

RULES for PDST FIXING BANKS

Section 1. Qualifications and Responsibilities of PDST Fixing Banks

In order to participate in the fixed income benchmarks process, the Bankers Association of the Philippines (BAP) shall qualify a Government Securities Eligible Dealer (GSED) as a PDST Fixing Bank based on the following requirements:

1. Have a Demand Deposit Account (DDA) with the Bangko Sentral ng Pilipinas (BSP).
2. Have a Dealer or Broker/Dealer license from the Securities and Exchange Commission (SEC).
3. Be a Trading Participant of PDEX as the SRO performing the Calculation Agency.
4. Commit to provide a firm bid yield for at least one of the Benchmark Securities per Benchmark Tenor in accordance with the Guidelines for Calculation of Philippine Dealing System Treasury (PDST) Reference Rates with PDEX as SRO Calculating Agent, as revised ("PDST Guidelines") for the whole trading day, and to abide with the maximum variance over the best firm bid yield, as the same is defined and described in these Rules.
5. Commit to continue to provide a firm bid yield for the bond with the longest tenor outstanding even when there is no Benchmark Security in the 25-Year Benchmark Tenor. The firm bid yields shall provide a point for interpolation for shorter tenor securities or the next shorter Benchmark Tenor, as applicable.
6. Commit to execute all deals on the PDEX Trading System in accordance with the PDEX Rules.
7. Should have credit lines for at least three-fourths of the other PDST Fixing Banks to be able to trade the minimum lot size of Php 50 Million on a benchmark security.
8. Should have the necessary credit risk policies in place to deal in the government securities market.
9. Commit to follow the Guidelines for Calculation of the PDS Treasury Reference Rates with PDEX as SRO Calculating Agent, as they may be amended from time to time.

Section 2. Approval Process for PDST Fixing Banks

The following process shall be observed in handling Banks intending to become, as well as those which no longer want to be, PDST Fixing Banks:

1. A Bank which is interested to become a PDST Fixing Bank shall write a letter addressed to the BAP Open Market Committee (BAP-OMC) officially stating its intention.
2. The BAP-OMC shall deliberate on the application based on the Qualifications and Responsibilities of a PDST Fixing Bank as enumerated in Section 1 hereof. The BAP-OMC shall officially inform PDEX in writing of each approved application, including the effectivity date of such approval.
3. A Bank which no longer wants to be a PDST Fixing Bank shall likewise write a letter addressed to the BAP-OMC officially stating its intention.
4. Thereafter, the BAP-OMC shall officially instruct PDEX in writing to remove the Bank from the official list of PDST Fixing Banks, including the effectivity date of such removal.



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Section 3. Endorsement of all Qualified PDST Fixing Banks to PDEX. The BAP shall endorse qualified PDST Fixing Banks to PDEX for monitoring of commitments under these Rules. Such endorsed list shall be annexed in the Guidelines for Calculation of the PDS Treasury Reference Rates with PDEX as SRO Calculating Agent, as they may be amended from time to time, and shall form an integral part thereof.

Section 4. Duties and Responsibilities of PDEX Acting as SRO Performing Calculation Agency.

PDEX shall:

1. Ensure that all PDST Fixing Banks price the Benchmark Securities in accordance with the PDST Guidelines and adhere to the maximum variance over the best bids as defined and described in these Rules;
2. Track all done deals in the PDEX Trading System.
3. Monitor fulfillment of the commitments of the PDST Fixing Banks for the PDS Treasury Reference Rate calculations;
4. Report compliance of PDST Fixing Banks to BAP for appropriate action;
5. Monitor for market manipulation, imposition of sanctions therefore, and reporting to the Monetary Board, SEC, and BAP;
6. Enforce sanctions under PDEX Rules;
7. Monitor price and transaction data entered into the Trading System for possible errors that may impact the PDS Treasury Reference Rate calculations;
8. Operate the PDS Treasury Reference Rate Calculation System daily and ensure orderly and timely publication of PDS Treasury Reference Rates;
9. Inform all PDST Fixing Banks of any system breakdown, whether trading system-wide or for individual participants;
10. Coordinate contingency measures for calculation of the PDS Treasury Reference Rates in case of a system-wide breakdown;
11. Inform all other market makers of any system breakdown, whether trading system-wide or for individual market makers.

Section 5. Duties and Responsibilities of BAP, in coordination with PDEX


The BAP, in coordination with PDEX shall:

1. Set parameters to define quality of data contributions;
2. Review and upgrade the benchmark setting methodology on a continuing basis, including documentation and publication thereof;
3. Undertake a periodic review of the performance of the Calculation Agency to provide a means of check and balance and to ensure effectiveness in the performance of its duties.



Section 6. Surveillance and Discipline. The PDEX Rules on Compliance, Market Surveillance and Discipline shall apply with equal force to the provisions of these Rules.

Section 7. Maximum Variance. The maximum variance is that variance determined by BAP and notified to PDEX as appropriate to ensure proper discipline in the entry of firm bid yields and the quality of the contributions to the PDS Treasury Reference Rates . Until otherwise provided, the maximum variance is set at 25 basis points for Bills and 37.5 basis points for Bonds. Such maximum variance shall be reviewed on a periodic basis as a parameter defining the quality of data contributions and PDEX shall immediately be informed of any change in the prescribed maximum variance.

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