

Trading & Settlement Guidelines for Floating Rate Bonds

1. INTRODUCTION

These Guidelines for the Trading and Settlement of Floating Rate Bonds (FRBs) (the “Guidelines”) are hereby issued by the Philippine Dealing & Exchange Corp. (PDEX) for operating the market for FRB instruments duly admitted for listing, trading and settlement on the PDEX Fixed Income Market, consistent with and as further detailed on the approved Philippine Floating Rate Bond Pricing Convention.

2. COVERAGE

2.1. These Trading and Settlement Operating Guidelines shall apply to trades on the FRBs (“Bonds”) of [ABC Corp.] (“[ABC]” or the “Issuer”) listed on the Philippine Dealing & Exchange Corp. (PDEX).

2.2. A PDEX Trading Participant that trades on the Bonds shall be bound by these Trading and Settlement Guidelines for the Bonds (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), the Trading & Settlement Guidelines for Holders Subject to 25% or 30% Final Withholding Tax for Listed Corporate Securities, which shall be applied in this case, and the Philippine Floating Rate Bond Pricing Convention.

3. DEFINITION OF TERMS. As used in these Guidelines, the following terms shall have the following definitions:

3.1. “**Benchmark Reference Rate**” shall refer to the PHP BVAL Benchmark Tenor Reference Rate or any successor benchmark or other benchmark as may be approved by the Securities and Exchange Commission, of the repricing tenor of the instrument, as has been set one business day prior to the trade date. The PHP BVAL reference rate is administered by the Bankers Association of the Philippines (BAP) and calculated by the calculation agent.

3.2. “**Coupon Payment Date**” shall refer to each date when interest is paid out as indicated in the Prospectus / Offering Circular of the Bonds.

3.3. “**Discount Margin**” shall refer to the credit spread (expressed in basis points per annum) over the PHP BVAL Benchmark Reference Rate or any SEC approved successor benchmark. This is the pricing medium through which two Trading Participants shall negotiate, quote and trade the listed floating rate bonds.

3.4. “**Floating Rate Bond**” shall refer to a debt instrument with a variable interest rate that is periodically determined based on a pre-determined benchmark reference rate plus a Quoted Margin (please see below) as contracted with investors at inception and detailed on the Bond’s Prospectus/Offering Circular

3.5. “**Quoted Margin**” shall refer to the “Original Credit Spread” as indicated on the Prospectus/Offering Circular of the Bonds.

3.6. “**Resetting Date**” shall refer to each date when the rate of the next coupon will be determined and published and as indicated on the Prospectus/Offering Circular of the Bonds.

- 8.3. The “Assumed Rate” and “Index to” fields, by default, pick up and display the previous business day’s PHP BVAL Benchmark Tenor Reference Rate or any SEC approved successor benchmark of the re-pricing tenor (as indicated in the figure above). The automatically generated figure is a feature built into the Trading System based on the approved FRB Pricing Convention.
- 8.4. When using the VTR Allege facility for negotiated dealing, a Trading Participant (TP) shall input the applicable Discount Margin (DM), expressed in basis points per annum, to be negotiated on “Yield” field within this Trading System utility. Based on the entered DM, a corresponding price will be calculated and displayed. If the TP enters a Price in this utility, a corresponding DM, expressed in basis points per annum, will be calculated and displayed.

The screenshot shows the VTR Allege trading system interface. The 'Yield' field is highlighted with a red box and labeled 'Discount Margin' with a blue callout. The interface displays the following information:

Side	Quantity	Security	Yield	Price
Sell	1,000 M	MISTAK Float 12/20/20	100.0000	99.1100

Trade Details

Date/Time	03/22/19 15:32	Principal	PHP	991,105.85
Settlement	03/25/19	Tax on Principal		1,691.46
		Accrued (5)		833.33
		Tax on Accrued	20 %	-166.67
		Net	PHP	993,463.97

Parties

Act as IDB: No Yes

Buyer: _____ Buyer Account: _____

Account Number: _____

Other

Salesperson: JANICE SEAK Reported By: KRISTINA CANDELARIA

Notes: _____

Buttons: Submit, Close

- 8.5. **20% Tax Rate.** Orders for the account of tax-withheld investors and Dealing Participants trading for their own proprietary position shall input the 20% tax rate in the trade input (VTR) ticket tax field.
- 8.6. **No Withholding Tax.** Orders for the account of investors not subject to withholding tax shall have 0% tax rate in the trade input (VTR) ticket tax field.
- 8.7. **25% Tax Rate.** Orders for the account of investors subject to withholding tax rate of 25% shall have 25% tax rate in the trade input (VTR) ticket tax field.
- 8.8. **30% Tax Rate.** Orders for the account of investors subject to withholding tax rate of 30% shall have 30% tax rate in the trade input (VTR) ticket tax field.
9. **RESPONSIBILITIES OF TRADING PARTICIPANTS WITH RESPECT TO THE BONDS.** A Trading Participant shall determine the eligibility and suitability of each buyer, and ensure that the buyer fully understands the terms and conditions of, and the risks involved in investing in the Bonds, including the option feature of the Bonds.
10. **RECORD DATE OF THE BONDS.** The Record Date for the Bonds due is the second (2nd) business day prior to the relevant Coupon Payment Date.
11. **SETTLEMENT POLICY FOR CORPORATE SECURITY TRANSACTIONS.** All corporate security transactions executed on the PDEX Trading System shall be settled through the PDS Clear System (formerly eDvP System) in accordance with the PDEX Rules.

12. RESTRICTIONS ON TRANSFERS ACROSS TAX STATUS

- 12.1. In accordance with the Terms and Conditions of the Bonds, 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 rate, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. If a transaction between a tax-exempt entity and tax-withheld entity occurs, the tax-exempt entity shall be treated as being of the same Tax Category of its tax-withheld trading counterpart for the entire interest period within which such trade and transfer occurred.
- 12.2. For transfers across Tax Categories occurring on Interest Payment Date, PDEX Trading Participants shall execute trades using 20% tax rate, where computations are based on a final withholding tax rate.
- 12.3. This restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented.
- 12.4. A Bondholder claiming tax-exempt status is required to submit to the Registry of Bondholders 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 Bondholders after the Bonds are listed 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.