



PDS Group

Philippine Dealing System Holdings Corp. & Subsidiaries

OPERATING GUIDELINES AND PROCEDURES

*for Depository Participants holding Dollar
Denominated Securities in the Depository*

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OPERATING GUIDELINES AND PROCEDURES FOR DEPOSITORY PARTICIPANTS

HOLDING OF DOLLAR DENOMINATED SECURITIES IN THE DEPOSITORY

The following Operating Guidelines and Procedures (Operating Guidelines) pertain to the operation of the PDTC for dollar denominated securities (DDS) that will be listed and traded at the Philippine Stock Exchange (PSE).

These Guidelines and any amendments hereto shall be disseminated to all Depository Participants holding DDS in the Depository for their guidance. The Depository Participant's continued use of the depository system for DDS after receipt of amendments in any manner or after ten (10) days from the posting of notices of amendments on the PDS Group website, whichever comes first, shall be taken as acceptance of the amended Guidelines. This Operating Guidelines should be read as a supplementary document to the PDTC Rules. In case of conflict between this Operating Guidelines and the PDTC Rules, the Terms of this Operating Guidelines shall prevail.

I. OPERATING GUIDELINES

I.1. Provision of Services

The provision and use of Depository Services provided by PDTC for its participants for their holdings of DDS shall be governed by the same relevant PDTC rules that apply for their shares of existing Peso Eligible Securities holdings lodged in the Depository or unless stated otherwise in these Guidelines.

I.2. Securities Account for DDS

With the exception for Broker-Participants, Participants shall open and maintain with PDTC a sub-account to lodge and hold their DDS holdings. Participants may use their existing BP IDs in opening a sub-account for DDS.

For Broker-Participants, following the Securities and Exchange Commission's (SEC) directives to implement Name on Central Depository (NoCD) for the recording of securities holdings at beneficial owner level of holdings in equity securities particularly for DDS, Broker-Participants shall open and maintain segregated clients securities sub-account under the NoCD Facility to lodge and hold their clients holdings of DDS. Currently, only Broker-Participant qualified by the Philippine Stock Exchange (PSE) as eligible broker to trade in DDS shall be allowed to open and maintain securities account for DDS.

Each broker participant shall obtain, and warrant to PDTC that it has obtained, the Client's consent for the collection, processing and sharing of the client's information/details, used to set up the NoCD sub-account for the client, to PDTC.

Part III of this Operating Guidelines provides for the Guidelines and Procedures for the implementation of the NoCD for Broker-Participants DDS holdings.



I.3. Governing Rules and Regulatory Environment

The central handling of DDS by PDTC shall be governed by the Securities Regulation Code, its Implementing Rules and Regulations, the SEC Approved PSE Rules on DDS, the PDTC (PCD) Rules, the Data Privacy Act and the prospectus/es or other Offering Circular/s or documents of similar import.

I.4. Operating Procedures

Part II of this Guidelines provides the Depository Procedures for DDS. The Operating Procedures will cover two types of Depository Participants:

a. PSE Trading Participant Qualified as Eligible Broker for DDS

These are Depository Participants who are PSE Trading Participants qualified by PSE to be eligible to trade DDS.

b. Non PSE Trading Participant (TP)

This refers to Depository Participants as defined under Section 2.1.1. Participant Eligibility of the PDTC Rules, which includes Custodians, Financial Institutions, Trusts, and/or Mutual Funds.

I.5. Documentary Requirements to avail of the Depository Service for DDS

Schedule 1 provides for the documentary requirements to avail for the Depository Services for DDS.

I.6. Fees

The existing Depository Fees shall be applied for DDS. Fees shall be billed and collected on a monthly basis. The manner of payment collection shall follow the existing auto-debit arrangement with the SCCP designated Settlement Bank. Depository Participants intending to hold DDS in the depository system must nominate its US Dollar account with the designated Settlement Bank for purposes of fee collections. The penalty fee of PDTC for late payment shall also apply.

a. PDTC Maintenance Fees

The maintenance fee shall be in the currency of the securities, computed daily based on the market value of the securities held. This will be collected in the same currency of the securities, i.e., US dollar.

b. Transaction Fees

All Transaction fees (e.g., for Uplifts, ATFs, EQTRADE/EQTRADE2, Pledge) shall be charged in Peso, following the existing Peso rates.

c. Other Fees

All other fees shall be charged in Peso, following the existing Peso rates.

Schedule 2 provides for the Schedule of Fees.



II. OPERATING PROCEDURES

The following Operating Procedures for DDS shall be applied to Depository Participants (DPs), who are PSE Eligible Broker TPs and Non-PSE Trading Participants (TPs).

II.1. Lodgment

Lodgment of DDS in the Depository shall follow the existing process for lodgment of Peso Securities with the delivery to the Transfer Agent the certificates covering the DDS for transfer of legal title to PCD Nominee.

For DPs who are non PSE TPs, lodgment request shall clearly indicate the BP ID and the account number of the securities account where the DDS shall be lodged.

For DPs who are PSE TPs, lodgment request shall indicate the NoCD ID and account number of the securities account where the DDS shall be lodged.

The NoCD ID and account number are required when the lodging DP is a PSE TP qualified as Eligible Broker (EB) by the PSE.

Part III of this Operating Guidelines provide further details on the Operating Guidelines and Procedures for the Use of NoCD Facility for Dollar Denominated Securities Listed and Traded at the PSE.

II.2. Upliftment

Upliftment of DDS from the Depository shall follow the existing process for uplifting Peso Securities, by indicating in the uplift request all the relevant details about the transferee of the Securities.

The certificate to be issued for DDS being uplifted from the NoCD ID shall be registered in the same name as reflected in the NoCD ID.

II.3. Transfer

Transfer of DDS shall follow the existing process for transferring Peso Securities which could either be:

- a. **via Account Transfer (ATF)** for transfer involving 2 accounts of a DP; or
- b. **via Off Exchange Trade (EQTRADE/EQTRADE2)** for transfer involving 2 DPs or client sub-accounts of 2 DPs.



II.4. Delivery of DDS for Settlement of PSE Trade

The delivery of DDS for settlement shall follow the same procedures for Peso Securities as provided in the SCCP Operating Procedures.

II.5. Corporate Action Processing

Processing of DDS corporate actions shall follow the existing process for Peso Securities except for cash dividends.

For cash dividends, DPs must open dollar bank accounts with the designated SCCP Settlement Bank/s.

1. **For Cash Dividends**, PDTC, upon receipt of cleared funds, shall instruct the designated Settlement Bank/s to credit the dollar bank accounts nominated by the entitled DPs. Once credited, the DPs must effect the distribution/payment of the dividends to its entitled clients based on their agreed mode of payment.
2. **For Corporate Actions involving securities** for distribution, i.e. stock dividends, dividend shares shall be credited directly to the DDS securities accounts of the DPs.
3. **For Voluntary Corporate Actions where cash payment is required**, entitled DPs must pay the corresponding amount in the currency of the DDS on the due dates as set by PDTC.



III. OPERATING GUIDELINES AND PROCEDURES FOR THE USE OF THE NOCD FACILITY FOR DOLLAR DENOMINATED SECURITIES LISTED AND TRADED AT THE PSE

III.A. NoCD Facility Operating Guidelines

III.A.1. The NoCD Facility

The NoCD Facility (the Facility) is a PDTC service offered primarily to Broker Depository Participants (DPs). For purposes of the DDS issuance, this is offered particularly to PSE Trading Participants Qualified as Eligible Brokers for their holdings of DDS. The Facility allows the PSE Eligible Broker TPs to comply with the SEC directive to segregate its clients dollar denominated securities holdings lodged with the Depository into individual client name on central depository account. It also allows the DPs to maintain each of its client's holdings in a segregated, sub-account set-up under the PSE Eligible Broker's Omnibus Client Securities Account.

III.A.2. Features of the NoCD Facility

Below are the key features of the NOCD Facility.

1. *Segregation of client holdings.*

Each Depository Participant shall, under the Broker's Omnibus Client Securities Account, create an NoCD sub-account with an NoCD ID to segregate and hold securities of each of its clients. The NoCD sub-account shall be in the client's own name.

2. *Execution of Transactions or Movements.*

Initiation/creation of debit and or credit entry in the sub-account that would either increase or decrease the recorded securities holdings in the sub-account or between sub-accounts can only be executed by the Depository Participants.

3. *Reliability of records.*

Warranties on the existence of a client for each NoCD ID and the veracity of the client record of holdings reflected under the NoCD Facility shall be made by the Broker Depository Participant.

4. *Reports.*

Reports for each NoCD ID/sub-account under the NoCD Facility of the Broker shall be generated by the Depository System.

5. *Access to reports.*

NoCD generated reports are accessible either through the Participants or directly through a nominated email address of the NoCD ID.



6. Depository account holder and beneficial owner.

The ownership and beneficial owner of the sub-account assigned to each client holdings/NoCD ID under the Client Securities Account remains with the Depository Participant in accordance with the PDTTC rules.

III.A.3. Governing Rules and Regulatory Environment

The governing rules and regulatory environment for the NoCD Facility will be the same as cited in Part I.3. of this Operating Guidelines.

The Depository Rules shall govern the NoCD Facility, with its specific features governed by the following provisions:

Segregation of Securities:

- Securities Accounts**
- Segregation of Securities**
- Records**
- Accuracy**
- Correction**
- Best Evidence**
- Confidentiality**
- Participant’s Declaration**
- Reporting of Fraud**

Role of Depository Participants:

- Authority to Transact**
- Authority from Client**
- Transfer of Securities**
- Tax Clearances**

Brokers as Depository Participants:

- Securities Account**
- Presumption on Beneficial Title**

III.A.4. Documentary Requirements to avail of the NoCD Facility.

Provided in Schedule 1.

II.B. NoCD Facility Operating Procedures**III.B.1. Creation of NoCD Client Sub-Accounts****a. Opening of Depository Participant NoCD Parent accounts**

A separate NoCD BP ID shall be created for each PSE Trading Participant Eligible Broker (EB) availing of the NoCD Facility. Two (2) NoCD accounts shall be opened as follows:

- Account No. 1 as Omnibus With Client account, and
- Account No. 2 as Omnibus Without Client account.

b. Creation of NoCD Client Sub-Accounts

Upon its receipt from PDTC of (1) Confirmation that its Parent accounts have been opened, and (2) Details of its Parent BPID, the Depository Participant may proceed with the creation of its NoCD client sub-accounts.

EBs may start creating NoCD sub-accounts by submitting to PDTC the following:

- (1) NoCD Client Sub-Account Creation File for upload in the Depository System; and
- (2) Accompanying Broker Certification signed by two (2) authorized signatories.

EB should ensure that it has obtained client's consent to the collection and sharing of the client's information to PDTC for further processing and retention in the PDTC system for purposes of creating the NOCD sub-account to hold the clients assets.

c. File upload

The upload files are then processed and the NoCD Client Sub-Accounts are automatically created in the Depository System in accordance with the instruction and details provided by the EB in the upload file. Each file for upload must contain a maximum of 100 NoCD Client Sub-Accounts.

d. Notification of the EB

PDTC notifies the EB of the newly created NoCD Client Sub-Accounts via email.

e. Checking and verifying correctness of the newly created NoCD Client Sub-Accounts

The EB logs into the Depository System and checks all NoCD Client Sub-Accounts, and coordinates with PDTC for any correction.

Please note that a minimum of 24 hours is required before a newly created NoCD Client Sub-Account can be used to hold securities.



III.B.2. NoCD Transfers via Account Transfer Function (ATF)

EBs shall execute the transfers to move securities between the EB and the NoCD accounts either by inputting manual transfer instructions in the Depository system or through the NoCD Account Transfer Upload File.

NoCD Account Transfer Upload File (Debit / Credit) is a spreadsheet file used by the DP to facilitate the transfer of securities in bulk (between NoCD Parent and Client sub-accounts).

There are two types of Upload files:

- i. NoCD Account Transfer - Credit Upload file
 - Credit several NoCD Client sub-accounts
 - Debit EB's Omnibus without Client Account (Account No. 2)
- ii. NoCD Account Transfer - Debit Upload file
 - Debit several NoCD Client sub-accounts
 - Credit EB's Omnibus without Client Account (Account No. 2)

III.B.3. NoCD Transfers for Settlement of PSE Trades via Account Transfer (ATF)

Settlement of DDS Trades, either Sell or Buy, is done only thru PSE EBs.

a. Sell Trade

EBs shall execute the transfers to move securities from the selling NoCD Client sub-accounts to the Settlement Accounts of the executing PSE EBs. EBs shall follow the existing process for executing Non-PSE Transfers.

b. Buy Trade

DDS bought by clients must be delivered to the NoCD sub-accounts of said clients on settlement date to comply with the PSE Rules on DDS. Executing EBs must transfer securities bought to its "Free Accounts" in SCCP for the securities to be automatically swept to the EBs' "Free Accounts" in the Depository System. Once securities are in the "Free Accounts", ATF can be executed to deliver the securities to the NoCD Client sub-accounts.

III.B.4. Corporate Action

- a. **For Cash Dividends**, PDTC, upon receipt of cleared funds, shall instruct the designated Settlement Bank/s to credit the dollar bank accounts maintained by the entitled EBs. Once credited, the EBs must effect the distribution/payment of the dividends to the entitled NoCD Clients based on their agreed mode of payment.
- b. **For Corporate Actions involving securities for distribution**, i.e. stock dividends, dividend shares shall be credited directly to the NoCD Sub-Accounts of entitled clients.



- c. **For Voluntary Corporate Actions where cash payment is required.** Entitled NoCD Clients availing of the corporate offerings must pay the corresponding amounts in the currency of the DDS through the EBs. The EBs shall consolidate all payments received for further remittance on the due dates to PDTCC.