

PROPOSED AMENDMENT TO THE DELAYED SETTLEMENT RULE

PROPOSED AMENDMENT TO : Rule 8.4 17(a)(ii) and 17(g) on Management of Failed Trades and Delayed Settlement [Exclusion from the Rule on Delayed Settlement]

Rationale for the Proposal : To exclude from the definition of Delayed Settlement those trades involving PDEx Brokering and Dealing participants within the same institution, which are settled on settlement date but were not authorized at the time specified in the Timeline, as the same settlement officer is involved and the offense essentially did not affect a third party. This exclusion shall not apply to Turnaround Trades involving PDEx Brokering and Dealing Participants within the same institution.

Further, the definition of Turnaround Trade shall be clarified to mean a trade which needs to be settled as a pre-requisite for the subsequent settlement of another trade.

<i>CURRENT RULE</i>	<i>PROPOSED AMENDMENT</i>
<p>Rule 8.4 Settlement Participants</p> <p>x x x</p> <p>17. <i>Management of Failed Trades and Delayed Settlements</i></p> <p>a. Definition</p> <p>i. xxx</p> <p>ii. There is deemed to be a <i>Delayed Settlement</i> 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>iii. xxx</p>	<p>Rule 8.4 Settlement Participants</p> <p>x x x</p> <p>17. <i>Management of Failed Trades and Delayed Settlements</i></p> <p>a. Definition</p> <p>i. xxx</p> <p>ii. There is deemed to be a <i>Delayed Settlement</i> 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. <u><i>There is no delayed settlement if a trade involving a PDEx Brokering and Dealing Participant within the same institution is not authorized at the time specified in the Timeline and such trade is not a Turnaround Trade.</i></u> “Turnaround Trade” shall be defined as a trade whose settlement is <u><i>a pre-requisite for</i></u> the settlement of another trade.</p> <p>iii. xxx</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 quarter and/or two (2) violations per month.</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 quarter and/or two (2) violations per month. <u><i>Should the offense involve the delayed settlement of a Turnaround Trade between a PDEx Brokering and Dealing Participant within the same institution, the monetary penalty shall be payable to the affected party involved in the other trade related to the Turnaround Trade.</i></u></p>