

Enrollment, Trading & Settlement Guidelines of Securities Enrolled in PDEX under Rule 7 - Part Three - Enrollment Rules of the PDEX Rules

1. Introduction

- 1.1. Unlike regular listed securities in PDEX, which under the Securities Regulation Code (SRC) and its Implementing Rules and Regulations (SRC IRR) require SEC registration or that they be exempt securities under Section 9 of the SRC, securities enrolled (Enrolled Securities) in PDEX under Rule 7 - Part Three - Enrollment Rules of the PDEX Rules shall only be those that are issued or sold under an exempt transaction under SRC Section 10.1(l) and SRC Rule 10.1.3, being limited only to Qualified Investors.
- 1.2. Under the premise that the exemption from registration may be impaired if such Enrolled Securities are held by non-Qualified Investors, these set of guidelines, among others, focus on the mitigation of the risk of transfers to non-Qualified Investors and the resolution of situations when holdings of Enrolled Securities have been verified to be with non-Qualified Investors.

2. Order at Primary Issuance and Enrollment

- 2.1. PDEX shall admit a Security for enrollment on the representation and warranty of the Issuer that: a) the issue is an exempt transaction under SRC 10.1(l) and SRC IRR 2015 Rule 10.1.3, and b) all holders holding the Securities at the time of enrollment meet the eligibility requirements as described herein and in the operative document of issuance (e.g. an Offering Memorandum, Offering Circular, Information Memorandum, etc.).
- 2.2. In addition to PDEX Rule 7 - Part Three - Enrollment Rules of the PDEX Rules, Enrolled Securities shall be subject to PDEX Rule 7 - Part One Rules 7.1 through 7.15.
- 2.3. The Issuer of a Security for enrollment must be a Reporting Company as defined under the SRC and SRC IRR.
- 2.4. The Issuer of a Security for enrollment may be expanded to include a non-Reporting Company once the parameters and procedures for the admission of a non-Reporting Company is established.

3. Coverage

- 3.1. This document (Guidelines) governs the enrollment, trading and settlement of corporate securities enrolled on PDEX, except for bank-issued securities.
- 3.2. Trading of the Enrolled Securities is open to PDEX Dealers as well as those PDEX Broker Participants acting on behalf of any of the Eligible Holders as defined in Section 4 below.
- 3.3. A PDEX Trading Participant that trades on the Enrolled Securities is bound by these Guidelines, the Trading Conventions for Fixed Income Securities in the Public Market (PDEX Trading Conventions), and the PDEX Rules for the Fixed Income Securities Market, as Amended (PDEX Rules) and the Trading & Settlement Guidelines for Holders Subject to 25% or 30% Final Withholding Tax for Listed Corporate Securities, as applicable.

4. Eligible Holders

41. Under these Guidelines, the Enrolled Securities are only available for purchase and sale to resident Qualified Institutional Buyers (QIBs) or alternatively “Qualified Investors”. No juridical person that is not a Qualified Buyer as defined by applicable securities laws and regulations is allowed to purchase the Enrolled Securities. For the avoidance of doubt, natural persons and non-residents are not eligible buyers or holders of the Enrolled Securities.
42. For reference, an institutional Qualified Investor is defined by SRC IRR 2015 Rule 10.1.3 as follows:
 421. Bank;
 422. Registered Investment house;
 423. Insurance Company;
 424. Pension fund or retirement plan maintained by the Government of the Philippines or any political subdivision thereof or managed by a bank or other persons authorized by the BSP to engage in trust functions;
 425. Investment company; or
 426. Such other person as the Commission may by rule determine as qualified buyers, on the basis of such factors as financial sophistication, net worth, knowledge, and experience in financial and business matters, or amount of assets under management. For this particular class of QIB, it is necessary that an SEC-registered QIB registrar ascertains the QIB nature of the QIB. The PDEX Trading Participant that deals with the QIB whether as counterparty or as the representative of the QIB represents and warrants the same to PDEX and PDTC in its being involved in the trade, at the time of the same.
43. The restriction of natural persons and non-residents in 4.1 above shall be effective only up to such time that processes and procedures are established for the handling of natural persons and non-residents who are Qualified Investors.

5. Handling of Loss of Eligibility of a Holder

51. For clarity, a potential investor of the Enrolled Securities must be verified as a resident QIB by the PDEX Dealer or the PDEX Broker at the point of purchase of the Enrolled Securities in the secondary market.
52. If an intervening event affects the QIB status of an existing holder of the Enrolled Securities or his residency after purchase, the exempt nature of the Enrolled Securities is not affected, and such existing holder may keep its holdings. However, such existing holder is no longer eligible to purchase additional Enrolled Securities.
53. If the ineligibility of a buyer at the point of purchase is discovered after purchase, the exempt nature of the Enrolled Securities is not affected. However, the ineligible buyer/investor is required to sell its holdings through the remediation procedure described herein.

6. Continuing Restriction of Holdings to Eligible Holders and Responsibilities of PDEX Trading Participants to Maintain such Restriction to Eligible Holders. The restriction of holdings to Eligible Holders is to be maintained throughout the tenor of the Enrolled Security, and for

purposes of these Guidelines, the PDEX Dealer and Broker Participants trading these Enrolled Securities have the following additional responsibilities and liabilities:

61. **Client Suitability.** Each PDEX Trading Participant determines the eligibility and suitability of each buyer, and ensures that the buyer fully understands the Terms and Conditions of, and the risks involved in investing in the Enrolled Securities, including the option feature of the Enrolled Securities, if any, and the tax feature of the same.
62. **Information on Enrolled Security.** Each PDEX Trading Participant knows and understands the special features and mechanics relating to the Enrolled Securities as contained in these Guidelines and represents and warrants the same every time it enters a trade involving the Securities.
63. **Warrant on Client / Counterparty Eligibility.** Each Participating PDEX Broker and PDEX Dealer Participant is responsible for ensuring that and thereby represents and warrants that their clients (for Brokers) or counterpart clients (for Dealers) are resident Qualified Institutional Buyers (QIBs) at the point of purchase and eligible to purchase and hold the Enrolled Securities.
64. **Identification of QIB Registrar.** For QIB clients falling under Section 4.2.6 above, each Participating PDEX Broker and PDEX Dealer Participant must indicate the QIB Registrar of such QIB clients or counterpart clients. PDEX Brokers and PDEX Dealers Participants also represent and warrant that the QIB Registrar is duly registered as such with the SEC.
65. **Liability for Client / Counterparty Eligibility.** Each PDEX Broker and PDEX Dealer Participant is liable for the eligibility of their clients and counterpart clients at the point of purchase of the Enrolled Securities. PDEX Broker and PDEX Dealer Participants shall indemnify an injured party for liabilities arising from the ineligibility of the client/counterparty client damaging the exempt nature of the Enrolled Securities. PDEX Broker and PDEX Dealer Participants shall also assume any cost incurred for remediation of the ineligibility (e.g. costs of triggering a sell-out provision below).

7. Responsibilities of a Market Maker with Respect to the Securities

71. The Enrolled Securities must be subject to the commitment of at least one (1) Market Maker.
72. The Market Maker firmly commits to provide a live bid using the tax-withheld series name for the Enrolled Issue in the Order-Driven system good for the minimum denomination under the Terms and Conditions of the Enrolled Security and a cumulative trading commitment of at least PhP 50 Million per trading day per issue.
73. The Market Maker commits to all other regulations as described in the Corporate Security Market Maker Participation Letter.
74. In addition, and because of the special sensitivity of the specific community of holders for this issue to market valuation, and in recognition of its role as a primary source of reference pricing and valuation, the Market Maker further commits to:
 741. Adopt and abide by a rate reasonability standard that is consistent with PDEX rules, conventions and guidelines, and
 742. Disclose and explain its reference and pricing methodology and any deviations therefrom to PDEX and regulators, upon request.

8. Controls for Secondary Market Transactions on the Securities. Following are control procedures specifically for secondary market trades of the Enrolled Securities:

81. Account Opening

- 81.1. The Investor Registration Form (IRF) and other related documents by a prospective Buyer of the Enrolled Securities must confirm the prospective Buyer as a resident QIB.
- 81.2. The PDEX Trading Participant sponsoring the resident QIB purchaser (1) represents and warrants to the Registry that the Account Opening onboarding documents as submitted to the Registry are on behalf of a resident QIB, (2) must identify the client's QIB Registrar, if applicable, and (3) represents and warrants that the QIB Registrar is registered as such with the SEC.
- 81.3. Relying solely on the representations and warranties of the PDEX Trading Participant, the Registry will not effect any transfer of the Enrolled Securities to an ineligible Investor.
- 81.4. Incomplete or defective submissions shall not be processed.

82. Remediation Procedure. If it is discovered after purchase that (i) a buyer is not an Eligible Holder at the point of sale, or (ii) a transfer or recording of ownership has been made to an entity who is not an Eligible Holder (each of (i) and (ii) is deemed as a "Sell Out Trigger"), a remediation procedure via the sell-out mechanism of such ineligible investor or Holder's Enrolled Securities will be done in accordance with the following:

- 82.1. In case of violation of restrictions of Eligible Holders, the Registry shall not process or allow any account opening at the Registry and no transfer will be possible from the Depository to the Registry.
- 82.2. The party that discovers a violation in the eligibility requirements (e.g. Participant, Registry) must immediately inform PDEX of the ineligibility.
- 82.3. PDEX shall inform the PDEX Trading Participant involved to trigger the Remediation Process - Sell-out Mechanism as follows:
 - 823.1. The ineligible Buyer's Trading Participant shall sell-out the ineligible client buyer's holdings at the market. In the absence of a better bid then it must sell to the Market Maker.
 - 823.2. The PDEX Trading Participant must execute the sell-out transaction no later than three (3) trading days from the day of discovery.
 - 823.3. No ineligible investor shall be able to hold the Enrolled Securities by the end of three (3) trading days from the day of discovery.
 - 823.4. The sell-out mechanism may result in a price difference between the original purchase and the sell-out price. If the price difference results in a loss, such loss is assumed by the responsible PDEX Trading Participant. If the price difference results in a gain, the gain accrues to the ineligible investor that was forced to sell out the holdings.
 - 823.5. The sell-out shall be reported to the SEC and the responsible Trading Participant may be subject to SEC action.

9. **Pricing Convention.** Quotations for the Enrolled Securities shall be expressed in terms of Clean Price (i.e., price without accrued interest), exclusive of any applicable withholding tax. The Trading System shall calculate an implied Yield to Maturity.
10. **Day Count Standard.**
- 10.1. The day count standards for coupon-bearing securities shall be any of the following:
 - 10.1.1. 30E/360 ISMA non end of month
 - 10.1.2. Actual/Actual
 - 10.1.3. Actual/360
 - 10.1.4. Actual/365
 - 10.1.5. Any other such applicable day count convention the Trading System is capable of servicing.
 - 10.2. The day count standards for discounted securities shall be any of the following:
 - 10.2.1. Actual/360
 - 10.2.2. Actual/365
 - 10.2.3. Any other such applicable day count convention the Trading System is capable of servicing.
11. **Minimum Denomination.** The minimum denomination and increments for trading on the Enrolled Securities shall be as provided under the Terms and Conditions of such Enrolled Securities.
12. **Series Names in Trading System¹.** There shall be two (2) series names for the Enrolled Securities in the Enrolled Securities Board of the Trading System. The two (2) series names for the Securities are being made available solely for settlement value computation purposes, and should neither be construed as two (2) separate tranches or series nor as separate securities.
- 12.1. **Tax-Withheld Series Name** - the settlement value of a done trade on this series name shall be computed on a tax-withheld basis, based on a withholding tax rate of 20%.
 - 12.1.1. XXX Enrolled Securities Due 20XX - “ES XXX 03-19”
 - 12.2. **No Withholding Tax (NWT) Series Name** - suffix “NWT” indicates that the settlement value on a done trade on the series shall be computed on a no tax-withheld basis.
 - 12.2.1. XXX Enrolled Securities Due 20XX - “ES XXX 03-19-NWT”
 - 12.3. The main series name provides a description of the following information regarding the Securities:
 - 12.3.1. Class of Security - ES (Enrolled Security)
 - 12.3.2. Issuer Symbol - XXX
 - 12.3.3. Maturity Month - 03 (i.e. March)
 - 12.3.4. Maturity Year - 19 (i.e. 20XX)
13. **Trading Mechanics**
- 13.1. The Enrolled Securities shall be available for quotation and trading by and among PDEX Dealing Participants and QIBs (directly, if registered with PDEX as such, or through their

¹ The number of Series Names may be adjusted depending on the eligibility or non-eligibility of non-resident investors.

PDEX Brokering Participants) on the PDEX Trading Platform, subject to the PDEX Rules and Trading Conventions and these Guidelines.

132. The standard settlement date for the Securities is Trade Date +1 (T+1).
133. The PDEX Brokering Participant warrants that it is acting on behalf of a customer that is a resident Qualified Investor as defined in applicable securities laws and regulations. The PDEX Dealing Participant warrants that its counterparty client is a resident Qualified Investor as defined in applicable securities laws and regulations.
134. In case the buy or sell order is coursed through a PDEX Brokering or Dealing Participant, the PDEX Brokering or Dealing Participant shall input the appropriate PDS Investor Code (PIC) when executing the order. The PIC association enables the securities settlement of the investor's trade into the designated Depository account.
135. Enrolled Security transactions executed on the PDEX Trading Platform shall be settled through the PDSClear System (formerly eDVP System) in accordance with PDEX Rules.
136. **Use of the Appropriate Series Names on the Trading System**
 - 136.1. Tax-Withheld Series Name. Orders for the account of tax-withheld investors and Dealing Participants trading for their own proprietary position shall be dealt using the tax-withheld series name.
 - 136.2. No Withholding Tax Series Name. Orders for the account of investors not subject to withholding tax shall be dealt using the no-withholding tax series name.

14. Record Date for the Securities

141. The Record Date for the Securities due is the second (2nd) business day prior to the relevant Interest Payment Date.

15. Settlement Policy for Corporate Security Transactions

- 15.1. Settlement shall be in accordance with the Fixed Income Delivery versus Payment (FI-DvP) settlement timeline, and other settlement Framework for admitted corporate securities.
- 15.2. Transactions arising from an auto sell out shall likewise follow the current fixed income DvP settlement timeline, and other settlement framework for admitted corporate securities.

16. Restrictions on Transfers across Tax Status

For purposes hereof, "Tax Categories" refer to the two (2) final withholding tax categories covering, tax-exempt entities and 20% tax-withheld entities.

- 16.1. In accordance with the Terms and Conditions of the Enrolled Securities, Transfers across Tax Categories shall not be allowed except on Interest Payment Dates that fall on a business day, provided however that transfers from Tax-Exempt Category to a Taxable Tax Category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same Tax Category of its taxable counterpart for the interest period within which such transfer occurred.

- 16.2 For transfers across Tax Categories occurring on Interest Payment Dates, PDEX Trading Participants shall execute trades using the Tax-Withheld Series Name, where computations are based on a final withholding tax rate of 20%.
- 16.3 This restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Enrolled Securities is implemented.
- 16.4 A Holder claiming tax-exempt status is required to submit to the Registry of Holders the required tax-exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar. Transfers taking place in the Electronic Registry of Holders after the Enrolled Securities are enrolled on PDEX shall be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC.