

# Philippine Dealing & Exchange Corp. (PDEX) General Corporate Security Market Maker Program Guidelines

## 1. BACKGROUND

These Guidelines on the Corporate Securities Market Making Activities (“General Corporate Security Market Maker Program Guidelines”) are being updated in consideration of Bangko Sentral ng Pilipinas (BSP) Circular No. 1091, Series of 2020 (“BSP Circular”) that temporary excludes debt securities held by market makers from the Single Borrowers Limit (SBL).

With leeway provided by the BSP Circular, PDEX Dealing Participants interested in providing firm prices for corporate securities may be recognized as PDEX Corporate Securities Market Makers; Provided, that all the market-making related activities are in accordance with the rules and guidelines set forth by the Securities and Exchange Commission (SEC) and PDEX.

## 2. PROGRAM OBJECTIVES

- 2.1. To provide continuous firm prices across all the listed corporate fixed income securities listed in PDEX; and
- 2.2. To encourage more market-making and facilitate price liquidity for the general benefit of bond investors.

## 3. GENERAL CORPORATE SECURITY MARKET MAKER REQUIREMENTS

To participate in the General Corporate Security Market Maker Program, a Dealing Participant must:

- 3.1. Be a duly admitted Dealing Participant with a duly executed Subscription Agreement in respect of the use of the PDEX Trading System and has complied with all the Qualifications of a Trading Participant as stated in PDEX Rule 1.3; and
- 3.2. Submit to PDEX a duly executed Letter of Commitment to participate as a General Corporate Security Market Maker for listed corporate fixed income securities, the templates of which are attached here as *Template A and Template B*.

## 4. CLASSIFICATIONS OF GENERAL CORPORATE SECURITY MARKET MAKER

- 4.1. Market Maker for a group or list of specific corporate securities (e.g., Bank Bonds, Commercial Papers, securities of a particular or several identified Issuers).
- 4.2. Market Maker for all listed outstanding corporate securities including all future issues.

## 5. GENERAL CORPORATE SECURITY MARKET MAKER OBLIGATIONS

As PDEX General Corporate Security Market Maker (“GCSM”), a Dealing Participant commits to:

- 5.1. Provide a continuous firm BID or continuous firm BID and firm OFFER<sup>1</sup> through either of the following methods:
  - 5.1.1. Posting a live firm BID or live firm BID and firm OFFER in the order book of cumulative trading commitment of at least PHP 5 Million throughout the day per issue; or
  - 5.1.2. Quote a live firm BID or live firm BID and firm OFFER price/s to a call on the Request for Quote (“RFQ”) facility, with a cumulative trading commitment of at least PHP 5 Million throughout the day per issue whenever a Trading Participant calls.
- 5.2. Ensure that the firm price/s shall be good for the minimum trading lot of each listed corporate security; and
- 5.3. Ensure that its Counterparty Limits, as specified under Rule 3.4.5 of the PDEX Rules for the Fixed Income Securities Market, as Amended (“PDEX Rules”), are optimized and always updated.

## 6. MECHANICS

The following procedure shall be observed in the acceptance of the General Corporate Security Market Maker:

- 6.1. Dealing Participant shall submit to PDEX a duly executed Letter of Commitment to participate as a General Corporate Security Market Maker.
- 6.2. PDEX shall acknowledge and sign the participation letter from the Dealing Participant.
- 6.3. Once signed, PDEX shall add the name of the Market Maker on a list of Eligible Market Makers to be published in the PDS Website.

## 7. WARRANTIES, DECLARATIONS AND UNDERTAKINGS

The Associated Person (or in its absence, the Compliance Officer) of an accepted General Market Maker shall submit to PDEX Regulatory Services Unit within the first five (5) days of every month the following reports:

- 7.1. Monthly sworn certification as to the corporate trading activity of their Dealer units to attest that the Dealing Participant performed its function as a general market maker; and
- 7.2. Report of open positions at month-end and warranty that no open position exceeds the period prescribed under the relevant and existing BSP circular or guidelines on credit exposure.

## 8. OTHER GUIDELINES

- 8.1. The participation of a Dealing Participant as a Corporate Security Market Maker shall be made known to Listed Issuers, and to other PDEX Trading Participants.

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<sup>1</sup> "Firm Offers" may be provided on a best efforts basis by the market makers until a Securities Lending facility for listed corporate securities is available.

- 8.2. The participation of a Dealing Participant as a General Corporate Security Market Maker shall be ongoing unless PDEX is notified in writing by the Dealing Participant at least seven (7) days prior to the date of intended termination.
- 8.3. Should the Dealing Participant fail to comply with its obligations or with the PDEX General Market Maker Program Guidelines or the PDEX Rules, PDEX may terminate the Dealing Participant's participation as a General Corporate Security Market Maker by sending a written notice to the Dealing Participant at least seven (7) days prior to the date of intended termination.
- 8.4. PDEX reserves the right to amend the above Corporate Security Market Maker Program Guidelines to comply with securities regulations, regulatory orders or directives of the SEC or the Market Governance Board, or in response to changes or improvements in its technology systems, with prior written notice to the General Corporate Security Market Makers.

(Sample General Corporate Security Market Letter)

Template A: Specific group or to a list of desired corporate securities

Please use your [Corporate Letterhead]

[Date]

**PHILIPPINE DEALING & EXCHANGE CORP.**

29th Floor, BDO Equitable Tower,  
8751 Paseo de Roxas, Makati, 1226

**Attention: MR. ANTONINO A. NAKPIL**  
President & Chief Executive Officer

Gentlemen:

**Subject:** Participation as PDEX General Corporate Security Market Maker

This is to confirm our intention to participate as a General Corporate Security Market Maker for a specific group or to a list of desired corporate securities in the PDEX Fixed Income Trading System. The following are the set of security/ies (the Issue/s):

Indicate a specific group or a list of desired corporate securities

We understand that such participation shall be subject to the consent of PDEX and shall take effect on the date indicated by PDEX in the notice it will issue regarding the same.

As a PDEX General Corporate Security Market Maker, we, through our Dealing desk, commit to provide the following in the PDEX Fixed Income Trading System:

1. Provide continuous firm BID or continuous firm BID and firm OFFER through either of following methods:
  - 1.1 Posting a live firm BID or live firm BID and firm OFFER in the order book of cumulative trading commitment of at least PHP 5 Million throughout the day per issue; or
  - 1.2 Quote a live firm BID or live firm BID and firm OFFER price/s to a call on the Request for Quote (“RFQ”) facility, with a cumulative trading commitment of at least PHP 5 Million throughout the day per issue whenever a Trading Participant calls.

2. Ensure that the firm price/s shall be good for the minimum trading lot of each listed corporate security; and
3. Ensure that its Counterparty Limits, as specified under Rule 3.4.5 of the PDEX Rules for the Fixed Income Securities Market, as Amended (“PDEX Rules”), are optimized and always updated.

Our participation as a General Corporate Security Market Maker may be made known to the Issuer and to the other PDEX Trading Participants, and we hereby consent to the same. Furthermore, we understand that our participation as a General Corporate Security Market Maker shall be ongoing unless we so otherwise advise PDEX in writing at least seven (7) days in advance of intended termination. This shall not preclude PDEX from terminating our participation as a General Corporate Security Market Maker by advance written notice to us within the same period should we fail to comply with our obligations as specified in the PDEX General Corporate Security Market Maker Program Guidelines or the PDEX Rules. This letter also signifies our commitment to abide by the PDEX Rules, particularly applicable to us as Trading Participants and Market Makers.

We undertake, represent and warrant that the signatory/ies hereof is/are duly authorized to execute this letter and bind our institution to the terms and conditions herein, and that we have the legal capacity to perform the obligations imposed on us by virtue hereof.

We look forward to contributing to and benefiting from the increased liquidity and trading volume from this Program.

Very truly yours,

[signed]

Authorized Signatory (Dealing)

Signature over Printed Name and Title

Authorized Signatory (Dealing)

Signature over Printed Name and Title

**WITH OUR CONFORMITY:**

**PHILIPPINE DEALING & EXCHANGE CORP.**

BY: **ANTONINO A. NAKPIL**

President & Chief Executive Officer

Template B: For all listed outstanding corporate securities including all future issues.

Please use your [Corporate Letterhead]

[Date]

**PHILIPPINE DEALING & EXCHANGE CORP.**

29th Floor, BDO Equitable Tower,  
8751 Paseo de Roxas, Makati, 1226

**Attention: MR. ANTONINO A. NAKPIL**  
President & Chief Executive Officer

Gentlemen:

**Subject:** Participation as PDEX General Corporate Security Market Maker

This is to confirm our intention to participate as a General Corporate Security Market Maker in the PDEX Fixed Income Trading System for all listed outstanding corporate securities including all future issues.

We understand that such participation shall be subject to the consent of PDEX and shall take effect on the date indicated by PDEX in the notice it will issue regarding the same.

As a PDEX General Corporate Security Market Maker, we, through our Dealing desk, commit to provide the following in the PDEX Fixed Income Trading System:

1. Provide continuous firm BID or continuous firm BID and firm OFFER through either of following methods:
  - 1.1 Posting a live firm BID or live firm BID and firm OFFER in the order book of cumulative trading commitment of at least PHP 5 Million throughout the day per issue; or
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Our participation as a General Corporate Security Market Maker may be made known to the Issuer and to the other PDEX Trading Participants, and we hereby consent to the same. Furthermore, we understand that our participation as a General Corporate Security Market Maker shall be ongoing unless we so otherwise advise PDEX in writing at least seven (7) days in advance of intended termination. This shall not preclude PDEX from terminating our participation as a General Corporate Security Market Maker by advance written notice to us within the same period should we fail to comply with our obligations as specified in the PDEX General Corporate Security Market Maker Program Guidelines or the PDEX Rules. This letter also signifies our commitment to abide by the PDEX Rules, particularly applicable to us as Trading Participants and Market Makers.

We undertake, represent and warrant that the signatory/ies hereof is/are duly authorized to execute this letter and bind our institution to the terms and conditions herein, and that we have the legal capacity to perform the obligations imposed on us by virtue hereof.

We look forward to contributing to and benefiting from the increased liquidity and trading volume from this Program.

Very truly yours,

[signed]

Authorized Signatory (Dealing)

Signature over Printed Name and Title

Authorized Signatory (Dealing)

Signature over Printed Name and Title

**WITH OUR CONFORMITY:**

**PHILIPPINE DEALING & EXCHANGE CORP.**

BY: **ANTONINO A. NAKPIL**

President & Chief Executive Officer