.
3. Whenever a Trading Participant has filed or is the subject of a petition for insolvency, or when PDEX determines that the Trading Participant's financial condition has so deteriorated that it cannot readily meet the demands of its customers for the delivery of securities and or payment of sales proceeds, the Commission may issue *ex parte* an order compelling the insolvent or failed Trading Participant [hereinafter Insolvent Participant] and PDEX to take the necessary action to protect customer accounts including, but not limited to, the preservation of the Insolvent Participant's books and records. Said order shall remain in effect until lifted by the Commission *motu proprio* or upon petition of the Insolvent Participant.

Rule 5.7 Protection of Customer Accounts Where Registration of a Trading Participant is Suspended or Revoked by the Commission

Where the Commission has suspended or revoked the registration of a Trading Participant under the SRC, PDEX shall immediately arrange for another Trading Participant (which PDEX can select at its sole discretion) to take over any outstanding contracts relating to securities and simultaneously notify the Commission in writing of such transfer and the affected customers that said contracts have been transferred.



RULE 6 CONDUCT AND ETHICS

Rule 6.1 Ethical Conduct

All Issuers and Trading Participants shall, in the conduct of its business on PDEX, observe the highest standards of commercial honor and just and equitable principles of trade.

Every Trading Participant and its personnel shall:

1. Comply with the provisions of Securities Laws which impose ethical standards of conduct on Trading Participants and its personnel;
2. Not enter into any agreement with a customer nor give effect to any term of an agreement with a customer if the effect, likely effect, or purported effect of such agreement is to exclude or limit the liability of that Trading Participant or its personnel to the customer for negligence, fraud, or dishonesty, committed by the Trading Participant or its personnel in relation to trading activities with or on behalf of the customer;
3. Use reasonable diligence to ascertain the best available price for the Security and buy or sell at that price so that the resultant price to a customer is as favorable as possible under prevailing market conditions.
4. No Trading Participant or its personnel shall guarantee a customer against loss in any securities account of such customer carried by a Trading Participant or in any securities transaction effected by the Trading Participant with or for such customer.
5. In recommending to a customer the purchase or sale of a Security, have reasonable grounds to believe that the recommendation is suitable for the customer upon the basis of facts disclosed by such customer as to his other Security holdings and as to his financial situation and needs.

Rule 6.2 Prohibited Conduct under Securities Laws

No Issuer, Trading Participant or its personnel shall commit any act or engage in any conduct likely to bring PDEX into disrepute, and in particular, shall not:

1. Engage in any conduct prohibited under Securities Laws and these Rules, including but not limited to the following conduct:



- a. Directly or indirectly participating in making a bid or offer, or deal in a listed Security, which is intended to, or is likely to, have the effect of creating a false or misleading appearance of active trading in such Security or with respect to the market for, or price of, such Security;
 - b. By means of any fictitious or artificial transaction or device, maintaining, inflating, depressing, or causing fluctuations in, the price for trading in listed Securities;
 - c. Making or publishing any statement, promise, or forecast which it knows or has reasonable grounds to believe to be misleading, false, or deceptive, or concealing material information at its disposal to induce another person to trade or refrain from trading; or
 - d. Making statements or disseminating information which it knows, or has reasonable grounds to believe to be, false or misleading and likely to induce other persons to trade or refrain from trading, and which has the effect of inflating, depressing, or maintaining the price for trading in listed Securities.
2. Engage in any fraudulent or deceptive conduct and practice which would violate Securities Laws and these Rules, including but not limited to making a statement or disseminating information to PDEX which the Trading Participant knows or has reasonable grounds to believe to be false or misleading regarding:
 - a. The services that the Trading Participant is capable of delivering to a customer;
 - b. The qualifications and competency of the Trading Participant; or
 - c. The investment performance that the Trading Participant has accomplished or can reasonably be expected to achieve for a customer.
 3. Engage in any transaction which violates restrictions on insider dealing, as defined in Securities Laws, whether for its own account or for the account of a customer.
 4. Violate prohibitions in Securities Laws against engaging in transactions in Securities of affiliated Issuers.

Rule 6.3 Other Duties to Customer

Every Trading Participant or its personnel shall:

1. Provide complete and accurate information to customers at all times in accordance with Securities Laws;
2. Send its customers written confirmation of all transactions in compliance with Securities Laws and these Rules;
3. Ensure that a written agreement is entered into with a customer before any service is provided to that customer;
4. When selling within bank premises, explain to the customer the distinction between Securities and bank deposits and, before taking the customer's order, obtain written acknowledgement that customer understands that the Securities are not insured by the PDIC, not guaranteed by the institution, and may lose value;
5. Prior to the execution of a transaction for a customer, execute a "customer account information form" as required under Securities Laws and other relevant laws;
6. Maintain proper segregation of its functions, when such Trading Participant acts as both a broker, dealer, adviser, and/or underwriter, pursuant to Securities Laws and these Rules;
7. Ensure that fees charged for services are fair and reasonable as required by Securities Laws and other pertinent laws, and file a schedule of their minimum commission rates with the Commission pursuant to these Rules. Thus, Brokering Participants shall comply with the following fee structure on the minimum broker commission for transactions in PDEX for customers that are not Qualified Investors:
 - a. For securities with tenors of over one (1) year, a minimum commission shall be a flat fee of ten basis points (10bps) of the face value.
 - b. For securities with tenors of one (1) year or less, the broker commission shall be a flat fee of ten basis points (10bps) of the face value computed based on actual number of days/360.

The Associated Person shall certify, in the Monthly Sworn Certification submitted to PDEX pursuant to Rule 3.3 item 1, that the Brokering Participant complied with the minimum broker commission for all brokered trades. (rev020114)

8. Avoid conflicts of interest and when they cannot be avoided, ensure that his clients are fairly treated and properly informed of such conflicts of interest;
9. Not advise a customer to buy or sell Securities unless the same is in the best interest of the customer;

10. Comply with all regulatory requirements applicable to the conduct of his business activities so as to promote the best interest of customers and the integrity of the market.
11. Preserve the confidentiality of information communicated by a customer concerning matters intended to be confidential, unless required by law to disclose such information;
12. Act promptly in accordance with the instruction of a customer, unless the Trading Participant has discretion as to timing and uses that discretion in a responsible manner;
13. Ensure that a customer is able to contact the Trading Participant with ease; and
14. Disclose to customer information that may likely affect the performance of an investment in a Security.

Rule 6.4 *Communications to the Public*

1. All communications to the public by or on behalf of any Trading Participant or Issuer, in the form of any oral, visual, or documentary presentation directed at the public through any medium of communication, shall comply with these Rules, Securities Laws and other pertinent laws.
2. The nature or type of the investment or the investment service to which the advertisement relates shall be made clear.
3. No Trading Participant or Issuer shall make any communication with the public or use any material which:
 - a. Is false or misleading in any material respect;
 - b. Refers to the possibility of profit unless accompanied by an equally prominent statement of the risk of loss; or
 - c. Includes any reference to either hypothetical results or to actual past trading profits without mentioning that these hypothetical or past results are not necessarily indicative of future results.
4. Statements or opinions included in any promotional material shall be clearly identified as such, and shall have a reasonable basis in fact.

Rule 6.5 *Record-keeping of Communications to the Public*

Every Trading Participant shall keep and maintain for a period of five (5) years a separate file of all advertisements and sales literature.

Rule 6.6 *Supervision, Control, and Training*

1. The management of every Trading Participant shall, in accordance with the requirements of Securities Laws:

- a. Establish procedures for addressing and recording customer complaints as well as actions taken by the Trading Participant with respect to these complaints;
 - b. Establish, implement, and maintain a reasonably comprehensive system of training towards ensuring the continuing improvement in critical areas of its principal activities and operations, and enhancing the technical knowledge of its employees to enable them to understand the operational and internal control policies and procedures of that Trading Participant and all applicable legal and regulatory requirements; and
 - c. Maintain an appropriate and effective internal compliance function within the firm that is independent of all operational and business functions, overseen by the Trading Participant's Associated Person.
2. The Associated Person of a Trading Participant shall promptly report in writing to PDEX any contravention of the Securities Laws or these Rules that comes to his attention.

Rule 6.7 *Cooperation with PDEX and Regulatory Bodies*

1. In accordance with Securities Laws and these Rules, every Trading Participant and Issuer shall make and keep, reports, preserve such reports for periods as may be required, and furnish copies of such reports to PDEX and the Commission. Such records and reports shall be subject, from time to time, to such reasonable periodic, special, or other examinations by representatives of PDEX.
2. Every Trading Participant and Issuer shall immediately report to PDEX the names of their shareholders and customers, and other related information, upon the request of PDEX in pursuance of examination or surveillance procedures, and/or in compliance with Securities Laws.
3. Trading Participants and Issuers shall at all times extend cooperation and assistance to PDEX, SEC, BSP, other government agencies, and other self-regulatory organizations with agreements with PDEX, in relation to the implementation of Securities Laws.

Rule 6.8 *Disclosure of Financial Condition to Customers*

A Trading Participant shall make available to inspection by any bona fide regular customer, upon request, the information relative to the Trading Participant's financial condition as disclosed in reports prepared in accordance with Securities Laws.

Rule 6.9 *Disclosure of Control Relationship with an Issuer*

A Trading Participant controlled by, controlling, or under common control with, the

Issuer of any Security, shall, before entering into any contract with or for a customer for the purchase or sale of such Security, disclose to such customer the existence of such control, and if such disclosure is not made in writing, it shall be supplemented by the giving or sending of written disclosure at or before the completion of the Exchange Transaction.



RULE 7
LISTING AND ENROLLMENT

Part One - General Rules

Rule 7.1 *General Provisions*

1. By applying for admission to PDEX, the Issuer of Securities submits itself and its Securities to the PDEX Rules.
2. The requirements for admission of Issuers and Securities set forth herein are not exhaustive and PDEX may impose additional conditions and require further documents or information in a particular case.
3. An Issuer that complies with the qualifications set forth in these Rules shall be admitted to the PDEX Official Issuer List. Admitted Issuers in the Official Issuer List shall be eligible to participate in the PDEX issuer programs, as these are made available by PDEX. Admitted Issuers shall abide by the guidelines of such programs.
4. Programs for Admitting Securities for Secondary Trading
 - a. Listing and enrollment are issuer programs that refer to the admission of an Issuer's Securities for secondary trading in the PDEX Trading Platform.
 - b. Securities that are available for purchase and sale to both non-Qualified Investors and Qualified Investors shall be admitted to PDEX via listing. Applications for listing shall comply with the rules under Part Two of this Rule 7.
 - c. Securities that are available for purchase and sale to Qualified Investors only shall be admitted to PDEX via enrollment. Applications for enrollment shall comply with the rules under Part Three of this Rule 7.

Rule 7.2 *Admission Criteria Relating to Issuers*

Companies applying for admission of their Securities shall comply with the following minimum requirements.

1. The Issuer must meet any one of the following requirements:
 - a. Must be the Philippine National Government;
 - b. Must be a Philippine political subdivision, a Philippine government agency, or a Philippine government owned or controlled corporation;

- c. Must be the government of any country with which the Philippines maintains diplomatic relations;
 - d. Must be a supranational body or an international organization composed of member states;
 - e. Must be duly registered with and licensed to do business in the Philippines by the SEC and such other governmental authority as required by existing law or regulation; or
 - f. Such other entity approved by the SEC and such other governmental authority as required by existing law or regulation to have its securities sold, purchased or traded in the Philippines.
2. The Issuer must be in good standing with the applicable governmental authorities, self-regulatory organization or other exchange where a class of securities of the Issuer may be listed. In addition:
 - a. The Issuer must not have been found in violation of Securities Laws for the three (3) years prior to the application herein or the period of its operating history, if shorter than three (3) years, or if so found to have violated for aforementioned period, has already remedied the violation; and
 - b. If the Issuer's securities are listed on another exchange, such listed securities must not have been subject to any involuntary delisting within three (3) years prior to the application herein, or the period of its operating history, if shorter than three (3) years.

Provided that a certificate of good standing from the SEC is not required if the Issuer's application for admission of the Securities, already registered with the SEC in accordance with the SRC, is submitted to PDEX within three (3) months from issue date. (new030311)

3. In assessing the qualification of an Issuer applying to admit additional Securities, PDEX shall also consider compliance of the Issuer with the disclosure, reportorial, and other requirements of PDEX in the past three (3) years, or if so found to have violated any such requirements during the aforementioned period, the Issuer must have already remedied such violation.

Rule 7.3 Admission Criteria Relating to Securities

Securities or Instruments to be admitted shall meet the following minimum requirements.

1. The terms of the Securities are such that they are technologically capable of being traded on the PDEX Trading Platform.
2. The Securities must have a minimum issue value as prescribed by PDEX.

3. The Securities must follow any of the following day count standards:
 - a. 30E/360 ISMA non end of month
 - b. Actual/Actual
 - c. Actual/360
 - d. Actual/365 (new042210)
4. The Securities must be issued in dematerialized form in order to be eligible for electronic settlement and comply with the required settlement procedure of PDEX, or in the case of certificated securities that are outstanding prior to the effectivity of these Rules, must be immobilized with a qualified Securities Depository.
5. A due diligence review on the Securities must have been performed in accordance with applicable regulatory standards by the Issuer's appointed Underwriter/Arranger/Issue Manager. Such party performing said due diligence review must be duly licensed by the appropriate governmental authorities, and must disclose any relation or interest in the Issuer.
6. The Securities must have a Registry, that is duly licensed by the applicable governmental authorities and has no interest in or relation to the Issuer which may conflict with its role as Registry. The Registry shall perform the following minimum functions:
 - a. Maintain and safely keep an accurate, updated and complete register of security holders with their corresponding security holdings;
 - b. Record changes of ownership by processing the transfer instructions of the registered holders and issue registry confirmations evidencing such transfer;
 - c. Monitor compliance with any prohibitions on the holdings or transfers of the Securities, and report to PDEX any breach thereof within 24 hours from occurrence thereof.
7. The Securities must have no restrictions on transferability to investors of different tax categories. (new030311)
8. The Securities must have a Facility Agent (or Trustee, if required under the terms and conditions of the issue) that has no interest in or relation to the Issuer which may conflict with the performance of its functions, and shall disclose any relation or interest in the Underwriter/Arranger/Issue Manager. The Facility Agent shall perform the following minimum functions:
 - a. Monitor the compliance by the Issuer of all covenants of the issue;
 - b. Act on behalf of the holders of Securities in the event of any default of the Issuer on any of the covenants;

- c. Regularly report to the holders of the Securities and to PDEX any of the following:
 - i. Any change, impairment or removal of deposited collateral;
 - ii. Acceleration of maturity of the issue;
 - iii. Any call for redemption;
 - iv. Non-compliance with sinking fund requirements, if any;
 - v. Non-compliance with any covenant or condition of the Issuer;
 - vi. Any event that will affect the obligations of the Issuer under the issue; and
 - vii. Any other action of the Issuer or other event that comes to the knowledge of the Facility Agent that may impair or affect the value of the Security or Instrument.
9. Securities sought to be admitted must have a Closed Period of two (2) business days prior to the relevant Coupon Payment Date. (new 111617)

Rule 7.4 Waiver

PDEX, by allowing admission of Securities under this Rule, makes no warranties in relation to the due diligence review warranted by the Issuer, or such other warranties that may be inferred therefrom.

Rule 7.5 Guarantors

1. Where admission is sought for Securities secured by a Guarantor, the Guarantor shall comply with these Rules to the same extent as if such Guarantor were the issuer of the Securities. In particular:
 - a. The Guarantor shall comply with the admission criteria for Issuers as specified in Rule 7.2;
 - b. The Prospectus, Information Memorandum, or Offering Circular issued in relation to the issue shall contain the same information regarding the Guarantor as that regarding the applicant Issuer, so that, where appropriate, references to the “applicant Issuer” shall equally apply to the Guarantor; and
 - c. The Guarantor shall submit the application and agreement for listing or enrollment, as applicable.
2. The relevant guaranty shall be issued in conformity with existing laws and regulations. All authorizations needed for such guaranty under such law or documents shall have been duly given.

3. A Guarantor shall be subject to the same continuing obligations as the admitted Issuer.

Rule 7.6 Admission Procedure

1. To apply for admission, the Issuer shall submit to PDEX the application and agreement for listing or enrollment, as applicable, together with all the documents required in such number of copies as specified in the applicable checklist prescribed by PDEX, and pay all applicable fees.
2. After the application has been filed, PDEX may seek additional information from the Issuer, Underwriter/Arranger/Issue Manager, Registry, Facility Agent, and where applicable, the Guarantor, or any other person in relation to an application for admission.
3. After submission of the completed application together with all the additional information to support such application as may be required, PDEX shall review whether the application meets the applicable admission criteria, and decide to approve or disapprove the application, stating post-approval requirements, if any.
4. The applicant shall be informed of the decision, and may file a request for reconsideration within ten (10) business days from receipt of the decision. If a motion for reconsideration is duly filed within the period, PDEX shall consider the same and make a final decision thereon. No second motion for reconsideration shall be allowed.
5. PDEX shall complete its consideration of an application within the period to be prescribed by PDEX, reckoned from the date PDEX receives a complete set of documentary and disclosure requirements.
6. Once an application is approved and all post-approval requirements are complied with, the Securities of the Issuer shall be admitted for trading. PDEX shall announce the admission to its Trading Participants and SEC, and likewise publish such announcement on its website. A listing exercise shall likewise be held to formally and publicly announce the admission of the Security for secondary trading in the PDEX Trading Platform and to commence the trading of such Security therein. (rev030311)

Rule 7.7 New or Additional Issues by Issuers of Admitted Securities

If an Issuer of admitted Securities seeks admission of new or additional securities, it shall:

1. Submit a duly completed application for new or additional issues of Securities, together with all the documents required in such number of copies as specified in the checklist prescribed by PDEX;

2. Comply with the requirements imposed for admission of Securities under Rule 7.3 and the additional criteria for listing under Rules 7.16, or enrollment under Rule 7.19, as applicable; and
3. Pay applicable fees.

Rule 7.8 Continuing Obligations of Issuers of Admitted Securities

Issuers of admitted Securities shall comply with the following requirements as conditions for the continued admission of their Securities with PDEX:

1. The Issuer shall pay the applicable fees as notified by PDEX;
2. The Issuer shall comply with the applicable disclosure obligations under these Rules;
3. The Issuer shall be responsible for ensuring and monitoring compliance by its personnel with Securities Laws and these Rules;
4. The Issuer shall:
 - a. promptly, accurately, and fairly disclose all material information which may affect the price or value of the issue or the decision to buy, sell or hold the admitted Security;
 - b. reply to all queries of PDEX relative to any unusual price and/or volume movement in the trading of its issue; and
 - c. assist in any investigation to be conducted in connection therewith.

Rule 7.9 Events Requiring Immediate Disclosure

1. In accordance with Rule 7.8 par. 4 (a), the Issuer of admitted Securities and its Guarantor, where applicable, shall disclose the following events immediately after occurrence thereof and prior to its release in the public media in accordance with the disclosure procedure of PDEX:
 - a. Any amendments to the terms of the admitted Securities;
 - b. Any default on the terms of the admitted Securities;
 - c. Any delay in the payment of any admitted Securities or any other publicly-traded security of the Issuer;
 - d. Any material default in the payment of principal, interest, sinking or purchase fund installment, or any other material default not cured within thirty (30) days, with respect to any indebtedness of the Issuer or any of its significant subsidiaries;

- e. Changes in the rights of the holders of the Securities or limitation or qualification of the rights of the holders of the Securities by issuance or modification of any other class of securities;
 - f. Any purchase, redemption or cancellation of the admitted Securities;
 - g. For admitted Securities with conversion rights, any exercise of such rights;
 - h. Any decision taken to carry out extraordinary investments or enter into financial or commercial transactions that might have a material impact on the Issuer's situation;
 - i. Losses of a significant part of the Issuer's net worth;
 - j. Changes in the Issuer's corporate activities or operations, or the initiation of new ones;
 - k. Occurrence of any event of dissolution;
 - l. Suspension, retirement, or cancellation of the admission of the Issuer's Securities on an exchange or organized over-the-counter electronic marketplace, domestic or foreign;
 - m. For listed Securities, any change in the credit rating of the Issuer and listed Securities, as applicable; and
 - n. Other events or conditions requiring disclosure under Securities Laws and other pertinent laws and regulations.
2. The events enumerated above should not be taken as an exhaustive list of all events that are required to be immediately disclosed to PDEX. Failure of the Issuer to report events not included above, but may be considered to have a material effect on the Issuer's admitted Securities or on a current or prospective investor's decision to invest shall not exempt the Issuer from sanctions, penalties, or liabilities that may result from non-disclosure thereof.
3. Should the Issuer be also admitted in another exchange or self-regulatory organization, disclosures made to such other exchange or self-regulatory organization shall also be made to PDEX at the same time as it is made to other exchange or self-regulatory organization.

Rule 7.10 Disclosure Procedure

1. Disclosure shall be made using this disclosure procedure of PDEX. Disclosures made without using the prescribed disclosure procedure shall not be considered official and in compliance with these Rules.

2. Disclosures shall emanate from the Corporate Information Officer/s designated by the Issuer of the admitted Securities, provided, however, that any disclosure signed and filed with the Commission and PDEX, in the personal capacity of any director, executive officer or a substantial stockholder as defined in the Securities Laws, of the Issuer shall be considered as a disclosure and deemed as an official filing of such Issuer if it does not deny the information contained therein within the period provided under the Securities Laws. Any misleading statement, misrepresentation or omission of a material fact therein shall be dealt with in accordance with the Securities Laws and these Rules.
3. Disclosures by Issuers shall be made by the filing with PDEX of prescribed disclosure forms within the applicable time periods considering the content of the disclosure. An Issuer shall make the filing by sending an executed and accomplished disclosure form via personal delivery, facsimile transmission with personal delivery within the same day of transmission, electronic transmission, when available or such other forms of delivery as PDEX shall allow.
4. PDEX retains sole discretion to determine whether the disclosure is sufficient in substance to allow public dissemination of the same and allow the continued trading activity on the Securities affected, or suspend the trading on such Securities pending clarification of the information given in the disclosure, until the information is in such form as is acceptable for public dissemination and public trading thereon, as determined by PDEX.

Rule 7.11 Fees

1. All applicant Issuers seeking admission of their Securities shall pay the applicable application fee set and published by PDEX from time to time and at such time and manner as PDEX shall specify. There shall be no refund of the application fees paid by the applicant Issuer in the event of the withdrawal of the application by the applicant or disapproval by PDEX of admission.
2. Within the period indicated in the notice of approval of the application, the Issuer shall pay the applicable initial admission fee set and published by PDEX from time to time and at such time and manner as PDEX shall specify. Delay in the payment of the initial admission fee shall subject the Issuer to a penalty fee. Failure to pay within the maximum period of time indicated in the notice of approval may result in the revocation of said approval.
3. All Issuers that continue to have Securities listed or enrolled with PDEX shall pay an annual maintenance fee for such continued admission in such amount as shall be set and published by PDEX from time to time and at such time and manner as PDEX shall specify.
4. Issuers shall pay such additional fees as set and published by PDEX for certain services, including but not limited to inquiries about compliance with these Rules and reinstatement of admission of Securities that have been suspended or terminated from listing or enrollment.

Rule 7.12 Involuntary Suspension of Listing or Enrollment

Securities of an Issuer listed or enrolled with PDEX may be involuntarily suspended from being traded. Notwithstanding such suspension, the Issuer shall continue to be subject to its obligations under its listing or enrollment agreement, as applicable, and these Rules.

1. Involuntary suspension shall be made based on the following grounds:
 - a. Where the Commission has suspended the registration of the Securities, in the case of registered Securities, or the exemption granted from registration to the Securities, in the case of exempt securities or exempt transactions, the admission of such Securities shall automatically be deemed suspended pending the lifting of said SEC order;
 - b. Failure of the Issuer to meet the continuing obligations;
 - c. Violation of any of the provisions of the listing or enrollment agreement, as applicable, or the conditions imposed by PDEX on the admission of the issue;
 - d. Refusal, without lawful or justifiable ground, to provide information or reports to PDEX necessary for the efficient operation of the market and the protection of the public interest;
 - e. Default on the part of the Issuer to pay the principal and/or interest due on the admitted Securities;
 - f. An application is filed with the court for the dissolution of the Issuer, or to place the Issuer under receivership;
 - g. Violation of the Securities Laws and/or these Rules; and
 - h. Other grounds which, as determined by PDEX, will make suspension necessary or appropriate for the protection of investors or the public interest so requires.

2. Procedure for Involuntary Suspension

Except for cases where suspension results from a suspension of securities registration, or suspension of exemption from registration by the Commission under sub-item (1a) hereof, which suspension takes place automatically, or when the public interest requires PDEX to immediately suspend the trading of certain Securities based on any of the stated grounds, other involuntary suspension shall undergo the following procedure:

- a. If PDEX shall determine that a ground for involuntary suspension of admitted Securities exists, it will so notify the Issuer in writing of the existence of the

- same and shall require an explanation in writing within five (5) days why suspension should not be imposed.
- b. The reasons submitted by the Issuer shall be considered. The Issuer may submit documents and evidence showing that a ground for suspension does not exist. After evaluating the documents submitted, PDEX shall decide whether or not to suspend the admitted Securities. Should the Issuer fail to show sufficient cause not to proceed with the suspension, PDEX may, after due notice to the Issuer, immediately impose the suspension with the interest of the public as its primary consideration.
 - c. The Issuer shall be informed of the decision, and may file a request for reconsideration within five (5) business days from receipt of the decision. If a motion for reconsideration is duly filed within the period, PDEX shall consider the same and make a final decision thereon. No second motion for reconsideration shall be allowed.
 - d. If PDEX finally decides that there should be a suspension of the admitted Securities and trading on the Securities has not been suspended, PDEX shall suspend all trading in the admitted Securities and shall submit a notice to the Commission. A copy of such notice shall be furnished to the Issuer.
 - e. PDEX shall cause the publication of such suspension in a newspaper of general circulation. The Issuer shall bear the expenses associated with such publication. PDEX shall likewise announce the suspension to its Trading Participants, and publish such announcement on its website.
 - f. Should PDEX determine that a possible violation of the Securities Laws and/or PDEX Rules shall have been committed by the Issuer, the matter shall be further considered for compliance action under these Rules. Contractual matters shall be further considered for appropriate legal action.
 - g. The suspension shall be lifted and trading shall once again commence upon the termination of the existence of the event constituting the ground for suspension, as determined by PDEX.
 - h. In cases where suspension was automatic or immediate, PDEX shall notify the Issuer in writing of the suspension and give an opportunity to the Issuer to explain in writing within five (5) days why the suspension should be lifted. The procedure prescribed in sub-items (2a) to (2g) above shall likewise be applicable in these cases.
 - i. In the case of listed Securities, PDEX may also, as it deems appropriate under certain circumstances and with the interest of the public as its primary consideration, suspend on a limited basis either by limiting the trading to Qualified Investors as defined in these Rules, or by limiting non-Qualified Investors only to the placing of sell orders.

Rule 7.13 Termination of Listing or Enrollment

Listing or enrollment of Securities may be terminated from being traded in PDEX. Such termination of listing or enrollment may either be involuntary or voluntary.

Rule 7.14 Involuntary Termination of Listing or Enrollment (rev072511)

1. Automatic termination shall take place when the admitted Securities have been fully paid on or before maturity date of the Securities.
2. Involuntary termination of listing or enrollment of Securities may be made based on the following grounds:
 - a. Where the Commission has revoked the registration of the Securities, in the case of registered Securities, or the exemption granted from registration to the Securities, in the case of exempt Securities or exempt transactions, the admission of such Securities shall automatically be deemed terminated;
 - b. Dissolution or liquidation of the Issuer;
 - c. Revocation of the license of the Issuer to engage in business;
 - d. Final judgment of a court or administrative body (including a self-regulatory organization) involving a fraud committed by the Issuer;
 - e. Suspension of listing or enrollment for a period exceeding six (6) months;
 - f. Inability or unwillingness of the Issuer to comply with, or continuous violation by the Issuer of, PDEX Rules and Securities Laws; and
 - g. Any other condition that in the interest of public protection merits the removal of the Security from the list of Securities that may be traded on PDEX.
3. Procedure for Involuntary Termination

Except for cases where termination results from a revocation of securities registration or exemption from registration by the Commission under par. 2 (a) hereof, which termination takes place automatically, other involuntary termination shall undergo the following procedure:

- a. If PDEX shall determine that a ground for termination of the admitted Securities exists, it will so notify the Issuer in writing of the existence of the same and require the Issuer to explain in writing within five (5) days why a termination procedure should not be initiated against it.
- b. The reasons submitted by the Issuer shall be considered. The Issuer may submit documents and evidence showing that a ground for termination does not exist. After evaluating the documents submitted PDEX shall, within a

reasonable period of time, decide whether or not to terminate the listing or enrollment of the Securities.

- c. The Issuer shall be informed of the decision, and may file a request for reconsideration within five (5) business days from receipt of the decision. If a motion for reconsideration is duly filed within the period, PDEX shall consider the same and make a final decision thereon. No second motion for reconsideration shall be allowed.
- d. If PDEX finally decides that the listing or enrollment of the admitted Securities should be terminated, PDEX shall terminate the trading in the Securities as soon as practicable and shall submit a notice to the Commission. A copy of such notice shall be furnished to the Issuer.
- e. PDEX shall cause the publication of such termination in a newspaper of general circulation. The Issuer shall bear the expenses associated with such publication. PDEX shall likewise announce the termination to its Trading Participants, and publish such announcement on its website.
- f. Should PDEX determine that a possible violation of the Securities Laws and/or PDEX Rules shall have been committed by the Issuer, the matter shall be further considered for compliance action under these Rules. Contractual matters shall be further considered for appropriate legal action.
- g. When in the opinion of PDEX the public interest requires a suspension pending conclusion of the procedure set forth above, PDEX may immediately suspend the trading of certain Securities based on any of the stated grounds. The suspension shall ipso facto be lifted when PDEX finds that no sufficient ground for termination exists.

Rule 7.15 Voluntary Termination of Listing or Enrollment (rev072511)

1. PDEX shall review the application for termination of listing or enrollment made by the Issuer.
2. The request for termination shall be written and filed with PDEX. The Issuer shall include the following information:
 - a. Issuer's name;
 - b. The affected Securities;
 - c. Reasons for requested termination;
 - d. Detailed procedure of an exit mechanism for holders who wish to sell or dispose of the Securities prior to actual termination of listing or enrollment; and

- e. Any other matters necessary to inform the market about the termination of listing or enrollment.
3. In addition to the written request for termination, the Issuer shall provide a resolution from its board of directors and a written endorsement from its audit committee to cover the request for termination of listing or enrollment. The approval of the holders of the Securities must likewise be secured if required in accordance with the terms and conditions of the issue.
4. PDEX shall have the sole discretion to grant or deny the Issuer's request for termination of listing or enrollment. PDEX shall consider that the interest of the public who will be affected by the termination is protected.
5. Once the request for termination of listing or enrollment has been approved, the Issuer shall pay the applicable fee and send to all holders on record and the Facility Agent of the Securities written notice of the termination of listing or enrollment. Such notice shall specify the effective date of the termination (which date shall not be less than 30 business days nor more than 60 business days or, subject to PDEX approval, such longer period as the Issuer may request, from the later of the date the notice is sent or the press release is issued) and shall include a statement that the Issuer complied with this Rule. The Issuer shall contemporaneously send to PDEX a copy of such notice.
6. PDEX shall ensure that the Issuer shall cause the publication of such termination. PDEX shall announce the termination to its Trading Participants, and likewise publish such announcement on its website.

Part Two - Listing Rules

These Listing Rules shall apply to Securities that are available for purchase and sale to both non-Qualified Investors and Qualified Investors.

Rule 7.16 Additional Listing Criteria

Listing applications shall comply with all of the following qualifications in addition to the requirements specified in Rules 7.2 and 7.3 of these Rules.

1. The Securities must be registered with the Commission according to SRC Sec. 8, or are exempt Securities according to SRC Sec. 9.
2. The Securities must be freely transferable to both non-Qualified Investors and Qualified Investors.
3. The Issuer of the Securities sought to be listed must be rated by a credit rating agency duly recognized by the applicable governmental authorities at the time of listing, provided that if such Securities are subordinated, such Issuer shall also have the Securities rated at the time of listing.

- A. Subordinated Securities whose issuance are approved by the *Bangko Sentral ng Pilipinas* shall be exempt from the general requirement of an issue rating for subordinated Securities.
 - b. Issuers of credit-enhanced Securities may opt to submit an issue rating in addition to the issuer rating required under this Rule.
4. The Securities must be subject of an agreement for continuous rating, between the Issuer and a credit rating agency duly recognized by the applicable governmental authorities.
5. The Securities must be subject of the commitments of at least three (3) Market Makers.
6. PDEX reserves the right to prescribe additional listing requirements for certain types of Securities for the protection of the public interest.

Rule 7.17 National Government Securities

1. All Securities issued by the National Government shall be eligible and deemed to be admitted for listing, provided that such Securities comply with pars. 1, 2 and 3 of Rule 7.3 of these Rules.
2. The National Government shall be exempt from all applicable fees related to admission per Rule 7.11 and the continuing obligations of Listed Issuers under these Rules per Rules 7.8 and 7.18 of these Rules.
3. The listing of National Government Securities shall nevertheless be subject to mutual arrangements between the National Government and PDEX.

Rule 7.18 - Additional Continuing Obligations of Listed Issuers

Listed Issuers shall also comply with the following requirements in addition to the obligations specified in Rule 7.8 of these Rules as conditions for their continued listing on PDEX.

1. The Listed Issuer shall have its listed Securities rated by a credit rating agency duly recognized by the applicable governmental authorities continually.
2. The Listed Issuer shall comply with all applicable disclosure requirements for Listed Issuers as set forth by Securities Laws and these Rules. (rev072511)
3. All reportorial or disclosure requirements imposed on Listed Issuers by the Commission shall be deemed adopted by PDEX. Unless a different period is specified by PDEX in its Rules as approved by the Commission or indicated herein, the periods set for filing reports or disclosures stated in Securities Laws and other applicable laws shall likewise be the periods for filing with PDEX.

4. PDEX may consider the omission of certain disclosure requirements for Issuers that are supranational bodies, government agencies, government-owned or -controlled corporations, or Philippine political subdivisions, where it deems appropriate.

Part Three - Enrollment Rules

These Enrollment Rules shall apply to Securities that are available for purchase and sale to Qualified Investors only.

Rule 7.19 Additional Enrollment Criteria

Enrollment applications shall comply with all of the following qualifications in addition to the requirements specified in Rules 7.2 and 7.3 of these Rules.

1. The Securities must be exempt from SEC registration according to SRC Sec. 9 or SRC Sec. 10.
2. The Securities must be freely transferable only to Qualified Investors.

Rule 7.20 Additional Continuing Obligations of Issuers of Enrolled Securities

Issuers of Enrolled Securities shall comply with the following obligations in addition to the obligations specified in Rule 7.8 of these Rules as conditions for the continued enrollment of their Securities with PDEX.

1. The Issuer shall comply with all applicable disclosure and reportorial requirements for issuers of securities exempt from registration as set forth by Securities Laws.
2. The Issuer shall further submit the following periodic reports in such number as PDEX will prescribe as soon as these are available, in accordance with the disclosure procedure of PDEX:
 - a. Audited Financial Statements;
 - b. Annual Report, if any; and
 - c. Interim Quarterly Financial Statements, if any.

Rule 7.21 Sponsors of Enrollment other than Issuers

1. Other than Issuers, Dealing and Brokering Participants may initiate the enrollment of Securities as Dealer-Sponsors and Broker-Sponsors under this Rule (rev072511).

2. A Dealer-Sponsor or Broker-Sponsor shall meet all of the following qualifications: (rev072511)
 - a. Must be a PDEX Dealing or Brokering Participant;
 - b. Have in its records the minimum information on the Issuer and the Securities required prior to initiating trading on the Securities under Securities Laws, including the following:
 - i. Prospectus, Offering Circular or Information Memorandum;
 - ii. Recent quarterly and current reports;
 - iii. Most recent annual report;
 - iv. Information on the Issuer and the Securities as required by PDEX
 - c. In good standing with relevant regulatory authorities (including self-regulatory organizations) having jurisdiction over it, which shall mean that its SEC license or applicable charter is valid and subsisting and is not suspended nor revoked; and
 - d. Such other reasonable and relevant requirements as PDEX may deem necessary and desirable for Dealer-Sponsors and Broker-Sponsors.
3. In assessing the qualifications of a Dealer-Sponsor applying to enroll additional Securities, PDEX shall also consider compliance of the Dealer-Sponsor with the disclosure, reportorial and other requirements of PDEX in the past years.
4. The Issuers of the Securities sought to be enrolled and such Securities must comply with the admission criteria in Rules 7.2, 7.3 and 7.19 hereof.
5. In lieu of the continuing obligations under Rule 7.8 and 7.20 hereof, a Dealer-Sponsor or Broker-Sponsor shall comply with the following obligations: (rev072511)
 - a. Continue to meet the qualifications for Dealer-Sponsors or Broker-Sponsor, as applicable, in accordance to this Rule 7.21;
 - b. Pay the applicable fees as notified by PDEX.
6. Involuntary Suspension of Enrollment Initiated by Dealer-Sponsors or Broker-Sponsors (rev072511)
 - a. The grounds for involuntary suspension of trading related to the Issuer as specified in Rule 7.12 hereof shall be applicable to Securities enrolled by Dealer-Sponsors or Broker-Sponsors, except for pars. 1(b) and 1(c) of Rule 7.12.
 - b. The same grounds specified in Rule 7.12 as these relate to the Dealer-Sponsor or Broker-Sponsor shall be additional grounds for involuntary suspension of trading of Securities enrolled by Dealer-Sponsors or Broker-Sponsors, except for pars. 1(a) and 1(e) of Rule 7.12.

- c. The procedure for involuntary suspension set forth in Rule 7.12 hereof shall be applicable to Securities enrolled by Dealer-Sponsors or Broker-Sponsors.
7. Termination of Enrollment Initiated by Dealer-Sponsors or Broker-Sponsors (rev072511)
 - a. The grounds for involuntary termination of trading related to the Issuer as specified in Rule 7.14 hereof shall be applicable to Securities enrolled by Dealer-Sponsors or Broker-Sponsors.
 - b. The same grounds specified in Rule 7.14 as these relate to the Dealer-Sponsor or Broker-Sponsor shall be additional grounds for involuntary termination of trading of Securities enrolled by Dealer-Sponsors or Broker-Sponsors.
 - c. The procedure for involuntary termination set forth in Rule 7.14 hereof shall be applicable to Securities enrolled by Dealer-Sponsors or Broker-Sponsors.
 - d. The procedure for voluntary termination set forth in Rule 7.15 hereof shall be applicable to Securities enrolled by Dealer-Sponsors or Broker-Sponsors.

Rule 7.22 Enrollment of Restricted Securities (new 072511)

1. Securities under Rule 7.19 the distribution of which is restricted to a certain number of Qualified Investors as prescribed in the terms of such Securities (Restricted Securities) shall be enrolled for trading in the Restricted Board of the PDEX Trading System. (rev072511).
2. Restricted Securities may be enrolled by the Issuer, the Dealer-Sponsor or the Broker-Sponsor pursuant to Rule 7.20 or Rule 7.21, as may be applicable.
3. In addition to Rules 7.19, 7.20, and 7.21 above, the PDEX-accredited Registry as required under Rule 7.3.6 shall comply with the requirements and procedure to be prescribed by PDEX for the proper tracking of the investor limit of such securities.

Rule 7.23 Transitory Provision for Enrollment of Public Issues (new 072511)

Notwithstanding Rule 7.19.1 and 7.19.2 above, Securities that were originally publicly distributed and issued on or before January 31, 2010, may also be enrolled under these Rules, provided that non-Qualified Investors thereof may only place sell orders on such Securities.

**RULE 8
SETTLEMENT****Part One - General Provisions****Rule 8.1 Standard Settlement Date**

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.

Rule 8.2 Straight-Through Process

Upon implementation of the PDEX' straight-through-process, every trade executed on the PDEX Trading System shall constitute a settlement instruction, sufficient to empower PDEX to send binding instructions to settlement entities to effect acts consistent with such settlement instruction.

Rule 8.3 Trades Settlement

Every trade executed on the PDEX Trading System shall be settled through the settlement system provided by PDEX except as otherwise provided under these Rules.

Part Two - Expanded Delivery versus Payment**Rule 8.3 Definitions**

1. *Bank Authorization Letter* shall refer to a letter issued by a Settlement Participant and accepted by the Cash Settlement Bank granting authorization to the Cash Settlement Bank to effect acts consistent with the requirements of Settlement of a Trade under these Rules, and specifying the details of the Settlement Participant's designated Cash Settlement Account to be used for Settlement of Trades in the eDvP Service.
2. *BSP* shall refer to the Bangko Sentral ng Pilipinas, the operator of the *PhilPaSS* system, which shall be Cash Settlement Bank in the context of these Rules.
3. *Buyer* shall refer to the Settlement Participant whose Cash Settlement Account will be debited and whose Depository Settlement Account will be credited in respect of the Settlement of a Trade.
4. *Cash Settlement Account* shall refer to an account with a Cash Settlement Bank which may be debited or credited in accordance with these Rules.
5. *Cash Settlement Bank* shall refer to the BSP or any bank registered by PDEX as a Cash Settlement Bank that maintains a Cash Settlement Account for Settlement Participants and which undertakes to perform the necessary actions specified in these Rules to effect the Settlement of Trades.

6. *Cash Settlement Bank Person* shall refer to that person designated by a Cash Settlement Bank to perform such acts as are granted under its authority as such, including the authorizing of debit and credit instructions to and from their Demand Deposit Account. (new060914)
7. *Confirmation* shall refer to the confirmation of the Settlement obligations of the Buyer and Seller in the eDvP System arising from Trades in Securities.
8. *Confirmation 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 Trades executed by them on the day of the report.
9. *DDA* shall refer to a Demand Deposit Account of the Cash Settlement Bank at BSP accessible through the *PhilPaSS* system.
10. *Delivery* shall refer to the delivery of Securities effected via debits and credits in the Depository Settlement Accounts.
11. *Depository* shall refer to the PDTC in its capacity as an SEC-licensed Depository which undertakes to perform the necessary actions specified in these Rules to effect the Settlement of Trades by debiting or crediting the Depository Settlement Accounts of the Settlement Participants in accordance with the Message received from the eDvP System.
12. *Depository Settlement Account* shall refer to a securities account with the Depository in the name of the Settlement Participant or his duly authorized agent, which account has been identified and designated as the account to be debited or credited in accordance with these Rules pursuant to Settlement of Trades.
13. *Earmark (or Earmarking)* shall mean a restriction placed on a Quantity of Securities by the Depository on instructions to that effect from the eDvP System such that the transfer of such Earmarked Securities shall be restricted to conform with a Message from the eDvP System to settle a Trade.
14. *eDvP Rules or Rules* shall refer to these Rules as the same may be amended from time to time.
15. *eDvP System or System* shall refer to the system operated by PDEX under these Rules.
16. *eDvP Technical Interface Manual* shall refer to the technical specifications provided to the Cash Settlement Banks to enable them to build an automated interface to the eDvP System.
17. *eDvP Timeline or Timeline* shall refer to a schedule of cut-off times for input of information to and output of information from the eDvP System, as the same is issued by PDEX and amended from time to time.
18. *eDvP System User or System User* shall refer to a person given a user profile designated by a Settlement Participant or Cash Settlement Bank and enrolled and granted access to the eDvP System.
19. *eDvP User Manual or User Manual* shall refer to the manual, as may be amended from time to time, issued by PDEX to Settlement Participants and Cash Settlement Banks giving details of the operation of the eDvP System and/or the eDvP Service.

20. *Face Value* shall refer to the specified amount that the Issuer agrees to repay on the date of maturity of a fixed income Security.
21. *Failed Trades and Delayed Settlements* shall have the meaning given to it in Rule 8.4, par. 17(a)(i) and (ii). (rev052810)
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. (rev052810)
23. *Issuer* shall refer to a legal entity authorized to issue its Securities, and includes the national government, government-owned or controlled corporations, local government units, as well as private corporations and special purpose vehicles.
24. *Message* shall mean an instruction, request or information sent to or received from the Cash Settlement Bank and the Depository in accordance with the relevant eDvP Technical Interface Manual and/or eDvP User Manual.
25. *Notice* shall mean information issued in written form by PDEX or PDTC, which supplements or explains these Rules and/or such other Rules as shall have applicability to the use of the eDvP System.
26. *Payment* shall refer to cash payment or electronic debits and credits in the Cash Settlement Accounts of Settlement Participants in the Cash Settlement Bank.
27. *PDEX* shall refer to the Philippine Dealing & Exchange Corp.
28. *PDEX Rules* shall refer to the *PDEX Rules for the Fixed Income Securities Market, as Amended*, as the same may be amended from time to time.
29. *PDTC* shall refer to the Philippine Depository and Trust Corp.
30. *PhilPaSS* shall refer to the real time gross settlement system for peso Payments operated by the BSP.
31. *Quantity* shall refer to the Face Value of fixed income Security or the number of shares of equity Security or number of units of unitized Security.
32. *Security/ies* shall mean any instrument traded in the Trading System.
33. *Seller* shall refer to the Settlement Participant whose Depository Settlement Account will be debited and whose Cash Settlement Account will be credited in respect of the Settlement of a Trade.
34. *Settlement* shall mean the satisfaction of all obligations arising from a Trade between Settlement Participants involved therein
35. *Settlement Contact Person* shall refer to that person designated by a Settlement Participant who shall act as its principal channel of communication in relation to settlement issues. (new060914)
36. *Settlement Date* shall refer to the date on which Settlement should occur as indicated in the Trade or such other later date as may be allowed under these Rules or the PDEX Rules.
37. *Settlement Participant* shall refer to a Trading Participant or a Non-Trading

Participant or the appointed custodian of the Non-Trading Participant that uses the eDvP Service and/or agrees to be bound by these Rules. (rev071709)

38. *Settlement Person* shall refer to that Person or his alternate, designated by a Settlement Participant to perform such acts as are granted under its authority as such, including the authorizing of transmission of settlement instructions duly constituted under Trades to appropriate settlement entities to cause Settlement. (rev060914)
39. *Settlement Report* shall refer to that report or inquiry screen in the eDvP system made available to Settlement Participants in accordance with the Timeline giving details of the settlement status of their Trades.
40. *Suspense Account* shall refer to the cash or securities account of a Cash Settlement Bank or the Depository respectively particularly identified and designated as the destination of all proceeds in cases where delivery to the specified Securities or Cash Settlement Account cannot be effected under and in accordance with these Rules.
41. *Suspense Report* shall refer to that report made available by the eDvP system to Settlement Participants, the Cash Settlement Banks and Depository involved in cases where Securities or Payments are credited to a Suspense Account in accordance with these Rules.
42. *Trade* shall refer to the transaction executed by Trading Participants in the Trading System which are transmitted to the eDvP System for Settlement under these Rules.
43. *Trading Participants* shall refer to entities that are qualified and recognized under the PDEX Rules as Trading Participants and members of the PDEX Self-Regulatory Organization.
44. *Trading System* shall refer to the trading system operated by PDEX.

Rule 8.4 *Settlement participants*

1. *Activation as Settlement Participants*

- a. All Trading Participants shall be Settlement Participants. Activation of such participation shall be subject to submission of the following requirements:
 - i. Application Form for Settlement Participant;
 - ii. Name of its Settlement Contact Person and his alternate(s) who shall act as its principal channel of communication with PDEX in relation to settlement issues; (new060914)
 - iii. Name of its Settlement Person and his alternate(s); (rev060914)
 - iv. List of Authorized eDvP System Users;
 - v. Demonstration of the technological capability to connect to the eDvP system;
 - vi. Execution of a Settlement Participant Agreement in the form prescribed by PDEX; and
 - vii. Such other requirements as may reasonably be imposed by PDEX.

- b. Non-Trading Participants who are nominated to be Settlement Participants by their respective Dealing Participant counterparties under the rules allowing trades with Non-Trading Participants shall submit a Nomination Form signed by the nominating Dealing Participant, in addition to the above requirements. (new071709)
- c. PDEX reserves the right to charge a fee for rendition of services contemplated under these Rules.

2. *Representations and Warranties of Settlement Participants*

- a. The transmission of any Trade into the eDvP System shall constitute the representation and warranty of the Settlement Participant that it has full power, right and authority to enter into the Trade and perform obligations relative to the Settlement thereof, and to delegate appropriate functions to PDEX as necessary thereunder and under these Rules.
- b. Settlement Participants shall be principally liable for the timely and complete settlement of their Trades, subject to the primary liability of customers for the obligations under the trade in case of Brokering Participants.
- c. The receipt of a Trade by the eDvP System, shall constitute an authority for PDEX, in accordance with these Rules to transmit settlement instructions constituted under executed Trades, to cause the debiting or the crediting (as applicable) of:
 - i. the designated Depository Settlement Account;
 - ii. the Settlement Participant's DDA; or
 - iii. the designated Cash Settlement Account at the Cash Settlement Bank; and
 - iv. the DDA of the Cash Settlement Bank.

3. *Irrevocable Authority*

- a. Each Settlement Participant irrevocably and by special power, authorizes PDEX to be its attorney-in-fact to do such acts and to exercise such powers on its behalf as may be delegated under these Rules, as well as such powers as are necessary or incidental thereto.
- b. PDEX shall not be obligated in any event to determine the legal or other requirements to be followed in the pursuit of such rights or actions, or the desirability or necessity of taking any such steps.

4. *Execution of Other Acts*

Upon request from PDEX, Settlement Participants shall promptly perform such required acts and shall execute such required documents as PDEX may reasonably require to enable it to comply with its functions and obligations under these Rules.

5. *Reporting of Fraud and Errors*

To the extent of its knowledge of such matters, a Settlement Participant shall report to PDEX immediately upon discovery:

- a. any violation of these Rules or misuse of the eDvP System;
- b. any fraud or criminal activity committed or about to be committed in connection with the eDvP System;
- c. any unauthorized or criminal access to or use of the eDvP System;
- d. any negligent, fraudulent or willful act or omission by any Settlement Participant, Cash Settlement Bank or any member of staff of PDEX; or
- e. any error regarding any data in the eDvP System.

6. Verification of Warranties

PDEX may rely on any representation or warranty, express or implied, made or deemed made by a Settlement Participant by its accession to these Rules. Nevertheless, PDEX may take steps to verify any such representation or warranty and, for such purpose, require a Settlement Participant to provide such information or document as may be relevant to the verification, without in any way being considered as having waived its right to rely on the representation or warranty of the Settlement Participant.

7. Declarations

Each Settlement Participant shall provide or cause to be provided, as and when required, a declaration containing such information with respect to any Trade to comply with: (a) a lawful request of an Issuer in order to comply or facilitate compliance with any legislation, rule, regulation, order of a court or administrative or regulatory body, by-law or provision to which the Issuer is subject; or (b) any legislation, regulation, or lawful order of a court or administrative or regulatory body, including self-regulatory organizations. Pursuant hereto, any such information shall be subject to the Settlement Participant's warranty that the same is truthful and accurate and is consistent with its own records.

8. Survival of Obligations

The suspension, termination or resignation of a Settlement Participant in accordance with these Rules shall not in any way reduce its duties, liabilities or obligations under the Rules which have otherwise accrued or existed as of the date of such suspension, termination or resignation, or which may thereafter arise by reason of transactions, facts or circumstances occurring or in existence on or before such date.

9. Civil and Criminal Liability

The resignation, suspension or termination of a Settlement Participant in accordance with these Rules shall not prejudice the right of PDEX and/or any other Settlement Participant to take civil, criminal, administrative, or other warranted action against the resigned, suspended or terminated Participant for acts or omissions before the Settlement Participant's resignation, suspension or termination.



10. System Access

- a. All Settlement Participants shall have access to the eDvP System for the Settlement of Trades.
- b. Following confirmation by the Depository and Cash Settlement Banks of the validity of the respective Depository Settlement Account and Cash Settlement Account specified by the Settlement Participant and encoded into the eDvP System, PDEX shall provide the Settlement Participant access to the eDvP System.
- c. All information entered into and obtained from the eDvP System by Settlement Participants shall be in accordance with the eDvP User Manual.

11. Enrolment of Securities and Cash Settlement Accounts, and Activation of Settlement Participants

- a. Depository Settlement Accounts
 - i. Settlement Participants shall, prior to undertaking any Settlement activities under these Rules, open a Depository Settlement Account.
 - ii. The Settlement Participant shall submit the details of its Depository Settlement Account to PDEX which shall cause the entry of the designated Depository Settlement Account in the eDvP System, in accordance with the eDvP User Manual.
 - iii. The Settlement Participant's designated Depository Settlement Account shall serve as the settlement account for the Settlement of Trades by such Settlement Participant under these Rules.
- b. Cash Settlement Accounts
 - i. Settlement Participants who are PhilPaSS members shall use their DDA accounts as their Cash Settlement Account for settlement of Trades.
 - ii. Other Settlement Participants not covered by the preceding provision shall designate a Cash Settlement Account from any Cash Settlement Bank registered by PDEX to act as such.
 - iii. The Settlement Participant shall submit the details of its Cash Settlement Account to PDEX which shall cause the entry of such details into the eDvP System, in accordance with the eDvP User Manual.
- c. Activation of Settlement Participant Accounts
 - i. PDEX shall activate the participation of the Settlement Participant in the eDvP System after receipt of complete documentation and account confirmation from the Depository and Cash Settlement Banks.

- ii. Activation shall enable the affected Settlement Participant to settle its trades through the eDvP Service effective with Trades settling the next business day. Activation shall signify the acceptance of the Settlement Participant as such by PDEX, unless the contrary is proved.

12. *Continuing Requirements*

- a. A Settlement Participant shall at all times:
 - i. comply with these Rules; and
 - ii. keep in good standing its right to trade in the Trading System and/or other regulatory registration and/or licenses.
- b. The Settlement Participant shall as soon as practicable, advise PDEX of any changes on the details of its Depository Settlement Account and/or Cash Settlement Account. Any change in the detail(s) shall not bind PDEX unless it has received written information of such change within three (3) business days prior to its intended effect.
- c. Each Settlement Participant shall designate a Settlement Contact Person and his alternate, who shall act as its principal channel of communication with PDEX in relation to settlement issues; and a Settlement Person and his alternate(s) who shall have the responsibility to perform such acts as are granted under its authority as such, including the authorizing of transmission of settlement instructions duly constituted under Trades to the applicable Cash Settlement Bank and the Depository to cause Settlement of Trades. The Settlement Participant shall communicate such designation to PDEX in writing. (rev060914)
- d. Any change in the Settlement Person or his alternate(s) shall not bind PDEX unless it has received written information of such change within twenty four (24) hours from the occurrence of the event. Failure to so notify PDEX shall entitle the latter to rely on the continued authority of the Settlement Person to bind and act on behalf of the Settlement Participant. (rev060914)

13. *Cessation and reinstatement*

- a. **Removal of Access**

Any Settlement Participant that resigns from or is suspended or terminated as Trading Participant shall cease to have access to the eDvP System provided, however, that if such Settlement Participant shall have outstanding Trades for settlement prior to such resignation, suspension or termination, then access to the eDvP system shall be allowed only for the purpose of completing the Settlement of said Trade which in no case shall last longer than two (2) business days from the execution of its last Trade.

- b. **Reinstatement**

PDEX shall reinstate the access to the eDvP System of a Settlement Participant as soon as practicable following the reinstatement of said Settlement Participant as a Trading Participant.

- c. Settlement Participant which is also a Cash Settlement Bank

The resignation, suspension or termination of a Settlement Participant shall not affect that Settlement Participant's status as a Cash Settlement Bank under these Rules, unless the same is warranted under applicable law, regulation or PDEX Rules.

14. Update of Settlement Participant Details

- a. Responsibility for Information Accuracy

- i. Settlement Participants shall ensure the accuracy and currency of the information provided to PDEX and entered in the eDvP System and shall take such steps as are necessary to confirm the authenticity of the information provided.
- ii. Settlement Participants may view and update the details of their Depository and Cash Settlement Accounts and other pertinent details by submitting a Request for Account Update to PDEX together with relevant supporting documentation.
- iii. Settlement Participants shall ensure that any update to their Depository or Cash Settlement Accounts as authorized by the Settlement Participant has been confirmed by PDEX before settling a Trade through that Depository or Cash Settlement Account.

- b. Confirmation of Update to Securities or Cash Settlement Accounts

The eDvP System shall validate the updated information with affected Cash Settlement Bank and the Depository and PDEX shall confirm the requested update upon receipt of appropriate documentation and confirmation from the applicable Cash Settlement Bank and the Depository regarding the validity of the information.

- c. Update effectiveness

- i. The updated information shall take effect on the Trades with Settlement Date following the day on which the eDvP System confirms the update.
- ii. The eDvP System shall amend the Cash Settlement Account or Depository Settlement Account details (as appropriate) as requested by the Settlement Participant to any Trades executed but not settled prior to the update taking effect.

15. Confirmation and Pre-Settlement of Trades

- a. Electronic Trade Feed

Trades shall be electronically transmitted to the eDvP System for Settlement in accordance with the eDvP Timeline. Any amendment made on the eDvP Timeline shall be made effective within three (3) business days from the time such amendment was announced by PDEX; provided, however, that such eDvP Timeline may be temporarily amended on shorter notice or no notice where the same is not practicable, to meet external exigencies which require prompt action; provided, further, that such amendments shall be notified to the Participants when the same go into effect, with notice of when such temporary eDvP Timeline shall cease in effect.

b. Upload Validation

The eDvP System shall validate the Trades to reject details given in the Trades that would render Settlement through the eDvP System impossible.

c. Confirmation Report

- i. Pursuant to this Rule and in accordance with the eDvP Timeline, PDEX shall make available to each Settlement Participant a Confirmation Report or inquiry screen containing Trades executed by or on behalf of the Settlement Participant on the day of the Confirmation Report
- ii. In accordance with the eDvP Timeline, the Settlement Participant shall verify that the Confirmation Report conforms to the Trades as recorded by the Trading System and identify to the PDEX Agent any discrepancy. Any discrepancy identified by the Settlement Participant shall be resolved in favor of the Trade as recorded by the Trading System.
- iii. Where Trades submitted for settlement in the eDvP Service require the explicit authorization of the counterparties prior to Settlement, both the Buyer and Seller should enter their authorization in the eDvP System in accordance with the eDvP Timeline in order for the Trade to be included in the Settlement process. Unauthorized Trades shall be excluded from the Settlement process and counterparties shall be governed by the PDEX Rules with regard to those Trades. PDEX shall have no responsibility for the resolution or disposition of such unauthorized Trades.

d. Responsibility for Settlement

Settlement Participants shall ensure Settlement of all Trades in the Confirmation Report on the specified Settlement Date.

In the event that there appears to be insufficient cash or Security available to settle a Trade, Settlement Participants shall access the liquidity measures available in the market, including but not limited to the PDEX Inter-Professional Repurchase Agreement Program, the PDEX Securities Lending Transaction Program, to ensure the settlement of all trades on settlement date. (new030311)



- e. Counterparty risk
 - i. The risk that a Trade does not settle due to lack of Securities or Payment shall be borne by the Settlement Participants shown as responsible for Settlement on the Confirmation Report.
 - ii. PDEX shall not be responsible in the event that the Trade fails to settle due to lack of Securities or Payment.

16. Settlement and Post Settlement

a. No Restrictions

Nothing in these Rules shall be construed as permitting any Settlement Participant to attach any condition or restriction on the Settlement of Trades, and any such condition or restriction which is imposed contrary hereto shall not affect the Settlement Participants' obligation to settle the Trade in accordance with its tenor, and non-compliance with any such condition or restriction shall not invalidate the Settlement of that particular Trade.

b. Delivery versus Payment (DvP)

Trades duly authorized by both Buyer and Seller shall be settled in accordance with the following general process: (a) earmarking of Securities in the Seller's Depository Settlement Account; (b) debiting of the Payment from Buyer's Cash Settlement Account if the Buyer is not a PhilPaSS member; (c) debiting of DDA of Buyer or DDA of its Cash Settlement Bank and crediting the DDA of the Seller's or DDA of its Cash Settlement Bank as applicable; (d) crediting the payment to the Seller's Cash Settlement Account if the Seller is not a PhilPaSS member; and (e) debiting of the Seller's earmarked Securities and crediting the same to the Buyer's Depository Settlement Account.

c. Settlement Date

- i. Trades shall be settled on the Settlement Date specified on the Trade. If the Settlement Date specified on the Trade is subsequently declared a non banking day, Settlement shall take place on the next banking day.
- ii. Compensation in respect of Trades, which do not settle on their original Settlement Date, shall be settled between the Settlement Participants in accordance with the PDEX Rules.

d. Earmarking of Securities

The eDvP System shall request the Depository to Earmark the applicable Quantity of Securities in the Seller's Depository Settlement Account.

e. Payment Processing

- i. Following Earmarking of the Seller's Depository Settlement Account, the eDvP System shall instruct the debiting of the Buyer's Cash Settlement Account by the applicable Cash Settlement Bank.
- ii. If the Buyer's Cash Settlement Bank is not the BSP and the Seller's Cash Settlement Bank is different from the Buyer's Cash Settlement Bank, following receipt of a confirmation from the Buyer's Cash Settlement Bank that the Buyer's Cash Settlement Account has been debited, the eDvP System shall request the BSP to debit the DDA of the Buyer's Cash Settlement Bank and credit the DDA of the Seller's Cash Settlement Bank.
- iii. Following debiting of the Buyer's Cash Settlement Account and the DDA of the Buyer's Cash Settlement Bank (as applicable), the eDvP System shall instruct the crediting of the Seller's Cash Settlement Account by the applicable Cash Settlement Bank.

f. Settlement of Securities

Following successful Payment processing, the eDvP System shall instruct the Depository to debit the Earmarked Securities from the Seller's Depository Settlement Account and to credit the Depository Settlement Account of the Buyer.

g. Monitoring Settlement Status

- 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:
 - a. successfully settled;
 - b. awaiting Earmarking of Securities by the Depository;
 - c. awaiting debit of funds by the Buyer's Cash Settlement Bank;
 - or
 - d. awaiting debit of Buyer Cash Settlement Bank's DDA by the BSP.
- 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)

h. Failure to credit funds and securities

- i. If the Cash Settlement Bank cannot credit funds to a Cash Settlement Account or the Depository cannot credit Securities to a Depository Settlement Account for any reason, the Securities or Cash shall be credited to a Suspense Account; Provided, However, That the Cash Settlement Bank and the Depository, whichever is applicable, shall ensure that its recording of the Suspense Account appropriately recognizes the ownership of the proper party.

- ii. PDEX shall make available a Suspense Report providing details of all credits to Suspense Accounts.
 - iii. The Settlement Participant shall give notice to the Depository or Cash Settlement Banks involved and coordinate among themselves to resolve the Suspense Account entry as soon as is practicable.
 - iv. The crediting to a Suspense Account constitutes successful Settlement.
- i. Finality and Irrevocability of Settlement
- i. Finality of settlement shall occur upon the complete and successful debit:
 - a. by the Cash Settlement Bank of the Cash Settlement Account of the Buyer, if the Seller and the Buyer are not banks and use the same Cash Settlement Bank; or
 - b. in all other cases, by the BSP of the DDA accounts of:
 - i. the Buyer, if the Buyer is a bank; or
 - ii. the Buyer's Cash Settlement Bank if the Buyer is not a bank.
 - ii. No unwinding shall take place once finality of settlement has been achieved.
- j. Issuance of Settlement Report

In accordance with the eDvP Timeline, the eDvP System shall make available to each Settlement Participant a Settlement Report or inquiry screen giving details of the settlement status (successful or Failed) of their Trades due for Settlement on the day of the report.

- k. Review and Confirmation of Settlement Report
- i. In accordance with the eDvP Timeline, the Settlement Participant shall verify the accuracy, completeness and correctness of the Settlement Report and raise with PDEX any discrepancy between the Settlement Report and the Settlement Participant's Trade records.
 - ii. The Settlement Participant is deemed to have confirmed the accuracy, completeness and correctness of the Settlement Report after one (1) business day from the date of the Settlement Report.

17. Management of Failed Trades and Delayed Settlements (new052810)

- a. Definition
- 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 the time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade.

- 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.
- 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.

b. Reporting of Failed Trades and Delayed Settlements (rev052810)

In accordance with the eDvP Timeline, the eDvP System shall notify PDEX of all Trades that failed to settle.

c. Release of Earmarking and Reversal of Debits

In respect of each Failed Trade the eDvP System shall:

- i. instruct the Depository to release any relevant Earmarking of Securities; and
- ii. instruct the Cash Settlement Bank to credit funds to the Cash Settlement Account of the Buyer if a debit had already been made.

d. Failed Trades Report

In accordance with the eDvP Timeline, the eDvP System shall provide a Failed Trades Report or inquiry screen to each Settlement Participant giving details of Failed Trades for which the Settlement Participant is responsible.

e. Review and Confirmation of Failed Trades Report

- i. In accordance with the Timeline, the Settlement Participant shall verify the accuracy, completeness and correctness of the Failed Trades Report and raise with PDEX any discrepancy with the Settlement Participant's Trade records.
- ii. The Settlement Participant is deemed to have confirmed the accuracy, completeness and correctness of the Failed Trades Report after one (1) business day from the date of the Failed Trades Report.

f. Handling of Failed Trades and Delayed Settlements

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

arising from inadequate cash balances of Settlement Participants without prejudice to existing agreements. The Securities Settlement Agent shall have no responsibility for Failed Trades and Delayed Settlements arising from inadequate securities balances of Settlement Participants without prejudice to existing agreements. (rev052810)

g. Delayed Settlements shall carry the following penalties:

- i. 3rd violation within a year without being considered a Habitual Offender - Warning
- ii. 4th and subsequent violations within a year without being considered a Habitual Offender- Reprimand
- 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

h. Failed Trades shall carry the following penalties:

- 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. (rev052810)

Rule 8.5 Cash Settlement Banks

1. Admission of Cash Settlement Banks

a. Criteria

All Cash Settlement Banks shall meet the following criteria:

- i. Submits and agrees to be bound by the Terms and Conditions imposed by PDEX for performance of Cash Settlement Bank functions under these Rules, in the form prescribed by PDEX;
- ii. Has the technical capacity to build an automated interface with the eDvP System in accordance with the eDvP System Technical Interface Manual and/or has signified willingness to perform the functions of a Cash Settlement Bank using the eDvP System online interface;
- iii. Is a PhilPaSS member-bank; and
- iv. Agrees to abide by these Rules and the PDEX Rules.

b. Approval

- i. PDEX shall have full authority and discretion to admit applicants for Cash Settlement Banks and its decision thereon shall be final and conclusive. PDEX may:

1. admit an applicant unconditionally;
 2. admit an application on such terms and conditions as may be considered appropriate; or
 3. refuse the application pending the resolution of non-compliant items.
- ii. The action on the application shall be communicated in writing to the applicant within five (5) business days from the rendition of the same.

2. *Binding Effect of these Rules*

- a. These Rules shall be binding upon Cash Settlement Banks, their officers, directors, employees and agents.
- b. These Rules shall be deemed to form an integral part of the terms and conditions of every related contract or transaction which the Cash Settlement Bank may enter into with their customers in relation to the Settlement of Trades using the eDvP System.

3. *Reliance on Communications*

PDEX shall be entitled to rely absolutely on the accuracy of any communication received from the Cash Settlement Banks, their due execution and submission and their having been issued with proper authority, and shall be entitled to act on the same in accordance with these Rules.

4. *Execution of Other Acts*

The provisions of Rule 8.4 par. 4 shall apply *mutatis mutandi* to Cash Settlement Banks.

5. *Reporting of Fraud and Errors*

The provisions of Rule 8.4 par. 5 shall apply *mutatis mutandi* to Cash Settlement Banks.

6. *Verification of Warranties*

The provisions of Rule 8.4 par. 6 shall apply *mutatis mutandi* to Cash Settlement Banks.

7. *Declarations*

The provisions of Rule 8.4 par. 7 shall apply *mutatis mutandi* to Cash Settlement Banks.

8. *Continuing Requirements*

- a. A Cash Settlement Bank shall at all times:
 - i. comply with these Rules and any conditions stipulated in the notice of approval as Cash Settlement Banks;

- ii. keep in good standing its regulatory registration/license;
 - iii. agree to post non trade related credits due on a Settlement Date to the Cash Settlement Accounts of Settlement Participants prior to the relevant cut-off time for Settlement specified in the Timeline; and
 - iv. pay such fees and charges based on a schedule of fees that PDEX shall issue and which may be amended from time to time and shall become due and payable to PDEX at such time and in such manner as the PDEX shall require.
- b. Each Cash Settlement Bank shall designate a Cash Settlement Bank Person and his alternate(s), who shall act as its principal channel of communication with PDEX and who shall have the responsibility to perform such acts as are granted under its authority as such. Any change in the Cash Settlement Bank Person or his alternate(s) shall not bind PDEX unless it has received written information of such change at least three business (3) days prior to its effect. (rev060914)

9. *Bank Authorization Letter*

- a. Cash Settlement Banks shall acknowledge and sign the Bank Authorization Letter issued by each Settlement Participant for whom they agree to provide cash settlement services.
- b. The Bank Authorization Letter shall authorize PDEX to:
 - i. Issue a binding debit instruction to the Cash Settlement Bank to debit the Cash Settlement Account of the Settlement Participant for the Payment of a Trade where the Settlement Participant is a Buyer;
 - ii. Following receipt of confirmation from the Buyer's Settlement Bank of a successful debit, issue a binding debit instruction to the BSP to debit the DDA of the Buyer's Cash Settlement Bank with an equal value;
 - iii. Issue a binding credit instruction to the BSP to credit the DDA of the Seller's Cash Settlement Bank in respect of the value of a Trade where the Settlement Participant is a Seller; and
 - iv. Following receipt of confirmation from the BSP of a successful credit, to issue a binding credit instruction to the Cash Settlement Bank to credit the Cash Settlement Account of the Seller with an equal value.
- c. Commercial arrangements with regard to the management of the Cash Settlement Account shall be between the Cash Settlement Bank and the Settlement Participant.

10. *Notice of Ineligibility of Account*

The Cash Settlement Bank shall give PDEX:

- a. Prompt written notice of any Cash Settlement Account which ceases to be eligible for use in the Settlement of Trades through the eDvP Service; or
- b. Written notice of at least ten (10) business days in advance of the

effectivity of any decision of the Cash Settlement Bank to cease to provide cash settlement services to Settlement Participants in the eDvP Service.

11. Settlement Bank Reports

In accordance with the Timeline on each Trading Day, the eDvP System shall make available to each Cash Settlement Bank via report or inquiry screen:

- a. a Cash Settlement Bank Projection Report giving details of all the expected debits and credits arising from Trades involving Settlement Participants which have designated the bank as their Cash Settlement Bank; and
- b. a Settlement Bank Settlement Report giving details of all Trades which settled on the day of issue of the report through a Cash Settlement Account operated by the relevant Cash Settlement Bank.

12. Settlement Process

- a. Following Earmarking of Securities in the Depository Settlement Account of the Seller, the eDvP System shall send an instruction to the Cash Settlement Bank to debit the Buyer's Cash Settlement Account.
- b. The Cash Settlement Bank shall only perform the debit instruction if the full value specified in the instruction from the eDvP System is available.
- c. Following a debit from the Buyer's Cash Settlement Account and if the Seller has a different Cash Settlement Bank than the Buyer, the eDvP System shall instruct the BSP to debit the Buyer's Cash Settlement Bank's DDA and credit the Seller's Cash Settlement Bank's DDA.
- d. Following a credit to the DDA of a Seller's Cash Settlement Bank, the eDvP System shall instruct the Seller's Cash Settlement Bank to credit the Seller's Cash Settlement Account.
- e. Following each debit or credit, the Buyer's or Seller's Cash Settlement Bank shall confirm the same to the eDvP System as soon as possible and within the Timeline.

13. Failure to debit a DDA Account

- a. Where the specified DDA cannot be debited, PhilPaSS shall put the request in the payment queue where the debit is continuously attempted until the Settlement cut-off time.
- b. Where the debit request to the DDA cannot be effected by the cut-off time, PhilPaSS shall send a rejection Message to that effect to the eDvP System in accordance with the Timeline.
- c. Upon receipt of a rejection Message from the BSP that the debit to the DDA of the Buyer's Settlement Bank cannot be effected, the eDvP System shall send an instruction to the Buyer's Settlement Bank to credit the Buyer for the Payment that was debited earlier.



14. Failure to debit a Non-DDA Account

- a. Where the specified Cash Settlement Account cannot be debited the Cash Settlement Bank shall send a rejection Message to that effect to the eDvP System in accordance with the Timeline.
- b. The eDvP System shall resend the debit instruction to the Cash Settlement Bank in accordance with the Timeline.

15. Failure to credit

- a. If the Cash Settlement Bank cannot credit funds to a Cash Settlement Account, for any reason, the Cash Settlement Bank shall credit the funds to a Suspense Account and send a Settlement confirmation to PDEX with a warning status.
- b. The Cash Settlement Bank shall cooperate directly with the Settlement Participant to identify the correct account and transfer the funds from the Suspense Account in accordance with the instructions of the affected Settlement Participant as soon as is practicable.

16. Notice

A Cash Settlement Bank shall continue to function as such until otherwise notified by PDEX.

17. Finality and Irrevocability of Settlement

Finality of settlement shall be deemed to have taken place as set forth in Rule 8.4.16.9. No unwinding shall take place once finality of settlement has been achieved.

Rule 8.6 *The Depository*

1. Role of the Depository

The role of PDTC as a Depository and the opening and terms of use of the Depository Settlement Account by Settlement Participants shall be governed by the relevant PDTC Depository Rules as the same may be amended from time to time.

2. Binding Effect of these Rules

- a. These Rules shall be binding upon the Depository, their officers, directors, employees and agents.
- b. These Rules shall be deemed to form an integral part of the terms and conditions of every related contract or transaction which the Depository may enter into with their customers in relation to the Settlement of PDEX Trades.

3. Validation of Depository Settlement Account Details

Following receipt of a request for confirmation of Depository Settlement Account details of a Settlement Participant, the Depository shall confirm or reject the accuracy of the details and whether the specified Depository Settlement Account was opened and maintained in the name of the Settlement Participant, as soon as possible and within the time specified in the Timeline.

4. Earmarking and Settlement

- a. On the specified Settlement Date of a Trade, the eDvP System shall instruct the Depository to Earmark the Quantity of Securities involved in a Trade in a designated Depository Settlement Account. Earmarking shall only be effected where the full Quantity of Securities is available for Earmarking.
- b. The Depository system shall advise the eDvP System in accordance with the Timeline:
 - i. if the full Quantity of Securities has been Earmarked; or
 - ii. if the Earmarking has failed giving reasons therefor.
- c. Where the Earmarking of the Securities has failed, the eDvP System shall resend the instruction to the Depository in accordance with the Timeline.

5. Settlement of the Securities

- a. On receipt of an instruction to that effect from the eDvP System, the Depository shall debit the Earmarked Securities in the Seller's Depository Settlement Account and credit the Buyer's Depository Settlement Account.
- b. The Depository shall confirm the debit or credit performed to the eDvP System as soon as the entries have been made in its own systems and within the Timeline.
- c. In the event that:
 - i. the Securities to be debited have not been Earmarked in the Depository Settlement Account, the eDvP system shall display that the status is pending availability of Seller's securities; or
 - ii. the Securities cannot be credited, for whatever reason, to the specified Depository Settlement Account, the Depository shall credit them to a Suspense Account and send a Settlement confirmation Message to the eDvP System with a warning status.
- d. The Depository shall cooperate directly with the relevant Settlement Participant to identify the correct account and transfer the Securities from the Suspense Account in accordance with the instructions of the Settlement Participant as soon as practicable.

6. Rejected Messages and Release of Earmarking

- a. PDEX shall reject any Messages confirming Earmarking received after the time specified in the Timeline.
- b. In accordance with the Timeline, PDEX shall instruct the Depository to release all Earmarked Securities relating to Failed Trades.
- c. The Depository shall release the Earmarked Securities only if a Message instructing the release of Earmarked Securities is received from PDEX.

7. *Finality and Irrevocability of Settlement*

Finality of settlement shall be deemed to have taken place as set forth in Rule 8.4 par. 16 (i). No unwinding shall take place once finality of settlement has been achieved.

Part Three - Expanded Delivery versus Payment for Public Investors

Rule 8.7 *Definitions*

For purposes of this Part Three, the following terms shall have the meanings given herein. Terms defined herein which are likewise defined in Rule 8.3 of these Rules shall be considered modified hereby.

Brokering Participant Affiliate shall refer to a Brokering Participant with a current and subsisting BSPA from an eDvP Public Investor which BSPA has been duly registered in the eDvP System.

Brokering Participant Special Power of Attorney (or BSPA) shall refer to a non-exclusive Special Power of Attorney (SPA) executed by a eDvP Public Investor in favor of a Brokering Participant which authorizes the latter to execute Trades on behalf of the eDvP Public Investor and Settle the same directly into the customer's designated Depository Settlement Account and Cash Settlement Account through the eDvP Public Investor Facility.

Brokering Participant Sponsor shall refer to a Brokering Participant that sponsors the enrolment of its customers into the eDvP Public Investor Facility, which Brokering Participant Sponsor shall be responsible for performing obligations imposed under the Anti-Money Laundering Act and observing appropriate know-your-customer policies before endorsing any customer as an eDvP Public Investor. The Brokering Participant Sponsor should be a grantee of a current and subsisting BSPA from the customer.

Buyer shall have the same meaning given in Rule 8.3 of these Rules; *Provided, However,* That in cases where a Brokering Participant is required under these Rules to settle a trade on behalf of its customer, the customer shall be recognized as the owner of the purchased securities.

eDvP Public Investor Facility shall refer to the facility available to customers of Brokering Participants that enables them to trade through a Brokering Participant but Settle such Trade directly into their own designated Depository Settlement Account and Cash Settlement Account even while the Brokering

Participant remains to be the Settlement Participant for the Trade. Under this facility, the identity of the customer will be known only to the Brokering Participant who executed the Trade and not to the counterparty Trading Participant or Settlement Participant.

eDvP Public Investor shall refer to a customer of a Brokering Participant enrolled in the eDvP Public Investor Facility, that trades through a Brokering Participant but settles directly into or out of its own Depository Settlement Account or Cash Settlement Account, as applicable. The Brokering Participant that executed the Trade retains the primary responsibility for the Settlement of the Trade being the counterparty on trade execution. Thus, if the Customer DvP Participant fails to settle the Trade, the Brokering Participant assumes the settlement obligation.

eDvP Public Investor Code (or PIC) shall refer to the unique identification number assigned by the eDvP System to the eDvP Public Investor upon the approval of his enrolment into the eDvP Public Investor Facility.

Seller shall have the same meaning given in Rule 8.3 of these Rules; *Provided, However,* That where a Brokering Participant is obliged under this Rules to deliver securities to settle the obligation of its customer, the customer shall be recognized as owner of the sold Securities.

1. Requirements for Enrollment as eDvP Public Investor

- a. A customer of a Brokering Participant shall apply as an eDvP Public Investor in the eDvP Public Investor Facility by submitting the following requirements in such form as shall be required by PDEX, through its Brokering Participant Sponsor:
 - i. Enrollment Form; with the Bank Authorization Letter; and
 - ii. Brokering Participant Special Power of Attorney.

The aforementioned requirements shall be used by the Broker Participants to activate the customer account in the eDvP Facility and shall form part of the records of the Broker Participant and shall be maintained in accordance with the relevant rules on records.

- b. The Broker Participant Sponsor shall warrant that all its activated clients in the eDvP Facility agrees to abide by the terms and conditions of the eDvP Rules and has all the required documents under its possession.

c. Depository Settlement Accounts of eDvP Public Investor

An eDvP Public Investor shall submit the details of his Depository Settlement Account to his Brokering Participant Sponsor which shall cause the entry of such details into the eDvP System, in accordance with the eDvP User Manual.

d. Cash Settlement Accounts

- i. eDvP Public Investors shall designate a Cash Settlement Account with any Cash Settlement Bank registered by PDEX to act as such.
- ii. An eDvP Public Investor shall submit the details of his Cash

Settlement Account to his Brokering Participant Sponsor which shall cause the entry of such details into the eDvP System, in accordance with the eDvP User Manual.

- e. Registration of Brokering Participant Special Power of Attorney
 - i. A Brokering Participant shall, prior to undertaking settlement activities for an eDvP Public Investor Participant, register the BSPA issued to him by the eDvP Public Investor by entering the details of the BSPA into the eDvP System.
 - ii. The eDvP Public Investor may revoke any subsisting BSPA; Provided, However, that no such revocation shall take effect unless the same is registered in the eDvP System by submission of a copy of the BSPA revocation letter to Brokering Participant who shall enter the revocation details into the eDvP System.
- f. Activation of the eDvP Public Investor Accounts
 - i. The Broker Participant Sponsor shall cause (or trigger or initiate) the submission of the Investor settlement account details to the Depository and the Cash Settlement Bank;
 - ii. Upon receipt of confirmation from both the Depository and the Cash Settlement Bank, the eDvP System shall automatically activate the eDvP Public Investor account; and
 - iii. Activation shall enable the eDvP Public Investor to settle its trades through the eDvP System effective with Trades settling the next business day. Activation shall signify the enrollment as an eDvP Public Investor into the eDvP System.
 - iv. The Broker Participant Sponsor shall be responsible for the correctness and accuracy of the details encoded by it on the eDvP System and for ensuring complete documentation has been submitted by the eDvP Public Investor.

2. Liability of eDvP Public Investor

eDvP Public Investor shall be principally liable for the principal obligation arising under their Trades.

3. Additional Continuing Requirements

The eDvP Public Investor shall as soon as practicable, advise the Brokering Participant Sponsor of any changes on the details of its Depository Settlement Account and/or Cash Settlement Account.

4. Termination of Enrollment of eDvP Public Investors

- a. The following are the grounds for termination of enrollment of the eDvP Public Investors:
 - i. The eDvP Public Investor has revoked all of its BSPA and has requested in writing to resign from the eDvP Public Investor Facility;

or

- ii. Has been ordered to cease and desist from investing in Security by the courts or any regulatory body.
- b. A notice of revocation of enrollment to the DvP System and its effectivity date shall be provided by the Broker Participant to the eDvP Public Investor Participant. The Broker Participant shall be responsible for ensuring that all outstanding trades of the eDvP Public Investor are settled before the effectivity date of the revocation of enrollment or otherwise assume the settlement obligation of all unsettled trades.
 - c. The Broker Participant shall be responsible to the eDvP Public Investor in the termination of its account in the eDVP system.
 - d. No re-instatement of enrollment shall be allowed for an DvP Public Investor once its PIC has been terminated. The customer shall have to re-apply into the eDvP Public Investor Facility through a Brokering Participant Sponsor.

5. *Update of Settlement Participant Details*

a. Responsibility for Information Accuracy and Updates

eDvP Public Investor may update the details of their Depository and Cash Settlement Accounts and other pertinent details by submitting a Request for Account Update to the Brokering Participant Sponsor who shall enter the updates into the eDvP System.

b. Update effectiveness

- i. The updated information shall take effect on the Trades with Settlement Date following the day on which the eDvP System confirms the update.
- ii. The eDvP System shall amend the Cash Settlement Account or Depository Settlement Account details (as appropriate) attached to any Trades executed but not settled prior to the update taking effect.

6. *Settlement*

Brokering Participants shall be responsible for the settlement of the trades of its customers in the event that such customer cannot settle the same in accordance with the prescribed deadline. In such case, the Brokering Participant shall settle the trade as if it were its own, subject to its rights against its customer in accordance with their mutual agreements.



RULE 9 TRADING HALTS OR SUSPENSIONS

Rule 9.1 *Off-Market Quotes*

Quotes and transaction price data shall be monitored by PDEX for the purpose of verifying rate reasonability given market conditions at that time. If a price is deemed off-market, an announcement must be made to the Trading Participants and the price data should be filtered from the daily statistical trading data in order to forestall market reaction to the erroneous data.

Rule 9.2 *Trading Halts, Delays or Suspension*

1. A Trading Halt or Trading Delay may be called by PDEX under the circumstances set forth in these Rules;
2. A Trading Halt or Trading Delay is a temporary interruption in the trading of a given security. The period of the Trading Halt or Trading Delay shall be at the discretion of PDEX. A Trading Halt is generally called during the trading session while a Trading Delay is called at the beginning of the trading session.
3. Trading Suspension occurs when the interruption in the trading of Securities extends beyond the Trading Day.
4. A Trading Halt or Trading Delay or Trading Suspension as appropriate, includes:
 - a. Halts or delays or suspensions to permit the dissemination of news or material information originating from the SEC or the issuer, or other reliable source;
 - b. Halts or delays or suspensions due to extraordinary or aberrant market activity;
 - c. Halts or delays or suspensions due to non-compliance by the issuer with PDEX regulations;
 - d. Halts or delays or suspensions requested by the issuer of the securities based on justifiable grounds;
 - e. Halts or delays or suspensions due to extraordinary circumstances affecting the PDEX Trading System which in the opinion of PDEX will have great impact on its proper operation; or
 - f. Halts or delays or suspensions due to other instances where the law, regulations, conventions, or public interest mandate a halt or delay or suspension in trading.
5. Except in cases covered by item e of the preceding subparagraph, the Trading Participant must cease and desist from quoting, trading and concluding deals in securities covered by a halt or delay or suspension.



RULE 10
UNDERTAKING BY DEALING PARTICIPANTS ON RISK MANAGEMENT

Each Dealing Participant shall undertake that it has established risk management and control systems that address financial risks relating to the trading of fixed income securities, including market risk, credit risks of issuers, counterparty credit risks (both pre-settlement and settlement risks) as well as operational risks. Dealing Participants shall further undertake that their internal systems and processes shall conform to best practice risk management standards and regulations as set by the *Bangko Sentral ng Pilipinas* and/or the Securities and Exchange Commission.



RULE 11 MEDIATION AND ARBITRATION

Rule 11.1 *General Provisions*

1. Any and all disputes between or among Trading Participants arising out of or in connection with trading and/or settlement of securities or instruments in the PDEX Trading System, or arising out of or in connection with any transaction in any PDEX program as provided for under the relevant PDEX program rules shall be resolved exclusively by mediation or, in case of termination of mediation other than by settlement of the dispute, by arbitration, in accordance with these Rules.
2. The objectives of dispute resolution are to:
 - a. Encourage the early and expeditious settlement of disputes;
 - b. Provide an alternative, and less adversarial, mode of dispute resolution;
 - c. Ensure confidentiality of the proceedings for the protection of the interest of all market participants, customers, and investors; and
 - d. Avoid disruption of the activities of market participants.
3. Only disputes between or among Trading Participants shall be covered under this Rule.
4. Institution and resolution of disputes by way of this Rule shall not relieve any of the parties from appropriate sanctions and/or penalties under the Securities Laws and these Rules. Matters brought for operation of this Rule may be endorsed to other departments of PDEX if there is deemed to be a violation of PDEX Rules and/or Securities Laws involved, subject, however, to the restrictions stated in paragraphs 8 and 9 of Rule 11.6.

Part One - Mediation

Rule 11.2 *Principles Governing Mediation*

1. Mediation shall refer to a consensual process in which an independent and impartial third person referred to as the Mediator assists the Trading Participants to explore and, if possible, reach a mutually acceptable resolution of some or all of the issues in dispute.
2. Consideration must always be given to the need to promote candor of parties and Mediators through the confidentiality of the mediation process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the mediation process rests with the parties. The

provisions on voluntary mediation in the Alternative Dispute Resolution Act of 2004 (Republic Act. No. 9285) shall apply suppletorily.

3. All Trading Participants shall agree to use a Mediator.

Rule 11.3 Qualifications of a Mediator

To qualify as a Mediator, one shall have:

- a. Knowledge in the field of the subject matter of the dispute, e.g. trading, banking, securities;
- b. No conflict of interest with respect to any of the issues brought for mediation or with respect to any of the parties; and
- c. Independence and impartiality.

Rule 11.4 Nomination and Appointment of a Mediator

1. Upon acceptance of the Mediation Request as described in par. 1, Rule 11.6 below, the parties shall each submit to PDEX the name/s of not more than three (3) nominees from the PDEX-accredited mediators in order of preference for appointment as mediator. The Mediator will be chosen in accordance with the following:
 - a. The common nominee of the parties shall be appointed, subject to the nominee's availability and other considerations.
 - b. Should there be more than one common nominee, the common nominee who is ranked higher in the order of preference of the parties, shall be appointed.
 - c. Should there be no common nominee, PDEX shall return the lists of nominees to the parties and ask them to make an agreement on a common nominee/s within 48 hours. If there is no such agreement on a common nominee, PDEX shall appoint another qualified and available nominee who will act as the Mediator. Such nominee appointed by PDEX must not be a nominee of any of the parties.
2. If any Mediator shall become disqualified or unwilling or unable to serve, the parties will jointly appoint another Mediator. If there is no such agreement on a common replacement Mediator, PDEX shall appoint another qualified and available nominee who will act as the Mediator. Such nominee appointed by PDEX must not be a nominee of any of the parties.

Rule 11.5 Venue

The Mediator shall fix the date and the time of each mediation session. The Mediation shall be held at Makati City, or at any other convenient location agreeable to the Mediator and the parties.

Rule 11.6 Mediation Proceedings

1. *Commencement of Proceedings.* - Mediation Proceedings shall be commenced by the filing of a written Mediation Request by any party thereto with PDEX in the form and number of copies as shall be required by PDEX and by paying the appropriate filing fee. Upon receipt of the request, PDEX shall contact the other party(ies) involved in the dispute as listed in the Mediation Request and attempt to obtain his/their submission to Mediation.
2. *Identification of Matters in Dispute.* - At least ten (10) days prior to the first scheduled mediation meeting, each party shall provide the Mediator with a brief memorandum setting forth its claim(s) with regard to the issues that need to be resolved. At the discretion of the Mediator, such memoranda may be mutually exchanged by the parties.
3. *Limit of Authority of the Mediator.* - The Mediator shall not have the authority to impose a settlement on the parties but will attempt to help them reach a satisfactory resolution of their dispute.
4. *Joint and Separate Meetings with the Parties.* - The Mediator is hereby authorized to conduct joint and separate meetings with the parties and to make oral and written recommendations for settlement.
5. *Expert Advice.* - Whenever necessary, the Mediator may also obtain expert advice concerning technical aspects of the dispute, provided that the parties agree and assume the expenses of obtaining such advice. Arrangements for obtaining such advice shall be made by the Mediator or the parties.
6. *Authority to Terminate Mediation Proceedings.* - The Mediator is authorized to terminate the Mediation whenever, in his judgment, further efforts at Mediation would not contribute to a resolution of the dispute between the parties. In such cases, the Mediator shall execute the declaration required under these Rules.
7. *Privacy.* - Mediation meetings shall be private. The parties, their representatives, including their legal counsel, may attend the Mediation meetings. Other persons may attend only with the permission of both parties and with the consent of the Mediator.
8. *Confidentiality.* -The Mediator, the parties, and their representatives shall keep all matters relating to or arising out of the Mediation confidential, such matters including all information disclosed to a Mediator by the parties or their representatives in the course of the Mediation, as well as all records, reports or other documents received by a Mediator while serving as such. A party, a Mediator, or a nonparty participant may refuse to disclose and may prevent any other person from disclosing a Mediation communication.
9. *Inadmissibility as Evidence.* - The Mediator, the parties, and their representatives shall not rely on, or introduce as evidence in any arbitral, judicial, or other proceeding all such matters, including but not limited to the following:
 - a. Views expressed or suggestions made by the other party in respect of a possible settlement of the dispute;

- b. Admission made by the other party in the course of the Mediation proceedings;
 - c. The fact that another party had or had not indicated willingness to accept a proposal for settlement made by the Mediator; or
 - d. Proposals made by the Mediator.
10. *No Stenographic or Other Record.* - There shall be no stenographic or audio or visual or other form of recording of the Mediation Process. Nothing shall prevent, however, the Mediator or the parties and their representatives or legal counsel from taking down notes for their own personal reference.
11. *Costs and Other Expenses.* - Except as otherwise provided, the parties to the Mediation shall be jointly liable for the costs of Mediation. All other expenses of the Mediation, including required traveling and other expenses of the Mediator, and the cost of any expert advice produced at the direct request of the Mediator, shall be borne equally by the parties unless they agree otherwise.
12. *Exclusion of Liability.* - Neither PDEX nor any Mediator shall be a necessary party in judicial proceedings relating to the Mediation conducted under these Rules. Neither PDEX nor any mediator shall be liable to any party for any act or omission in connection with any Mediation conducted under these Rules.
13. *Termination of Mediation Proceedings.* - The Mediation shall terminate:
 - a. Upon the execution of a settlement or other similar agreement by the parties;
 - b. Upon the execution by the Mediator of a statement stating that the attempt to mediate has not been successful;
 - c. When one or more parties have failed to attend further mediation meetings;
 - d. By a written declaration of any party to the effect that the Mediation proceedings are terminated; or
 - e. By the expiration of a Mediation period mutually agreed upon by the parties, which in no case shall exceed 30 days from the submission to mediation, unless such period is extended by mutual consent by a maximum of 30 days.
14. *Settlement Agreement.* - Following successful mediation, a Settlement Agreement shall be prepared.
 - a. The settlement agreement shall be prepared by the parties with the assistance of their respective counsel, if any, and by the Mediator. The parties and their respective counsels shall endeavor to make the terms and condition thereof complete and make adequate provisions for the contingency of breach to avoid conflicting interpretations of the agreement.
 - b. The parties and their respective counsels, if any, shall sign the settlement agreement.

- c. If the parties so desire, they may deposit such settlement agreement with the appropriate Clerk of a Regional Trial Court of the place where one of the parties resides. Where there is a need to enforce the settlement agreement, a petition may be filed by any of the parties with the same court, in which case, the court shall proceed summarily to hear the petition, in accordance with such rules of procedure as may be promulgated by the Supreme Court.
 - d. The parties may agree in the settlement agreement that the Mediator shall be deemed a sole arbitrator for the dispute and shall treat the settlement agreement as an arbitral award which shall be subject to enforcement under Republic Act No. 876, otherwise known as the Arbitration Law.
15. *Move to Arbitration.* - Where the Mediation has terminated other than by settlement of the parties, the Mediator shall declare the dispute automatically referred to Arbitration, and shall order one party to execute a Request for Arbitration, stating therein the matters stated in par. 1, Rule 11.11 below.

Part Two - Arbitration

Rule 11.7 Principles Governing Arbitration

1. Arbitration is the process in which a dispute between two or more Trading Participants arising out of or in connection with trading and/or settlement of securities or instruments in the PDEX Trading System is resolved by independent and impartial third parties called Arbitrators in order to avoid costly and lengthy litigation.
2. In case Mediation fails, Trading Participants shall agree to refer the dispute to Arbitration.
3. The judgment or award of the Arbitrator shall be legally binding between the Trading Participants.
4. The applicable provisions of the Civil Code and the Arbitration Law (Republic Act No. 876) shall apply suppletorily.

Rule 11.8 Qualifications of Arbitrators

1. To qualify as an Arbitrator, one shall have:
 - a. Expertise on issues which are the subject matter of the dispute, e.g. trading, banking, the Securities Laws and/or the PDEX Rules;
 - b. Recognized probity, independence, and competence;
 - c. No relationship by blood or marriage within the sixth degree to either party to the dispute;
 - d. No present or past financial, fiduciary or other interest in the dispute or cause to be decided or in the results of the arbitration, nor any personal

bias, which might prejudice the right of any party to a fair and impartial award.

2. A person who acted as the Mediator for the same dispute cannot act as Arbitrator when the same dispute is brought to Arbitration, unless both parties consent to his appointment in writing.

Rule 11.9 *Nomination and Appointment of Arbitrators*

1. *Number of Arbitrators.* - The parties may agree on the number of Arbitrators (i.e., one or three). If within 5 days from submission to arbitration the parties have not agreed that there shall be only one Arbitrator, three Arbitrators shall be appointed.
2. *Accredited Arbitrators.* - Nominees for appointment as Arbitrator under these Rules shall be chosen from the list of PDEX-accredited Arbitrators. PDEX shall inform nominees of their nomination as soon as the party or parties submit/s their name/s to PDEX.
3. *Appointment of Sole Arbitrator by Agreement of Parties.* - If a Sole Arbitrator shall be appointed, both parties may agree as to their choice of Arbitrator. The parties shall agree on their choice within 10 days from receipt from PDEX of a Notice to Choose Sole Arbitrator.
4. *Appointment of Sole Arbitrator by PDEX.* - If the parties cannot agree on the choice of a Sole Arbitrator within 10 days from their simultaneous receipt from PDEX of a Notice to Choose Sole Arbitrator, the Sole Arbitrator shall be appointed by PDEX within 5 days, in accordance with the following -
 - a. Each party shall nominate 3 Arbitrators. PDEX shall appoint the common nominee.
 - b. If there is more than one common nominee, PDEX shall appoint one of the common nominees.
 - c. In the absence of a common nominee or in cases where the common nominee is disqualified or is not available, PDEX shall appoint a nominee who is not a nominee of any one of the parties and who is not disqualified and is available.
5. *Appointment of Arbitral Tribunal.* - If the parties agree that the dispute shall be resolved by three Arbitrators, each party shall appoint one Arbitrator. Each Arbitrator thus appointed shall choose the third Arbitrator, who shall act as the Chairman of the Arbitral Tribunal. If the party-appointed Arbitrators cannot agree on the third Arbitrator, PDEX shall appoint the third Arbitrator.
6. *Acceptance of Appointment and Disclosure of Circumstances by Arbitrator/s.* - PDEX shall send to the appointed Arbitrator/s a Notice of Appointment. The Arbitrator must communicate to PDEX, within 5 days from receipt of said notice, with copies simultaneously furnished both parties, his refusal or, if he accepts, a Disclosure of Circumstances, if any, which will likely give rise to justifiable doubts as to his qualification, impartiality or independence.

7. *Challenge of Arbitrators.* - Any Arbitrator may be challenged if there are circumstances that lead to justifiable doubts as to the Arbitrator's qualification, impartiality or independence. A party challenging an Arbitrator shall send a Notice of Challenge within 10 days after receiving the Notice of Appointment, or the Disclosure of Circumstances, of the Arbitrator it is challenging. The Notice of Challenge shall be sent to PDEX, the party appointing the Arbitrator being challenged, the Arbitrator himself, and other members of the Arbitral Tribunal, if applicable. When an Arbitrator has been challenged by one party, the other party may agree to the challenge, or the Arbitrator may withdraw from office after the challenge. Neither case shall imply acceptance of the validity of the grounds for the challenge. If the other party does not agree to the challenge or the Arbitrator who is challenged does not withdraw, PDEX shall decide on the challenge.

8. *Appointment of Substitute Arbitrator.* - If the appointed Arbitrator refuses the appointment in accordance with par. 6 above, or if PDEX sustains the challenge in accordance with par. 7 above, a substitute Arbitrator shall be appointed or chosen in accordance with the procedure used to appoint or choose the Arbitrator who refused or was challenged.

Rule 11.10 Venue

Unless the parties have otherwise agreed, the venue of arbitration shall be Makati City, to the exclusion of other places. The date and time of the arbitration proceedings shall be mutually agreed upon by the parties and the Arbitrator/s. In case of failure to agree, the Arbitrator/s shall decide.

Rule 11.11 Arbitration Proceedings

1. *Commencement of Proceedings.* - Arbitration Proceedings may be commenced by the filing with PDEX of a Request for Arbitration as described in paragraph 15, Rule 11.6 of these Rules, copy furnished the other party, which document shall contain the following:
 - a. The full names of the parties, and their respective counsels, if any;
 - b. The addresses and contact numbers of the parties and their counsels to which communications may be validly made;
 - c. A summary of the submitting party's claims, and the other party's expected defenses; and
 - d. The issues to be resolved in question form.

2. *Answer.* - The other party shall file with PDEX an Answer within 15 days from receipt of the Request for Arbitration, copy furnished the submitting party.

3. *General Conduct of Proceedings.* - Subject to these Rules, the Arbitrator/s may conduct arbitration in such manner as it considers appropriate, provided that the parties are treated equally and that at any stage of the proceedings each party is given a full opportunity to present its case. A copy of all documents or

information supplied to the Arbitrator/s by one party shall at the same time be communicated by that party to the other party and to PDEX.

4. *Preliminary Conference.* - The Arbitrator/s shall set the case for preliminary conference not later than 15 days from the filing of the Answer, to consider, among others, the following:
 - a. Possibility of amicable settlement;
 - b. Briefing on rules and procedures; and
 - c. Execution of the Terms of Reference to be signed by the parties, their respective counsels, and the Arbitrator/s, which TOR shall control the arbitration proceedings.

The Arbitrators shall attach a Draft Terms of Reference to the Notice of Preliminary Conference.

5. *Terms of Reference.* - The Terms of Reference shall contain the following:
 - a. The full names of the parties, and their respective counsels, if any;
 - b. The addresses and contact numbers of the parties and their counsels to which communications may be validly made;
 - c. A summary of the parties' respective claims;
 - d. Full statement of admitted facts and documents;
 - e. The issues to be resolved in question form;
 - f. The relief or remedy sought;
 - g. Provisions for interim relief, appointment of experts and necessity of site inspection, if needed;
 - h. Names of witnesses, if any, and a brief description of the matters to be testified upon;
 - i. Desirability of and arrangements for recording of the proceedings;
 - j. The Arbitrator/s full name/s;
 - k. Venue of proceedings;
 - l. The breakdown, schedule of payments and sharing of arbitration fees;
 - m. Such other particulars as may be required by the Arbitrator/s for the proper and speedy adjudication of the dispute.

6. *Order of Presentation.* Generally, the party who seeks to enforce a right or establish a claim shall be required to present its evidence first, but it shall be within the discretion of the Arbitrator/s to determine the order of presentation of evidence.

7. *Oral Hearing.* In the event of an oral hearing, the Arbitrator/s shall give the parties at least 5 days prior notice of the date, time and place thereof. The Arbitrator/s may order the audio or audio-visual recording and transcription of

the parties' oral statements, if they deem it necessary, or if the parties have agreed thereto.

8. *Evidence.* The parties may offer such evidence as they desire. The Arbitrator/s may direct the production of additional documents and witnesses as they may deem necessary. Upon motion of either party, or upon its own initiative, the Arbitrator/s may direct any person, board, body, tribunal or government agency, agency or instrumentality, or corporation to produce real or documentary evidence necessary for the proper adjudication of the issues. The Arbitrator/s may also direct any person to give testimony or ask any clarificatory questions of any witness at any stage of the proceedings. The Arbitrator/s may require the exclusion of any witness or witnesses during the testimony of other witnesses.
9. *Affidavits in Lieu of Direct Testimony.* The Arbitrators may require the simultaneous submission of affidavits of witnesses in lieu of their direct testimonies, attaching thereto pertinent documents supportive of their respective declarations.
10. *Further Written Statements.* The Arbitrator/s shall decide whether further written statements shall be required, such as but not limited to, position papers, memoranda or draft decisions. If both parties agree to submit such position papers, memoranda or draft decisions, such filing shall be simultaneous. After the submission of the identified pleadings, the proceedings shall be considered closed and no further pleadings or papers shall be filed nor accepted for filing.
11. *Award.* The Arbitrator/s shall render the award within 30 days from the termination of the proceedings. When there are 3 Arbitrators, any award or other decision shall be made by a majority of the Arbitrators. The Award shall contain the issues involved, a brief statement and discussion of the facts, and the authority relied upon for the resolution or disposition of the issues, as well as a fixing of the costs of the proceedings and which of the parties shall bear the costs or in what proportion the costs shall be borne by each. The Award shall be final.
12. *Settlement as Award.* If the parties settle their dispute during the course of arbitration proceedings, the Arbitrator/s shall, upon the parties' request, adopt the agreed settlement as an arbitral Award. Similarly, a settlement reached through mediation shall be treated as an arbitral Award if so expressly stipulated by the parties, as provided in par. 14(d), Rule 11.6 of these Rules.
13. *Execution of Award.* An Award when confirmed shall be enforced in the same manner as final and executory decisions of the Regional Trial Court.
14. *Confirmation of Award.* At any time within one month after the award is made, any party to the controversy which was arbitrated may apply to the court having jurisdiction for an order confirming the Award; and thereupon the court must grant such order unless the Award is vacated, modified or corrected, as

prescribed hereunder. Notice of such motion must be served upon the adverse party or his attorney as prescribed by law for the service of such notice upon an attorney in action in the same court.

15. *Grounds for Vacating Award.* - In any one of the following cases, a competent court must make an order vacating the Award upon the petition of any party to the controversy, *within 30 days from receipt of the Award*, when such party proves affirmatively that in the arbitration proceedings:
- a. That Award was procured by corruption, fraud, or other undue means; or
 - b. That there was evident partiality or corruption in the Arbitrator/s; or
 - c. That the Arbitrator/s were guilty of misconduct in refusing to postpone the hearing upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; that one or more of the Arbitrator/s was disqualified to act as such, and willfully refrained from disclosing such disqualification or of any other misbehavior by which the rights of any party have been materially prejudiced; or
 - d. That the Arbitrator/s exceeded their powers, or so imperfectly executed them, that a mutual, final and definite award upon the subject matter submitted to them was not made.

Where an Award is vacated, the court, in its discretion, may direct a new hearing either before the same Arbitrator/s or before a new Arbitrator/s to be chosen in the manner provided in these Rules for the selection of the original Arbitrator/s, and any provision limiting the time in which the Arbitrator/s may make a decision shall be deemed applicable to the new arbitration and to commence from the date of the court's order.

When the court vacates an Award, costs and disbursements may be awarded to the prevailing party and the payment thereof may be enforced in like manner as the payment of costs upon the motion in an action.

16. *Grounds for Modifying or Correcting Award.* In any one of the following cases, the court must make an order modifying or correcting the Award, upon the application of any party to the controversy which was arbitrated:
- a. Where there was an evident miscalculation of figures, or an evident mistake in the description of any person, things or property referred to in the Award; or
 - b. Where the Arbitrator/s have awarded upon a matter not submitted to them, not affecting the merits of the decision upon the matter submitted; or
 - c. Where the Award is imperfect in a matter of form not affecting the merits of the controversy.

The order may modify and correct the Award so as to effect the intent thereof and promote justice between the parties.

17. *Appeals.* A decision of the Regional Trial Court confirming, vacating, setting aside, modifying or correcting an Award may be appealed to the Court of



Appeals in accordance with rules and procedures promulgated by the Supreme Court. The losing party who appeals from the judgment of the court confirming an Award shall be required by the appellate court to post a counterbond executed in favor of the prevailing party equal to the amount of the Award in accordance with the rules promulgated by the Supreme Court.

18. *Confidentiality of Proceedings and Awards.* Arbitration proceedings shall be confidential and only parties themselves, or their representatives, shall receive copies of the awards.

RULE 12
CONTINGENCIES

1. Trading Participants shall make adequate backup and contingency provisions to ensure a continuous and reliable link to the PDEX Trading System and other systems used by them and provided by PDEX for trading and settlement.
2. Trading outside of the PDEX Trading System shall be allowed where both production and backup systems are down.
3. If trades are done outside of the PDEX Trading System under the immediately preceding paragraph, the Trading Participant that is the buyer of the securities shall take the responsibility of immediately furnishing PDEX the details of the trade and immediately executing such transaction on PDEX. Failure of the buyer and the seller to perform the obligation required herein shall subject each of them to a penalty as prescribed by PDEX, in consultation with the Trading Participants.

**RULE 13
BENCHMARKS**

PDEX Philippine Government Securities Benchmark Yields shall be calculated according to the Calculation Guidelines for the PDST as agreed upon by the Dealing Participants and as approved by PDEX.



RULE 14
INTERPRETATION OF THE RULES

These Rules are to be applied/implemented and/or interpreted, if necessary:

1. In accordance with their spirit, intention, and purpose;
2. By looking beyond form to substance; and
3. In a way that best promotes the principles of fair practice and honest dealings.



RULE 15
COMPLIANCE, MARKET SURVEILLANCE, AND DISCIPLINE

Part One -The Compliance and Surveillance Department and the Market Compliance and Discipline Committee

Rule 15.1 Compliance and Surveillance Department (CSD)

1. The CSD shall carry out the regulatory enforcement role of PDEX under the Securities Regulation Code (SRC) through:
 - a. Surveillance of trading on PDEX;
 - b. Investigation of violations of these Rules and the SRC by Trading Participants and Issuers;
 - c. Regular examinations of Trading Participants;
 - d. Investigation of Trading Participants and their personnel based on audit findings, reports of unusual or irregular trading activities, and complaints filed by other Trading Participants for alleged irregularities as defined in SRC and these Rules;
 - e. All other tasks or regulatory activities that may be required by PDEX, mandated by the SRC, or assigned by the relevant regulatory agencies.
2. The CSD shall have the power to:
 - a. Enforce compliance by each Trading Participant and Issuer, and their respective personnel, with the SRC and these Rules;
 - b. Conduct investigations at the instance of PDEX' other internal units or other external sources, based on affidavits, departmental findings, and other pertinent documents submitted to it or otherwise accessible to it if the information provided, as determined by the CSD, raise a suspicion that violations of SRC and/or these Rules have been committed;
 - c. Audit, examine and inspect the books and records of Trading Participants, except as otherwise provided under Part Two of this Rule 15;
 - d. Issue trading halts or suspensions pending investigation of any irregularities or violations of SRC or these Rules;
 - e. Recommend to the Market Compliance and Discipline Committee the institution of Disciplinary Proceedings and imposition of appropriate sanctions or penalties on violators.
 - f. For purposes hereof, and of this Rule 15, the terms "audit", "examine" and "inspect" and their derivatives are used interchangeably; *Provided, However,* That such words shall merely convey the obligations of PDEX under the SRC to examine Trading Participants to monitor compliance with the SRC and these Rules.

3. The CSD shall maintain records of all investigations or examinations conducted.

Part Two - Examinations of Trading Participants

Rule 15.2 Scope of this Part Two

This Part Two on Examinations of Trading Participants shall be subject to relevant agreements between regulatory authorities and the Exchange as to examinations of Trading Participants.

Rule 15.3 Examination of Books and Records of Trading Participants

In the last quarter of the year, the CSD shall prepare a work program and schedule for the regular audit of all Trading Participants for the following year, for approval of the Market Compliance and Discipline Committee. The approved examination calendar shall be submitted to the Commission for its information, within the applicable time period. The Commission may require the amendment of the calendar where the same is deemed consistent with the interest of the public and the protection of investors.

Rule 15.4 Regular Examinations of Trading Participants

1. The CSD shall conduct an on-site examination of Trading Participants to ensure and determine that the SRC and the Rules are complied with and that proper records are maintained and kept current, including the completeness of the contents thereof, and the accuracy and integrity of the same.
2. The Trading Participant shall provide access to and, if requested, a copy of, documents and papers for inspection of the CSD to facilitate the accomplishment of the examination in the shortest time possible; *Provided, However*, that submission of such documents shall be in accordance with PDEX' formal and substantial requirements.
3. The CSD shall prepare initial examination findings (Examination Findings) on the Trading Participant. The Compliance Officer shall attend a conference to discuss the Examination Findings and give the Trading Participant the opportunity to comment on the same.
4. If the Trading Participant concedes the Examination Findings, the CSD shall terminate the examination, subject to such further action and/or post-examination as may be deemed appropriate by PDEX in cases where corrective action is required of the Trading Participant. Otherwise, the Trading Participant shall respond formally to the Examination Findings and the CSD shall assess whether there is a need to conduct a further examination to verify the reply of the Trading Participant or terminate the examination.
5. The CSD shall prepare an Examination Report, setting forth its activities relative to the Examination conducted, a review of non-compliances found, comments made thereon by the Trading Participant, and the results of any post examination conducted.
6. An examination, including completion of the Examination Report shall be terminated within sixty (60) days from commencement of examination. Such

- period may be extended upon the sole discretion of PDEX if the Trading Participant has responded to the Examination Findings which has resulted in the need for a post-examination or for other just and meritorious grounds.
7. The Trading Participant shall be officially informed of the termination of the Examination.
 8. The CSD shall, within fifteen (15) days from the termination of the examination, inform the Trading Participant in writing of deficiencies noted, and direct the Trading Participant to correct the same within a prescribed period. The Trading Participant shall submit a Compliance Report within ten (10) days from expiration of the period given to remedy any deficiency, reporting to PDEX its compliance with PDEX' directive and action taken thereon. PDEX may verify the contents of the Compliance Report in the manner it deems fit.
 9. The CSD shall elevate the matter to the Market Compliance and Discipline Committee for its confirmation, with a recommended sanction for the violation noted. The Market Compliance and Discipline Committee may approve the recommended sanction or modify the same if, in its determination, the recommended sanction is incorrect or not warranted by the examination findings, or a higher sanction is required to achieve a desired penal and/or deterrent effect, *Provided, However,* That such modified sanction is not inconsistent with the PDEX Rules and/or the Securities Laws. If the Market Compliance and Discipline Committee should deem an investigation appropriate, it shall direct the CSD to conduct the same, and the matter shall be investigated as an Internal Investigation under these Rules.
 10. Unless required by law or the relevant authorities, the CSD shall not disclose to third persons any information which CSD receives, gathers or otherwise comes into possession of, in the course of its examination.

Rule 15.5 For-Cause Examinations

PDEX, through the CSD, may conduct an examination for cause (For-Cause Examinations) in a similar manner where any investigation commenced results in a determination by the CSD that there is a need to conduct an on-site examination of the Trading Participant involved.

Rule 15.6 Spot Checks

PDEX, through the CSD, may conduct an examination on a random basis in a similar manner, to ensure that Trading Participants are in compliance with their obligations under SRC and/or these Rules. The CSD shall elevate its findings to the Market Compliance and Discipline Committee for its confirmation, with a recommended sanction for the violation noted. The Market Compliance and Discipline Committee may approve the recommended sanction or modify the same if, in its determination, the recommended sanction is incorrect or not warranted by the examination findings, or a higher sanction is required to achieve a desired penal and/or deterrent effect, *Provided, However,* That such modified sanction is not inconsistent with the PDEX Rules and/or the Securities Laws. If the Market Compliance and Discipline Committee

should deem an investigation appropriate, it shall direct the CSD to conduct the same, and the matter shall be investigated as an Internal Investigation under these Rules.

Part Three - Investigation of Violations

Rule 15.7 Commencement of Investigation

1. The CSD shall investigate Trading Participants, Issuers, and their respective personnel based on complaints, audit findings or unusual trading activities coming from the following sources:
 - a. Complaints filed directly with CSD shall be governed by the provisions on “External Complaints Investigations”: *Provided That*, any matter referred to the CSD for investigation or examination should be in writing addressed to the CSD stating the reason or nature of the complaint or referral. The CSD shall not be obliged to entertain or give due course to anonymous complaints or referrals.
 - b. Reports of trading-related irregularities based on the day-to-day monitoring of the market by the Trading Department, whether *motu proprio* or at the instance of another internal unit of PDEX;
 - c. Reports of listing- or enrollment-related violations of these Rules by Issuers or their personnel by the Admissions Department or another internal unit of PDEX;
 - d. Referrals by the Commission; or
 - e. Other matters properly coming to the attention of the CSD, whether through official or unofficial means which, in the discretion of the CSD, warrant an investigation, which shall be governed by the applicable investigation rules as reasonably determined by the CSD.

Rule 15.8 External Complaints Investigations

1. A Complainant shall file a complaint (Complaint) through the CSD, against any Trading Participant₂ or its personnel, for any irregularity in securities transactions within the applicable prescriptive period.
 - a. PDEX shall prescribe the form and minimum contents of the Complaint.
 - b. Should the complainant be an investor and/or if the conduct complained of involves a suspected fraud, market manipulation and/or insider trading violation, the same shall be investigated under the rules on Internal Complaints Investigations, in which case the matter shall promptly be referred to the Trading Department for preparation of an Incident Report.
2. Upon receipt of the Complaint, the Complaint may be dismissed for deficiency in form and/or substance, or be given due course and assigned to the Investigation Unit for investigation in accordance with this Rule.
3. The CSD shall have the power as granted under the SRC and these Rules to do and perform all acts necessary and desirable to bring all material and relevant facts to light.

4. The CSD shall be responsible for the preparation and completion of an Investigation Report narrating in sufficient detail the conduct complained of, its findings from inspection of books, interview of relevant persons, and other investigation methods used, and appending thereto all supporting evidence.
5. Upon completion of the Investigation Report, the CSD elevate the same to the Market Compliance and Discipline Committee with a recommendation (Recommendation) on whether or not a Disciplinary Proceeding should be instituted against the Trading Participant and/or its personnel. The Market Compliance and Discipline Committee shall determine the propriety of instituting a Disciplinary Proceeding in accordance with these Rules.

Rule 15.9 Internal Complaints Investigations

The following rules shall govern investigation and disposition of complaints, whether the same are initiated by referrals from the Commission or other internal units of PDEX: 1) determined by the CSD to be within the Commission's primary investigative authority for persons outside PDEX' jurisdiction; or 2) involving fraud, market manipulation or insider trading offenses, or 3) involving listing- or enrollment-related violations of these Rules by Issuers or their personnel:

1. The Trading Department shall submit an Incident Report to the CSD in the following cases:
 - a. Upon request from the CSD if it suspects that transactions are possibly fraudulent, market manipulative in nature, or are indicative of insider trading or other violation, or in cases where the Commission refers a matter for investigation;
 - b. On its own initiative, where it believes that the same is warranted.
2. Requests from the CSD or the Admissions Department shall indicate the factual basis for the suspicion, the suspicious incident or conduct, including background facts that give rise to the suspicion, and include relevant and credible information relied upon to support the conclusion.
3. The Incident Report shall be contain the following information:
 - a. Trading data, summaries and conclusions;
 - b. Trading profile and historical activity of the Trading Participant and preliminary determination as to whether or not the suspicious incident or conduct deviates from the profile;
 - c. Relevant or material recordings of telephone or other conversations that tend to support the conclusion that the incident or conduct is indeed suspicious
 - d. Other information that illustrate the trading environment on or around the time of the suspicious incident or conduct.
4. Upon receipt of the Incident Report, the CSD shall perform fact-finding and data gathering activities designed to bring all material and relevant facts to light. Pursuant hereto, the CSD may:

- a. Make written inquiries from persons believed to be involved who are within PDEX' jurisdiction to elicit written responses and/or admissions on matters material and relevant to the determination of the facts as they occurred, the personalities involved, and the participation of each.
 - b. Ascertain any breach of supervision and pursuant thereto, shall inquire of the Associated Person of any Trading Participant believed to be involved (i) if the suspicious incident or conduct was noted, (ii) whether any action was taken, (iii) the substance of the action taken, and (iv) the production of all investigation or other reports relative to any action taken by the Associated Person on the suspicious incident or conduct.
 - c. Have the power as granted under the SRC and these Rules to do and perform all acts necessary and desirable to bring all material and relevant facts to light.
5. The CSD shall prepare an Investigation Report narrating in sufficient detail the conduct complained of, its findings from the fact-finding efforts taken, and conclusions identifying personalities involved, respondents and their particular violative acts, appending thereto all supporting evidence.
 6. Upon completion of the Investigation Report, the CSD shall endorse the matter to the Commission with notice to the Market Compliance and Discipline Committee. In such cases, PDEX shall recognize the Commission's primary investigative jurisdiction over the matter. However, nothing herein shall be construed to deprive PDEX of its right to continue with the investigation to ascertain violations of its Rules and discipline persons determined to be involved therein.
 7. Where possible violations of these Rules are suspected, the CSD may authorize the conduct of an examination and/or further investigation of the Trading Participant and/or its Associated Person.
 8. If an examination is conducted, the results thereof shall be appended to the Investigation Report and shall form part thereof. Also, results of further investigation shall likewise be appended in a similar manner. The Investigation Report shall be elevated by the CSD to the Market Compliance and Discipline Committee with a recommendation (Recommendation) on whether or not a Disciplinary Proceeding should be instituted against persons involved who are subject to PDEX' jurisdiction. The Market Compliance and Discipline Committee shall determine the propriety of instituting a Disciplinary Proceeding in accordance with these Rules.
 9. Simultaneously therewith, the Investigation Report shall be submitted to the Commission in compliance with the SRC.

Rule 15.10 Duty and Responsibility of Trading Participant, Issuer and Personnel on Investigations

It shall be the duty and responsibility of the Trading Participant, Issuer and their personnel to comply with the orders of PDEX for the purpose of obtaining information about any matter which it considers may relate to these Rules or to the integrity of PDEX' markets.



Rule 15.11 PDEX Powers During an Investigation

PDEX shall have the power in any investigation to do any of the following acts:

1. Require the immediate production by a Trading Participant or Issuer of accurate and material information about its business and transactions in such form as prescribed by PDEX;
2. Require the production by a Trading Participant or Issuer of documents (which, for the purposes of these Rules, shall include anything in which information of any description is recorded) in the Trading Participant's or Issuer's possession, custody, power or control;
3. Interview any employee or agent (or any employee of such agent) of a Trading Participant or Issuer and require such person to answer questions and provide explanations and/or require answers and explanations from the Trading Participant or Issuer and record such answers and explanations in such format as is deemed appropriate and desirable;
4. Require the attendance, upon reasonable notice, of any employee or agent (or any employee of such agent) of a Trading Participant or Issuer at a specified date, time and place, to answer questions, provide explanations and/or give evidence and require the Trading Participant or Issuer to procure such attendance;
5. Require the provision of information relating to any person who is to be, is or has been an employee or agent (or any employee of such agent) of the Trading Participant or Issuer or engaged in its business; and
6. Send any authorized representative to a Trading Participant's or Issuer's offices at any time, for the purpose of inspections and investigations and to ensure compliance with these rules.

Rule 15.12 Confidentiality of Investigation and Information Gathered Through Investigation

Unless required by law or the relevant authorities, the CSD shall not disclose to third persons any information, which CSD receives, gathers or otherwise acquires in the course of its investigation and resolution of the case.

Part Four - Disciplinary Proceedings

Rule 15.13 The Market Compliance and Discipline Committee

1. The Market Compliance and Discipline Committee shall be composed of the independent directors serving in the Market Governance Board, including the PDEX representative in the Market Governance Board, with the same Chairman.
2. The discipline of Trading Participants relative to violations of the SRC and these Rules shall be referred by the CSD to the Market Compliance and Discipline Committee or its successor body in proper cases, with a

- recommendation for the institution of Disciplinary Proceedings. The Market Compliance and Discipline Committee shall determine whether the same is warranted and, where it so finds, conduct the Disciplinary Proceedings in accordance with this Part Four.
3. The Market Compliance and Discipline Committee shall take cognizance of the compliance matter as a Disciplinary Panel. The Chairman of the Market Compliance and Discipline Committee shall perform the functions of a Hearing Officer.
 4. The Market Compliance and Discipline Committee shall appoint a secretary who shall perform the duties prescribed in this Rule, and shall perform such other functions as may be delegated or entrusted to him from time to time.
 5. The Market Compliance and Discipline Committee, after due notice and hearing, and the conduct of proceedings in accordance with these Rules, shall:
 - a. Impose appropriate sanction/s; or
 - b. Dismiss the case if the evidence does not warrant further action by the Market Compliance and Discipline Committee.

Rule 15.14 Proceedings of the Market Compliance and Discipline Committee as a Disciplinary Panel

1. The Market Compliance and Discipline Committee shall set the case for hearing within twenty-one (21) days from its determination that a Disciplinary Proceeding is warranted.
2. The secretary of the Market Compliance and Discipline Committee shall cause a notice of hearing to be sent to the respondent specifying, among others, the statement of the offense, and the time and place for the hearing.
3. At the hearing, the respondent shall have the right to be heard and to present evidence on its own behalf. Reception of evidence may be conducted at more than one hearing, if need be, provided that the hearings shall be concluded within thirty (30) days from the first hearing, after which no further reception of evidence shall be allowed. Extensions of this period shall be allowed at the sole discretion of the Market Compliance and Discipline Committee.
4. The Market Compliance and Discipline Committee, through its Secretary, shall keep and maintain a written record of all its proceedings, for the period provided under the SRC.
5. If the Market Compliance and Discipline Committee finds the respondent guilty of the offense, it shall have the power to impose the sanctions provided for in these Rules.
6. The Market Compliance and Discipline Committee shall have the power to continue with the proceedings and decide on the matter if the respondent does not appear despite due notice. For purposes hereof, notice shall be deemed to have been given if the same was given in any of the manners allowed under these Rules.
7. The Market Compliance and Discipline Committee shall at all times, only have power to act when there exists a quorum which shall exist when a majority of

its members are present. However, for purposes of hearing and receiving evidence of the respondent, the Market Compliance and Discipline Committee may delegate the same to the Chairman. In deciding cases, the decision of the majority of the members of the Market Compliance and Discipline Committee shall prevail and shall be considered as the decision of the Market Compliance and Discipline Committee.

8. The Market Compliance and Discipline Committee shall weigh evidence for or against a party in accordance with the rule on substantial evidence in administrative investigations. Substantial evidence shall mean such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.
9. The Market Compliance and Discipline Committee shall send a Notice of Decision to the parties involved setting out the details of the offense, a summary of the evidence presented, and sanctions imposed. The party against whom the decision was made shall have the right to appeal to the Commission in accordance with the SRC.

Rule 15.15 Effects of Suspension

1. Where the Trading Participant's participation is suspended, the Trading Participant shall not be permitted to trade during the period of suspension, unless the Trading Participant does so with the approval of, and under the conditions imposed by, the Market Compliance and Discipline Committee.
2. The Trading Participant shall, during the period of suspension:
 - a. Be liable for payment of all fees and levies due to PDEX; and
 - b. Continue to comply with the SRC and these Rules.
3. Should the Trading Participant refuse or fail to pay the required fees despite notice and demand, PDEX may consider terminating the participation of the Trading Participant. Nevertheless, such termination shall not relieve the Trading Participant from payment of the fees due PDEX.

Rule 15.16 Effects of Termination

1. A Trading Participant whose participation has been terminated, and who appeals to the Commission against such termination, shall be deemed to have been suspended, and the provisions of this Rule, insofar as it relates to the suspension of a Trading Participant's participation, shall apply *mutatis mutandis* to the Trading Participant, until the decision of the Commission shall have become final.
2. Should there be a termination of a Trading Participant's participation, the Trading Participant shall forfeit:
 - a. All rights under and by virtue of these Rules or any agreement with PDEX; and
 - b. Any fees or levies paid to PDEX.

3. A decision for the termination of the participation may be subject to such other conditions as PDEX Market Compliance and Discipline Committee deems fit and to such actions as the latter may direct.

RULE 16
RULEMAKING AND AMENDMENT PROCESS**Rule 16.1 General**

Amendments to these Rules or proposed rules (Proposals) may be proposed in accordance with this Rule 15. All Proposals shall be in rule form, giving a background and justification therefor, and, where applicable, clearly indicating the Rule to be amended, as well as the amendatory language.

Rule 16.2 The PDEX Market Governance Board

1. The PDEX Market Governance Board (Market Governance Board) shall be comprised of nine (9) members who shall serve as Governors, with the Chairman of the PDEX Investor Committee as its *ex officio* chairman. The membership of the Market Governance Board shall be as follows:
 - a. Three independent Governors and their alternates;
 - b. Four industry Governors and their alternates who shall be qualified as such by the Corporate Governance Committee;
 - c. The PDEX Chairman, with the President as alternate.

Rule 16.3 Role of the PDEX Market Governance Board in Rulemaking

The PDEX Market Governance Board shall have the powers delegated to it by the PDEX Board of Directors and shall consult and/or confirm with the latter on its actions hereunder. Pursuant hereto, it shall have the power to create a Sub-Committee, define the composition thereof, and delegate powers thereto, in accordance with its own mandate.

1. The Sub-Committee shall include representatives from departments of PDEX upon whose operation the Proposal can reasonably be perceived to have an impact.
2. The Market Governance Board may modify the composition of Sub-Committees created in accordance herewith where it deems the same to be warranted.

Rule 16.4 Comment Solicitation, Submission and Consideration

The Proposal shall be disseminated for public comment simultaneous with submission of the same to the Commission.

1. The comment period shall be twenty (20) days from the dissemination of the Proposal for comment. Any extensions shall be at the sole discretion of the Market Governance Board.

2. All comments shall be clearly marked, if the same are directly incorporated into the Proposal.
3. All comments shall clearly explain the reasons therefor.
4. Failure to submit comments within the period provided shall constitute a waiver of the benefits of this Rule.
5. Notwithstanding the period given herein, a longer period may be necessary to resolve issues arising from comments received, provided that the comment was received within the period given.
6. The Market Governance Board shall receive and consider all written comments within the comment period but shall be under no obligation to incorporate the same into the Proposed Rule should it deem the comment to be inappropriate, not in the best interests of the market in general and/or the PDEX, or for such other reasons that it deems just and equitable under the circumstances.

Rule 16.5 Proposal Revision and Approval by the Market Governance Board

1. After the lapse of the comment period, the Sub-Committee, if any, shall revise the Proposal as it sees fit based on the merits of the comments received and seek the approval of the Market Governance Board thereon.
2. The Market Governance Board may, in its discretion, where it deems the same to be warranted:
 - a. Give its approval;
 - b. Require further revision; or
 - c. Withdraw the ongoing rulemaking process, with notice to the PDEX Board of Directors.
3. Where further revision is required, the revision process shall be in accordance with the directions of the Market Governance Board.
4. Upon approval of the Market Governance Board, the approved Proposal shall be submitted to the Commission for its approval, with dissemination of the same for public information.

Rule 16.6 SEC Approval

Trading Participants and other relevant parties shall be informed of the approval of the Proposal by the Commission, and be furnished copies of the affected rule, as amended or the new rule, as applicable.

Rule 16.7 Withdrawal of Proposals

PDEX may withdraw any Proposal, even where there has already been dissemination of the same hereof provided the same has not been submitted to the Commission for its approval under paragraph 5 of this Rule.

1. In such cases, all parties notified of the Proposal shall be similarly notified of PDEX' action to abandon the ongoing rulemaking process.

2. A withdrawal may only be made upon approval of the Market Governance Board, with notice to the PDEX Board of Directors.

Rule 16.8 Emergency Rules

The Market Governance Board, on its own or upon recommendation of an internal PDEX unit, may approve an emergency rule for immediate effect for the protection of investors, the maintenance of fair and orderly markets, or the safeguarding of securities and funds.

In such cases, the emergency rule shall be promptly filed with the Commission.

Rule 16.9 Adoption of Policies, Practices or Interpretations

With respect to policies, practices, interpretations of existing rules or the adoption of PDEX issuances concerning solely matters of administration, the same may be presented to the Market Governance Board by any unit of PDEX, without dissemination for comment. However, the Market Governance Board, before approving the same for adoption shall ensure that an adequate internal process is conducted that allows relevant feedback from all affected units of PDEX. Upon approval of the Market Governance Board, the same shall be submitted to the Commission for its action. The policy, practice, interpretation or other PDEX issuance may be given effect within ten (10) days from submission to the Commission.

Rule 16.10 Notices

Dissemination and notices required under this Rule shall be as follows:

1. Dissemination by the Market Governance Board or any other notice emanating from PDEX may be effected via transmission through: (a) the FITW; or (b) posting on the PDEX website (www.pdex.com.ph) with notice of the same through the FITW; or (c) electronic mail. For purposes hereof, dissemination shall be deemed to have been received on the day of transmission or posting, as the case may be, and the comment period shall be reckoned therefrom.
2. Notice other than from PDEX or the Market Governance Board and/or Sub-Committees shall be given in signed printed form, delivered by personal delivery. Presumptive receipt shall be deemed to have taken place within three (3) days from delivery.

Rule 16.11 Records of Rulemaking Proceedings

The Market Governance Board and Sub-Committees shall keep and maintain a record of all rulemaking proceedings undertaken.

Rule 16.12 Transitory Provisions on Rulemaking

While the Committees required to be formed under this Rule shall have not been formed, or have not been completely constituted, rules shall be adopted and amended in accordance with this Rule 16.12:

1. PDEX shall, through its Board, approve a rule for exposure to Trading Participants and to the public, in the same manner as delivery of Notices. Simultaneously herewith, the proposed rule shall be filed with the Commission for information.
2. The proposed rule shall undergo a comment period of at least twenty (20) days, which shall be indicated in the Notice, upon exposure as provided in the preceding sub-paragraph.
3. PDEX shall collate and consolidate all comments, and revise the proposed rule as appropriate, considering the comments received.
4. The revised proposed rule shall be re-submitted to the Commission for its approval with the consent of the PDEX Board. The filing with the Commission shall include the comments received, giving justifications for the revisions, or non-incorporation of comments, as applicable.

RULE 17 SANCTIONS AND GUIDELINES

Rule 17.1 *General Provisions and Guidelines*

1. This sanctions rule provides a framework for disciplinary action on erring Trading Participants.
2. The basic framework for the disciplinary approach is to focus on erring individuals, to ensure that they take a posture that is mindful of their compliance obligations to PDEX.
3. Violations of Trading Participants are directly imputable to those who have charge of ensuring the Trading Participant's compliance with these Rules. Hence, should infractions occur, disciplinary action shall be taken against such individuals.

Rule 17.2 *General Scale of Sanctions*

1. Except as otherwise provided, PDEX may impose the penalties imposed under its Consolidated Fines and Penalties schedule duly approved by the Commission, based on the gravity, frequency and egregiousness of the conduct. PDEX reserves the right to further impose applicable penalties in accordance with current penalty schedules of the Commission, where the PDEX's penalty schedules are silent on the applicable monetary penalty for the violation.
2. The following sanctions may be imposed in combination with those in the preceding paragraph, depending on the facts and circumstances attendant in the case. These additional sanctions may likewise be imposed singly or in combination.
 - a. Publicly censure the respondent;
 - b. Limit the activities of the respondent in PDEX;
 - c. Require the respondent to execute an undertaking regarding the future conduct of the respondent; and
 - d. Require the respondent to take steps to remedy or prevent the recurrence of the misconduct which has given rise to the violation(s) or proceedings.
3. Should the Trading Participant's violation result in a loss or suspension of its underlying SEC license/registration as a Dealer, its participation in PDEX shall immediately be terminated or suspended, as warranted. In such cases, restoration of the same shall be based on a showing that the underlying SEC license/registration has likewise been restored, subject to such reasonable conditions that PDEX may impose.



4. Where the violation could constitute a violation of the SRC, PDEX shall report the violation to the SEC for appropriate action and such other relevant regulatory authorities as may be warranted.
5. All violations and its corresponding sanctions shall be reported to the appropriate regulatory authorities.



CONSOLIDATED FINES AND PENALTIES

1. *Classifications of Violations.* There shall be three (3) classifications of violations of these Rules: (a) Category III violations; (b) Category II violations; and (c) Category I violations. Except as may otherwise be provided for explicitly in this or other Rules, the penalties associated with violations of these Rules shall be in accordance with the classification of the violation.
2. *Penalties Associated with Category III Violations.* Category III Violations shall carry the following penalties, which may be imposed singly or in combination:
 - a. Reprimand and Penalty in the amount of FIFTY THOUSAND PESOS (P50,000.00) unless otherwise explicitly provided by applicable Rule;
 - b. Denial of the right of the Trading Participant and/or its authorized personnel to (i) trade on the PDEX Trading System; and/or (ii) access the systems and facilities of PDEX;
 - c. Blacklist and bar from PDEX or from being otherwise associated with or employed by any Trading Participant or PDEX;
 - d. In all cases, PDEX shall be entitled to charge any lost transaction fees where the same were caused by the violation.
3. *Penalties Associated with Category II Violations.* Category II Violations committed within the calendar year shall carry a penalty of a Reprimand and the following applicable penalty:
 - a. 1st Violation - TEN THOUSAND PESOS (P10,000.00);
 - b. 2nd Violation - TWENTY THOUSAND PESOS (P20,000.00). In addition thereto or in lieu thereof, PDEX shall have the right to suspend the Trading Participant and/or its authorized personnel.
 - c. 3rd and subsequent violations - THIRTY THOUSAND PESOS (P30,000.00) In addition thereto or in lieu thereof, PDEX shall have the right to suspend the Trading Participant and/or its authorized personnel.
 - d. In all cases, PDEX shall be entitled to charge any lost transaction fees where the same were caused by the violation.
4. *Penalties Associated with Category I Violations.* Category I Violations committed within the calendar year shall carry the following penalties:
 - a. 1st Violation - Warning
 - b. 2nd Violation - Reprimand

- c. 3rd and Subsequent Violations - a penalty of FIVE THOUSAND PESOS (P5,000.00)
- d. In all cases, PDEX shall be entitled to charge any lost transaction fees where the same were caused by the violation.