Philippine Dealing System Holdings Corp. & Subsidiaries

14 June 2013

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ATTENTION	:	
SUBJECT	:	PROPOSED RULE ON MINIMUM INFORMATION ON WRITTEN CONFIRMATION ADVICE, AS FURTHER REVISED
REF. NO.	:	PROPOSAL NO. 003-2013 (superseding Rule Proposal Nos. 003-2012 and 001-2013)

Gentlemen:

Enclosed herewith for your comments is the proposed amendment, as further revised, to Rule 6.3 of the PDEx Rules for the Fixed Income Securities Market, As Amended ("PDEx Rules"), which proposes the minimum information that should be contained in the written confirmation advice issued to a customer and the period of disclosure, attached hereto as Annex A.

The original proposal was drafted for the purpose of providing adequate and accurate disclosure of information on transactions by brokers to their customers. The proposal has undergone subsequent revisions further to a series of deliberations which take into account, among others, developments in the implementation of the Single Price Convention. As a result of these discussions, the revised proposal (Rule Proposal No. 001-2013) previously disseminated provided that the Yield to Maturity (YTM) would no longer be a required disclosure item but may be added as an optional item in the written confirmation of execution of trade and written confirmation of settlement.

However, in a letter dated 02 May 2013, the Bangko Sentral ng Pilipinas (BSP) indicated the following item as a matter for consideration of the Implementation Working Group (IWG), as follows: "xxx (2) Trade reporting shall principally include the price at which the trade was quoted and consummated, the resulting YTM and the coupon rate; xxx."

Thus, the PDEx Market Governance Board (MGB) has approved the inclusion of the YTM as a minimum disclosure item in the written confirmation. The MGB has likewise approved additional refinement in the language of the proposed rule and approved the rule proposal, as further revised, for dissemination for comments. We attach the same hereto as *Annex A*. The proposal has also been posted on the PDEx website, www.pdex.com.ph.

We would highly appreciate receiving your comments on the proposed revision within a nonextendible period of twenty (20) days from receipt hereof. In formulating your comments, please use the template provided, attached hereto as *Annex B*. Please send your comments to:

> THE MARKET GOVERNANCE BOARD 37/F, Enterprise Center, Tower 1 Ayala Avenue cor. Paseo de Roxas Makati City

Philippine Dealing System Holdings Corp. • Philippine Dealing & Exchange Corp. • Philippine Depository & Trust Corp. Philippine Securities Settlement Corp. • PCD Nominee Corp. For your information, the attached rule proposal has been submitted to the Securities and Exchange Commission (SEC) as required under the Securities Regulation Code. This will be submitted again to the SEC for final approval once the market has given its comments and the same have been incorporated in appropriate cases.

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Very truly yours,

THE MARKET GOVERNANCE BOARD By: SOCORRO BOLIPATA LERER

MINIMUM INFORMATION ON WRITTEN CONFIRMATION ADVICE

PROPOSED AMENDMENT TO	:	Rule 6.3 Conduct and Ethics - Other Duties to Customer [Minimum Information on Written Confirmation Advice]
Reference No.	:	Proposal No. 003-2013 (superseding Rule Proposal Nos. 003-2012 and 001-2013)
Rationale for the Revised Proposal	1:	To provide adequate, accurate and timely disclosure of information on the transaction by the broker to the customer with the adoption of the convention to quote and settle on one price.

As directed by the *Bangko Sentral ng Pilipinas*, the Yield to Maturity (YTM) should be among the items required as minimum information in the written affirmation of execution of trade order and written confirmation of settlement of trade. The YTM to be disclosed should be that derived using the tax neutral Global Bond Formula.

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CURRENT RULE	ORIGINAL PROPOSED AMENDMENT (No. 003-2012)	REVISED PROPOSED AMENDMENT (No. 001-2013)	PROPOSED AMENDMENT, AS FURTHER REVISED (No. 003-2013)
Rule 6.3. Other Duties to Customer	Rule 6.3. Other Duties to Customer	Rule 6.3. Other Duties to Customer	Rule 6.3. Other Duties to Customer
Every Trading	Every Trading Participant or its personnel shall:	Every Trading Participant or its personnel shall:	Every Trading Participant or its personnel shall:
Participant or its personnel shall:	1. xxx	1. xxx	
1. xxx	2. Send its customers <u>the</u> following written confirmation of all	2. Send its customers <u>the</u> following written confirmation of all	 Send its customers <u>the</u> following written confirmation of all transactions in compliance with Securities Laws and these Rules:
2. Send its customers written	transactions in compliance with Securities Laws and these Rules <u>:</u>	transactions in compliance with Securities Laws and these Rules <u>:</u>	 a. Written affirmation confirmation of execution of the trade orders as promptly as possible on the day which
confirmation of all transactions	a. <u>Written confirmation of execution</u> of the trade as promptly as	b. <u>Written confirmation of execution</u> of the trade as promptly as	they are made, which shall contain, at the minimum, the following information:
in compliance with Securities Laws and these	possible on the day which they are made, which shall contain, at the minimum, the following	possible on the day which they are made, which shall contain, at the minimum. the following	i. <u>Account Name of Customer Transaction Number</u> ii. Nature of Transaction - designation on whether
Rules;	information:	information:	the transaction was a purchase or sale for the Customer
	i. <u>Account Name of Customer</u> ii. <u>Nature of Transaction</u> -	i. <u>Account Name of Customer</u> ii. <u>Nature of Transaction</u> -	iii. <u>Security</u> iv. <u>Trade Date</u>
	<u>designation on whether</u> <u>the transaction was a</u> purchase or sale for the	<u>designation on whether</u> <u>the transaction was a</u> purchase or sale for the	 v. <u>Face Value</u> vi. <u>Yield to Maturity, which shall be derived using</u> the tax neutral Global Bond Formula, as follows:
	<u>Customer</u> iii. <u>Security</u>	<u>Customer</u> iii. <u>Security</u>	
	iv. <u>Trade Date</u> v. <u>Face Value</u> v. Viold to Maturity	iv. <u>Trade Date</u> v. <u>Face Value</u>	$Gross Clean Price = \left \frac{MV}{\left(1 + \frac{57M}{Cpn Free}\right)^{N-1} \left(\frac{95C}{R}\right)} \right + \left \sum_{K=1}^{N} \frac{CPNAMT}{\left(1 + \frac{17M}{Cpn Free}\right)^{K-1} \left(\frac{55C}{R}\right)} - \left[\frac{MV \cdot CPN\% \cdot DCS}{360} \right] \right $
	vi. <u>Yield to Maturity</u>	vi, <u>Yield to Maturity</u>	

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vii. <u>Principal/Price</u> viii. <u>Accrued Interest</u> ix. <u>Final withholding tax on</u> <u>accrued interest</u> x. <u>Unbundled transaction</u> <u>fees (broker's fee, other</u> <u>charges)</u> xi. <u>Other relevant fees and</u> <u>charges</u> xii. <u>Settlement amount</u>	vi. <u>Principal/Price</u> vii. <u>Accrued Interest</u> viii. <u>Final withholding tax on</u> <u>accrued interest</u> ix. <u>Unbundled transaction</u> <u>fees (broker's fee, other</u> <u>charges</u>) x. <u>Other relevant fees and</u> <u>charges</u> xi. <u>Settlement amount</u> <u>Information on Yield to Maturity may be</u> <u>added to the written confirmation.</u>	Where: MV = Maturity Value N = Number of Coupon Periods remaining bet. Settlement and Maturity date. If N has a fractional part, (i.e. settlement not on a coupon date) it is rounded to next higher whole number CPN AMT = Coupon Amount CPN # = Coupon Frequency YTM = Yield to Maturity DCS = Days from previous Coupon Date to Settlement Date (or Accrued no. of Days) DSC = No. of Days in Coupon Period (also E = DCS + DSC) In Phil. 30/360 convention, E is 360 for annual coupon, 180 for semi-annual coupon, and 90 for quarterly coupon bonds K = Coupon Period vii. <u>Principal/Price Clean Price</u> X viii. <u>Accrued Interest</u> X ix. <u>Final withholding tax on accrued interest</u> X x. <u>Unbundled transaction fees (broker's fee, other charges)</u> Xi. xi. <u>Other relevant fees and charges</u> X. x. <u>Settlement amount</u> X Information on Yield to Maturity may be added to the written confirmation. W/ d115CdMUM J J JUM .
b. Written confirmation of settlement of the trade, which shall contain, at the minimum, the following information: i. Parties • Name & contact information of Trading Participant • Account Name of Customer ii. Nature of Transaction - designation of whether the transaction was a purchase or sale for the Customer iii. Dates	c. <u>Written confirmation of</u> settlement of the trade, which shall contain, at the minimum, the following information: i. <u>Parties</u> • <u>Name & contact</u> information of <u>Trading</u> <u>Participant</u> • <u>Account Name of</u> <u>Customer</u> ii. <u>Nature of</u> <u>Transaction -</u> <u>designation of</u> whether the transaction was a <u>purchase or sale for</u> the Customer	 c. Written confirmation of settlement of the trade, which shall contain, at the minimum, the following information; i. Parties Name & contact information of Trading Participant Account Name of Customer Nature of Transaction - designation of whether the transaction was a purchase or sale for the Customer iii. Dates Trade Date Settlement Date iv. Description of the Security Type of Security or Issuer or ISIN Issue Date Coupon Rate

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	<u>Trade Date</u>	iii. <u>Dates</u>	Face value
	 Settlement Date 	Trade Date	 Yield to Maturity, which shall be derived
	iv. <u>Description of the</u>	 <u>Settlement Date</u> 	using the tax neutral Global Bond Formula,
	Security	iv. <u>Description of the</u>	as follows:
	Type of Security	<u>Security</u>	
	or Issuer or ISIN	Type of Security	
	 Issue Date 	or issuer or ISIN	$Gross Clean Price = \frac{MV}{2} + \sum_{n=1}^{NV} \frac{1}{2} \frac{PNAMI}{2} - \frac{MV * CPN% * OLS}{2}$
	Maturity Date	Issue Date	$Gross Clean Price = \left \frac{MV}{\left(1 + \frac{VIM}{1 + \frac{VIM}{2}}\right)^{N-1 + \frac{DSC}{2}}} + \left \sum_{K=1}^{N} \frac{CPNAMT}{\left(1 + \frac{VIM}{2}\right)^{N-1 + \frac{DSC}{2}}} - \left[\frac{MV * CPN\% * DCS}{360} \right] \right $
	Coupon Rate	Maturity Date	tζ ζρπFreqJ J t ζ ζρπFreqJ J
	v. Breakdown of	Coupon Rate	Where:
	Amounts	v. Breakdown of	MV = Maturity Value
	Face value	Amounts	N
	Yield to Maturity	= Face value	and Maturity date. If N has a fractional part, (i.e.
	Principal/Price	- <u>race value</u> - <u>Yield to Maturity</u>	settlement not on a coupon date) it is rounded to next
		~	higher whole number
	<u>Accrued Interest</u> <u>Sincl. with holding</u>	Principal/Price	CPN AMT = Coupon Amount
	Final withholding	<u>Accrued Interest</u>	CPN% = Coupon Rate
	tax on accrued	 Final withholding 	Cpn Freq. = Coupon Frequency YTM = Yield to Maturity
	interest	tax on accrued	DCS = Days from previous Coupon Date to Settlement Date (or
	 <u>Unbundled</u> 	interest	Accrued no. of Days)
	transaction fees	 <u>Unbundled</u> 	DSC = No, of Days from Settlement Date to next Coupon Date
	<u>(broker's fees,</u>	transaction fees	E = No. of Days in Coupon Period (also E = DCS + DSC)
	other charges)	<u>(broker's fees,</u>	In Phil. 30/360 convention, E is 360 for annual coupon,
	 Other relevant 	other charges)	180 for semi-annual coupon, and 90 for quarterly
	fees and charges	 Other relevant 	coupon bonds
	Settlement	fees and charges	K = Coupon Period
	amount	 Settlement 	
	vi. Cash or Securities	amount	Principal/Price Clean Price
	Disposition	vi. Cash or Securities	Accrued Interest
	vii. Such other	Disposition	Final withholding tax on accrued interest
	information as may	vii. Such other	 Unbundled transaction fees (broker's fees, 1/1)
	be required by the	information as may	other charges to be paid or reimbursed to
	SEC or PDEx from	be required by the	the broker)
	time to time.	SEC or PDEx from	* Other relevant logs and charges
	unie to unie.	time to time.	 Settlement amount
	The confirmation of execution	<u>unie to unie.</u>	vi. Cash or Securities Disposition
		The confirmation of accounts	vii. Such other information as may be required by
	issued by the Trading Participant to	The confirmation of execution	the SEC or PDEx from time to time.
	its Customer shall contain the same	issued by the Trading Participant to	the sec of FDEX from time to time.
	information as that in the	its Customer shall contain the same	The affirmation confirmation of execution issued by the
	confirmation of settlement.	information as that in the	Trading Participant to its Customer shall contain the same
		confirmation of settlement.	
	3. xxx		information as that in the confirmation of settlement.
		Information on Yield to Maturity	and a model of an All of the All Annulation of the second s
3. xxx		may be added to the written	Information on Yield to Maturity may be added to the
		confirmation,	written confirmation.
		3. xxx	3. xxx
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COMMENTS ON RULE PROPOSAL NO. 003-2013

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PROPOSED AMENDMENT TO RULE 6.3 OF THE PDEX RULES, AS FURTHER REVISED [PROPOSED RULE ON MINIMUM INFORMATION ON WRITTEN CONFIRMATION ADVICE]

Specific Provision	Proposed Revision	Comments and Justification
	1	ξ
[Please quote <i>verbatim</i> the specific rule provision to which the comment is addressed.]	[Please state here the proposed rewording or rephrasing of the provision indicated in the first column.]	[Please state here your justification for your proposal or counter-proposal, and any other comment you may have regarding the provision indicated in the first column.]
<u> </u>	·····	

[Name of Trading Participant submitting the comment] Date of receipt of Proposal from PDEx: