

14 June 2013

**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](http://www.pdex.com.ph).

We would highly appreciate receiving your comments on the proposed revision within a non-extendible 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

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.

Very truly yours,

**THE MARKET GOVERNANCE BOARD**

By:

  
**SOCORRO BOLIPATA LERER AT**  
Secretariat

**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 :** 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.

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

	<ul style="list-style-type: none"> <li>vii. <u>Principal/Price</u></li> <li>viii. <u>Accrued Interest</u></li> <li>ix. <u>Final withholding tax on accrued interest</u></li> <li>x. <u>Unbundled transaction fees (broker's fee, other charges)</u></li> <li>xi. <u>Other relevant fees and charges</u></li> <li>xii. <u>Settlement amount</u></li> </ul>	<ul style="list-style-type: none"> <li>vi. <u>Principal/Price</u></li> <li>vii. <u>Accrued Interest</u></li> <li>viii. <u>Final withholding tax on accrued interest</u></li> <li>ix. <u>Unbundled transaction fees (broker's fee, other charges)</u></li> <li>x. <u>Other relevant fees and charges</u></li> <li>xi. <u>Settlement amount</u></li> </ul> <p>Information on Yield to Maturity may be added to the written confirmation.</p>	<p>Where:</p> <ul style="list-style-type: none"> <li>MV = Maturity Value</li> <li>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</li> <li>CPN AMT = Coupon Amount</li> <li>CPN% = Coupon Rate</li> <li>Cpn Freq. = Coupon Frequency</li> <li>YTM = Yield to Maturity</li> <li>DCS = Days from previous Coupon Date to Settlement Date (or Accrued no. of Days)</li> <li>DSC = No. of Days from Settlement Date to next Coupon Date</li> <li>E = 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</li> <li>K = Coupon Period</li> </ul> <ul style="list-style-type: none"> <li>vii. <u>Principal/Price Clean Price</u> X <i>2nd page.</i></li> <li>viii. <u>Accrued Interest</u> X</li> <li>ix. <u>Final withholding tax on accrued interest</u> X</li> <li>x. <u>Unbundled transaction fees (broker's fee, other charges)</u></li> <li>xi. <u>Other relevant fees and charges</u></li> <li>x. <u>Settlement amount</u> X</li> </ul> <p>Information on Yield to Maturity may be added to the written confirmation.</p> <p><i>w/ disclosure of fees.</i></p>
	<p>b. <u>Written confirmation of settlement of the trade, which shall contain, at the minimum, the following information:</u></p> <ul style="list-style-type: none"> <li>i. <u>Parties</u> <ul style="list-style-type: none"> <li>▪ <u>Name &amp; contact information of Trading Participant</u></li> <li>▪ <u>Account Name of Customer</u></li> </ul> </li> <li>ii. <u>Nature of Transaction - designation of whether the transaction was a purchase or sale for the Customer</u></li> <li>iii. <u>Dates</u></li> </ul>	<p>c. <u>Written confirmation of settlement of the trade, which shall contain, at the minimum, the following information:</u></p> <ul style="list-style-type: none"> <li>i. <u>Parties</u> <ul style="list-style-type: none"> <li>▪ <u>Name &amp; contact information of Trading Participant</u></li> <li>▪ <u>Account Name of Customer</u></li> </ul> </li> <li>ii. <u>Nature of Transaction - designation of whether the transaction was a purchase or sale for the Customer</u></li> </ul>	<p>c. <u>Written confirmation of settlement of the trade, which shall contain, at the minimum, the following information:</u></p> <ul style="list-style-type: none"> <li>i. <u>Parties</u> <ul style="list-style-type: none"> <li>▪ <u>Name &amp; contact information of Trading Participant</u></li> <li>▪ <u>Account Name of Customer</u></li> </ul> </li> <li>ii. <u>Nature of Transaction - designation of whether the transaction was a purchase or sale for the Customer</u></li> <li>iii. <u>Dates</u> <ul style="list-style-type: none"> <li>▪ <u>Trade Date</u></li> <li>▪ <u>Settlement Date</u></li> </ul> </li> <li>iv. <u>Description of the Security</u> <ul style="list-style-type: none"> <li>▪ <u>Type of Security or Issuer or ISIN</u></li> <li>▪ <u>Issue Date</u></li> <li>▪ <u>Maturity Date</u></li> <li>▪ <u>Coupon Rate</u></li> </ul> </li> <li>v. <u>Breakdown of Amounts</u></li> </ul>

<p>3. xxx</p>	<ul style="list-style-type: none"> <li>iv. <u>Description of the Security</u> <ul style="list-style-type: none"> <li>▪ <u>Trade Date</u></li> <li>▪ <u>Settlement Date</u></li> <li>▪ <u>Type of Security or Issuer or ISIN</u></li> <li>▪ <u>Issue Date</u></li> <li>▪ <u>Maturity Date</u></li> <li>▪ <u>Coupon Rate</u></li> </ul> </li> <li>v. <u>Breakdown of Amounts</u> <ul style="list-style-type: none"> <li>▪ <u>Face value</u></li> <li>▪ <u>Yield to Maturity</u></li> <li>▪ <u>Principal/Price</u></li> <li>▪ <u>Accrued Interest</u></li> <li>▪ <u>Final withholding tax on accrued interest</u></li> <li>▪ <u>Unbundled transaction fees (broker's fees, other charges)</u></li> <li>▪ <u>Other relevant fees and charges</u></li> <li>▪ <u>Settlement amount</u></li> </ul> </li> <li>vi. <u>Cash or Securities Disposition</u></li> <li>vii. <u>Such other information as may be required by the SEC or PDEX from time to time.</u></li> </ul> <p><u>The confirmation of execution issued by the Trading Participant to its Customer shall contain the same information as that in the confirmation of settlement.</u></p> <p>3. xxx</p>	<ul style="list-style-type: none"> <li>iii. <u>Dates</u> <ul style="list-style-type: none"> <li>▪ <u>Trade Date</u></li> <li>▪ <u>Settlement Date</u></li> </ul> </li> <li>iv. <u>Description of the Security</u> <ul style="list-style-type: none"> <li>▪ <u>Type of Security or Issuer or ISIN</u></li> <li>▪ <u>Issue Date</u></li> <li>▪ <u>Maturity Date</u></li> <li>▪ <u>Coupon Rate</u></li> </ul> </li> <li>v. <u>Breakdown of Amounts</u> <ul style="list-style-type: none"> <li>▪ <u>Face value</u></li> <li>▪ <del>Yield to Maturity</del></li> <li>▪ <u>Principal/Price</u></li> <li>▪ <u>Accrued Interest</u></li> <li>▪ <u>Final withholding tax on accrued interest</u></li> <li>▪ <u>Unbundled transaction fees (broker's fees, other charges)</u></li> <li>▪ <u>Other relevant fees and charges</u></li> <li>▪ <u>Settlement amount</u></li> </ul> </li> <li>vi. <u>Cash or Securities Disposition</u></li> <li>vii. <u>Such other information as may be required by the SEC or PDEX from time to time.</u></li> </ul> <p><u>The confirmation of execution issued by the Trading Participant to its Customer shall contain the same information as that in the confirmation of settlement.</u></p> <p><u>Information on Yield to Maturity may be added to the written confirmation.</u></p> <p>3. xxx</p>	<ul style="list-style-type: none"> <li>▪ <u>Face value</u></li> <li>▪ <u>Yield to Maturity, which shall be derived using the tax neutral Global Bond Formula, as follows:</u></li> </ul> $\text{Gross Clean Price} = \left[ \frac{MV}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{N-1 + \frac{DSC}{E}}} \right] + \left[ \sum_{k=1}^N \frac{CPN \cdot AMT}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{k-1 + \frac{DSC}{E}}} \right] - \left[ \frac{MV + CPN\% \cdot DCS}{360} \right]$ <p>Where:</p> <ul style="list-style-type: none"> <li>MV = Maturity Value</li> <li>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</li> <li>CPN AMT = Coupon Amount</li> <li>CPN% = Coupon Rate</li> <li>Cpn Freq. = Coupon Frequency</li> <li>YTM = Yield to Maturity</li> <li>DCS = Days from previous Coupon Date to Settlement Date (or Accrued no. of Days)</li> <li>DSC = No. of Days from Settlement Date to next Coupon Date</li> <li>E = 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</li> <li>K = Coupon Period</li> </ul> <ul style="list-style-type: none"> <li>▪ <u>Principal/Price Clean Price</u></li> <li>▪ <u>Accrued Interest</u></li> <li>▪ <u>Final withholding tax on accrued interest</u></li> <li>▪ <u>Unbundled transaction fees (broker's fees, other charges) to be paid or reimbursed to the broker.</u></li> <li>▪ <del>Other relevant fees and charges</del></li> <li>▪ <u>Settlement amount</u></li> <li>vi. <u>Cash or Securities Disposition</u></li> <li>vii. <u>Such other information as may be required by the SEC or PDEX from time to time.</u></li> </ul> <p><u>The affirmation confirmation of execution issued by the Trading Participant to its Customer shall contain the same information as that in the confirmation of settlement.</u></p> <p><u>Information on Yield to Maturity may be added to the written confirmation.</u></p> <p>3. xxx</p>
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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
[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.]

BDD

Metro

BTM

SPTC

EWB

RCBC

[Name of Trading Participant submitting the comment]

Date of receipt of Proposal from PDEX: