

Part Two – Expanded Delivery versus Payment

Rule 8.3 Definitions

1. *Bank Authorization Letter* shall refer to a letter issued by a Settlement Participant and accepted by the Cash Settlement Bank granting authorization to the Cash Settlement Bank to effect acts consistent with the requirements of Settlement of a Trade under these Rules, and specifying the details of the Settlement Participant's designated Cash Settlement Account to be used for Settlement of Trades in the eDvP Service.
2. *BSP* shall refer to the Bangko Sentral ng Pilipinas, the operator of the *PhilPaSS* system, which shall be Cash Settlement Bank in the context of these Rules.
3. *Buyer* shall refer to the Settlement Participant whose Cash Settlement Account will be debited and whose Depository Settlement Account will be credited in respect of the Settlement of a Trade.
4. *Cash Settlement Account* shall refer to an account with a Cash Settlement Bank which may be debited or credited in accordance with these Rules.
5. *Cash Settlement Bank* shall refer to the BSP or any bank registered by PDEx as a Cash Settlement Bank that maintains a Cash Settlement Account for Settlement Participants and which undertakes to perform the necessary actions specified in these Rules to effect the Settlement of Trades.
6. *Cash Settlement Bank Person* shall refer to that person designated by a Cash Settlement Bank to perform such acts as are granted under its authority as such, including the authorizing of debit and credit instructions to and from their Demand Deposit Account. (new060914)
7. *Confirmation* shall refer to the confirmation of the Settlement obligations of the Buyer and Seller in the eDvP System arising from Trades in Securities.
8. *Confirmation Report* shall refer to a report or inquiry screen in the eDvP System made available to Settlement Participants in accordance with the Timeline giving details of Trades executed by them on the day of the report.
9. *DDA* shall refer to a Demand Deposit Account of the Cash Settlement Bank at BSP accessible through the *PhilPaSS* system.
10. *Delivery* shall refer to the delivery of Securities effected via debits and credits in the Depository Settlement Accounts.

11. *Depository* shall refer to the PDTC in its capacity as an SEC-licensed Depository which undertakes to perform the necessary actions specified in these Rules to effect the Settlement of Trades by debiting or crediting the Depository Settlement Accounts of the Settlement Participants in accordance with the Message received from the eDvP System.
12. *Depository Settlement Account* shall refer to a securities account with the Depository in the name of the Settlement Participant or his duly authorized agent, which account has been identified and designated as the account to be debited or credited in accordance with these Rules pursuant to Settlement of Trades.
13. *Earmark (or Earmarking)* shall mean a restriction placed on a Quantity of Securities by the Depository on instructions to that effect from the eDvP System such that the transfer of such Earmarked Securities shall be restricted to conform with a Message from the eDvP System to settle a Trade.
14. *eDvP Rules or Rules* shall refer to these Rules as the same may be amended from time to time.
15. *eDvP System or System* shall refer to the system operated by PDEX under these Rules.
16. *eDvP Technical Interface Manual* shall refer to the technical specifications provided to the Cash Settlement Banks to enable them to build an automated interface to the eDvP System.
17. *eDvP Timeline or Timeline* shall refer to a schedule of cut-off times for input of information to and output of information from the eDvP System, as the same is issued by PDEX and amended from time to time.
18. *eDvP System User or System User* shall refer to a person given a user profile designated by a Settlement Participant or Cash Settlement Bank and enrolled and granted access to the eDvP System.
19. *eDvP User Manual or User Manual* shall refer to the manual, as may be amended from time to time, issued by PDEX to Settlement Participants and Cash Settlement Banks giving details of the operation of the eDvP System and/or the eDvP Service.
20. *Face Value* shall refer to the specified amount that the Issuer agrees to repay on the date of maturity of a fixed income Security.
21. *Failed Trades and Delayed Settlements* shall have the meaning given to it in Rule 8.4, par. 17(a)(i) and (ii). (rev052810)
22. *Failed Trades Report* shall refer to a report or inquiry screen in the eDvP System

made available to Settlement Participants in accordance with the Timeline giving details of the Failed Trades and Delayed Settlements of a Settlement Participant. (rev052810)

23. *Issuer* shall refer to a legal entity authorized to issue its Securities, and includes the national government, government-owned or controlled corporations, local government units, as well as private corporations and special purpose vehicles.
24. *Message* shall mean an instruction, request or information sent to or received from the Cash Settlement Bank and the Depository in accordance with the relevant eDvP Technical Interface Manual and/or eDvP User Manual.
25. *Notice* shall mean information issued in written form by PDEX or PDTC, which supplements or explains these Rules and/or such other Rules as shall have applicability to the use of the eDvP System.
26. *Payment* shall refer to cash payment or electronic debits and credits in the Cash Settlement Accounts of Settlement Participants in the Cash Settlement Bank.
27. *PDEX* shall refer to the Philippine Dealing & Exchange Corp.
28. *PDEX Rules* shall refer to the *PDEX Rules for the Fixed Income Securities Market, as Amended*, as the same may be amended from time to time.
29. *PDTC* shall refer to the Philippine Depository and Trust Corp.
30. *PhilPaSS* shall refer to the real time gross settlement system for peso Payments operated by the BSP.
31. *Quantity* shall refer to the Face Value of fixed income Security or the number of shares of equity Security or number of units of unitized Security.
32. *Security/ies* shall mean any instrument traded in the Trading System.
33. *Seller* shall refer to the Settlement Participant whose Depository Settlement Account will be debited and whose Cash Settlement Account will be credited in respect of the Settlement of a Trade.
34. *Settlement* shall mean the satisfaction of all obligations arising from a Trade between Settlement Participants involved therein.
35. *Settlement Contact Person* shall refer to that person designated by a Settlement Participant who shall act as its principal channel of communication in relation to settlement issues. (new060914)
36. *Settlement Date* shall refer to the date on which Settlement should occur as indicated in the Trade or such other later date as may be allowed under these

Rules or the PDEX Rules.

37. *Settlement Participant* shall refer to a Trading Participant or a Non-Trading Participant or the appointed custodian of the Non-Trading Participant that uses the eDvP Service and/or agrees to be bound by these Rules. (rev071709)
38. *Settlement Person* shall refer to that Person or his alternate, designated by a Settlement Participant to perform such acts as are granted under its authority as such, including the authorizing of transmission of settlement instructions duly constituted under Trades to appropriate settlement entities to cause Settlement. (rev060914)
39. *Settlement Report* shall refer to that report or inquiry screen in the eDvP system made available to Settlement Participants in accordance with the Timeline giving details of the settlement status of their Trades.
40. **"Settlement System" shall refer to either the PDSClear DVP system or the BTr NRoSS-PhilPaSS DvP system. (new031825)**
- ~~41. **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.**~~
- ~~42. **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 Suspense Account in accordance with these Rules.**~~
41. *Trade* shall refer to the transaction executed by Trading Participants in the Trading System which is transmitted to the eDvP System for Settlement under these Rules.
42. *Trading Participants* shall refer to entities that are qualified and recognized under the PDEX Rules as Trading Participants and members of the PDEX Self-Regulatory Organization.
43. *Trading System* shall refer to the trading system operated by PDEX.

Rule 8.4 Settlement participants (new031825)

1. Activation as Settlement Participants

- a. All Trading Participants shall be Settlement Participants. Activation of such

participation shall be subject to submission of the following requirements:

- i. Application Form for Settlement Participant;
 - ii. Name of its Settlement Contact Person and his alternate(s) who shall act as its principal channel of communication with PDEX in relation to settlement issues; (new060914)
 - iii. Name of its Settlement Person and his alternate(s); (rev060914)
 - iv. List of Authorized eDvP System Users;
 - v. Demonstration of the technological capability to connect to the eDvP system;
 - vi. Execution of a Settlement Participant Agreement in the form prescribed by PDEX; and
 - vii. Such other requirements as may reasonably be imposed by PDEX.
- b. Non-Trading Participants who are nominated to be Settlement Participants by their respective Dealing Participant counterparties under the rules allowing trades with Non-Trading Participants shall submit a Nomination Form signed by the nominating Dealing Participant, in addition to the above requirements. (new071709)
- c. PDEX reserves the right to charge a fee for rendition of services contemplated under these Rules.

2. Representations and Warranties of Settlement Participants

- a. The transmission of any Trade into the eDvP System shall constitute the representation and warranty of the Settlement Participant that it has full power, right and authority to enter into the Trade and perform obligations relative to the Settlement thereof, and to delegate appropriate functions to PDEX as necessary thereunder and under these Rules.
- b. Settlement Participants shall be principally liable for the timely and complete settlement of their Trades, subject to the primary liability of customers for the obligations under the trade in case of Brokering Participants.
- c. The receipt of a Trade by the eDvP System, shall constitute an authority for PDEX, in accordance with these Rules to transmit settlement instructions constituted under executed Trades, to cause the debiting or the crediting (as applicable) of:
 - i. the designated Depository Settlement Account;
 - ii. the Settlement Participant's DDA; or

- iii. the designated Cash Settlement Account at the Cash Settlement Bank; and
- iv. the DDA of the Cash Settlement Bank.

3. *Irrevocable Authority*

- a. Each Settlement Participant irrevocably and by special power, authorizes PDEX to be its attorney-in-fact to do such acts and to exercise such powers on its behalf as may be delegated under these Rules, as well as such powers as are necessary or incidental thereto.
- b. PDEX shall not be obligated in any event to determine the legal or other requirements to be followed in the pursuit of such rights or actions, or the desirability or necessity of taking any such steps.

4. *Execution of Other Acts*

Upon request from PDEX, Settlement Participants shall promptly perform such required acts and shall execute such required documents as PDEX may reasonably require to enable it to comply with its functions and obligations under these Rules.

5. *Reporting of Fraud and Errors*

To the extent of its knowledge of such matters, a Settlement Participant shall report to PDEX immediately upon discovery:

- a. any violation of these Rules or misuse of the eDvP System;
- b. any fraud or criminal activity committed or about to be committed in connection with the eDvP System;
- c. any unauthorized or criminal access to or use of the eDvP System;
- d. any negligent, fraudulent or willful act or omission by any Settlement Participant, Cash Settlement Bank or any member of staff of PDEX; or
- e. any error regarding any data in the eDvP System.

6. *Verification of Warranties*

PDEX may rely on any representation or warranty, express or implied, made or deemed made by a Settlement Participant by its accession to these Rules.

Nevertheless, PDEX may take steps to verify any such representation or warranty and, for such purpose, require a Settlement Participant to provide such information or document as may be relevant to the verification, without in any way being considered as having waived its right to rely on the representation or warranty of the Settlement Participant.

7. Declarations

Each Settlement Participant shall provide or cause to be provided, as and when required, a declaration containing such information with respect to any Trade to comply with: (a) a lawful request of an Issuer in order to comply or facilitate compliance with any legislation, rule, regulation, order of a court or administrative or regulatory body, by-law or provision to which the Issuer is subject; or (b) any legislation, regulation, or lawful order of a court or administrative or regulatory body, including self-regulatory organizations. Pursuant hereto, any such information shall be subject to the Settlement Participant's warranty that the same is truthful and accurate and is consistent with its own records.

8. Survival of Obligations

The suspension, termination or resignation of a Settlement Participant in accordance with these Rules shall not in any way reduce its duties, liabilities or obligations under the Rules which have otherwise accrued or existed as of the date of such suspension, termination or resignation, or which may thereafter arise by reason of transactions, facts or circumstances occurring or in existence on or before such date.

9. Civil and Criminal Liability

The resignation, suspension or termination of a Settlement Participant in accordance with these Rules shall not prejudice the right of PDEX and/or any other Settlement Participant to take civil, criminal, administrative, or other warranted action against the resigned, suspended or terminated Participant for acts or omissions before the Settlement Participant's resignation, suspension or termination.

10. System Access

- a. All Settlement Participants shall have access to the eDvP System for the Settlement of Trades.
- b. Following confirmation by the Depository and Cash Settlement Banks of

the validity of the respective Depository Settlement Account and Cash Settlement Account specified by the Settlement Participant and encoded into the eDvP System, PDEX shall provide the Settlement Participant access to the eDvP System.

- c. All information entered into and obtained from the eDvP System by Settlement Participants shall be in accordance with the eDvP User Manual.

11. Enrolment of Securities and Cash Settlement Accounts, and Activation of Settlement Participants

a. Depository Settlement Accounts

- i. Settlement Participants shall, prior to undertaking any Settlement activities under these Rules, open a Depository Settlement Account.
- ii. The Settlement Participant shall submit the details of its Depository Settlement Account to PDEX which shall cause the entry of the designated Depository Settlement Account in the eDvP System, in accordance with the eDvP User Manual.
- iii. The Settlement Participant's designated Depository Settlement Account shall serve as the settlement account for the Settlement of Trades by such Settlement Participant under these Rules.

b. Cash Settlement Accounts

- i. Settlement Participants who are PhilPaSS members shall use their DDA accounts as their Cash Settlement Account for settlement of Trades.
- ii. Other Settlement Participants not covered by the preceding provision shall designate a Cash Settlement Account from any Cash Settlement Bank registered by PDEX to act as such.
- iii. The Settlement Participant shall submit the details of its Cash Settlement Account to PDEX which shall cause the entry of such details into the eDvP System, in accordance with the eDvP User Manual.

c. Activation of Settlement Participant Accounts

- i. PDEX shall activate the participation of the Settlement Participant in the eDvP System after receipt of complete documentation and

account confirmation from the Depository and Cash Settlement Banks.

- ii. Activation shall enable the affected Settlement Participant to settle its trades through the eDvP Service effective with Trades settling the next business day. Activation shall signify the acceptance of the Settlement Participant as such by PDEx, unless the contrary is proved.

12. *Continuing Requirements*

- a. A Settlement Participant shall at all times:
 - i. comply with these Rules; and
 - ii. keep in good standing its right to trade in the Trading System and/or other regulatory registration and/or licenses.
- b. The Settlement Participant shall as soon as practicable, advise PDEx of any changes on the details of its Depository Settlement Account and/or Cash Settlement Account. Any change in the detail(s) shall not bind PDEx unless it has received written information of such change within three (3) business days prior to its intended effect.
- c. Each Settlement Participant shall designate a Settlement Contact Person and his alternate, who shall act as its principal channel of communication with PDEx in relation to settlement issues; and a Settlement Person and his alternate(s) who shall have the responsibility to perform such acts as are granted under its authority as such, including the authorizing of transmission of settlement instructions duly constituted under Trades to the applicable Cash Settlement Bank and the Depository to cause Settlement of Trades. The Settlement Participant shall communicate such designation to PDEx in writing. (rev060914)
- d. Any change in the Settlement Person or his alternate(s) shall not bind PDEx unless it has received written information of such change within twenty four (24) hours from the occurrence of the event. Failure to notify PDEx shall entitle the latter to rely on the continued authority of the Settlement Person to bind and act on behalf of the Settlement Participant. (rev060914)

13. *Cessation and reinstatement*

a. Removal of Access

Any Settlement Participant that resigns from or is suspended or terminated as Trading Participant shall cease to have access to the eDvP System provided, however, that if such Settlement Participant shall have outstanding Trades for settlement prior to such resignation, suspension or termination, then access to the eDvP system shall be allowed only for the purpose of completing the Settlement of said Trade which in no case shall last longer than two (2) business days from the execution of its last Trade.

b. Reinstatement

PDEX shall reinstate the access to the eDvP System of a Settlement Participant as soon as practicable following the reinstatement of said Settlement Participant as a Trading Participant.

c. Settlement Participant which is also a Cash Settlement Bank

The resignation, suspension or termination of a Settlement Participant shall not affect that Settlement Participant's status as a Cash Settlement Bank under these Rules, unless the same is warranted under applicable law, regulation or PDEX Rules.

14. Update of Settlement Participant Details

a. Responsibility for Information Accuracy

- i. Settlement Participants shall ensure the accuracy and currency of the information provided to PDEX and entered in the eDvP System and shall take such steps as are necessary to confirm the authenticity of the information provided.
- ii. Settlement Participants may view and update the details of their Depository and Cash Settlement Accounts and other pertinent details by submitting a Request for Account Update to PDEX together with relevant supporting documentation.
- iii. Settlement Participants shall ensure that any update to their Depository or Cash Settlement Accounts as authorized by the Settlement Participant has been confirmed by PDEX before settling a Trade through that Depository or Cash Settlement Account.

b. Confirmation of Update to Securities or Cash Settlement Accounts

The eDvP System shall validate the updated information with affected Cash Settlement Bank and the Depository and PDEX shall confirm the requested update upon receipt of appropriate documentation and confirmation from the applicable Cash Settlement Bank and the Depository regarding the validity of the information.

c. Update effectiveness

- i. The updated information shall take effect on the Trades with Settlement Date following the day on which the eDvP System confirms the update.
- ii. The eDvP System shall amend the Cash Settlement Account or Depository Settlement Account details (as appropriate) as requested by the Settlement Participant to any Trades executed but not settled prior to the update taking effect.

15. *Confirmation and Pre-Settlement of Trades*

a. Electronic Trade Feed

Trades shall be electronically transmitted to the eDvP System for Settlement in accordance with the eDvP Timeline. Any amendment made on the eDvP Timeline shall be made effective within three (3) business days from the time such amendment was announced by PDEX; provided, however, that such eDvP Timeline may be temporarily amended on shorter notice or no notice where the same is not practicable, to meet external exigencies which require prompt action; provided, further, that such amendments shall be notified to the Participants when the same go into effect, with notice of when such temporary eDvP Timeline shall cease in effect.

b. Upload Validation

The eDvP System shall validate the Trades to reject details given in the Trades that would render Settlement through the eDvP System impossible.

c. Confirmation Report

- i. Pursuant to this Rule and in accordance with the eDvP Timeline, PDEX shall make available to each Settlement Participant a

Confirmation Report or inquiry screen containing Trades executed by or on behalf of the Settlement Participant on the day of the Confirmation Report

- ii. In accordance with the eDvP Timeline, the Settlement Participant shall verify that the Confirmation Report conforms to the Trades as recorded by the Trading System and identify to the PDEx Agent any discrepancy. Any discrepancy identified by the Settlement Participant shall be resolved in favor of the Trade as recorded by the Trading System.
- iii. Where Trades submitted for settlement in the eDvP Service require the explicit authorization of the counterparties prior to Settlement, both the Buyer and Seller should enter their authorization in the eDvP System in accordance with the eDvP Timeline in order for the Trade to be included in the Settlement process. Unauthorized Trades shall be excluded from the Settlement process and counterparties shall be governed by the PDEx Rules with regard to those Trades. PDEx shall have no responsibility for the resolution or disposition of such unauthorized Trades.

d. Responsibility for Settlement

Settlement Participants shall ensure Settlement of all Trades in the Confirmation Report on the specified Settlement Date.

In the event that there appears to be insufficient cash or Security available to settle a Trade, Settlement Participants shall access the liquidity measures available in the market, including but not limited to the PDEx Inter-Professional Repurchase Agreement Program, the PDEx Securities Lending Transaction Program, to ensure the settlement of all trades on settlement date. (new030311)

e. Counterparty risk

- i. The risk that a Trade does not settle due to lack of Securities or Payment shall be borne by the Settlement Participants shown as responsible for Settlement on the Confirmation Report.
- ii. PDEx shall not be responsible in the event that the Trade fails to settle due to lack of Securities or Payment.

16. Settlement and Post Settlement

a. No Restrictions

Nothing in these Rules shall be construed as permitting any Settlement Participant to attach any condition or restriction on the Settlement of Trades, and any such condition or restriction which is imposed contrary hereto shall not affect the Settlement Participants' obligation to settle the Trade in accordance with its tenor, and non-compliance with any such condition or restriction shall not invalidate the Settlement of that particular Trade.

b. Delivery versus Payment (DvP)

Trades duly authorized by both Buyer and Seller shall be settled in accordance with the following general process: (a) earmarking of Securities in the Seller's Depository Settlement Account; (b) debiting of the Payment from Buyer's Cash Settlement Account if the Buyer is not a PhilPaSS member; (c) debiting of DDA of Buyer or DDA of its Cash Settlement Bank and crediting the DDA of the Seller's or DDA of its Cash Settlement Bank as applicable; (d) crediting the payment to the Seller's Cash Settlement Account if the Seller is not a PhilPaSS member; and (e) debiting of the Seller's earmarked Securities and crediting the same to the Buyer's Depository Settlement Account.

c. Settlement Date

- i. Trades shall be settled on the Settlement Date specified on the Trade. If the Settlement Date specified on the Trade is subsequently declared a non banking day, Settlement shall take place on the next banking day.
- ii. Compensation in respect of Trades, which do not settle on their original Settlement Date, shall be settled between the Settlement Participants in accordance with the PDEX Rules.

d. Earmarking of Securities

The eDvP System shall request the Depository to Earmark the applicable Quantity of Securities in the Seller's Depository Settlement Account.

e. Payment Processing

- i. Following Earmarking of the Seller's Depository Settlement Account, the eDvP System shall instruct the debiting of the Buyer's

Cash Settlement Account by the applicable Cash Settlement Bank.

- ii. If the Buyer's Cash Settlement Bank is not the BSP and the Seller's Cash Settlement Bank is different from the Buyer's Cash Settlement Bank, following receipt of a confirmation from the Buyer's Cash Settlement Bank that the Buyer's Cash Settlement Account has been debited, the eDvP System shall request the BSP to debit the DDA of the Buyer's Cash Settlement Bank and credit the DDA of the Seller's Cash Settlement Bank.
- iii. Following debiting of the Buyer's Cash Settlement Account and the DDA of the Buyer's Cash Settlement Bank (as applicable), the eDvP System shall instruct the crediting of the Seller's Cash Settlement Account by the applicable Cash Settlement Bank.

f. Settlement of Securities

Following successful Payment processing, the eDvP System shall instruct the Depository to debit the Earmarked Securities from the Seller's Depository Settlement Account and to credit the Depository Settlement Account of the Buyer.

g. Monitoring Settlement Status

- i. The eDvP System shall make information of the settlement status of Trades available to Settlement Participants throughout the Settlement day, which status could be any of the following:
 - a. successfully settled;
 - b. awaiting Earmarking of Securities by the **Depository** Securities Settlement Agent;(rev031825)
 - c. awaiting debit of funds by the Buyer's Cash Settlement Bank;
or
 - d. awaiting debit of Buyer Cash Settlement Bank's DDA by the BSP.
- ii. Settlement Participants shall be solely responsible for monitoring the Settlement status of their Trades through the eDvP System. PDEX shall not be liable to any Settlement Participant for Failed Trades and Delayed Settlements whether such Settlement Participant utilized the eDvP System monitoring capability or not. (rev052810)

~~h. Failure to credit funds and securities~~

- ~~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.~~**
- ~~ii. PDEx shall make available a Suspense Report providing details of all credits to Suspense Accounts.~~**
- ~~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.~~**
- ~~iv. The crediting to a Suspense Account constitutes successful Settlement.~~**

h. Finality and Irrevocability of Settlement

- i. Finality of settlement shall occur upon the complete and successful debit:
 - a. by the Cash Settlement Bank of the Cash Settlement Account of the Buyer, if the Seller and the Buyer are not banks and use the same Cash Settlement Bank; or
 - b. in all other cases, by the BSP of the DDA accounts of:
 - i. the Buyer, if the Buyer is a bank; or
 - ii. the Buyer's Cash Settlement Bank if the Buyer is not a bank.
- ii. No unwinding shall take place once finality of settlement has been achieved.

i. Issuance of Settlement Report

In accordance with the eDvP Timeline, the eDvP System shall make available to each Settlement Participant a Settlement Report or inquiry screen giving details of the settlement status (successful or Failed) of their Trades due for Settlement on the day of the report.

j. Review and Confirmation of Settlement Report

- i. In accordance with the eDvP Timeline, the Settlement Participant shall verify the accuracy, completeness and correctness of the Settlement Report and raise with PDEX any discrepancy between the Settlement Report and the Settlement Participant's Trade records.
- ii. The Settlement Participant is deemed to have confirmed the accuracy, completeness and correctness of the Settlement Report after one (1) business day from the date of the Settlement Report.

k. Dealer-QI Trades (new022521)

In the case of Dealer-QI Trades, the Dealing Participant shall be principally responsible for the settlement of trades of its Qualified Investor counterparty. In this case, the Dealing Participants shall be held liable for any Failed Trades in the event that the Qualified Participant counterparty fails to deliver the cash or securities, whichever is applicable, in accordance with the prescribed deadline.

17. *Management of Failed Trades and Delayed Settlements* (new052810)

a. Definition

- i. There is deemed to be a Failed Trade if, at the *final* cut-off time specified in the Timeline, any or both Settlement Participants failed to authorize the Trade, or the Buyer did not have sufficient cash at the time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade.
- ii. There is deemed to be a Delayed Settlement if, the trade was settled on the settlement date but was not authorized at the time specified in the Timeline, or was not settled at the specified Turnaround Trade cut-off time specified in the Timeline. "Turnaround Trade" shall be defined as a trade whose settlement is dependent on the settlement of another trade.

- iii. Trades shall be regarded as Failed Trades or Delayed Settlements in accordance with this Rule regardless of whether the eDvP System was fully operational if it can be shown that the Buyer did not have sufficient cash at the time to settle the Trade and/or the Seller did not have sufficient securities at the time to settle the Trade.

b. Reporting of Failed ~~Trades and Delayed Settlements~~ (rev052810)

In accordance with the eDvP Timeline, the eDvP System shall notify PDEX of all Trades that failed to settle.

c. Release of Earmarking and Reversal of Debits

In respect of each Failed Trade the eDvP System shall:

- i. instruct the Depository to release any relevant Earmarking of Securities; and
- ii. instruct the Cash Settlement Bank to credit funds to the Cash Settlement Account of the Buyer if a debit had already been made.

d. Failed Trades Report

In accordance with the eDvP Timeline, the eDvP System shall provide a Failed Trades Report or inquiry screen to each Settlement Participant giving details of Failed Trades for which the Settlement Participant is responsible.

e. Review and Confirmation of Failed Trades Report

- i. In accordance with the Timeline, the Settlement Participant shall verify the accuracy, completeness and correctness of the Failed Trades Report and raise with PDEX any discrepancy with the Settlement Participant's Trade records.
- ii. The Settlement Participant is deemed to have confirmed the accuracy, completeness and correctness of the Failed Trades Report after one (1) business day from the date of the Failed Trades Report.

f. Handling of Failed Trades ~~and Delayed Settlements~~

The Settlement Participants shall handle the disposition of Failed Trades ~~and~~

~~Delayed Settlements~~ subject to the PDEX Rules. PDEX shall have no responsibility over Failed Trades ~~and Delayed Settlements~~. Cash Settlement Banks shall have no responsibility for Failed Trades ~~and Delayed Settlements~~ arising from inadequate cash balances of Settlement Participants without prejudice to existing agreements. The Securities Settlement Agent shall have no responsibility for Failed Trades ~~and Delayed Settlements~~ arising from inadequate securities balances of Settlement Participants without prejudice to existing agreements. (rev052810)

~~g. Delayed Settlements shall carry the following penalties:~~

- ~~i. 3rd violation within a year without being considered a Habitual Offender – Warning~~
- ~~ii. 4th and subsequent violations within a year without being considered a Habitual Offender – Reprimand~~
- ~~iii. Habitual Offender – Php 1,000 per offense payable to the counterparty; “Habitual Offender” is defined as three (3) violations per quarter and/or two (2) violations per month~~

h. Failed Trades shall carry the following penalties:

- i. 1st to 2nd violation within a year – Warning 3rd and subsequent violations within a year – Reprimand and Php10,000 or 1bp based on the face value of the security involved, whichever is higher. (rev052810)

Rule 8.5 Cash Settlement Banks (rev031825)

1. *Admission of Cash Settlement Banks*

a. Criteria

All Cash Settlement Banks shall meet the following criteria:

- i. Must be a PDEX Trading Participant and a BSP Supervised Financial Institution (BSFI) with a BSP Demand Deposit Account (DDA); (new031825)

- 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 **and other relevant rules and regulations.**

b. Approval

- i. PDEX shall have full authority ~~and discretion~~ to admit applicants for Cash Settlement Banks solely based on the criteria set out in the Rules and its decision thereon shall be final and conclusive.
PDEX may:
 - ~~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.~~
- ii. The ~~action on~~ approval or disapproval of the application shall be communicated in writing to the applicant within five (5) business days from the rendition of the same.

2. *Binding Effect of these Rules*

- a. These Rules shall be binding upon Cash Settlement Banks, their officers, directors, employees and agents.
- b. These Rules shall be deemed to form an integral part of the terms and conditions of every related contract or transaction which the Cash Settlement Bank may enter into with their customers in relation to the Settlement of Trades using the eDvP System.

3. *Reliance on Communications*

PDEX shall be entitled to rely absolutely on the accuracy of any communication received from the Cash Settlement Banks, their due execution and submission and their having been issued with proper authority, and shall be entitled to act on the

same in accordance with these Rules.

4. *Execution of Other Acts*

The provisions of Rule 8.4 par. 4 shall apply *mutatis mutandi* to Cash Settlement Banks.

5. *Reporting of Fraud and Errors*

The provisions of Rule 8.4 par. 5 shall apply *mutatis mutandi* to Cash Settlement Banks.

6. *Verification of Warranties*

The provisions of Rule 8.4 par. 6 shall apply *mutatis mutandi* to Cash Settlement Banks.

7. *Declarations*

The provisions of Rule 8.4 par. 7 shall apply *mutatis mutandi* to Cash Settlement Banks.

8. *Continuing Requirements*

- a. A Cash Settlement Bank shall at all times:
 - i. comply with these Rules and any conditions stipulated in the notice of approval as Cash Settlement Banks;
 - ii. keep in good standing its regulatory registration/license;
 - iii. agree to post non trade related credits due on a Settlement Date to the Cash Settlement Accounts of Settlement Participants prior to the relevant cut-off time for Settlement specified in the Timeline; and
 - iv. pay such fees and charges based on a schedule of fees that PDEX shall issue and which may be amended from time to time and shall become due and payable to PDEX at such time and in such manner as the PDEX shall require.
- b. Each Cash Settlement Bank shall designate a Cash Settlement Bank Person and his alternate(s), who shall act as its principal channel of communication with PDEX and who shall have the responsibility to perform such acts as are granted under its authority as such. Any change in the Cash Settlement Bank Person or his alternate(s) shall not bind PDEX unless it has received written information of such change at least three business (3) days prior to its effect. (rev060914)

9. *Bank Authorization Letter*

- a. Cash Settlement Banks shall acknowledge and sign the Bank Authorization Letter issued by each Settlement Participant for whom they agree to provide cash settlement services.
- b. The Bank Authorization Letter shall authorize PDEX to:
 - i. Issue a binding debit instruction to the Cash Settlement Bank to debit the Cash Settlement Account of the Settlement Participant for the Payment of a Trade where the Settlement Participant is a Buyer;
 - ii. Following receipt of confirmation from the Buyer's Settlement Bank of a successful debit, issue a binding debit instruction to the BSP to debit the DDA of the Buyer's Cash Settlement Bank with an equal value;
 - iii. Issue a binding credit instruction to the BSP to credit the DDA of the Seller's Cash Settlement Bank in respect of the value of a Trade where the Settlement Participant is a Seller; and
 - iv. Following receipt of confirmation from the BSP of a successful credit, to issue a binding credit instruction to the Cash Settlement Bank to credit the Cash Settlement Account of the Seller with an equal value.
- c. Commercial arrangements with regard to the management of the Cash Settlement Account shall be between the Cash Settlement Bank and the Settlement Participant.

10. *Notice of Ineligibility of Account*

The Cash Settlement Bank shall give PDEX:

- a. Prompt written notice of any Cash Settlement Account which ceases to be eligible for use in the Settlement of Trades through the eDVP Service; or
- b. Written notice of at least ten (10) business days in advance of the effectivity of any decision of the Cash Settlement Bank to cease to provide cash settlement services to Settlement Participants in the eDVP Service.

11. *Settlement Bank Reports*

In accordance with the Timeline on each Trading Day, the eDvP System shall make available to each Cash Settlement Bank via report or inquiry screen:

- a. a Cash Settlement Bank Projection Report giving details of all the expected debits and credits arising from Trades involving Settlement Participants which have designated the bank as their Cash Settlement Bank; and
- b. a Settlement Bank Settlement Report giving details of all Trades which settled on the day of issue of the report through a Cash Settlement Account operated by the relevant Cash Settlement Bank.

12. Settlement Process

- a. Following Earmarking of Securities in the Depository Settlement Account of the Seller, the eDvP System shall send an instruction to the Cash Settlement Bank to debit the Buyer's Cash Settlement Account.
- b. The Cash Settlement Bank shall only perform the debit instruction if the full value specified in the instruction from the eDvP System is available.
- c. Following a debit from the Buyer's Cash Settlement Account and if the Seller has a different Cash Settlement Bank than the Buyer, the eDvP System shall instruct the BSP to debit the Buyer's Cash Settlement Bank's DDA and credit the Seller's Cash Settlement Bank's DDA.
- d. Following a credit to the DDA of a Seller's Cash Settlement Bank, the eDvP System shall instruct the Seller's Cash Settlement Bank to credit the Seller's Cash Settlement Account.
- e. Following each debit or credit, the Buyer's or Seller's Cash Settlement Bank shall confirm the same to the eDvP System as soon as possible and within the Timeline.

13. Failure to debit a DDA Account

- a. Where the specified DDA cannot be debited, PhilPaSS shall put the request in the payment queue where the debit is continuously attempted until the Settlement cut-off time.
- b. Where the debit request to the DDA cannot be effected by the cut-off time,

PhilPaSS shall send a rejection Message to that effect to the eDvP System in accordance with the Timeline.

- c. Upon receipt of a rejection Message from the BSP that the debit to the DDA of the Buyer's Settlement Bank cannot be effected, the eDvP System shall send an instruction to the Buyer's Settlement Bank to credit the Buyer for the Payment that was debited earlier.

14. Failure to debit a Non-DDA Account

- a. Where the specified Cash Settlement Account cannot be debited the Cash Settlement Bank shall send a rejection Message to that effect to the eDvP System in accordance with the Timeline.
- b. The eDvP System shall resend the debit instruction to the Cash Settlement Bank in accordance with the Timeline.

~~15. Failure to credit~~

- ~~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.~~
- ~~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.~~

~~16. Notice~~

~~A Cash Settlement Bank shall continue to function as such until otherwise notified by PDEX.~~

15. Finality and Irrevocability of Settlement

Finality of settlement shall be deemed to have taken place as set forth in Rule 8.4.16.9. No unwinding shall take place once finality of settlement has been achieved.

Rule 8.6 The Depository (new031825)

1. Role of the Depository

The role of PDTC as a Depository and the opening and terms of use of the Depository Settlement Account by Settlement Participants shall be governed by the relevant PDTC Depository Rules as the same may be amended from time to time.

2. Binding Effect of these Rule

- a. These Rules shall be binding upon the Depository, their officers, directors, employees and agents.
- b. These Rules shall be deemed to form an integral part of the terms and conditions of every related contract or transaction which the Depository may enter into with their customers in relation to the Settlement of PDEX Trades.

3. Validation of Depository Settlement Account Details

Following receipt of a request for confirmation of Depository Settlement Account details of a Settlement Participant, the Depository shall confirm or reject the accuracy of the details and whether the specified Depository Settlement Account was opened and maintained in the name of the Settlement Participant, as soon as possible and within the time specified in the Timeline.

4. Earmarking and Settlement

- a. On the specified Settlement Date of a Trade, the eDvP System shall instruct the Depository to Earmark the Quantity of Securities involved in a Trade in a designated Depository Settlement Account. Earmarking shall only be effected where the full Quantity of Securities is available for Earmarking.
- b. The Depository system shall advise the eDvP System in accordance with the Timeline:
 - i. if the full Quantity of Securities has been Earmarked; or
 - ii. if the Earmarking has failed giving reasons therefor.
- c. Where the Earmarking of the Securities has failed, the eDvP System shall

resend the instruction to the Depository in accordance with the Timeline.

5. Settlement of the Securities

- 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.
- 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.
- c. In the event that:
 - 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.;~~or~~
 - 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.~~
- 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.~~

6. Rejected Messages and Release of Earmarking

- a. PDEX shall reject any Messages confirming Earmarking received after the time specified in the Timeline.
- b. In accordance with the Timeline, PDEX shall instruct the Depository to release all Earmarked Securities relating to Failed Trades.
- c. The Depository shall release the Earmarked Securities only if a Message instructing the release of Earmarked Securities is received from PDEX.

7. Finality and Irrevocability of Settlement

Finality of settlement shall be deemed to have taken place as set forth in Rule 8.4 par. 16 (i). No unwinding shall take place once finality of settlement has been achieved.

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