

**PROPOSED AMENDMENT TO THE PDEX RULES
FOR THE FIXED INCOME SECURITIES MARKET, AS AMENDED:
SUSPENSE ACCOUNT AND CASH SETTLEMENT BANKS**

- PROPOSED AMENDMENTS TO** : Rule 8 - Settlement
- REFERENCE NO.** : Proposal No. 001-2022
- RATIONALE** :
- To update the PDEX Rules on Settlement by removing references to the Suspense Account and Suspense Report as these are not in use since these were put in place only in anticipation of the investor level settlement
 - To expand the criteria of admitting Cash Settlement Banks to ensure that the following factors, namely: creditworthiness, capitalization, access to liquidity and operational reliability, regulation and supervision are considered
 - To assure the market that PDEX shall only admit applicants for Cash Settlement Banks based on the criteria set out in the PDEX Rules

CURRENT RULE	PROPOSED AMENDMENTS
<p><i>Rule 8.3 Definitions</i></p> <p style="text-align: center;">xxx xxx xxx</p> <p>40. Suspense Account shall refer to the cash or securities account of a Cash Settlement Bank or the Depository respectively particularly identified and designated as the destination of all proceeds in cases where delivery to the specified Securities or Cash Settlement Account cannot be effected under and in accordance with these Rules.</p> <p>41. Suspense Report shall refer to that report made available by the eDvP system to Settlement Participants, the Cash Settlement Banks and Depository involved in cases where Securities or Payments are credited to a</p>	<p><i>Rule 8.3 Definitions</i></p> <p style="text-align: center;">xxx xxx xxx</p> <p>40. Suspense Account shall refer to the cash or securities account of a Cash Settlement Bank or the Depository respectively particularly identified and designated as the destination of all proceeds in cases where delivery to the specified Securities or Cash Settlement Account cannot be effected under and in accordance with these Rules.</p> <p>41. Suspense Report shall refer to that report made available by the eDvP system to Settlement Participants, the Cash Settlement Banks and Depository involved in cases where Securities or Payments are credited to a</p>

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<p>Suspense Account in accordance with these Rules.</p> <p style="text-align: center;">xxx xxx xxx</p>	<p>Suspense Account in accordance with these Rules.</p> <p style="text-align: center;">xxx xxx xxx</p> <p>(Note: The numbering of the succeeding provisions shall be revised to reflect the correct sequential order.)</p>
<p>Rule 8.4 Settlement Participants</p> <p style="text-align: center;">xxx xxx xxx</p> <p>16. Settlement and Post Settlement</p> <p style="text-align: center;">xxx xxx xxx</p> <p>h. Failure to credit funds and securities</p> <p>i. If the Cash Settlement Bank cannot credit funds to a Cash Settlement Account or the Depository cannot credit Securities to a Depository Settlement Account for any reason, the Securities or Cash shall be credited to a Suspense Account; Provided, However, That the Cash Settlement Bank and the Depository, whichever is applicable, shall ensure that its recording of the Suspense Account appropriately recognizes the ownership of the proper party.</p> <p>ii. PDEx shall make available a Suspense Report providing details of all credits to Suspense Accounts.</p> <p>iii. The Settlement Participant shall give notice to the Depository or Cash Settlement Banks involved and coordinate among themselves to resolve the Suspense Account entry as soon as is practicable.</p> <p>iv. The crediting to a Suspense Account constitutes successful Settlement.</p> <p style="text-align: center;">xxx xxx xxx</p>	<p>Rule 8.4 Settlement Participants</p> <p style="text-align: center;">xxx xxx xxx</p> <p>16. Settlement and Post Settlement</p> <p style="text-align: center;">xxx xxx xxx</p> <p>h. Failure to credit funds and securities</p> <p>i. If the Cash Settlement Bank cannot credit funds to a Cash Settlement Account or the Depository cannot credit Securities to a Depository Settlement Account for any reason, the Securities or Cash shall be credited to a Suspense Account; Provided, However, That the Cash Settlement Bank and the Depository, whichever is applicable, shall ensure that its recording of the Suspense Account appropriately recognizes the ownership of the proper party.</p> <p>ii. PDEx shall make available a Suspense Report providing details of all credits to Suspense Accounts.</p> <p>iii. The Settlement Participant shall give notice to the Depository or Cash Settlement Banks involved and coordinate among themselves to resolve the Suspense Account entry as soon as is practicable.</p> <p>iv. The crediting to a Suspense Account constitutes successful Settlement.</p> <p style="text-align: center;">xxx xxx xxx</p>

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<p>Rule 8.5 Cash Settlement Banks</p> <p>1. Admission of Cash Settlement Banks</p> <p>a. Criteria</p> <p>All Cash Settlement Banks shall meet the following criteria:</p> <ol style="list-style-type: none"> i. Submits and agrees to be bound by the Terms and Conditions imposed by PDEX for performance of Cash Settlement Bank functions under these Rules, in the form prescribed by PDEX; ii. Has the technical capacity to build an automated interface with the eDvP System in accordance with the eDvP System Technical Interface Manual and/or has signified willingness to perform the functions of a Cash Settlement Bank using the eDvP System online interface; iii. Is a PhilPaSS member-bank; and iv. Agrees to abide by these Rules and the PDEX Rules. <p>b. Approval</p> <ol style="list-style-type: none"> i. PDEX shall have full authority and discretion to admit applicants for Cash Settlement Banks and its decision thereon shall be final and conclusive. PDEX may: <ol style="list-style-type: none"> 1. admit an applicant unconditionally; 2. admit an application on such terms and conditions as may be considered appropriate; or 3. refuse the application pending the resolution of non-compliant items. i. The action on the application shall be communicated in writing to the 	<p>Rule 8.5 Cash Settlement Banks</p> <p>1. Admission of Cash Settlement Banks</p> <p>a. Criteria</p> <p>All Cash Settlement Banks shall meet the following criteria:</p> <ol style="list-style-type: none"> i. <u>Must be a PDEX Trading Participant and a BSP Supervised Financial Institution (BSFI) with a BSP Demand Deposit Account (DDA);</u> ii. Submits and agrees to be bound by the Terms and Conditions imposed by PDEX for performance of Cash Settlement Bank functions under these Rules, in the form prescribed by PDEX; iii. Has the technical capacity to build an automated interface with the eFIDvP System in accordance with the eFIDvP System Technical Interface Manual and/or has signified willingness to perform the functions of a Cash Settlement Bank using the eFIDvP System online interface; iv. Is a PhilPaSS^{plus} member-bank; and v. Agrees to abide by these Rules and the PDEX Rules <u>and other relevant rules and regulations.</u> <p>b. Approval</p> <ol style="list-style-type: none"> i. PDEX shall have full authority and discretion to admit applicants for Cash Settlement Banks <u>solely based on the criteria set out in these Rules</u> and its decision thereon shall be final and conclusive. PDEX may: <ol style="list-style-type: none"> 1. admit an applicant unconditionally;

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<p>applicant within five (5) business days from the rendition of the same.</p> <p>xxx xxx xxx</p>	<p>2. admit an application on such terms and conditions as may be considered appropriate; or</p> <p>3. refuse the application pending the resolution of non-compliant items.</p> <p>ii. The action on <u>approval or disapproval of</u> the application shall be communicated in writing to the applicant within five (5) business days from the rendition of the same.</p> <p>xxx xxx xxx</p>
<p>Rule 8.5 Cash Settlement Banks</p> <p>1. Admission of Cash Settlement Banks</p> <p>xxx xxx xxx</p> <p>15. Failure to credit</p> <p>a. If the Cash Settlement Bank cannot credit funds to a Cash Settlement Account, for any reason, the Cash Settlement Bank shall credit the funds to a Suspense Account and send a Settlement confirmation to PDEX with a warning status.</p> <p>b. The Cash Settlement Bank shall cooperate directly with the Settlement Participant to identify the correct account and transfer the funds from the Suspense Account in accordance with the instructions of the affected Settlement Participant as soon as is practicable.</p> <p>16. Notice</p> <p>A Cash Settlement Bank shall continue to function as such until otherwise notified by PDEX.</p>	<p>Rule 8.5 Cash Settlement Banks</p> <p>1. Admission of Cash Settlement Banks</p> <p>xxx xxx xxx</p> <p>15. Failure to credit</p> <p>a. If the Cash Settlement Bank cannot credit funds to a Cash Settlement Account, for any reason, the Cash Settlement Bank shall credit the funds to a Suspense Account and send a Settlement confirmation to PDEX with a warning status.</p> <p>b. The Cash Settlement Bank shall cooperate directly with the Settlement Participant to identify the correct account and transfer the funds from the Suspense Account in accordance with the instructions of the affected Settlement Participant as soon as is practicable.</p> <p>16. Notice</p> <p>A Cash Settlement Bank shall continue to function as such until otherwise notified by PDEX.</p>
<p>8.6 The Depository</p> <p>1. Role of the Depository</p> <p>xxx xxx xxx</p>	<p>8.6 The Depository</p> <p>1. Role of the Depository</p> <p>xxx xxx xxx</p>

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<p><i>5. Settlement of the Securities</i></p> <p>a. On receipt of an instruction to that effect from the eDvP System, the Depository shall debit the Earmarked Securities in the Seller’s Depository Settlement Account and credit the Buyer’s Depository Settlement Account.</p> <p>b. The Depository shall confirm the debit or credit performed to the eDvP System as soon as the entries have been made in its own systems and within the Timeline.</p> <p>c. In the event that:</p> <p>i. the Securities to be debited have not been Earmarked in the Depository Settlement Account, the eDvP system shall display that the status is pending availability of Seller’s securities; or</p> <p>ii. the Securities cannot be credited, for whatever reason, to the specified Depository Settlement Account, the Depository shall credit them to a Suspense Account and send a Settlement confirmation Message to the eDvP System with a warning status.</p> <p>d. The Depository shall cooperate directly with the relevant Settlement Participant to identify the correct account and transfer the Securities from the Suspense Account in accordance with the instructions of the Settlement Participant as soon as practicable.</p>	<p><i>5. Settlement of the Securities</i></p> <p>a. On receipt of an instruction to that effect from the eFIDvP System, the Depository shall debit the Earmarked Securities in the Seller’s Depository Settlement Account and credit the Buyer’s Depository Settlement Account.</p> <p>b. The Depository shall confirm the debit or credit performed to the eFIDvP System as soon as the entries have been made in its own systems and within the Timeline.</p> <p>c. In the event that:</p> <p>i. the Securities to be debited have not been Earmarked in the Depository Settlement Account, the eFIDvP system shall display that the status is pending availability of Seller’s securities;</p> <p>or</p> <p>ii. the Securities cannot be credited, for whatever reason, to the specified Depository Settlement Account, the Depository shall credit them to a Suspense Account and send a Settlement confirmation Message to the eDvP System with a warning status.</p> <p>d. The Depository shall cooperate directly with the relevant Settlement Participant to identify the correct account and transfer the Securities from the Suspense Account in accordance with the instructions of the Settlement Participant as soon as practicable.</p>