

**PROPOSED AMENDMENTS TO THE  
PDEX RULES FOR THE FIXED INCOME SECURITIES MARKET, AS AMENDED:  
FAILED TRADE AND DELAYED SETTLEMENT**

**PROPOSED AMENDMENTS TO** : Rule 8.4(17) Settlement Participants, PDEX Rules

**Rationale for the Proposal** : (a) In recognition of the delays encountered due to operational matters with consideration of maintaining the importance of settlement discipline, allow trades to be settled up to two business days immediately succeeding the original settlement date (S+2) with payment of fees per day of delay without being considered a Failed Trade.

(b) To provide for a consistent approach in the settlement of both Corporate Bonds and Government Securities in light of the NRoSS GS Settlement System’s non-application of authorization cut-off.

**ACTION** : FOR COMMENTS AND SEC INFORMATION

<b>PDEX RULES</b>		
<b>CURRENT RULE</b>	<b>PROPOSED AMENDMENT (2016 submission to the SEC for Approval)</b>	<b>PROPOSED AMENDMENT (2019 revision)</b>
<p><b>Rule 8.3 Definitions</b></p> <p>19. xxx</p> <p>20. xxx</p>	<p><b>Rule 8.3 Definitions</b></p> <p>19. xxx</p> <p>20. <i>Extension Window</i> shall refer to a special extended time period specified in the Timeline within which eligible trades under Rule 8.4(17)(a)(ii) may be authorized after the cut-off authorization time specified in the Timeline.</p> <p>201. xxx</p>	<p><b>Rule 8.3 Definitions</b></p> <p>19. xxx</p> <p>20. <del><i>Extension Window</i> shall refer to a special extended time period specified in the Timeline within which eligible trades under Rule 8.4(17)(a)(ii) may be authorized after the cut-off authorization time specified in the Timeline.</del></p> <p>201. xxx</p> <p>Note: The numbering of the provisions shall be revised to reflect the correct sequential order.</p>

<b>PDEX RULES</b>		
<b>CURRENT RULE</b>	<b>PROPOSED AMENDMENT (2016 submission to the SEC for Approval)</b>	<b>PROPOSED AMENDMENT (2019 revision)</b>
<p><b>Rule 8.4 Settlement Participants</b></p> <p>17. Management of Failed Trades and Delayed Settlements</p> <p>a. Definition</p> <p>i. There is deemed to be a Failed Trade if, at the final cut-off time specified in the Timeline, any or both Settlement Participants failed to authorize the Trade; or the Buyer did not have sufficient cash at that time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade.</p>	<p><b>Rule 8.4 Settlement Participants</b></p> <p>17. Management of Failed Trades and Delayed Settlements</p> <p>a. Definition</p> <p>i. There is deemed to be a Failed Trade if, at the final cut-off time specified in the Timeline, any or both Settlement Participants failed to authorize the Trade; or the Buyer did not have sufficient cash at that time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade, provided, however, that if it did not settle at the final cut-off time specified in the timeline on the settlement date but was settled on or before the final cut-off time specified in the timeline of up to two (2) business days immediately succeeding the original settlement date (S+2), such trade shall not be deemed as a Failed Trade provided that all the conditions below are present:</p> <p>a. All the details of the Trade are correct (among others, correct face amount, correct security, correct side (buy or sell), correct yield, correct PIC);</p>	<p><b>Rule 8.4 Settlement Participants</b></p> <p>17. Management of Failed Trades and Delayed Settlements</p> <p>a. Definition</p> <p>i. There is deemed to be a Failed Trade if, at the final cut-off time specified in the Timeline, any or both Settlement Participants failed to authorize the Trade; or the Buyer did not have sufficient cash at that time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade, provided, however, that if it did not settle at the final cut-off time specified in the timeline on the settlement date but was settled on or before the final cut-off time specified in the timeline of up to two (2) business days immediately succeeding the original settlement date (S+2), such trade shall not be deemed as a Failed Trade provided that all the conditions below are present:</p> <p>a. All the details of the Trade are correct (among others, correct face amount, correct security, correct side (buy or sell), correct yield, correct PIC);</p>

<b>PDEX RULES</b>		
<b>CURRENT RULE</b>	<b>PROPOSED AMENDMENT (2016 submission to the SEC for Approval)</b>	<b>PROPOSED AMENDMENT (2019 revision)</b>
	<p>b. The Trade was authorized by at least one counterparty;</p> <p>c. All the required documents to show settlement of said trades are submitted on or before the next business day after the day of settlement of said trades;</p> <p>d. The Trade was settled in the same settlement location in the manner as shall be prescribed; and</p> <p>e. Payment of the following fees shall be made:</p> <ol style="list-style-type: none"> <li>1. Payment of 0.5 bp based on the face value but not to exceed Php 5,000 for trades that settle on the immediately succeeding business day after original settlement date (S+1); or</li> <li>2. Payment of 1bp based on the face value but not to exceed Php 10,000 for trades that settle on two (2) business days immediately succeeding the original settlement date (S+2).</li> </ol>	<p>b. The Trade was authorized by at least one counterparty;</p> <p>c. All the required documents to show settlement of said trades are submitted on or before the next business day after the day of settlement of said trades;</p> <p>d. The Trade was settled in the same settlement location in the manner as shall be prescribed; and</p> <p>e. Payment of the following <b>surcharge</b> fees shall be made:</p> <ol style="list-style-type: none"> <li>1. Payment of <b>a surcharge fee of</b> 0.5 bp based on the face value but not to exceed Php 5,000 for trades that settle on the immediately succeeding business day after original settlement date (S+1); or</li> <li>2. Payment of <b>a surcharge fee of</b> 1bp based on the face value but not to exceed Php 10,000 for trades that settle on two (2) business days immediately succeeding the original</li> </ol>

<b>PDEX RULES</b>		
<b>CURRENT RULE</b>	<b>PROPOSED AMENDMENT (2016 submission to the SEC for Approval)</b>	<b>PROPOSED AMENDMENT (2019 revision)</b>
	<p>For clarity, trades that: (1) do not settle at all; or (2) settle beyond S+2; or (3) settle up to S+2 but does not meet the conditions provided above shall be considered as Failed Trades and shall be subject to penalties provided under Rule 8.4.17(h).</p>	<p style="text-align: right;">settlement date (S+2).</p> <p>For clarity, trades that: (1) do not settle at all; or (2) settle beyond S+2; or (3) settle up to S+2 but does not meet the conditions provided above shall be considered as Failed Trades and shall be subject to penalties provided under Rule 8.4.17(h).</p>
<p>ii. There is deemed to be a Delayed Settlement if, the trade was settled on the settlement date but was not authorized at the time specified in the Timeline, or was not settled at the specified Turnaround Trade cut-off time specified in the Timeline. “Turnaround Trade” shall be defined as a trade whose settlement is dependent on the settlement of another trade.</p>	<p>ii. There is deemed to be a Delayed Settlement <b>Authorization</b> if, the trade was settled on the settlement date but was not authorized at the time specified in the Timeline and the counterparties to the trade are not from the same institution or was not settled at the specified Turnaround Trade cut-off time specified in the Timeline.</p> <p>Notwithstanding the foregoing paragraph, the following eligible trades shall not be deemed Delayed Authorization, provided, such trades are authorized within the Extension Window:</p> <p>(a) A trade where the counterparty, or a client, in the case of a brokered trade, is unable to deliver securities at the authorization time specified in the Timeline;</p>	<p>ii. <del>There is deemed to be a Delayed Settlement Authorization if, the trade was settled on the settlement date but was not authorized at the time specified in the Timeline and the counterparties to the trade are not from the same institution or was not settled at the specified Turnaround Trade cut-off time specified in the Timeline.</del></p> <p><del>Notwithstanding the foregoing paragraph, the following eligible trades shall not be deemed Delayed Authorization, provided, such trades are authorized within the Extension Window:</del></p> <p><del>(a) A trade where the counterparty, or a client, in the case of a brokered trade, is unable to deliver securities at the authorization time specified in the Timeline;</del></p>

<b>PDEX RULES</b>		
<b>CURRENT RULE</b>	<b>PROPOSED AMENDMENT (2016 submission to the SEC for Approval)</b>	<b>PROPOSED AMENDMENT (2019 revision)</b>
	<p>(b) A trade that is a Turnaround Trade; or (c) A trade that replaces or corrects an erroneously executed trade, such as, but not limited to wrong-direction trade, wrong-side input of PIC, and incorrect input of PIC.</p> <p>“Turnaround Trade” shall be defined as a trade whose settlement is dependent on the settlement of another trade.</p> <p>Except for Turnaround Trades, trades authorized during the Extension Window shall be subject to a fee of Php1,000 per transaction payable to the PDEX or its designee by the party that authorized during the Extension Window.</p> <p>Trades authorized within the Extension Window must be submitted in writing within the same day in order for such trades not to be considered as Delayed Authorization.</p> <p>iii. The Associated Person shall certify, in the Monthly Sworn Certification submitted to PDEX pursuant to Rule 3.3. item 1 the following:</p> <p>a. All the trades authorized within the Extension Window are eligible trades as</p>	<p><del>(b) A trade that is a Turnaround Trade; or (c) A trade that replaces or corrects an erroneously executed trade, such as, but not limited to wrong-direction trade, wrong-side input of PIC, and incorrect input of PIC.</del></p> <p><del>“Turnaround Trade” shall be defined as a trade whose settlement is dependent on the settlement of another trade.</del></p> <p><del>Except for Turnaround Trades, trades authorized during the Extension Window shall be subject to a fee of Php1,000 per transaction payable to the PDEX or its designee by the party that authorized during the Extension Window.</del></p> <p><del>Trades authorized within the Extension Window must be submitted in writing within the same day in order for such trades not to be considered as Delayed Authorization.</del></p> <p><del>iii. The Associated Person shall certify, in the Monthly Sworn Certification submitted to PDEX pursuant to Rule 3.3. item 1 the following:</del></p> <p><del>a. All the trades authorized within the Extension Window are eligible trades as</del></p>

<b>PDEX RULES</b>		
<b>CURRENT RULE</b>	<b>PROPOSED AMENDMENT (2016 submission to the SEC for Approval)</b>	<b>PROPOSED AMENDMENT (2019 revision)</b>
	<p>defined in Rule 8.4.17 (a) (ii); and</p> <p>b. All the trades that have been duly settled of up to two (2) business days immediately succeeding the original settlement date (S+2) have complied with all the conditions provided in Rule 8.4.17 (a) (i).</p> <p>The Monthly Sworn Certification shall also contain the details of the trades under a and b above.</p> <p><u>iv.iii.</u> xxx</p> <p><b>Note: All references to Delayed Settlement shall be changed to Delayed Authorization.</b></p>	<p><del>defined in Rule 8.4.17 (a) (ii); and</del></p> <p><del>b.</del> All the trades that have been duly settled of up to two (2) business days immediately succeeding the original settlement date (S+2) have complied with all the conditions provided in Rule 8.4.17 (a) (i). The Monthly Sworn Certification shall also contain the details of the trades <del>under a and b above</del> <b>that have been settled up to S+2.</b></p> <p>Notes: 1. The numbering of the provisions shall be revised to reflect the correct sequential order. 2. All references to Delayed Settlement shall be deleted.</p>
<p>g. Delayed Settlements shall carry the following penalties:</p> <p>i. 3rd violation within a year without being considered a Habitual Offender - Warning</p> <p>ii. 4th and subsequent violations within a year without being considered a Habitual Offender- Reprimand</p> <p>iii. Habitual Offender - Php 1,000 per offense payable to the counterparty; “Habitual Offender” is defined as three (3) violations per</p>	<p>g. Delayed Settlements <b>Authorization</b> shall carry the following penalties:</p> <p>i. 3rd violation within a year without being considered a Habitual Offender - Warning</p> <p>ii. 4th and subsequent violations within a year without being considered a Habitual Offender- Reprimand</p> <p>iii. Habitual Offender - Php 1,000 per offense payable to the counterparty; “Habitual Offender” is defined as</p>	<p><del>g. Delayed Settlements <b>Authorization</b> shall carry the following penalties:</del></p> <p><del>i. 3rd violation within a year without being considered a Habitual Offender - Warning</del></p> <p><del>ii. 4th and subsequent violations within a year without being considered a Habitual Offender- Reprimand</del></p> <p><del>iii. Habitual Offender - Php 1,000 per offense payable to the counterparty; “Habitual Offender” is defined as</del></p>

<b>PDEX RULES</b>		
<b>CURRENT RULE</b>	<b>PROPOSED AMENDMENT (2016 submission to the SEC for Approval)</b>	<b>PROPOSED AMENDMENT (2019 revision)</b>
quarter and/or two (2) violations per month	<b>one who commits</b> three (3) violations per quarter and/or two (2) violations per month.	<del>one who commits three (3) violations per quarter and/or two (2) violations per month.</del>
<p>h. Failed Trades shall carry the following penalties:</p> <ul style="list-style-type: none"> <li>i. 1st to 2nd violation within a year - Warning</li> <li>ii. 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</li> </ul>	<p>h. Failed Trades shall carry the following penalties:</p> <ul style="list-style-type: none"> <li>i. 1st to 2nd Violation within a year - Warning;</li> <li>ii. 3<sup>rd</sup> and subsequent violations within a year - Reprimand and Php 10,000 or 1 bp based on the face value of the security involved, whichever is higher;</li> <li>iii. Except for trades that were declared on settlement date to be incapable of being settled, there shall be, in addition to the above, payment of fees of up to 2 days for trades that do not settle or were settled beyond S+2 as provided in Rule 8.4.17(a)(i).</li> </ul>	<p>h. Failed Trades shall carry the following penalties:</p> <ul style="list-style-type: none"> <li>i. 1st to 2nd Violation within a year - Warning;</li> <li>ii. 3<sup>rd</sup> and subsequent violations within a year - Reprimand and Php 10,000 or 1 bp based on the face value of the security involved, whichever is higher;</li> <li>iii. Except for trades that were declared on settlement date to be incapable of being settled, there shall be, in addition to the above, payment of fees of up to 2 days for trades that do not settle or were settled beyond S+2 as provided in Rule 8.4.17(a)(i).</li> </ul>