



# REVISED CLEARINGHOUSE RULES

OF THE

SECURITIES CLEARING CORPORATION OF THE PHILIPPINES

APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION  
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**TABLE OF CONTENTS**

Rule 1: General Provisions of SCCP.....	4
1.1 Defined Terminology .....	4
1.2 Rules of Interpretation.....	9
1.3 The Central Clearing System.....	11
1.4 SCCP Rules and SCCP Operating Procedures .....	12
1.5 Accounts.....	12
1.6 Fees and Fines.....	13
1.7 Records .....	14
1.8 Audit .....	15
1.9 Notices .....	16
1.10 Appeal and Arbitration .....	16
Rule 2: SCCP Clearing Membership Rules .....	18
2.1 Clearing Members .....	18
2.2 Application Procedure .....	19
2.3 Warranties and Representations.....	20
2.4 Clearing Membership Indemnity and Liability .....	22
2.5 Suspension and Termination.....	24
Rule 3: Continuous Net Settlement.....	26
3.1 Daily Multilateral Netting.....	26
3.2 Novation of Exchange Trades and Replacement by Contracts.....	26
3.3 Terms of Novation.....	26
3.4 Allocation Algorithm .....	27
3.5 SCCP's Obligation under Contracts.....	27
Rule 4: Clearing and Settlement of PSE Trades.....	29
4.1 Pre-Clearing and Settlement.....	29
4.2 Clearing and Settlement of Securities Element .....	30
4.3 Clearing and Settlement of Cash Element .....	31
4.4 Fungibility.....	31
4.5 Special Restrictions .....	31
4.6 Effect of Settlement .....	31
Rule 5: The Clearing and Trade Guaranty Fund .....	32
5.1 Establishment of a Clearing Fund .....	32
5.2 Return of Required Contributions.....	35
5.3 Liability for Insolvency .....	35
Rule 6: The Fails Management System .....	36
6.1 Failure to Deliver Cash Element.....	36
6.2 Failure to Deliver Security Element .....	38
6.3 Demand Notice .....	40



## **RULES of the Securities Clearing Corporation of the Philippines**

Rule 7: Risk Management and Monitoring of PSE Trades .....	41
7.1 Risk Management and Monitoring by SCCP .....	41
7.2 Rationale .....	41
7.3 RMM System .....	41
7.4 Reporting Requirements.....	42
7.5 Monitoring System .....	42
Rule 8: Mark to Market Collateral Deposit System.....	43
8.1 Establishment of the Mark to Market Collateral Deposit System .....	43
<i>ANNEX 1: CLEARING MEMBER INFORMATION FORM .....</i>	<i>48</i>
<i>ANNEX 2: MEMBERSHIP APPLICATION AND MASTER AGREEMENT .....</i>	<i>53</i>
<i>ANNEX 3: DEBIT/CREDIT INSTRUCTION .....</i>	<i>58</i>
<i>ANNEX 4: SECRETARY'S CERTIFICATE .....</i>	<i>59</i>
<i>ANNEX 5: COVERING LETTER (MEMBERSHIP APPLICATION KIT) .....</i>	<i>60</i>
<i>ANNEX 6: SPECIMEN SIGNATURES.....</i>	<i>61</i>
<i>Annex 7: Schedule of Fees, Fines and Penalties.....</i>	<i>62</i>
<i>ANNEX 8: CASH COLLATERAL DEPOSIT ACCOUNT AGREEMENT .....</i>	<i>63</i>
<i>ANNEX 9: CREDIT RING AGREEMENT .....</i>	<i>70</i>
<i>ANNEX 10: QUARTERLY FILING REQUIREMENTS QUESTIONNAIRE .....</i>	<i>71</i>



**Rule 1: General Provisions of SCCP**

**Rule 1.1 Defined Terminology**

For the purposes of the SCCP Rules and the SCCP Operating Procedures:

**“Beneficial Owner”**

means the party to which the beneficial title, as against the legal or registered title, over Securities belongs.

**“Business Day”**

means a day and the hours on which SCCP is open to business to Clearing Members. This shall exclude holidays and business days wherein trading activities of The Philippine Stock Exchange, Inc. and clearing activities of the *Bangko Sentral ng Pilipinas or Philippine Clearing House Corporation* are cancelled for same day recognition and effectivity.

**“Buy-In”**

means the process by which SCCP buys Securities to settle a Failed Trade.

**“CCCS”**

means the Central Clearing and Central Settlement of the SCCP. Also refers to the Central Clearing System.

**“Cash”**

means good clear funds in whatever denomination held by the Settlement Bank.

**“Cash Collateral Account”**

means the cash account opened and maintained by the Clearing Member with their current Settlement Bank where Cash Collateral is deposited and maintained for the MMCD System of SCCP, the cash balance requirement of which shall be determined by SCCP from time to time.

**“Cash Deposit”**

means the cash component of the Required Contributions to the Clearing Fund. Generally, refers to the deposits of cash into the Cash Settlement Account or any special purpose account required by SCCP to be opened and maintained in the conduct of its Clearing and Settlement and other related activities.

**“Cash Element”**

means the element of a PSE Trade, which is intended by the parties to be performed by the transfer of a specified amount of money from one Beneficial Owner to another in exchange of the Securities Element.



## RULES of the Securities Clearing Corporation of the Philippines

### “Cash Settlement Account”

means the cash account opened and maintained by the Clearing Member with the Settlement Bank for the deposit of cash for payment of Due Clearing obligations and for the credit of Due Broker entitlements. The bank account maintained with the Settlement Bank for the purpose of settling the Cash Element of SCCP-Eligible Trades.

### “Central Clearing System”

means the Securities Clearing and Settlement system operated and maintained by SCCP and described in *Rule 1.3* hereof. Also refers to the “Central Clearing and Central Settlement System” or “CCCS” or “SCCP Clearing System”.

### “Clearing”

means the process of determining the accountability and creating obligations for the exchange of the Security Element and/or the Cash Element between counterparties to a Transaction. The terms “clear”, “cleared” and “clearing” when used in the SCCP Rules shall refer to the verb or adjective forms of Clearing, as the context may imply.

### “Clearing Fund”

means a fund established, maintained and administered by SCCP for the purpose of covering Failed Trades due to a Clearing Member’s Default on settlement obligations. Also known as the Clearing and Trade Guaranty Fund or CTGF.

### “Clearing Member”

means a person/entity qualified by SCCP to directly participate in the Clearing and Settlement processes of SCCP. For equities transactions, Clearing Members shall be limited to trading participants of PSE, approved for membership in the clearing system by SCCP. Also means a person/entity admitted for the time being by SCCP as a Clearing Member of the Central Clearing System.

### “Commission”

means the Securities and Exchange Commission (SEC) of the Philippines.

### “Continuous Net Settlement”

means the netting process whereby all of a Clearing Member’s transactions in a given Security are combined together, the result of which is a single obligation to deliver Securities to SCCP (if the sum of the sells exceeds the sum of the buys) or a right to receive Securities from SCCP (if the sum of the buys exceeds the sum of the sells). A net cash position owing to or from SCCP is likewise calculated.

### “Contract”

means a contract between SCCP and a Clearing Member to a PSE Trade arising as a result of the Novation of such PSE Trade under the CCCS system, as referred to in *Rule 3*.



## **RULES of the Securities Clearing Corporation of the Philippines**

### **"Default"**

means the failure of a Clearing Member to pay Cash or deliver Securities in the performance of its Clearing and Settlement obligations with SCCP. It may refer to a temporary default, "late cash payment" or "late securities delivery" due to temporary illiquidity or temporary short position, or an "overnight fail" due to insolvency or financial incapacity of the Clearing Member.

### **"Defaulting Clearing Member"**

means a Clearing Member who incurs a Default, in some instances, referred to as the "Failing Broker".

### **"Delivery versus Payment"**

means the Settlement of a SCCP-Eligible Trade by means of the automatic, simultaneous reciprocal delivery of the Security Element and Cash Element of the said Trade.

### **"Demand Notice"**

means a written notice issued by SCCP to a Defaulting Clearing Member notifying the Clearing Member that advances from the CTGF have been made by the SCCP on its behalf to settle its Failed Trade, and that an immediate monetary settlement of the advances made, including the penalties and other charges applicable thereto is demanded.

### **"Depository"**

means any depository facility recognized by the SCCP for the safekeeping and recording of ownership of Securities, which are the subject of the SCCP-Eligible Trades.

### **"Depository System"**

means the securities depository system operated and maintained by the Depository.

### **"Due Clearing"**

means the cash settlement obligations of Clearing Members for payment to SCCP to facilitate the settlement of their SCCP-Eligible Trades.

### **"Due Broker"**

means the cash settlement entitlement of Clearing Members to be received from SCCP during or after the settlement of their SCCP-Eligible Trades.

### **"Failed Trade"**

means the failure of a PSE Trade to settle due to non-delivery of the Security Element and/or Cash Element on Settlement Date. Also refers to an SCCP-Eligible Trade that had not been settled due to a Default.

### **"Government Securities"**

means the Treasury Bills, Treasury Bonds and such other debt securities issued by the Government of the Philippines or any of its instrumentalities, agencies or subdivisions.



## **RULES of the Securities Clearing Corporation of the Philippines**

**“Late Cash Payment”**

means the deposit of funds in the Cash Settlement Account after the prescribed Settlement Cut-off but prior to the end of business hours on Settlement Date to qualify as an Overnight Fail.

**“Late Securities Delivery”**

means the delivery of Securities in the Securities Account after the prescribed Settlement Cut-off but prior to the end of business hours on Settlement Date to qualify as an Overnight Fail.

**“Net Money Entitlement”**

means that after the Central Clearing System netting of the Cash Element of all SCCP-Eligible Trades of a Clearing Member, the amount of Cash Element to be received by the Clearing Member is greater than the amount of Cash Element to be paid by the Clearing Member for its total SCCP-Eligible Trades on a given Settlement Date. Also refers to the net “Due Broker”.

**“Net Money Obligation”**

means that after the Central Clearing System netting of the Cash Element of all SCCP-Eligible Trades of a Clearing Member, the amount of Cash Element to be paid by the Clearing Member is greater than the amount of Cash Element to be received by the Clearing Member for its total SCCP-Eligible Trades on a given Settlement Date. Also refers to net “Due Clearing”.

**“Novation”**

means the process whereby the rights and obligations between Clearing Members are replaced with rights and obligations to and from SCCP as Central Counterparty.

**“Overnight Fail”**

means a Default which had not been resolved or settled by the end of business hours on Settlement Date.

**“PSE”**

means the Philippine Stock Exchange, Inc.

**“PSE Trade”**

means a transaction effected or executed using the facilities of the PSE involving the transfer of Securities from one Beneficial Owner to another.

**“PSE Trade Feed”**

means the electronic trade feed from the PSE regarding data on such PSE Trades matched through the electronic order matching system of the PSE or executed through the facilities of the PSE and containing all the prescribed data on PSE Trades on a given Transaction Date.

**“Registry”**

means any registry facility recognized by the SCCP for the transfers and/or final recording of ownership of Securities, which are the subject of the SCCP-Eligible Trades.



## **RULES of the Securities Clearing Corporation of the Philippines**

**“Required Deposit”**

means the amount set by the SCCP Board as the necessary deposit of each Clearing Member for the establishment and maintenance of the Clearing Fund. Also refers to “Required Contributions”.

**“SCCP”**

means the Securities Clearing Corporation of the Philippines.

**“SCCP Board”**

means the duly elected Board of Directors of the SCCP, including such committees appointed by the board of directors to exercise any of its duties and powers.

**“SCCP-Eligible Trades”**

means any PSE Trade submitted for Clearing and Settlement by the SCCP. May also include any transaction subjected to the Clearing and Settlement services of SCCP, shall also be referred to as “Trades”.

**“SCCP Operating Procedures”**

means the SCCP Operating Procedures as may be amended from time to time, which shall also form part of the SCCP Rules.

**“SCCP Rules”**

means the SCCP Rules as may be amended, supplemented or modified from time to time, including the SCCP Operating Procedures and, where applicable, the Operating Manual of the SCCP’s CCCS central clearing system.

**“SEC”**

means the Securities and Exchange Commission of the Philippines.

**“Securities”**

means Securities as defined in The Securities Regulation Code (Republic Act No. 8799). All Securities as referred to in the SCCP Rules and Operating Procedures shall refer to book-entry shares as deposited or registered and recorded in the Depository or Registry System/s.

**“Securities Account”**

means the account maintained in the Depository or Registry System/s in which a Clearing Member’s Securities are held, and includes the sub-accounts to which the account may be subdivided.

**“Security Element”**

means the element of a PSE Trade which is intended by the parties to be performed by the transfer of lodged Security from one Beneficial Owner to another.

**“Sell-Out”**

means the process by which SCCP sells Securities on the trading floor of PSE to settle a Failed Trade.





**“Settlement”**

means the completion of a PSE Trade effected by the delivery of the Security Element and the payment of the Cash Element in the quantity or amount determined by the Clearing of the PSE Trade. The terms “settle”, “settled” and “settling” when used in the SCCP Rules shall refer to the verb or adjective forms of Settlement, as the context may apply.

**“Settlement Bank”**

means a duly licensed commercial banking institution accredited by SCCP for the Clearing and Settlement of the Cash Element of SCCP-Eligible Trades.

**“Settlement Cut-Off”**

means the deadline for the payment of Cash obligations and delivery of Securities obligations.

**“Settlement Date”**

means a Business Day when Settlement of a Transaction must be effected pursuant to law, regulations, the SCCP Rules, contract or established industry practice.

**“Transaction”**

means an agreement for the purchase and sale of Securities.

**“Transaction Date” or “Trade Date”**

means the date when a PSE Trade is executed and matched using the facilities of the PSE and recognized as a Transaction by the PSE system.

## **Rule 1.2 Rules of Interpretation**

### **1.2.1 Legal Terminology**

Legal words or phrases with established statutory or jurisprudential meanings which are not otherwise expressly defined in the SCCP Rules shall be used in accordance with such meanings.

### **1.2.2 Technical Meanings**

Words or abbreviations which have well-known technical or trade meanings and which are not expressly defined in the SCCP Rules shall be used in accordance with such recognized meaning. In the absence of any explicit definition, such terms and expressions shall be construed according to the context it was used, with technical terms given its technical meaning and in accordance with the custom and practice observed in the domestic and global capital market industry. Unless otherwise provided herein, all terms of accounting used herein shall be construed in accordance with generally accepted accounting principles in effect in the Philippines on the date applied.



### **1.2.3 Persuasive Authority**

Widely accepted and established terminologies and practices in other jurisdictions where a clearing system has been in operation shall have a persuasive effect in the resolution of any questions arising from the SCCP Rules.

### **1.2.4 Titles and Subtitles**

Titles of the articles, sections, subsections, paragraphs and subparagraphs are placed herein for convenient reference only and shall not to any extent have the effect of modifying, amending or changing the express terms and provisions of the SCCP Rules.

### **1.2.5 Persons**

Unless otherwise provided herein, words denoting persons shall include an individual, a corporation, partnership, joint venture, trust, unincorporated organization and government, whether domestic or foreign, a subdivision, agency or instrumentality thereof and any other legal or commercial entity.

### **1.2.6 Words and Gender or Number**

As used herein, unless the context clearly indicates the contrary, the singular number shall include plural, the plural the singular, and the use of any gender shall be applicable to all genders.

### **1.2.7 Conflict**

In case of conflict between the provisions of the SCCP Rules and any other applicable document between SCCP and the Clearing Member, the provisions of the SCCP Rules shall prevail.

### **1.2.8 Authority to Interpret**

SCCP shall have the authority to interpret the SCCP Rules in accordance with their spirit and intent in case of silence or ambiguity of the SCCP Rules.



## **Rule 1.3 The Central Clearing System**

### **1.3.1 The System and Services of the SCCP**

SCCP, through its Central Clearing System, shall perform the following functions:

- (a) Clearing and Settlement of the Security Element and Cash Element of SCCP-Eligible Trades as fed into the Central Clearing System;
- (b) Performance of Fails Management;
- (c) Establishment, maintenance and administration of the Clearing Fund;
- (d) Risk monitoring and management of all SCCP-Eligible Trades cleared and settled through the Central Clearing System; and
- (e) Such other services necessary or incidental to the Clearing and Settlement of SCCP-Eligible Trades.

### **1.3.2 Service Availability**

SCCP shall accept for Clearing within the Central Clearing System SCCP-Eligible Trades between Clearing Members of good standing in SCCP.

### **1.3.3 Service Commitment of SCCP**

SCCP shall provide prompt, accurate and reliable Clearing and/or Settlement services in accordance with the SCCP Rules.

### **1.3.4 Liabilities**

SCCP shall be liable only for such actual damages as may be properly substantiated by Clearing Members and validated by SCCP due to the error of the latter or any defect in the Central Clearing System directly attributable to the fault of SCCP.



## **Rule 1.4 SCCP Rules and SCCP Operating Procedures**

### **1.4.1 Amendment of SCCP Rules**

The SCCP Board may from time to time amend the SCCP Rules, subject to approval by the SEC. SCCP shall promptly notify Clearing Members of any proposal to change, revise, add, or repeal any rule and of the text of the proposed rule and a brief description of its purpose and its effective date. Clearing Members may, within the time prescribed by the SCCP Board, submit to SCCP for its consideration their comments with respect to any such proposal.

### **1.4.2 SCCP Operating Procedures**

SCCP may prescribe and from time to time amend the SCCP Operating Procedures. Clearing Members shall be bound by the SCCP Operating Procedures and amendments thereto in the same manner as they are bound by the SCCP Rules.

### **1.4.3 Effective Date**

Any new rule or amendment to the existing rules shall be made effective fifteen (15) days from the date of approval by the Commission unless otherwise provided for by the SCCP Board or the Commission.

## **Rule 1.5 Accounts**

### **1.5.1 Cash Settlement Account**

Each Clearing Member shall open and maintain with any of the Settlement Banks a Cash Settlement Account to be used solely for effecting the actual Settlement of the Cash Element of any SCCP-Eligible Trade. SCCP is hereby deemed as duly and irrevocably authorized by a Clearing Member to direct the Settlement Bank to credit money entitlements and/or debit money obligations resulting from the Settlement of Cash Elements of an SCCP-Eligible Trade to or from the Clearing Member's Cash Settlement Accounts.

One Cash Settlement Account shall be required for each kind of Securities being settled, i.e. one Cash Settlement Account for equities, another for Government Securities.

A Clearing Member holding both a principal and a client account may use a single Cash Settlement Account for the purpose of Settlement as described above, but the Clearing Member shall at all times be solely responsible for said client accounts.



### **1.5.2 Cash Collateral Deposit Account**

Each Clearing Member shall open and maintain with his current Settlement Bank a Cash Collateral Deposit Account to be used solely for Cash deposits by Clearing Members to cover calculated exposures on their unsettled Trades. SCCP shall have the authority to draw from the Cash Collateral Deposit Account in the manner and instances prescribed in the SCCP Procedures. The conduct and operations of the Cash Collateral Deposit Account shall depend on the collateral requirements and procedures prescribed by the SCCP.

## **Rule 1.6 Fees and Fines**

### **1.6.1 Fees in General**

Each Clearing Member shall pay such fees in accordance with a schedule as may be promulgated from time to time by SCCP for regular services availed of from SCCP or the Central Clearing System (See *Annex I – SCCP Schedule of Fees and Charges*). Special services, which are not included in the schedule, shall be subject to such fees as the SCCP Board may determine.

### **1.6.2 Fines**

SCCP may discipline any Clearing Member with fines in such amounts as SCCP shall promulgate from time to time upon the finding by SCCP of any of the following grounds:

- (a) Violation by a Clearing Member of a provision of SCCP Rules;
- (b) Non-performance by a Clearing Member of an obligation;
- (c) Performance or non-performance by a Clearing Member of any conduct deemed contrary to the interests of Clearing Members or the Central Clearing System; or
- (d) Other grounds similar to the foregoing.

### **1.6.3 Monthly Billing**

SCCP shall establish and revise a reasonable and non-discriminatory basis of the timing, manner and amounts of which fees, charges and fines are determined and collected by SCCP. The schedule of fees, charges and fines, as well as the manner of payment thereof, shall be furnished to Clearing Members thirty (30) days prior to its effective date or such shorter periods as SCCP may prescribe but not less than five (5) days prior to said effective date, unless otherwise provided, fees and charges for regular Settlement shall be payable monthly; other fees and charges shall be payable on demand.



## **Rule 1.7 Records**

### **1.7.1 Retention of Records**

SCCP shall retain its relevant records of the Clearing and Settlement of Trades for a period of ten (10) years from Transaction Date.

### **1.7.2 Confirmation**

Before the close of the Business Day following the Business Day on which a report or record is made available by the Central Clearing System to a Clearing Member, the Clearing Member shall verify the accuracy, completeness and correctness of such report or record and raise with SCCP any discrepancy with the Clearing Member's internal records. After that period, the Clearing Member is deemed to have confirmed the accuracy, completeness and correctness of such report or record.

### **1.7.3 Correction**

SCCP may correct or adjust any entry in any report or record in the Central Clearing System and forthwith notify the Clearing Member concerned, provided, that the correction or adjustment does not prejudice SCCP or any Clearing Member nor affect the integrity of the data.

### **1.7.4 Best Evidence**

The records of the Central Clearing System shall prevail over the Clearing Member's internal records and shall constitute, with respect to the Clearing and Settlement of all SCCP-Eligible Trades, the best evidence of such Trades, without prejudice to the right of the Clearing Member's clients to prove their rights, title and entitlements.

### **1.7.5 Confidentiality**

Each Clearing Member shall be entitled to the confidentiality of all entries or data in the Central Clearing System with regard to the Clearing Member. Any information about a Clearing Member or its accounts in the Central Clearing System or obtained by SCCP in the course of its operations shall be kept confidential by SCCP, unless:

- (a) Required by law, or an order of a court, judicial or quasi-judicial body, or an order of or a request from a government agency exercising jurisdiction over the Clearing Member or the Transaction;
- (b) The Clearing Member for justifiable grounds authorizes and directs SCCP to disclose the information;
- (c) Made to directors, employees, agents, auditors or legal counsel of SCCP, to the extent required to perform their duty; or



- (d) The disclosure is statistical, summary of other format without identifying the Clearing Member.

Before disclosing the information under any of the foregoing, SCCP shall notify the Clearing Member concerned unless SCCP is specifically prohibited to do so. The notification requirement shall not apply to SCCP officers and employees who are directly involved in the Clearing and Settlement process.

## **Rule 1.8 Audit**

### **1.8.1 System Audit**

SCCP shall appoint an independent external auditor responsible for auditing the Central Clearing System. The auditor's duties shall include but not be limited to:

- (a) Reviewing the physical and environmental security of SCCP's premises;
- (b) Reviewing the integrity of the Central Clearing System, including the maintenance of security and confidentiality over the data of individual Clearing Members;
- (c) Reviewing the suitability of the system of internal controls of SCCP;
- (d) Reviewing the processing of Trades in accordance with Clearing Member instructions; and
- (e) Reviewing the integrity and reliability of the data processing and the physical facilities of SCCP.

### **1.8.2 Financial Audit**

SCCP shall appoint an independent external auditor to audit the financial standing of SCCP as well as the Clearing Fund. Within thirty (30) days after the date SCCP files its annual fiscal return with the *Bureau of Internal Revenue*, SCCP shall make available for Clearing Members the audited financial statements of SCCP and the Clearing Fund for such fiscal year.



## **Rule 1.9 Notices**

### **1.9.1 To Participants**

Unless otherwise specified in the SCCP Operating Procedures, a notice to be given by SCCP to a Clearing Member under the SCCP Rules shall be deemed as validly given to a Clearing Member when made in writing and personally delivered or sent by confirmed facsimile transmission or recorded telecommunication, to the last known business address, telephone or facsimile number as notified by the Clearing Member to SCCP in writing. Each Clearing Member shall provide SCCP with the correct contact name, address, telephone and facsimile numbers on which SCCP and Clearing Members can rely for the purpose of this SCCP Rule.

Any such notice sent by hand, facsimile, electronic mail, or other automated means, will be deemed to have been received by the Clearing Member on the date it was sent.

### **1.9.2 To SCCP**

Unless otherwise specified in the SCCP Operating Procedures, a notice to be given by a Clearing Member to SCCP under the SCCP Rules shall be deemed as validly given to SCCP when received by the President or Chief Operating Officer of SCCP in writing and delivered at the head office of SCCP or sent by confirmed facsimile transmission at the number specified by SCCP.

## **Rule 1.10 Appeal and Arbitration**

### **1.10.1 Appeal to SCCP Board**

A Clearing Member who is adversely affected by any decision of SCCP management may appeal the decision to the SCCP Board within ten (10) Business Days from the date the decision is made known to the Clearing Member, stating therein the grounds for the appeal. Within twenty (20) Business Days from the date SCCP is notified, the SCCP Board shall not be bound by the technical rules of evidence in the conduct of the hearing and deliberation of the decision under appeal. No final decision shall become effective until affirmed by a majority of the members of the SCCP Board and the Clearing Member has been notified of the decision.





**1.10.2 Settlement by Arbitration**

Subject to prior compliance with the procedure in *Rule 1.10.1* if applicable, any controversy or claim against or arising out or relating to the SCCP Rules, except any appeal to disciplinary actions imposed by the SCCP pursuant to *Rule 2.5.5*, shall be resolved solely and exclusively by means of arbitration in accordance with the rules of the *Philippine Dispute Resolution Center, Inc.* then in effect except as modified herein. There shall be three (3) arbitrators appointed in accordance with the arbitration rules. The arbitration shall be held in Makati City. The arbitration proceeding shall be conducted in, and the award shall be rendered in, the English language. Substantive aspects of the dispute shall be settled by applying the laws of the Philippines. Any award of the arbitration tribunal shall be final and binding upon the parties and may be enforced by judgment of a competent court having jurisdiction in the premises.



**Rule 2: SCCP Clearing Membership Rules**

**Rule 2.1 Clearing Members**

**2.1.1 Qualified Applicants**

An applicant to be a Clearing Member in the Central Clearing System must be:

- (a) A duly licensed broker and/or dealer of Securities by the SEC;
- (b) A participant in good standing of the PSE, or a participant in good standing of any other facility/ies for trading for other securities;
- (c) A participant in good standing of the Depository, Registry or any such SCCP-accredited securities agency; and
- (d) An account holder in good standing of the Settlement Bank.

**2.1.2 Qualifications and Standards**

An eligible person/entity qualifies as a Clearing Member if:

- (a) It is in good standing under the laws pursuant to which it is established and regulated as certified to by the appropriate government or other regulatory agency exercising jurisdiction over it;
- (b) It owns, manages, controls or has custody of Securities;
- (c) It is not subject to a relevant legal or regulatory disqualification;
- (d) It has adequate trained personnel, premises, hardware, software and data processing capabilities, telecommunications link-up, books and records enabling it to fulfill its obligations and operational requirements promptly and accurately;
- (e) It meets a satisfactory capital ratio as determined by SCCP; and
- (f) It meets such other standards and processes and such other qualifications satisfactory to SCCP for the protection of SCCP and other Clearing Members such conviction of a securities-related crime, and should not be a subject of injunction from any securities-related transaction, suspension or expulsion from a securities exchange, a national securities association or a clearing or depository corporation, or should not be charged with misrepresentation or omission of a material fact to SCCP.



## **Rule 2.2 Application Procedure**

### **2.2.1 Application for Clearing Membership**

An applicant shall accomplish and deliver to SCCP all the documents contained in the *Membership Kit* to be provided by SCCP. (*Refer to Annexes 1-6 for samples of the currently required forms.*)

### **2.2.2 Deficiencies in Application**

If an applicant fails to submit all the proper information and documents that may be required by SCCP, SCCP may, depending on the nature and gravity of the deficiency as determined by SCCP, deny the application outright or allow the applicant to correct the deficiency within fifteen (15) days from receipt of notice from SCCP. If the applicant fails to sufficiently correct its deficiencies during the period, the application shall be deemed abandoned. On the other hand, if the applicant submits the required information or correct its deficiencies during the period, then the application shall be deemed amended accordingly. Any misleading information by or misrepresentation on the part of the applicant that may be discovered prior to approval by SCCP of the application shall result in immediate disqualification of the application with prejudice to a re-filing of the same. If said misleading information or misrepresentation is discovered after approval of the application by SCCP is discovered shall subject the Clearing Member to disciplinary action as provided under Sections 2.3.8 and 2.5.1 hereof, without prejudice to revocation of the transgressor's Clearing Membership at the discretion of SCCP.

### **2.2.3 Deferral**

The SCCP Board may defer its approval of a Clearing Membership Application until such time as SCCP has adequate personnel, facilities, data processing capacity or such operational capability to provide its services to additional Clearing Members without impairing its ability to service existing Clearing Members, to assure the prompt and efficient Clearing and Settlement of Trades, and to carry out its functions in the normal course of business. However, the Clearing Membership Application of applicants, which have been deferred pursuant hereto, may be approved as soon as the capabilities of SCCP permit, in the order in which Clearing Membership Applications were filed with SCCP.

### **2.2.4 Approval**

Upon approval of the Clearing Membership Application by SCCP, SCCP shall immediately inform the affected applicant, and upon receipt of such notice, the said applicant shall be deemed a Clearing Member entitled to and responsible for all the rights and privileges and obligations of a Clearing Member to the Central Clearing System.



### **2.2.5 Clearing Membership Fee**

An applicant who has been accepted as a Clearing Member shall pay the required acceptance fee in the amount, form and manner set forth in the SCCP Rules. (See Annex I – SCCP Schedule of Fees and Charges)

### **2.2.6 Clearing Member as Principal**

Only Clearing Members shall be entitled to settle contracts with SCCP and to participate in the comparison and other operations, covered by the SCCP Rules. A Clearing Member who compares, settles or carries out any contract or transaction for another person who is not a Clearing Member, shall be deemed to act as and shall be liable as principal in these underlying contracts or transactions.

## **Rule 2.3 Warranties and Representations**

### **2.3.1 Binding Effect of SCCP Rules**

The SCCP Rules shall be binding upon the Clearing Members, its officers, directors, employees, agents, and its clients, and shall be deemed to form an integral part of the terms and conditions of every related contract or transaction which the Clearing Member may enter into with its clients.

### **2.3.2 Deposits or Contributions to the Clearing Fund**

Each Clearing Member shall timely, fully and properly remit all its deposits or contributions to the Clearing Fund in accordance with the SCCP Rules.

### **2.3.3 Authority to Transact**

Any Trade fed into the Central Clearing System shall be deemed by SCCP as having been performed in accordance with the instructions given by a Clearing Member and that such instructions constitute the representation and warranty of Clearing Member that it has full power, right and authority to perform the Trade or other transaction in accordance with its client's instructions. Any instruction given by a Clearing Member for the Clearing and/or Settlement of a Trade constitutes the representation and warranty of Clearing Member that it has and will continue to maintain balances in its Securities and Cash Settlement Account sufficient to support all Trades specified in such instruction.



#### **2.3.4 Authority from Client**

Each Clearing Member warrants to SCCP that it has obtained the accession of its clients to the SCCP Rules and SCCP Operating Procedures, and any amendments, supplements or modifications thereto, and that the client has agreed to abide by the Clearing Member's transactions with respect to the subject Cash and Securities. SCCP shall not be bound to take notice of any right or agreement of a Clearing Member's client or any third party regarding the Beneficial Owners of subject Cash and Securities.

#### **2.3.5 Irrevocable Authority**

Each Clearing Member irrevocably and by special power of attorney, authorizes SCCP to be its attorney-in-fact to do such acts and to exercise such powers on behalf of such Clearing Members as may be delegated to the SCCP by the SCCP Rules, together with such powers as are necessary or incidental thereto. SCCP 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.

#### **2.3.6 Execution of Other Acts**

Upon request from SCCP, a Clearing Member shall promptly perform such required acts and shall execute such required documents as SCCP may reasonably require to enable SCCP to comply with its functions.

#### **2.3.7 Reporting of Fraud**

To the extent of its knowledge of such matters, a Clearing Member shall report to SCCP:

- (a) Any violation of the SCCP Rules or misuse of the Central Clearing System;
- (b) Any error regarding any data in the Central Clearing System;
- (c) Any fraud or criminal activity committed or about to be committed in connection with the Central Clearing System;
- (d) Any unauthorized or criminal access to or use of the Central Clearing System;  
or
- (e) Any negligent, fraudulent or willful act or omission by any Clearing Member or staff of SCCP.



### **2.3.8 Submission to Disciplinary Action**

Each Clearing Member shall abide by all disciplinary measures imposed by SCCP on such Clearing Member, including fines, suspension and termination, and hereby waives all its other rights to remedies inconsistent with the SCCP Rules.

### **2.3.9 Verification of Warranties**

SCCP may rely on any representation or warranty, express or implied, made or deemed made by a Clearing Member by its accession to the SCCP Rules. Nevertheless, SCCP may take steps to verify the representation or warranty and, for such purpose, require a Clearing Member 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 Clearing Member.

### **2.3.10 Declarations**

Each Clearing Member 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 the issuer of the Security 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 order of a court or administrative or regulatory body.

## **Rule 2.4 Clearing Membership Indemnity and Liability**

### **2.4.1 Indemnity of Clearing Member for Services**

Clearing Members shall hold harmless SCCP and all other Clearing Members, as well as all their respective partners, directors, trustees, officers, employees, agents and contractors from and against any loss, damage, cost, expense, liability or claim (including without limitation the cost of legal counsel to advise on or defend against such claims) suffered or incurred by or made against it, them or any of them arising from:



- (a) Any interruption, malfunction or disruption of any service in the Central Clearing System to the extent caused or contributed by any negligent, reckless, willful, fraudulent or dishonest act or omission of a Clearing Member or of any director, trustee, officer, partner, employee, servant, contractor or agent of a Clearing Member done while acting in the course of office or employment or made possible by information or opportunities afforded by such office or employment;
- (b) Any incorrect information or documentation provided by a Clearing Member;
- (c) Performance by SCCP of any procedure which it must or may perform under the SCCP Rules or SCCP Operating Procedures including without limitation the making of corrections of any entry; drawing on the Required Deposit of a Clearing Member when warranted, drawing on the Clearing Fund on behalf of a Defaulting Clearing Member, and others;
- (d) The reliance on or use by SCCP of any declaration provided by a Clearing Member in the form and time required by SCCP and made in the manner contemplated by the SCCP Rules;
- (e) A Clearing Member's failure to provide or cause to be provided a declaration as required;
- (f) Reliance by any person on a declaration as required; or
- (g) Any breach of a Clearing Member's obligations, representations or warranties.

#### **2.4.2 Indemnity for Clearing Member's Request**

Each Clearing Member shall indemnify and hold harmless SCCP and its respective directors, officers, employees, agents and contractors from and against any loss, damage, cost, expense, liability or claim (including without limitation, the cost of legal counsel to advise on or defend against such claims) suffered by or made against it, them or any of them arising from any act or omission of SCCP pursuant to a Clearing Member's request.

#### **2.4.3 Exclusive Liabilities**

SCCP shall not be liable for the performance of any function that is due to be performed by related settlement agencies such as Depository and Registry facilities and the Settlement Bank or any other settlement agency systems. Neither shall SCCP be liable for any loss, damage, cost, expense and liability suffered by a participant arising from the use of any Depository, Registry, Settlement Bank or any other settlement agency systems.



## **Rule 2.5 Suspension and Termination**

### **2.5.1 Causes for Suspension or Termination**

A Clearing Member may be suspended or terminated from the Central Clearing System, depending on the existence and the gravity of the following grounds as determined by SCCP in its sole discretion:

- (a) Material or persistent breach by the Clearing Member of the provisions of the SCCP Rules and/or the SCCP Operating Procedures;
- (b) Repeated violations by the Clearing Member of acts punishable with fines;
- (c) Suspension of the Clearing Member for a third time shall result in revocation or termination of its clearing membership;
- (d) Ineligibility, loss of qualification or non-compliance by the Clearing Member with SCCP's Clearing Membership standards;
- (e) Adverse effect on the integrity or interests of SCCP or other Clearing Members by the financial or operating condition, or continuation of the Clearing Membership, of the Clearing Member;
- (f) Revocation of the registration or license, or expulsion or suspension, of the Clearing Member by the regulatory or competent authority having jurisdiction over it;
- (g) Order or decision of a competent judicial or administrative authority enjoining the Clearing Member from engaging in or continuing any conduct or practice related to Securities or payment transactions; or
- (h) When the SCCP Board, in its discretion, determines that other similar or adequate cause for suspension or termination exists.

### **2.5.2 Procedure for Suspension or Termination**

A Clearing Member shall be notified in writing at its last registered address of the existence of any ground for suspension. The notice shall state in reasonable detail the nature of the violation and the facts constituting the violation. Within five (5) Business Days from receipt of the notice, the Clearing Member may file its written response, explaining, clarifying or commenting on the matters stated in the notice. The Clearing Member may likewise be required to be present in a hearing for an opportunity to further explain, clarify or comment on matters touched upon in its written response. The Clearing Member may, if so desired, be assisted by counsel during such hearing.





### **2.5.3 Preventive Suspension**

Notwithstanding the foregoing, SCCP may, in order to avoid grave and irreparable damage to the Central Clearing System, order the immediate suspension of a Clearing Member pending notice, hearing and final decision on its suspension or termination, until SCCP determines that the ground no longer exists, at which time SCCP shall lift the preventive suspension.

### **2.5.4 Decision of Suspension or Termination**

Any final decision suspending or terminating a Clearing Member shall be in writing, stating the grounds for violation and the facts constituting the violation, the period of suspension or the effective date of termination. A fine may be meted out concurrently with suspension or termination. No decision of suspension or termination shall take effect until the Clearing Member has received the written decision of the SCCP or its authorized representatives. SCCP shall also notify the Securities and Exchange Commission, the PSE, and any other institutions involved in the Clearing and Settlement process of such suspension so that these persons may be able to perform activities as may be required of them under the law or under their own rules and regulations based on the circumstance.

### **2.5.5 Appeal to Decision**

A Clearing Member may contest any final decision of suspension or termination by filing an appeal with the SEC within ten (10) Business Days from receipt of the decision. The suspension or termination of the Clearing Member shall remain effective notwithstanding the appeal.

### **2.5.6 Survival of Obligations**

The suspension, termination or resignation of a Clearing Member shall not in any way reduce its duties, liabilities or obligations under the SCCP 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.

### **2.5.7 Civil and Criminal Liability**

The suspension, termination or resignation of a Clearing Member shall not prejudice the right of SCCP and/or any other Clearing Member/s to take civil or criminal action against the suspended, terminated or resigned Clearing Member.



## **Rule 3: Continuous Net Settlement**

### **Rule 3.1 Daily Multilateral Netting**

CCCS operates under continuous net settlement system and as such daily multilateral netting occurs upon receipt of the Trades from the Exchange. The CCCS performs the netting process as soon as the Trades are uploaded to the system. The Securities Settlement instructions are netted multilaterally into a net receipt or delivery position in a given Security for each Clearing Member. All Cash debits and credits from these Securities Settlement instructions are also netted into a single net cash position for each Clearing Member. There will no longer be a direct link between the original counter-parties of the Trades; instead, all Clearing Members will have a direct obligation to deliver or right to receive to/from SCCP.

### **Rule 3.2 Novation of Exchange Trades and Replacement of Parties to PSE Trades Contracts**

Shortly after this multilateral netting takes place, Novation of the original PSE Trade contracts occurs and the SCCP now stands between the original trading parties and becomes the Central Counterparty to each Trade cleared through it. SCCP replaces each net position with a settlement obligation/receipt for the scheduled Settlement Date. On Settlement Date, book-entry settlement instructions will be created for each net position to facilitate movements from the net delivering Clearing Members to the net receiving Clearing Members. Consequently, each net delivery obligation shall be replaced by a new settlement Contract between the net delivering Clearing Member as seller and SCCP as buyer, as principals to such Contract, and each net entitlement shall be replaced by a new settlement Contract between the net receiving Clearing Member as buyer and SCCP as seller, as principals to such Contract.

### **Rule 3.3 Terms of Novation**

SCCP's obligations as Central Counterparty, whether as seller or buyer under Contracts, as the case may be, under the terms of Novation, shall be performed in the manner and form and by such time as may be prescribed in the Rules.

The benefit of the performance by SCCP of such obligations is conferred upon Clearing Members as Principals and not upon any other person whatsoever.

Subject as otherwise provided in the Rules, Contracts shall be on the same terms as the relevant exchange Trade replaced by such Contracts.



### **Rule 3.4 Allocation Algorithm**

In effecting Settlement of its obligations to deliver Cash and Securities arising out of the settlement Contracts, SCCP may allocate Cash and Securities available to it to Clearing Members due to receive Cash and/or Securities in accordance with an allocation algorithm that is based on the highest outstanding netted amounts to be received by the Clearing Members. A priority list will be set up according to this rule and the system will attempt to settle the largest outstanding netted amounts first, as provided in the Operational Procedures, or in such other manner as it considers appropriate.

SCCP may effect partial deliveries in respect of its obligations to deliver Securities arising out of Contracts.

### **Rule 3.5 SCCP's Obligations under Contracts**

The obligations of SCCP to the Clearing Members under a Contract shall be limited exclusively to:

- (a) The amount received by the SCCP from all the Clearing Members on the settlement of any Contract;
- (b) The amount of the CTGF; and
- (c) The amount of any banking or other credit facilities available to SCCP and arranged expressly for the purpose of providing financial resources to support the CTGF.

To the extent that the CTGF is insufficient at any time to meet the aggregate liabilities of SCCP to its Clearing Members, as the case may be under all Contracts subsisting at any time, each such Clearing Member shall only be entitled to receive payment pro-rata to the amount due to it as compared to the aggregate amount due to all the Clearing Members or in such other manner as SCCP shall consider fair and appropriate in the circumstances. SCCP shall, however, remain liable for such liabilities but payment of the balance of such amount due shall only be made as and when and to the extent that funds are subsequently available.

In respect of SCCP's obligations to deliver Securities under the Contracts and without prejudice to Section 6.2 on Failure to Deliver Security Element, the SCCP President or Chief Operating Officer (COO) may invoke cash settlement (Alternative Cash Settlement) in lieu of delivery of Securities to the receiving Clearing Members affected by the default.

The SCCP President or COO may invoke Alternative Cash Settlement upon failure by SCCP to buy, all or in part, the Securities subject of the default from the market on the first Business Day (T+4) following the original settlement date (T+3) if any of the following is deemed highly risky by SCCP: (a) the Securities subject of the default; (b) the value of the trade relative to the exposure it imposes on the CTGF; or (c) the defaulting Clearing Member. Otherwise, the SCCP President or COO may invoke Alternative Cash Settlement after the trading hours on the third business day (T+6) after the original settlement date (T+3), if after exhausting all efforts by said



## **RULES of the Securities Clearing Corporation of the Philippines**

time, it is deemed not possible or reasonably practical to deliver all or in part the Securities necessary for the settlement of the default. The SCCP President or COO shall bear no liability to any party in making this decision.

SCCP shall provide money compensation to the receiving Clearing Members in lieu of the outstanding undelivered Securities by reference to the market value of such Securities based on the highest price in a regular lot at the time of the execution of the Alternative Cash Settlement plus a premium of 10%. In case the Securities subject of the default were not traded on the day of the execution of the Alternative Cash Settlement, the highest price shall pertain to the highest price in a regular lot on the day it was last traded.

No other assets of the SCCP shall be made available to meet any such obligation.

*Amended effective 01 April 2013. Approved by the SEC on 21 February 2013.*



## **Rule 4: Clearing and Settlement of PSE Trades**

### **Rule 4.1 Pre-Clearing and Settlement**

#### **4.1.1 Trade Feed**

On Transaction Date, Trades matched through the electronic order matching system of the PSE or any trading facility recognized by the SCCP, shall be sent to the SCCP through the Trade Feed immediately after the applicable trading hours.

#### **4.1.2 Cash List**

By the first Business Day following the Transaction Date, SCCP shall provide the Settlement Banks, through file upload, a Cash List that would disclose the Net Money Obligation or Net Money Entitlement of its Clearing Members accountholders. This shall also disclose how much one Settlement Bank should pay the other Settlement Bank for the synchronization of funds between them during the settlement day.

#### **4.1.3 Trade Amendments and Cancellations**

Any trade amendment or cancellation duly authorized by the PSE shall be reflected in the CCCS no later than 11:30 a.m. of T+3.

#### **4.1.4 Verification**

SCCP shall verify no later than 12:00 NN of T+3 that the Clearing Member which is net selling of Securities has sufficient amount of Securities in its Securities Settlement Account and that the net buying Clearing Member has sufficient funds in its Cash Settlement Account.

#### **4.1.5 Interim Reports**

SCCP shall furnish the transacting Clearing Members from time to time prior to Settlement Date with such reports, updates and statements as will inform them of the status and requirements of their Trades necessary for Settlement.



#### **4.1.6 Settlement Reports**

SCCP shall, within the Transaction Date, furnish each Clearing Member through the Central Clearing System a report ("Daily Transaction Report"), which shall indicate the Trades such Clearing Member has entered into on the specified Transaction Date, including the following:

- (a) The name of the issue;
- (b) The number of Securities;
- (c) The names of the Clearing Member-counterparties;
- (d) The value of the Trade;
- (e) The contract order number regarding the matched Trade; and
- (f) Other relevant matters.

SCCP shall also furnish each Clearing Member with the value of its qualified Trades and shall summarize therein the Cash and Securities net obligation or net entitlement of such Clearing Member for Settlement of its Trades for the particular Transaction Date ("Obligation Report").

### **Rule 4.2 Clearing and Settlement of Securities Element**

#### **4.2.1 Clearing of Security Element**

Unless otherwise provided by the SCCP Board, a Clearing Member's delivery obligations and entitlements of the Security Element of a Trade shall be determined on a flag-netting basis in accordance with the SCCP Operating Procedures.

#### **4.2.2 Projection Report**

On Settlement Date, SCCP shall furnish each Clearing Member through the Central Clearing System with a report ("Projection Report") which shall indicate the expected long or short positions of the Securities Element of specified Trade/s as of a certain Settlement Date. Upon receipt by the Clearing Member of the projection report, the Clearing Member shall take appropriate measures to ensure that it shall have the sufficient amount of the Security Element of the particular Trade/s in its Securities Settlement Account by the Settlement Cut-Off.

#### **4.2.3 Settlement of Security Element**

SCCP shall, on Settlement Date, effect instructions in the Central Clearing System for the Settlement of the Security Element.



## **Rule 4.3 Clearing and Settlement of Cash Element**

### **4.3.1 Clearing of Cash Element**

Payment obligations and entitlements of a Clearing Member for the Cash Element of Trade/s shall be established on a multilateral netting process whereby the total Cash Element obligations of a Clearing Member are netted from the same Clearing Member's Cash Element entitlements in accordance with the SCCP Operating Procedures. SCCP shall arrive at either a Net Money Entitlement due to a Clearing Member or a Net Money Obligation due from a Clearing Member.

### **4.3.2 Settlement of Cash Element**

On Settlement Date, the Settlement Bank shall confirm to the SCCP through the Central Clearing System any amount in the Clearing Members' settlement account, thereby effecting transfer of said amount to the SCCP Nostro account. SCCP shall, on Settlement Date, effect instructions in the Central Clearing System for the Settlement of the Cash Element.

## **Rule 4.4 Fungibility**

Each Clearing Member agrees that Securities in CCCS may be treated by SCCP as fungible with Securities of the same issue. No Clearing Member will be entitled to any specific Securities in CCCS and unless otherwise provided, SCCP's obligation to a Clearing Member will be to allow withdrawal of, subject to the Rules, up to the number of Securities in the deposit account of such Clearing Member at any time.

## **Rule 4.5 Special Restrictions**

Nothing in the SCCP Rules shall be construed as permitting any Clearing Member to attach any condition or restriction on the Settlement of Trades, and any such condition or restriction which is imposed contrary hereto shall be void and of no effect, and non-compliance with any such condition or restriction shall not invalidate that Settlement.

## **Rule 4.6 Effect of Settlement**

Upon Settlement of the Security Element and Cash Element of a Trade, the Trade shall be deemed final and irrevocable and unwinding thereof shall not be allowed under any circumstances.



## **Rule 5: The Clearing and Trade Guaranty Fund**

### **Rule 5.1 Establishment of a Clearing Fund**

#### **5.1.1 Required Contributions into the Clearing Fund**

The SCCP Board shall establish a fund to provide resources to assist the SCCP in meeting its obligations as Central Counterparty with respect to SCCP-Eligible Trades. That fund shall constitute the Clearing and Trade Guaranty Fund ("Clearing Fund") which shall be used only if SCCP is unable to meet its obligations under Contracts as Central Counterparty by reason of Defaults by its Clearing Members, and shall be used only in accordance with the Rules.

#### **5.1.2 Composition of the Clearing Fund**

The Clearing Fund is comprised of the following:

- (a) Contribution by the Philippine Stock Exchange, Inc.;
- (b) Contributions required of Clearing Members; and
- (c) Interest income from the investments of the Clearing Fund

#### **5.1.3 Additional Resources to the Clearing Fund**

SCCP may from time to time establish such additional arrangements including but not limited to, credit facilities and insurance policies, as it may from time to time deem appropriate for purposes of providing additional resources to the Clearing Fund. SCCP may use the Clearing Fund as collateral in securing credit facilities from the Settlement Banks obtained only for the purpose of settling Failed Trades.

The cost and expenses incurred in establishing, maintaining, managing, administering, availing and terminating such arrangements shall be paid out of the Clearing Fund, and will be reimbursed by the Defaulting Clearing Member, in case of an avilment of the credit facility to settle a Failed Trade.

#### **5.1.4 Build Up of the Clearing Fund**

The Clearing Fund shall be reviewed semi-annually or at any period prescribed by the SCCP Board. The Ideal Fund Size of the Clearing Fund shall be computed by applying the Value at Risk (VaR) model on the previous six (6) months' Net Trades of the four (4) largest Clearing Members during the period of computation.





## RULES of the Securities Clearing Corporation of the Philippines

Continuous build-up of the Clearing Fund to attain the computed Ideal Fund Size shall be made through the implementation of the following measures:

- (1) Collection of monthly contributions from the active Clearing Members of an amount equivalent to 1/500 of 1% of the Clearing Members' Trade value for the month, net of block sales and cross transactions of the same flag, or at a rate prescribed by the SCCP Board and approved by the Commission.

*Amended effective 01 August 2007. Approved by the SEC on 28 June 2007.*

- (2) Collection of Initial Contributions based on the following criteria:
  - (a) For new Trading Participants applying in the PSE, an Initial Contribution shall be required based on the Ideal Fund Size using the Value at Risk (VAR) Model at the time of computation. The amount of contribution required shall be computed based on the pro-rated Required Contributions of all existing Trading Participants. The High of the Range upon pro-ration shall be the amount required for Foreign Trading Participants and the Average of the Range shall be the amount required for Local Trading Participants. The required amount of contribution shall be rounded up to the nearest One Hundred Thousand Pesos (Php100,000.00).
  - (b) For Trading Participants who are resuming trading operations after having been temporarily suspended or after having ceased their trading operations, same computation shall apply but the amount of the required Initial Contribution shall be net of any contributions previously made to the CTGF.
  - (c) For new Trading Participants in inactive status, (50%) of the Required Contribution shall be payable upon the approval of the Trading Participant's admittance to the Exchange. The remaining balance shall be payable prior to the commencement of the Trading Participant's trading operations.

Initial fund contributions shall be adjusted after six (6) calendar months from the commencement of trading operations of the Trading Participants. The total amount of the Ideal Fund Size for each Clearing Member shall be calculated based on the effective rate of eleven percent (11%) applied to their Average Trade Value for the six-month period. Collection by SCCP of payments on the deficiency shall commence on the Business Day immediately after the six-month period of adjustment. Accordingly, any excess in the Initial Contributions made shall be refunded by SCCP to the Trading Participant after the six-month period.



- (3) Collection from all active Clearing Members of the deficiency in the calculated Ideal Fund Size should the Trade Value reach an average of One Billion Five Hundred Million Pesos (Php 1.5 Billion) daily for a period of two (2) calendar months. CTGF deficiency per Clearing Member shall be calculated by applying the 11% ideal rate to the Daily Average Trade Value of the preceding 6-months. Payment on the deficiency shall commence on the Business Day after the two-month period either through an outright or full payment or through the monthly amortization within a period of two (2) years with an imputed interest of 12% per annum.

#### **5.1.5 Investment of the Clearing Fund**

Any funds in the Clearing Fund generated from cash contributions shall be invested as follows:

- (a) Securities issued or guaranteed by the Republic of the Philippines and
- (b) Such other investments as the SCCP Board may approve taking into consideration the safety and liquidity requirements of the Clearing Fund.

Interest earnings shall be appropriated by SCCP as assets of the Clearing Fund.

#### **5.1.6 Application of the Clearing Fund**

The Clearing Fund shall not be used for any purpose other than for:

- (a) Payment of the Net Money Obligations in order to settle a Failed Trade;
- (b) Buy-In of relevant Securities in order to settle a Failed Trade;
- (c) For use as collateral in securing credit facilities from the Settlement Banks for the purpose of settling a Failed Trade;
- (d) For use as collateral in borrowing Securities through the Securities Borrowing and Lending facility;
- (e) Payment of premium on any insurance policy taken for the Clearing Fund; and
- (f) The satisfaction of losses, liabilities and expenses of SCCP incidental to the operation of its Clearing and Settlement functions.

SCCP shall promptly notify the Securities and Exchange Commission in case the Clearing Fund is utilized pursuant to this Rule.



### **5.1.7 Replenishment of Contributions**

Whenever the contribution of a Clearing Member is applied in accordance with *Rule 5.1.6 (a)-(e)*, SCCP shall require, and the Clearing Member shall promptly replenish the deficiency of its contributions as a result of such application.

### **Rule 5.2 Return of Required Contributions**

There shall be no return of cash contributions made by the Clearing Members to the Clearing Fund. The exception to this is the return of any excess collected as Initial Contribution required of new Trading Participants applying with the PSE or upon resumption of trading operations as stated in Rule 5.1.4.

### **Rule 5.3 Liability for Insolvency**

SCCP shall be responsible for ensuring that SCCP-Eligible Trades submitted to CCCS are fully settled. However, when a Clearing Member becomes exposed to insolvency, whether imminent or actual, and will consequently be unable to timely and completely fulfill its obligations corresponding to such SCCP-Eligible Trades, SCCP shall satisfy the insolvent Clearing Member's delivery commitments and/or monetary obligations in the Clearing and Settlement of its unsettled Trades by sourcing all necessary amounts from the Clearing Fund. Advances made from the Clearing Fund shall be for the account of the insolvent Clearing Member to be paid from the proceeds of sale of its assets, if applicable.



## **Rule 6: The Fails Management System**

### **Rule 6.1 Failure to Deliver Cash Element**

If, during the settlement run on Settlement Date, a Clearing Member who has a Net Money Obligation does not have sufficient funds in its Cash Settlement Account to settle its Net Money Obligation, SCCP shall hold in escrow the Defaulting Member's receivable Securities in the amount equal to or greater than the amount of the cash fail.

#### **6.1.1 Settlement of Failed Trades through the Clearing Fund**

If, by the end of banking hours on Settlement Date, a Clearing Member who has a Net Money Obligation does not have sufficient funds in its Cash Settlement Account to settle its Net Money Obligation:

- (a) SCCP shall apply available cash in the Clearing Fund to settle the Net Money Obligations of the Defaulting Clearing Member; and
- (b) Unless otherwise set by the SCCP Board, the total advances from the Clearing Fund shall bear interest based on the prevailing overnight borrowing rate of the *Bangko Sentral ng Pilipinas*, plus a spread, until the advances are fully paid, and shall be stipulated in the Demand Notice for payment to be issued by SCCP.

#### **6.1.2 Settlement of Failed Trades through Sell-Out Procedure**

If, by 9:15 AM of the Business Day after Settlement Date, a Clearing Member who has a Net Money Obligation is not able to make actual payment to SCCP of the total amount of the Outstanding Obligation to settle the Cash Element of its PSE Trade, SCCP shall automatically execute a Sell-Out Procedure of the Securities held in escrow to settle said obligation as described in the SCCP Operating Procedures.

#### **6.1.3 Procedure for Sell-Out: The Sell-Out Notice**

Upon failure of the Clearing Member to make cash payment to settle its obligations on the scheduled Settlement Date and SCCP, as the Central Counterparty has made an advance from the CTGF or has utilized its credit facility with a Settlement Bank, SCCP shall issue a Sell-Out Notice to the Defaulting Clearing Member. The Sell-Out Notice shall indicate the code and name of the Security and the number of shares that would be the subject of the Sell-Out. A Sell-Out Request indicating the code and name of the Security and the number of shares that would be subject of the Sell-Out shall be sent to the PSE notifying the latter of SCCP's intent to execute a Sell-Out.



The *Notice of Possible Overnight Cash Fail* shall be sent to the Capital Markets Integrity Corporation (CMIC) on T+3 by 5:00 PM at the latest, with a recommendation for a Preventive Suspension upon failure of the Defaulting Clearing Member to settle by 9:15 AM of T+4. A *Notice of Preventive Suspension* shall likewise be given to the Defaulting Clearing Member, a copy of which shall be furnished to the PSE, SEC, Depository and the concerned Settlement Bank.

The Notice of Suspension of the Clearing Member shall be published on the electronic board as well as on the website of the Philippine Stock Exchange, Inc.

*Amended effective 23 July 2012. Approved by the SEC on 28 June 2012.*

#### **6.1.4 Execution of Sell-Out**

If by 9:15 AM of the Business Day after Settlement Date, the Defaulting Clearing Member still fails to make actual payment to SCCP of his Outstanding Obligation, SCCP shall execute a Sell-Out of the shares held in escrow by entering into a Sale Transaction as a normal Trade, as described in the SCCP Operating Procedures.

#### **6.1.5 Authority of SCCP**

SCCP shall be hereby deemed as duly and irrevocably authorized by a Clearing Member, in the event of a Failed Trade, to:

- (a) Cancel the transfer of the Defaulting Clearing Member's Net Securities Entitlement and credit the Securities to SCCP escrow account, as described in the SCCP Operating Procedures; and
- (b) Use any Security transferred to SCCP escrow account, upon default of the Clearing Member to make actual payment of its Outstanding Obligation, as the subject of the Sell-Out Procedure or as collateral for purposes of covering the amount advanced by SCCP from the CTGF, whether involving a bank borrowing or not, to settle its Outstanding Obligations. All resulting expenses including, but not limited to, interest, charges and taxes incurred shall be for the account of the Defaulting Clearing Member.

#### **6.1.6 Sell-Out Price and Other Damages**

The Sell-Out price shall be the prevailing bid or market price as of execution of the Sell-Out, which shall be the best execution price. In the event that there has been no bid price set, the Sell-Out shall be executed at the higher of the last closing price less two price fluctuations, or the last transaction price, or the current bid price or market price, until the Sell-Out Procedure is completed.

The Defaulting Member shall only be considered to have satisfactorily complied with all its obligations to SCCP upon full payment of its Outstanding Obligations including interest and other fees and costs attendant thereto.



### **6.1.7 Interest and Other Fees and Costs**

Any and all interests, fees, costs and other charges that may be due on the settlement of the Net Money Obligation herein shall be for the sole account of the Defaulting Clearing Member.

## **Rule 6.2 Failure to Deliver Security Element**

If, during the settlement run on Settlement Date, a Clearing Member who has a Net Security Obligation does not have sufficient number of shares in its Security Settlement Account to settle its Net Security Obligation, SCCP shall hold in escrow:

- (a) the Defaulting Member's receivable Cash, if the Defaulting Member has a Net Money Entitlement; and/or
- (b) the Defaulting Member's receivable Securities, if the Defaulting Member has no Money Entitlement;

wherein the total value of the Cash and/or Securities held shall be equal to or greater than the amount of the security fail.

### **6.2.1 Settlement of Failed Trades through Buy-In Procedure**

If, by 9:15 AM of the Business Day after Settlement Date, a Clearing Member does not have sufficient Securities in its Securities Account to settle the Security Element of its Trade, SCCP shall post Buy-In orders on the trading floor of the PSE for the number of Securities required to settle the Failed Trade.

### **6.2.2 Procedure for Buy-In: The Buy-In Notice**

Upon determination by SCCP of the Defaulting member's inability to deliver the sufficient number of Securities to settle its Outstanding Obligations on the scheduled Settlement Date, SCCP shall issue a Buy-In Notice to the Defaulting Clearing Member. The Buy-In Notice shall indicate the name of the issuer, the number of Securities which are the subject of the Buy-In and the proposed date of the execution of the Buy-In, which shall be on the Business Day after the Settlement Date. A Buy-In Request shall be sent to the PSE notifying the latter of SCCP's intent to execute a Buy-In. The Buy-In Request shall indicate the name of the issuer, the number of Securities which are the subject of the Buy-In, and the proposed date of execution of the Buy-In.

*A Notice of Possible Overnight Security Fail* shall be sent to the CMIC with a recommendation of Preventive Suspension upon failure of the Defaulting Clearing member to settle by 9:15 AM of T+4. A *Notice of Preventive Suspension* shall likewise be given to the Defaulting Clearing Member, a copy of which shall be furnished to the PSE, SEC, Depository and the concerned Settlement Bank.



The Notice of Suspension of the Clearing Member shall be published on the electronic board as well as on the website of the Philippine Stock Exchange, Inc.

*Amended effective 23 July 2012. Approved by the SEC on 28 June 2012.*

### **6.2.3 Execution of Buy-In**

If, by 9:15 AM of the Business Day after Settlement Date, the Defaulting Clearing Member still fails to deliver the required Securities indicated in the Buy-In Notice, SCCP shall execute a Buy-In of the appropriate number of Securities by entering into Buy Transactions with as many Trading Participants as are required to raise the necessary quantity of Securities. These Buy Transactions shall be entered into as normal Trades, as described in the SCCP Operating Procedures.

### **6.2.4 Delivery of Securities**

Buy Transactions shall undergo the same settlement procedures wherein final settlement shall take effect on the scheduled Settlement Date. SCCP shall borrow the same number of shares bought in to effect immediate delivery of the undelivered Securities to the affected receiving Clearing Member(s).

### **6.2.5 Authority of SCCP**

SCCP shall be hereby deemed as duly and irrevocably authorized by a Clearing Member, in the event of a Failed Trade, to:

- (a) Cancel the transfer of the Defaulting Clearing Member's Net Cash and/or Securities Entitlement and credit the Cash and/or Securities to the SCCP escrow account, as described in the SCCP Operating Procedures; and
- (b) Use any Cash or Securities transferred to the SCCP Central Clearing House account during the settlement run as the subject for the Buy-In/Sell-Out procedure to cover the outstanding security obligation. All expenses, i.e. interest, charges, taxes inherent to the loan shall be for the account of the Defaulting Clearing Member.

### **6.2.6 Buy-In Price and Other Damages**

The Buy-In price shall be the prevailing offer or market price as of execution of the Buy-In, which shall be the best execution price. In the event that there has been no offer price set, the Buy-In shall be executed at the lower of the last closing price less two fluctuations, or the last transaction price, or the current offer price or market price, until the Buy-In Procedure is completed. Any other fees and costs directly associated with or resulting from the execution of the Buy-In shall be borne by the Defaulting Clearing Member.



The Defaulting Member shall only be considered to have complied with all its obligations to SCCP upon full payment of its Outstanding Obligations including interest and other fees and costs attendant thereto.

### **6.2.7 Cash as Collateral Pending Delivery of Securities**

SCCP Management, at its discretion, may accept cash as collateral no later than 5:00 PM on T+3 upon failure by a Clearing Member to deliver securities for reasons beyond the Clearing Member's control. The Defaulting Clearing Member shall be given until 10:00 AM of the following trading day within which to deliver the securities or face suspension. In case of failure to deliver the securities upon lapse of the deadline, SCCP Management is authorized to use the cash submitted as collateral to purchase securities during the buy-in process.

*New Rule effective 23 July 2012. Approved by the SEC on 28 June 2012.*

### **Rule 6.3 Demand Notice**

SCCP shall, within the Business Day wherein the execution of the Buy-In/Sell-Out was effected, furnish the delinquent Clearing Member with a Demand Notice which shall state the exact amount of money obligations of the Defaulting Clearing Member arising from the Buy-In/Sell-Out, including any fees and costs directly associated with or resulting from the execution of the Buy-In/Sell-Out, excluding any cash amount held in escrow by the SCCP. Within the Business Day on which the Demand Notice shall have been received by the delinquent Clearing Member, SCCP shall instruct and is hereby authorized by the Defaulting Clearing Member to instruct the Settlement Bank to debit the Cash Settlement Account of the Defaulting Clearing Member for the amount indicated in the Demand Notice and credit the Clearing Fund account with the same amount. After the confirmation from the Settlement Bank that the payment has been made, any Cash and/or Securities held in escrow due to the security fail shall be returned to the Defaulting Clearing Member.





**Rule 7: Risk Management and Monitoring of PSE Trades**

**Rule 7.1 Risk Management and Monitoring by SCCP**

Settlement assurance by the SCCP involves the performance of appropriate risk management functions to forestall any untoward event that may affect the Settlement process. In line with this, SCCP shall establish and maintain a Risk Management and Monitoring (RMM) System.

**Rule 7.2 Rationale**

Although the Delivery versus Payment method of Settlement, the Fails Management System, and the administration of the Clearing and Trade Guaranty Fund properly address Principal, Liquidity and Systemic Risks inherent in the Settlement of Trades, continuous monitoring of risks that may impair the financial and operational capacity of the Clearing Members to successfully settle their trade obligations is necessary.

**Rule 7.3 RMM System**

SCCP shall adopt a Risk Management and Monitoring system comprising of:

- (1) An automated risk management system to measure the following:
  - (a) The Clearing Members' ability to meet his Settlement obligations as they come due; and
  - (b) The volatility of the Clearing Member's securities positions (inclusive of dealership positions) and the potential price risk of their portfolios;
- (2) A daily fails monitoring system; and
- (3) A collateral deposit system to measure the effect of price fluctuation on the Clearing Members' unsettled Trades and to cover any market movement loss in the event of a default by a Clearing Member of its obligations.



#### **Rule 7.4 Reporting Requirements**

SCCP shall require Clearing Members to accomplish and submit reports during specified periods and intervals as the SCCP Board may determine. Reports required of the Clearing Members are intended to monitor the conditions that may affect Clearing Members' ability to meet their Settlement obligations. Such information shall include but not be limited to:

- (a) Whether the Clearing Member has any instruction from the PSE or the SEC to reduce or suspend any of its trading activities, in which event the Clearing Member shall state what activities, including margin trading and short selling, are restricted;
- (b) Whether there are pending suits against the Clearing Member, with a description of the nature of these suits; and
- (c) Whether there are cancellations of credit lines or facilities from financial institutions, with an explanation of the reasons cited by the financial institutions.

#### **Rule 7.5 Monitoring System**

SCCP shall adopt a system for the monitoring of factors that may affect Clearing Members' ability to settle their trade obligations as they come due. Such factors may include but not be limited to the following:

- (a) Any declaration by a Clearing Member with a history of surveillance or financial problems that it is in the process of liquidation, merger or being acquired;
- (b) Any pending administrative action or investigation against a Clearing Member by a regulatory body such as but not be limited to SEC, BIR and PSE; and
- (c) Any close or special surveillance being undertaken by a self-regulatory organization against a Clearing Member.



## **Rule 8: Mark to Market Collateral Deposit System**

### **Rule 8.1 Establishment of the Mark to Market Collateral Deposit System**

SCCP shall implement the Mark to Market Collateral Deposit System to fully cover the fluctuations in market prices of the Clearing Members' unsettled Trades of which the SCCP, as the Central Counterparty, is exposed to in guaranteeing the Settlement of these Trades.

#### **8.1.1 Market/Price Risk**

Trades executed on the Exchange are settled three (3) Business Days after Transaction Date (T+3), there exists at any given time three (3) days worth of unsettled Trades. Since the market price of the stocks subject of the Trades can fluctuate, price or market risk exists, where, if any of the counterparties to the Trade fails to make deliveries for Securities sold or pay for purchases made, the SCCP as the Central Counterparty is exposed to losses due to fluctuation in market prices that may occur during the period where Trades have not yet been settled.

#### **8.1.2 Effect of Market/Price Risk**

In case of a Defaulted Trade, SCCP will implement its Fails Management System, more specifically its Buy In or Sell Out Procedure for the purpose of making good the Trade to the affected counterparty. If there is a net negative exposure due to price risks, SCCP is exposed not only to the extent of the original value or contract price of the Trade but also inclusive of the value of the price fluctuation that affects the Securities involved.

#### **8.1.3 Need to Eliminate Risk Arising from the Negative Exposure of Price Fluctuation**

SCCP has implemented a Collateral Deposit System in order to address Market/Price Risks. In order to eliminate the risk created, Clearing Members with negative price fluctuation exposure are required to immediately make a deposit of cash and/or securities as collateral to the Collateral Account in the amount prescribed by SCCP.

Clearing Members likewise have the option to do an early delivery of securities causing negative exposures ahead of their scheduled settlement date in order to eliminate or reduce their computed negative exposures.



#### **8.1.4 Marking-to-Market**

In order to determine the effect of price fluctuation on the three (3) days unsettled Trades, the method of Marking-to-Market is used. Marking-to-Market involves the comparison of the market value of the unsettled trades based on the last closing price with their contract value.

#### **8.1.5 Mark-to-Market Collateral Deposit**

The Mark-to-Market Collateral Deposit (MMCD) is intended to cover any negative exposure or loss due to market/price risk in the event of a Default by a Clearing Member of its settlement obligations.

The size of the MMCD shall be based on the existing obligations of the Clearing Member over the last three (3) settlement days as follows:

$$\text{Exposure} = [\text{Sum (PP * MM)} - \text{Sum (PP * CP)}] + \\ [(\text{Sum (PS * CP)} - \text{Sum (PS * MM)})]$$

*where:*

PP = Clearing Member's unsettled buy Trades (shares) over 3 days settlement period.

PS = Clearing Member's unsettled sell Trades (shares) over 3 days settlement period

CP = Contract Price

MM = Market Price

The above formula may change should SCCP deem that given parameters are no longer applicable.

#### **8.1.6 Determination of Clearing Member's Daily Mark-to-Market Collateral Exposure**

On a daily basis and at the end of every trading session, SCCP shall Mark-to-Market all the unsettled Trades of each Clearing Member to determine its total net negative exposure. Any change in market prices resulting from corporate actions (dividends, splits, etc.) will be considered in the Mark-to-Market computation.



### **8.1.7 Net Negative Exposure Collateral Coverage Policy**

Upon determination of Clearing Members' net negative exposures based on the daily Mark-to-Market calculations, Clearing Members shall be required to fully cover the computed amount of negative exposures by putting up collateral(s) in accordance with the full collateralization policy of SCCP.

As part of the collateralization procedures, in the event that a Clearing Member has previous day collateral deposits, said deposits will automatically be blocked in CCCS to cover the current collateral requirement. In any event that the net negative exposure of a Clearing Member is concentrated on Trades of a particular issue, said Clearing Member may opt to do an early delivery of securities ahead of their Settlement Date in order to reduce its computed negative exposures or to the extent that collateral requirements shall no longer be imposed upon delivery of said Securities.

### **8.1.8 Acceptable Collateral Deposits**

SCCP shall accept collateral in the form of Cash and/or Securities. The value of the collaterals pledged should not be lesser than the value of the collateral requirement. Securities collateral shall be valued based on the last closing price. SCCP shall only accept Securities which are prescribed by SCCP as Securities acceptable as collateral based on criteria such as liquidity, activity and market capitalization. The list of acceptable Securities shall be reviewed every six (6) months, and such list shall be posted in the PSE website as soon as available.

### **8.1.9 Clearing Member Notification**

Notification to Clearing Members of their collateral requirement shall be via the message board available in CCCS, which shall be posted by 6:00 PM of the same trading day for which the negative exposure is computed, after the uploading of the PSE Trades, closing prices and other data needed for the completion of the computation process in the CCCS system. The Collateral Requirement Notice shall indicate the total amount of net negative exposure that needs to be collateralized by the Clearing Member.

*Amended effective 02 February 2012. Approved by the SEC on 26 January 2012.*

### **8.1.10 Cash and/or Securities Collateral Deposits and Early Delivery of Securities**

Clearing Members, for collateralization purposes, may deposit Cash and/or acceptable Securities or to do an early delivery of Securities to cover for their computed negative exposures.



#### **8.1.10.1 Cash Collateral Deposit**

Clearing Members providing Cash as collateral shall be required to open Cash Collateral Deposit Accounts with their Settlement Bank. Clearing Members depositing cash as collateral will need to fund their Cash Collateral Deposit Accounts in the amount required by SCCP no later than 12:00 noon of the next business day following the notification date. Settlement Banks, thru the online interface with CCCS, will confirm available cash balances in the Clearing Members' Cash Collateral Deposit Accounts. Any funds in the Cash Collateral Deposit Accounts of the Clearing Members, upon deposit confirmation of the Settlement Banks, will be credited directly to the Clearing Members' Collateral Account in CCCS. Cash collateralization procedures shall be in the manner described in the Operating Procedures and detailed in the CCCS User's Manual.

#### **8.1.10.2 Securities Collateral Deposit**

Deposit of Securities to be used as collateral is facilitated through the execution of Collateral Deposit instruction by the Clearing Member in the CCCS System no later than 12:00 noon of the day following the notification date. Securities to be used as collateral should be Securities prescribed by SCCP as acceptable for collateralization purposes. Securities collateralization procedure shall be in the manner described in the Operating Procedures and detailed in the CCCS User's Manual.

#### **8.1.10.3 Early Deliveries of Securities**

Clearing Members with computed negative exposures brought about by the concentration of their Trades on a particular issue may opt to do an early delivery of securities ahead of their Settlement Date. Execution of early delivery through the transfer of securities to the Delivery Account will result in a reduced collateral requirement or a positive exposure, where the Clearing Member shall no longer be required to provide any collateral. Procedures for early delivery shall be in the manner described in the Operating Procedures.

#### **8.1.11 Collateral Refund**

After the daily Mark-to-Market computation, any excess collateral previously put up by the Clearing Member may be withdrawn between 9:00 AM and 12:00 NN the following business day subsequent to notification date.



**8.1.12 Applicable Fines and Penalties**

SCCP shall charge any Clearing Member with the applicable fines and penalties upon failure of the Clearing Member to provide for the required collateral by the prescribed 12:00 NN cut-off time. Defaulting Clearing Member shall be notified by SCCP through a billing notice to be sent by 3:00 PM of the same day. Fines and Penalties for non-payment or non-delivery of required collateral shall be as follows:

- (a) First Offense: a payment charge equivalent to  $\frac{1}{4}$  of 1% of the required collateral plus actual out-of-pocket expenses incurred by SCCP on the matter.
- (b) Second Offense: a payment charge equivalent to  $\frac{1}{2}$  of 1% of the required collateral plus actual out-of-pocket expenses incurred by SCCP on the matter and an issuance of a warning to the Defaulting Clearing Member.
- (c) Third Offense: a payment charge equivalent to 1% of the required collateral plus out-of-pocket expenses incurred by SCCP on the matter and a recommendation for suspension of the Defaulting Clearing Member.

**Rule 8.2 Mark to Market Collateral Deposit Fund**

*(Deleted)*

ANNEX 1: CLEARING MEMBER INFORMATION FORM



**SECURITIES CLEARING CORPORATION  
OF THE PHILIPPINES**

2<sup>nd</sup> Floor, Philippine Stock Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City, Philippines  
Telephone (632) 848-6612; Fax (632) 848-6626

**CLEARING MEMBER INFORMATION FORM**

Page 1 of 5

**A. CORPORATE DETAILS**

<b>Member's Name</b>		<b>Broker Code</b>
<b>Address</b> _____ _____		<b>Postal Code</b>
<b>Form of Organization</b> <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Sole Proprietorship		
<b>Principal Contact Name</b>	<b>Title</b>	<b>Tel(s).</b>
<b>Date Business Started</b>		<b>Designated Examining Authority</b>
<b>Exchange Memberships</b> <i>(list all exchanges of which you are a member)</i>		
<b>PDTC Member</b> <i>(PDTC membership is mandatory)</i> <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>Other Memberships</b> <i>(securities or settlement-related institutions)</i>		
<b>Briefly describe any recent membership changes as well as those contemplated during the next six (6) months:</b> _____ _____ _____		
<b>Chief Executive Officer</b>		<b>Tel.</b>
<b>Chief Financial Officer</b>		<b>Tel.</b>
<b>Chief Operating Officer</b>		<b>Tel.</b>
No. of Registered Representatives	No. of Operational Personnel	No. of Branch Offices and Locations
<b>Name of External Counsel</b>		<b>Tel.</b>
<b>Name of Accounting Firm</b>		<b>Tel.</b>
Date of Last Annual External Audit	Date of Inspection by Designated Examining Authority	
<b>Is SEC Registration currently in effect?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No		<b>If yes, on what date?</b>



**B. DEPARTMENT / UNIT DETAILS**

<b>Department/Unit Name</b>		<b>Dept./Unit Code</b>
Address: _____ _____		<b>Postal Code</b>
<b>Principal Contact Name</b>	<b>Title</b>	<b>Tel(s).</b>
<b>Settlement Contact Name</b>	<b>Title</b>	<b>Tel(s).</b>
<b>Mode of Access to SCCP System:</b> <input type="checkbox"/> Dial-up <input type="checkbox"/> DSL <input type="checkbox"/> Leased Line		<b>Fax No.</b>
<b>Method of Record Keeping</b> <input type="checkbox"/> Manual <input type="checkbox"/> Computer (in-house or vendor name) _____ <input type="checkbox"/> Other _____		
<b>If a Service Bureau is used for Record Keeping, please give name and address:</b> _____ _____ _____		
<b>Method of Management Information Reporting (MIS)</b> <input type="checkbox"/> Manual <input type="checkbox"/> Computer (in-house or vendor name) _____ <input type="checkbox"/> Other _____		
<b>If a Service Bureau is used for MIS reporting, please give name and address:</b> _____ _____ _____		
<b>List MIS Reports generated:</b> <i>(please provide samples)</i>	<b>Daily:</b> _____ _____ _____  <b>Monthly:</b> _____ _____ _____  <b>Quarterly:</b> _____ _____ _____	
<b>Location of books and records if other than Main Office:</b> _____ _____		
<b>If Member is affiliated with, controls, and/or is controlled by another business entity, please describe details of relationship.</b> _____ _____ _____		

**C. SETTLEMENT BANK ACCOUNTS / CLEARING DETAILS**

<p><b>Settlement Bank:</b> <i>(check one only)</i></p> <p><input type="checkbox"/> Equitable PCI Bank (EPCIB)</p> <p><input type="checkbox"/> Rizal Commercial Banking Corp. (RCBC)</p> <p><small>(The above settlement bank accounts to be used <u>exclusively</u> and solely to serve their purpose.)</small></p>	<p><b>Account Numbers:</b></p> <p>Settlement Account _____</p> <p>Collateral Account _____</p>
<p><b>Does Member have a credit line/facility with the above settlement bank?</b></p> <p><input type="checkbox"/> If Yes, how much: Php _____ <input type="checkbox"/> No</p>	
<p><b>Clearing Arrangements:</b></p> <p>Self-Clearing: <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Thru Others <input type="checkbox"/> List Names: _____</p> <p>For Others <input type="checkbox"/> List Names: _____</p>	
<p><b>Briefly describe any changes contemplated in the Member's clearing arrangement:</b> _____</p> <p>_____</p>	

**D. TYPE OF BUSINESS CONDUCTED**

<p>Check, in appropriate box, types of business engaged in (or to be engaged in, if not yet active) by Member. Do not check any category which accounts for less than 10% of annual gross revenue from the securities or investment advisory business.</p> <p><input type="checkbox"/> Exchange Trading Participant engaged in exchange commission business</p> <p><input type="checkbox"/> Dealership in corporate securities</p> <p><input type="checkbox"/> Underwriter or selling group participant (corporate securities)</p> <p><input type="checkbox"/> Government securities dealer</p> <p><input type="checkbox"/> Put and call broker or dealer option writer</p> <p><input type="checkbox"/> Stock borrowing</p> <p><input type="checkbox"/> Others (please give details) _____</p> <p>_____</p>	
<p><b>Does Member engage in any other non-securities business?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>Describe such other business briefly:</b></p> <p>_____</p> <p>_____</p>	
<p><b>Indicate three (3) primary sources of Member's income during the most recent twelve (12) month period:</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p><b>Projected changes:</b> _____</p> <p>_____</p>	<p>_____ %</p> <p>_____ %</p> <p>_____ %</p>

<b>Securities Accounts for Customers:</b> <b>Approx. no. of active accounts:</b> Cash _____ Margin _____  <b>Types of accounts: (number)</b> Discretionary _____ Investment Advisory _____ Others ( <i>specify</i> ) _____ _____	<b>Clientele: (number)</b> Retail _____ Institutional _____  <b>Services:</b> <input type="checkbox"/> Safekeeping <input type="checkbox"/> Proxy <input type="checkbox"/> Research <input type="checkbox"/> Accommodation Transfers <input type="checkbox"/> Others ( <i>specify</i> ) _____ _____
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<b>Approximate number of monthly tickets:</b> _____
<b>Briefly describe any changes contemplated during the next six (6) months in the Member's business activities:</b> _____ _____ _____ _____

**E. BONDING**

<b>Is Member required to have a fidelity bond?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Name of insurance company:</b> _____ _____ _____	
<b>Fidelity</b> <b>On Premises</b> <b>In Transit</b> <b>Misplacement</b> <b>Forgery &amp; Alteration</b> <b>Securities Loss</b> <b>Fraudulent Trading</b> <b>Amount of Deduction Provision</b>	<b>Pesos</b> _____ <b>Pesos</b> _____ <b>Pesos</b> _____ <b>Pesos</b> _____ <b>Pesos</b> _____ <b>Pesos</b> _____ <b>Pesos</b> _____ <b>Pesos</b> _____
<b>Expiration Date of Bond:</b> Mo: _____ Day: _____ Yr: _____	<b>Is there a cancellation rider?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Briefly describe any claims paid:</b> _____ _____ _____ _____	
<b>Briefly describe any changes contemplated in Member's bonding coverage:</b> _____ _____ _____	

**F. PENDING INVESTIGATION(S) AND/OR LITIGATION(S)**

Is the Member the subject of any investigation(s), hearing(s), injunction(s), operational restriction(s) or other actions by any court, government agency or body or any regulatory board or body?

Yes  No

If Yes, please explain briefly: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Is the Member currently involved in any litigation of a criminal or civil nature?

Yes  No

If Yes, please explain briefly: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

All Clearing Members shall be required to file the above information annually, within such time period as the Corporation shall prescribe, and any other information filed shall be held confidential. The Clearing Member shall BE RESPONSIBLE FOR NOTIFYING SCCP in writing of any change in the information provided above as soon as is reasonably practicable.

DATE: \_\_\_\_\_ SIGNATURE: \_\_\_\_\_  
 (over printed name)

NAME OF CLEARING MEMBER \_\_\_\_\_

Republic of the Philippines)  
 \_\_\_\_\_)S.S.

The undersigned hereby certifies that he/she is a senior officer of the Clearing Member named herein and authorized to execute this Membership Information Form and that all the foregoing information is true, accurate, and correct.

DATE: \_\_\_\_\_ SIGNATURE: \_\_\_\_\_  
 (over printed name)

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_,  
 affiant exhibiting to me his Community Tax Certificate No. \_\_\_\_\_,  
 issued on \_\_\_\_\_ at \_\_\_\_\_.

**NOTARY PUBLIC**

Doc No. \_\_\_\_\_  
 Page No. \_\_\_\_\_  
 Book No. \_\_\_\_\_  
 Series of \_\_\_\_\_



SECURITIES  
CLEARING CORPORATION  
OF THE PHILIPPINES

2<sup>ND</sup> Floor Philippine Stock Exchange Plaza, Ayala Triangle  
Ayala Avenue, Makati City  
Metro Manila, Philippines

**ANNEX 2: MEMBERSHIP APPLICATION AND MASTER AGREEMENT**

**MEMBERSHIP APPLICATION**

and

**MASTER AGREEMENT**

We hereby apply to become a Clearing Member of the Securities Clearing Corporation of the Philippines ("SCCP"), to use the Clearing and Settlement facility for clearing and settlement of trades perfected at the floor of the Philippine Stock Exchange, Inc.

Upon acceptance and signature by SCCP of our membership in the System, this Membership Application, together with all Membership Applications accepted by SCCP, the SCCP Rules and the SCCP Operating Procedures as may be adopted and amended by SCCP from time to time, shall constitute the Master Agreement.

1. Name of Applicant : \_\_\_\_\_  
Address : \_\_\_\_\_  
Telephone Numbers : \_\_\_\_\_  
Fax Numbers : \_\_\_\_\_  
Official Contact Person:  
Name : \_\_\_\_\_  
Title : \_\_\_\_\_

2. We are a duly organized corporation registered with the Securities and Exchange Commission as a broker and/or dealer of Securities in accordance with the Securities Regulation Code and other applicable laws.
3. We represent and warrant that we are Participant of the PDTC, said Participation being a condition to consideration of this application to SCCP.
4. We represent and warrant that our board of directors has passed a Resolution approving this application and agreeing to be bound by all the rules, regulations and procedures of SCCP now existing or which may, in the future, come into existence by amendment or otherwise. Furthermore, upon our acceptance into the SCCP System, we represent and warrant that we shall faithfully and timely pay all fees, charges, interests and costs that may be imposed by SCCP in connection with our membership as well as for the use of the System. We agree that any non-compliance shall render us liable to disciplinary proceedings.

5. Our Settlement Bank is (please check appropriate name):

- Rizal Commercial Banking Corporation; or
- Equitable PCI Bank.

With Account Numbers:

Settlement Account : \_\_\_\_\_  
Collateral Deposit Account : \_\_\_\_\_

6. We hereby submit the following:

- a. a Certified True Copy of our Certificate of Registration, Articles of Incorporation and By-Laws as approved by the Securities and Exchange Commission;
- b. a Certification of the Board authorization to file this Application and be bound by the Master Agreement, to become a Clearing Member of the System and to accede to the SCCP Rules and the SCCP Operating Procedures as these may be amended from time to time.
- c. the List of Authorized Signatories and Authorized Users, together with their specimen signatures, initially authorized by the Applicant to give instructions in the form prescribed by SCCP;
- d. a Debit/Credit Instruction to the Settlement Bank unconditionally and irrevocably authorizing the debit or credit of: (i) the Settlement Bank Account for payment or receipt of cash resulting from a trade settling within the System, and (ii) the Collateral Deposit Account with respect to the Mark-to-Market Collateral Deposit System implemented by SCCP; and
- e. proof of acceptance from the Settlement Bank of our Waiver and Authorization Documents setting forth a waiver of our rights under existing or subsequently enacted bank secrecy or confidentiality laws to allow our Settlement Bank to
  - i. disclose to SCCP all necessary information regarding the Clearing Member's Settlement and Collateral Bank Account and Bank Limit; and
  - ii. effect SCCP's instructions for the credit and/or debit of the Clearing Member's Settlement and Collateral Bank Account.

7. We declare that the information provided by us in this application, including the information contained in the application documents submitted under Section 6 hereof, is complete, true and correct and that we have not made or omitted to make any statements or omission which would render such information untrue or misleading. We understand and agree that any untrue or misleading statement or omission on the part of the applicant that may be discovered by SCCP prior to approval of the application shall be a ground for immediate denial of the application, at the discretion of SCCP. Furthermore, any untrue or misleading statement that may be discovered by SCCP after approval of the application shall be a ground for revocation of our membership status, at SCCP's discretion.

8. We undertake to notify SCCP immediately in writing of any changes in the information given in this application, including information contained in the application documents submitted under Section 6 hereof, as soon as it is reasonably possible to do so.

9. We consent that SCCP may disclose information relating to us to the Philippine Stock Exchange, the Securities and Exchange Commission, and any regulatory authority when so required.
10. This SCCP Agreement is entered into as a single master agreement constituting contractual obligations between the undersigned and all Clearing Members, and between SCCP and every one of its Clearing Members, including us and the respective successors, permitted assignees and lawful representatives of all. Every transaction of Clearing Members and of SCCP and anything done pursuant to the SCCP Agreement is entered into in reliance on the fact that the SCCP Agreement forms a single master agreement between Clearing Members and between Clearing Members and SCCP, all of whom would not otherwise transact with one another.
11. We acknowledge that we have reviewed and have in our possession the Membership Application as well as copies of the SCCP Rules and the SCCP Operating Procedures in effect as of the date hereof. We are sufficiently familiar therewith to understand the representations, obligations, rights, responsibilities, liabilities, exclusions and allocations thereof contained in the SCCP Agreement, and we agree to their application and enforcement to and by all Clearing Members and SCCP for the purposes of SCCP business and services.
12. Notwithstanding our suspension, termination or withdrawal as a Clearing Member, we remain bound by the SCCP Agreement as to all matters and transactions occurring while we were a Clearing Member and thereafter occurring with or through SCCP. Moreover, any and all obligations incurred by us up to the effective date of suspension, termination, or withdrawal as a Clearing Member shall remain our sole responsibility until said obligations have been settled in full.
13. We shall not assign any rights and obligations under this SCCP Agreement without the prior written consent of SCCP. Should we wish to make an assignment of any or all our rights and obligations, we warrant and represent that our assignee is qualified and competent to undertake and perform all our rights and obligations under this Agreement as well as the SCCP Rules and the SCCP Operating Procedures and shall remain liable to SCCP in case of failure of our assignee to comply therewith. SCCP may assign all or part of its rights and obligations under the SCCP Agreement to any person without having to secure our consent.
14. The SCCP Agreement shall be construed and governed by the laws of the Philippines without regard to the conflict of laws provisions thereof.
15. We acknowledge that, in providing its services to Clearing Members, SCCP may be subject to certain domestic and foreign laws, rules, regulations and treaties, and to agreements entered into, instruments and declarations made and acts done by SCCP from time to time. We agree to comply therewith upon being informed by SCCP of the relevant provisions thereof.
16. Any controversy or claim arising out of or relating to this SCCP Agreement that cannot be amicably settled by the parties shall be resolved solely and exclusively by means of arbitration in accordance with the rules of the Philippine Dispute Resolution Center, and any decision promulgated thereunder shall be enforceable in any court having competent jurisdiction. The arbitration shall be conducted in Metro Manila applying Philippine Law.
17. Any provision of the SCCP Agreement that is prohibited, unenforceable or invalid shall be ineffective and deemed severed from the SCCP Agreement without affecting the enforceability of the remaining provisions thereof.

18. We understand and agree that this Agreement does not create any partnership, joint venture or any other similar legal relationship between or among us and SCCP, nor shall there be deemed to be any employer-employee relationship between our personnel and that of SCCP by virtue of the terms of this Agreement, the SCCP Rules and the SCCP Operating Procedures.
19. This Agreement constitutes the entire agreement between ourselves and SCCP with respect to the subject matter hereof, and shall supersede all prior expressions of intent or understanding with respect to the rights and obligations contemplated herein. We hereby acknowledge that we have freely entered into this Agreement and agree to all the terms and conditions thereof.

SIGNED BY THE APPLICANT

this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ at \_\_\_\_\_.

by: \_\_\_\_\_  
*(Please sign over printed name)*  
Duly Authorized Signatory

by: \_\_\_\_\_  
*(Please sign over printed name)*  
Duly Authorized Signatory

Title: \_\_\_\_\_  
*(Please Print)*

Title: \_\_\_\_\_  
*(Please Print)*

---



(for SCCP purposes only)

**ACCEPTED BY**

Power of the Board of Directors of SCCP at its meeting of \_\_\_\_\_, in the year \_\_\_\_\_ in Makati, Metro Manila, Philippines.

**AND SIGNED BY**

**THE SECURITIES CLEARING CORPORATION OF THE PHILIPPINES**

this \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_ in Makati City, Metro Manila, Philippines.

by: \_\_\_\_\_  
(Please sign over printed name)  
Duly Authorized Signatory

by: \_\_\_\_\_  
(Please sign over printed name)  
Duly Authorized Signatory

Title: \_\_\_\_\_  
(Please Print

Title: \_\_\_\_\_  
(Please Print)

**ACKNOWLEDGEMENT**

REPUBLIC OF THE PHILIPPINES )  
\_\_\_\_\_ )s.s.

BEFORE ME, a Notary Public for and in \_\_\_\_\_, on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ personally appeared the following:

Name	CTC#	Date/Place Issued
_____	_____	_____
_____	_____	_____

known to me and to me known to be the same persons who executed the foregoing Master Agreement and acknowledged to me that the same is their free and voluntary act and deed, as well as the free and voluntary act and deed of the Corporations which they respectively represent.

WITNESS MY HAND AND NOTARIAL SEAL on this the date and place first above-written.

NOTARY PUBLIC

Doc. No.  
Page No.  
Book No.  
Series of 20\_\_\_\_\_.

**ANNEX 3: DEBIT/CREDIT INSTRUCTION**

**Debit/Credit Instruction to  
(The Settlement Bank)**

By these presents, the Securities Clearing Corporation of the Philippines ("SCCP") is hereby appointed and authorized to instruct you to debit and/or credit the following bank accounts of the undersigned company: (i) Settlement Account No. \_\_\_\_\_ for cash payments/receipts resulting from trade transactions settled through SCCP, and (ii) Collateral Account No. \_\_\_\_\_ as a result of the MMCD System. Consequently, you are likewise authorized to receive and act upon such instructions as SCCP may give and/or transmit to you on my behalf regarding the abovementioned Bank Accounts and relating to cash payments/receipts resulting from trade transactions settled through SCCP and the MMCD System.

This appointment and authorization is unconditional and irrevocable for as long as the undersigned is a Member of the SCCP System, and may only be changed, amended or revoked with the concurrent consent of SCCP.

Date: \_\_\_\_\_  
Place: \_\_\_\_\_

Applicant: \_\_\_\_\_  
Authorized Signatory/Title: \_\_\_\_\_  
Signature: \_\_\_\_\_

**REPUBLIC OF THE PHILIPPINES** )  
\_\_\_\_\_ ) **S.S**

**SUBSCRIBED AND SWORN** to before me, a Notary Public for and in \_\_\_\_\_, on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, affiant exhibiting to me his Community Tax Certificate No. \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_.

**WITNESS MY HAND AND NOTARIAL SEAL** on the date and place first above written.

NOTARY PUBLIC

Doc. No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of 20\_\_\_\_\_

**ANNEX 4: SECRETARY'S CERTIFICATE**

REPUBLIC OF THE PHILIPPINES )  
 ) s.s.

**SECRETARY'S CERTIFICATE**

I, \_\_\_\_\_, of legal age, and the Corporate Secretary of [Name of Applicant] ("the Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at \_\_\_\_\_, do hereby certify:

1. That in a meeting of the Board of Directors of the Company held on \_\_\_\_\_, the following resolution was duly passed:

RESOLVED, That \_\_\_\_\_  
(Name of Applicant Company) be as it is hereby authorized to apply as Clearing Member of and maintain its membership in the Securities Clearing Corporation of the Philippines (SCCP), in accordance with the SCCP Rules and its Operating Procedures and other regulations as may be amended from time to time, to which it shall be absolutely and unconditionally bound; and that the following be as they are hereby authorized to sign, execute and deliver, for and on behalf of the company, all deeds and documents in connection with the Application, including the List of Authorized Signatories, the Debit/Credit Instruction, and any other documents that may be required by SCCP, and to otherwise deal and transact with the Securities Clearing Corporation of the Philippines:

\_\_\_\_\_  
\_\_\_\_\_  
(Name, Position, and Specimen Signature)  
(Name, Position, and Specimen Signature)

2. The membership of the Company in the Securities Clearing Corporation of the Philippines is duly authorized and is within its corporate powers and shall not at anytime constitute a violation or breach or default of any law, rule, order, agreement or obligation.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of \_\_\_\_\_ 20\_\_ in \_\_\_\_\_.

Corporate Secretary

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ in \_\_\_\_\_, affiant exhibiting to me his Community Tax Certificate No. \_\_\_\_\_ dated \_\_\_\_\_, issued in \_\_\_\_\_.

Notary Public

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2006.



SECURITIES  
CLEARING CORPORATION  
OF THE PHILIPPINES

**ANNEX 5: COVERING LETTER (MEMBERSHIP APPLICATION KIT)**

Date

**Name of Authorized Signatory**

Position

**Name of Applicant/Company**

Address

Dear :

We enclose the Membership Application Kit pertaining to your application for membership with the Securities Clearing Corporation of the Philippines ("SCCP").

Please be reminded that the pre-requisites for application for membership are the following:

- (a) participation with the Phil. Depository and Trust Corp., formerly Philippine Central Depository, Inc., or any depository or registry facility recognized by the Philippine Stock Exchange, Inc. ("PSE") and/or the SCCP;
- (b) opening of a Settlement Bank Account and a Collateral Account with either the Equitable PCI Bank or the Rizal Commercial Banking Corporation, solely for the settlement of trades of scripless securities executed at the PSE and for the MMCD System, respectively.

The following is a list of documents in the Kit, which must be duly filled out and notarized and/or signed, as required:

- Clearing Member Information Form;
- Certification on the Board authorization to file a Membership Application with SCCP;
- Specimen Signature Cards (2) which lists the authorized signatories and users, and their specimen signatures;
- Debit/Credit Instructions to the Settlement Bank; and
- Membership Application and Master Agreement Form.

Kindly submit above requirements along with certified true copies of your institution's Certificate of Registration, Articles of Incorporation and By-Laws as approved by the Securities and Exchange Commission.

Sincerely yours,

**Renee D. Rubio**

*Chief Operating Officer*



**ANNEX 6: SPECIMEN SIGNATURES**

Company Name	Tel. No.
Address	Fax No.
PCD Code	

We hereby acknowledge receipt of the SCCP Rules and are in agreement therewith. The following are specimen signatures of our authorized signatories for any dealings with SCCP, including giving of instructions as provided in the Rules. We undertake to immediately notify SCCP of any change in our designated authorized signatories, duly supported by a Secretary's Certificate that our board of directors has authorized such change, at which time a new specimen signature card shall be executed and the previous signature card shall be deemed void and of no further effect.

**NAME/POSITION** (Pls. Print):  **ANY ONE**  **ANY TWO**  \_\_\_\_\_ (Others)

1. \_\_\_\_\_ 2. \_\_\_\_\_

**Specimen Signatures:**

1. \_\_\_\_\_ 2. \_\_\_\_\_

1. \_\_\_\_\_ 2. \_\_\_\_\_

1. \_\_\_\_\_ 2. \_\_\_\_\_

*(3 Specimen Signatures for Each Authorized Signer)*

(See back for more signatories)

<b>Processed by</b>	<b>Checked by:</b>	<b>Approved by:</b>	<b>Date:</b>
---------------------	--------------------	---------------------	--------------

**(BACKSIDE)**

**NAME/POSITION** (Pls. Print):

3. \_\_\_\_\_ 4. \_\_\_\_\_

**Specimen signatures:**

**Specimen signatures:**

3. \_\_\_\_\_ 4. \_\_\_\_\_

3. \_\_\_\_\_ 4. \_\_\_\_\_

3. \_\_\_\_\_ 4. \_\_\_\_\_

**NAME/POSITION** (Pls. Print):

5. \_\_\_\_\_ 6. \_\_\_\_\_

**Specimen signatures:**

**Specimen signatures:**

5. \_\_\_\_\_ 6. \_\_\_\_\_

5. \_\_\_\_\_ 6. \_\_\_\_\_

5. \_\_\_\_\_ 6. \_\_\_\_\_

*(3 Specimen Signatures for Each Authorized Signer)*

**ANNEX 7: SCHEDULE OF FEES, FINES AND PENALTIES**

<b>FEES</b>	
Initial Clearing Membership Fee	P5,000.00
Clearing Fees	An ad-valorem rate of 0.0001 or 1 basis point (VAT-inclusive) based on gross trade value (per month).
<b>FINES AND PENALTIES</b>	
<i>Fails Management System</i>	
Late Cash Payments (Cash Payments made after 12:00 NN but no later than 2:00 PM on Settlement Date)	₱1,000 + $\frac{1}{8}$ of 1% or 0.00125 of the value of the cash fail plus any charges incurred by SCCP should advances from the Settlement Bank or from the CTGF have been made, plus any actual out-of-pocket expenses incurred by SCCP to resolve the cash fail.
Late Securities Delivery (Securities deliveries made after 12:00 NN but no later than 2:00 PM on Settlement Date)	₱1,000 + $\frac{1}{8}$ of 1% or 0.00125 of the market value of the securities fail plus any charges incurred by SCCP should advances from the Settlement Bank or from the CTGF have been made, plus any actual out-of-pocket expenses incurred by SCCP to resolve the securities fail.
Cash Fails (Cash payments made after 2:00 PM on Settlement Date or not made at all)	₱1,000 + $\frac{1}{4}$ of 1% or 0.0025 of the value of the cash fail compounded daily until paid or until payment of any advances made from the Settlement Bank or the CTGF is made plus any actual out-of-pocket expenses incurred by SCCP to resolve the cash fail and if not paid by 9:15 AM of T+4, a preventive suspension shall be imposed on the Defaulting Member.
Securities Fails (Securities deliveries made after 2:00 PM on Settlement Date or not made at all)	₱1,000 + $\frac{1}{4}$ of 1% or 0.0025 of the market value of the securities fail compounded daily until delivery is rendered or until payment of any advances made from the Settlement Bank or the CTGF is made plus any actual out-of-pocket expenses incurred by SCCP to resolve the securities fail and if not delivered by 9:15 AM of T+4, a preventive suspension shall be imposed on the Defaulting Member.
<i>Mark to Market Collateral Deposit (MMCD) System</i>	
Non-Payment or Non-Delivery of Required Collateral (collateral deposits/pledges not made by 12:00 NN of Collateral Cut-Off Date)	<p>1<sup>st</sup> Offense: a payment charge equivalent to <math>\frac{1}{4}</math> of 1% of the required collateral plus actual out-of-pocket expenses incurred by SCCP on the matter.</p> <p>2<sup>nd</sup> Offense: a payment charge equivalent to <math>\frac{1}{2}</math> of 1% of the required collateral plus out-of-pocket expenses incurred by SCCP on the matter and an issuance of a warning to the Defaulting Clearing Member.</p> <p>3<sup>rd</sup> Offense: a payment charge equivalent to 1% of the required collateral plus out-of-pocket expenses incurred by SCCP on the matter and a recommendation for suspension of the Defaulting Clearing Member.</p>

*Amended effective 23 July 2012. Approved by the SEC on 28 June 2012.*

**ANNEX 8: CASH COLLATERAL DEPOSIT ACCOUNT AGREEMENT**

**CASH COLLATERAL DEPOSIT ACCOUNT AGREEMENT**

KNOW ALL MEN BY THESE PRESENTS:

This Memorandum of Agreement (the "Agreement") is executed by and between:

\_\_\_\_\_ [name of Broker], a corporation duly organized and existing under Philippine laws and a member of the Philippine Stock Exchange and the Securities Clearing Corporation of the Philippines, with address at \_\_\_\_\_ (the "Member");

SECURITIES CLEARING CORP. OF THE PHILIPPINES, a corporation duly organized and existing under Philippine laws, with address at the 2/F Ayala Tower One, Ayala Triangle, Ayala Ave., Makati City ("SCCP");

[RIZAL COMMERCIAL BANKING CORPORATION/EQUITABLE PCI BANK], a commercial banking institution organized and existing under Philippine laws, with address at \_\_\_\_\_, Makati City (RCBC/EPCIB) ([RCBC/EPCIB] shall be referred to hereafter as the "Cash Custodian Bank").

**WITNESSETH:**

WHEREAS, SCCP has been organized as a central securities clearing institution, and registered as such with the Securities and Exchange Commission (SEC), to manage the clearing and settlement of immobilized securities lodged with the Philippine Depository and Trust Corporation ("PDTC") and perfected in the trading floor of the PSE (the "Eligible PSE Trades"), administer a Clearing and Trade Guarantee Fund and manage a risk monitoring system for the purpose of assuring settlement obligations of Eligible PSE Trades;

WHEREAS, as part of the risk management and monitoring function of SCCP, SCCP implements a Mark-to-Market Collateral Deposit System (the "MMCD System"), in which Members are required to maintain collateral deposits, either in the form of cash with the Cash Custodian Bank, or securities in favor of SCCP to cover any loss to SCCP caused by the movement of the market price of securities in the event of a default by a Member on its unsettled obligations under an SCCP Eligible Trade;

WHEREAS, under the MMCD System, Members are required to open an account (the "Cash Collateral Deposit Account") with Member's Settlement Bank as the Cash Custodian Bank, which is to be used solely and exclusively to receive and maintain the cash collateral deposited by Members to cover their net negative exposures;

## **NOW THEREFORE:**

For and in consideration of the foregoing, the Member, SCCP, and the Cash Custodian Bank hereby agree as follows:

### **1. *Cash Collateral Deposit Account***

- 1.1 The Member shall open and maintain an account with the Cash Custodian Bank of its choice which shall be utilized solely as the Cash Collateral Deposit Account under the MMCD System. All application and forms and related documents required by the Cash Custodian Bank shall be promptly completed and duly filed by the Member. Upon completion of the process of opening the Member's Cash Collateral Deposit Account, Cash Custodian Bank shall confirm to SCCP and the Member the activation thereof, providing SCCP and the Member the details of the designated Cash Collateral Account, such as the account name, account number, status and other relevant information, which SCCP may request from time to time.
- 1.2 The Cash Collateral Deposit Account shall be utilized to address any Market Price Fluctuation Risk that SCCP may face in the event that SCCP has to settle the failed trades of the Member. The Cash Collateral Deposit Account shall be used solely and exclusively for the deposit and maintenance by the Member of good funds readily available to cover the Member's Mark-to-Market negative exposure, subject to the following terms and conditions:
  - (a) The Cash Collateral Deposit Account is a special purpose account; it is not a savings, checking or a regular deposit account, and shall be used solely for the purposes set forth herein.
  - (b) SCCP shall calculate on a daily basis the net exposure of each Member that may arise to determine the total net negative exposure of all unsettled trades of the particular Member. Should a Member have a net negative exposure, SCCP shall, within the same trading day, promptly notify the affected Member of such fact, including the total amount of collateral required from said Member. The notice from SCCP shall be accomplished through fax (with receipt acknowledged by Member) or such other medium as SCCP may decide.
  - (c) Upon receipt of such notice, the affected Member who opted for a Cash Collateral shall, no later than 12:00 noon of the next trading day, deposit readily available funds in the Cash Collateral Deposit Account to cover the negative exposure computed by SCCP.
  - (d) The Cash Custodian Bank shall immediately send a confirmation of the deposit to SCCP through the on-line or file transfer facility of the CACS System.
- 1.3 All computations made by SCCP of a Member's net negative exposure shall, in the absence of manifest error, gross negligence, fraud or bad faith, be final and conclusive on the Member and the Cash Custodian Bank, and Member shall faithfully comply with all notices from SCCP in this regard.



## **2. *Withdrawals from the Cash Collateral Deposit Account***

- 2.1 The Member understands that in order to maintain the integrity of the PSE trading process as well as the continuous clearing and settlement of all PSE Trades, its authority to withdraw its cash deposit from the Cash Collateral Deposit Account will be restricted. The Member, by these presents, agrees that any withdrawal from the Cash Collateral Deposit Account should only be in the amount in excess of its collateral requirement, and only upon the prior authorization of SCCP after confirmation that the Member has no negative exposure based on its Mark-to-Market computations. The Cash Custodian Bank hereby acknowledges the restrictions on the Member's right and authority to make withdrawals from the Cash Collateral Deposit Account contained in this Clause 2 and shall strictly observe the same.

Any withdrawal may be made by the Member through the Collateral Withdrawal Module of the CCCS up to 1:30 PM. Over-the-counter withdrawals in the bank shall only be allowed after 1:30 PM.

- 2.2 The Member as well as the Cash Custodian Bank hereby authorizes SCCP to control the Cash Collateral Deposit Account in case the Member defaults under an Eligible PSE Trade. In case such a failed trade occurs and a call on the Cash Collateral Deposit Account becomes necessary as provided under the SCCP Rules and SCCP Operating Procedures, SCCP shall immediately notify the Cash Custodian Bank in which the Member maintains a Cash Collateral Deposit Account.
- 2.3 In the case of a call on the Cash Collateral Deposit Account, SCCP is hereby appointed as the Member's attorney-in-fact and is hereby irrevocably authorized by the Member to give instructions to the Cash Custodian Bank to transfer cash from the Member's Cash Collateral Deposit Account to the SCCP Nostro Account as provided under the SCCP Rules and SCCP Operating Procedures. In implementation hereof, SCCP is further authorized, on behalf of the Member, to sign, execute and deliver in good faith any and all documents necessary to accomplish the purpose hereof including but not limited to the (i) credit and withdrawal of the funds in the Cash Collateral Deposit Account; (ii) causing the freezing of the Cash Collateral Deposit Account with the Cash Custodian bank; and (iii) such other procedures as SCCP may deem necessary or expedient.

## **3. *Information to be provided by the Cash Custodian Bank***

- 3.1 The Cash Custodian Bank shall confirm and/or certify to SCCP the account name, number, status and other relevant information about the Cash Collateral Deposit Account, which SCCP may request from time to time.
- 3.2 The Cash Custodian Bank recognizes SCCP's first lien over the funds in the Cash Collateral Deposit Account in the amount of collateral required from the Member. However, said first lien over the funds shall not apply in the event of garnishments ordered by competent authority having jurisdiction over the Member. The Cash Custodian Bank recognizes as well SCCP's authority to control and withdraw from a Member's Cash Collateral Deposit Account in accordance with the provisions herein.

- 3.3 The Cash Custodian Bank and SCCP shall coordinate to reconcile all relevant records with respect to the Cash Collateral Deposit Account. Each party shall immediately raise any discrepancy to the other no later than the close of the succeeding Business Day.

#### **4. *Representations and Warranties***

- 4.1 The parties hereto hereby represent and warrant to each other that:

- (a) each of them has the full legal right, power and authority to execute and deliver this Agreement, to perform all the terms and conditions hereof, and to consummate the transactions contemplated hereby;
- (b) that the execution, delivery and performance of this Agreement and the performance of the terms and conditions hereof will not conflict with or result in the breach or default of any contract or agreement to which each may be a party to, nor result in the creation of any charge, lien or encumbrance on any of their properties.

- 4.2 The Member further represents and warrants to the Cash Custodian Bank and SCCP that:

- (a) It is a member in good standing of the PSE and SCCP; and
- (b) All funds deposited in the Cash Collateral Deposit Account pursuant hereto are owned by it in its own capacity, and are freely and readily transferable, and are not subject to any condition, garnishment, charge, assignment, lien or encumbrance or any similar restriction in favor of any party.

#### **5. *Waiver and Authorization***

By these presents, and to the extent required to implement this Agreement and/or comply with all its obligations as clearing member of SCCP, the Member hereby waives in favor solely of SCCP its rights under existing or subsequently enacted bank secrecy or confidentiality laws, and authorizes the Cash Custodian Bank to disclose to SCCP all necessary information regarding the Member's Cash Collateral Deposit Account, and effect SCCP's instructions for the debit of the Member's Cash Collateral Deposit Account as provided herein. Any and all such information disclosed to SCCP under this Clause shall be held in strictest confidence.

## **6. *Applicable Law and Rules***

In the event of an amendment to the SCCP Rules or SCCP Operating Procedures or the MMCD Manual, SCCP shall inform the Cash Custodian Bank and the members of such amendments.

This Agreement shall govern all matters regarding all Securities Transactions within the MMCD System. Any matter not provided for herein shall be governed by applicable laws, rules and regulations of the Republic of the Philippines governing such matters.

## **7. *Free and Harmless***

SCCP shall not be liable to the Cash Custodian Bank and/or the Member, or its clients, officers, directors, employees, agents, or successors-in-interest, for any suit, claim, demand, loss, damage cost or expense that may be sustained by any person in connection or incidental to the performance or non-performance by SCCP and/or the Cash Custodian Bank of its services herein. The Cash Custodian Bank shall not be liable to SCCP for acts or omissions performed in accordance with this Agreement, the SCCP MMCD System, the SCCP Rules or pursuant to SCCP instructions, unless due to gross negligence, willful neglect or evident bad faith.

## **8. *Arbitration***

Any controversy or claim arising out of or relating to this Agreement that cannot be amicably settled by the parties to the dispute shall be resolved exclusively through arbitration in accordance with the rules of the Philippine Dispute Resolution Center, or, if this is not for any reason feasible, by means of arbitration by one arbiter mutually agreed by the parties following the Philippine Arbitration Law. Any decision promulgated thereunder shall be enforceable in any court having competent jurisdiction. The arbitration shall be conducted in the English language in Metro Manila, Philippines, applying Philippine Law.

## **9. *Governing Law***

This Agreement, the rights and obligations of the parties hereunder, and all performance hereunder, shall be governed by and construed in accordance with Philippine law.

## **10. *General Provisions***

- 10.1 In the event that any part of this Agreement is found to be void, the remaining provisions of this Agreement shall nevertheless, and to the extent practicable, be binding with the same effect as though the void parts were deleted.

10.2 No waiver of any provisions of this Agreement shall be valid unless made in writing and signed by all the parties. The failure by SCCP to enforce any or its rights or obligations herein shall not be deemed a waiver of any right of action to enforce compliance by any other party of any provision herein. This Agreement shall not be assigned by either party without the prior written consent of the others. No amendments or modifications hereto shall be valid unless agreed to in writing and signed, executed and delivered by the parties.

**IN WITNESS WHEREOF:**

\_\_\_\_\_, SCCP and [RCBC/EPCIB] have hereunto set their hands this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ at Makati City, Philippines.

\_\_\_\_\_

**MEMBER**

By: \_\_\_\_\_

**[RIZAL COMMERCIAL BANKING CORPORATION/EQUITABLE PCI BANK]**

By: \_\_\_\_\_

**SECURITIES CLEARING CORP. OF THE PHILIPPINES**

By: \_\_\_\_\_

**Signed in the Presence of**

\_\_\_\_\_

**ACKNOWLEDGEMENT**

**REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY )S.S.**

BEFORE ME, a Notary Public for and in \_\_\_\_\_, on this \_\_\_\_\_ day of \_\_\_\_\_, personally appeared the following with their respective Community Tax Certificates, to wit:

<u>Name</u>	<u>CTC No.</u>	<u>Date/Place of Issue</u>
-------------	----------------	----------------------------

known to me and to me known to be the same persons who executed the Agreement consisting of \_\_\_ pages including this notarial page, and who acknowledge to me that the same is their free will and voluntary act and deed and that of the corporations respectively represented therein.

WITNESS MY HAND AND NOTARIAL SEAL on the date and place first above written.

Doc No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 200\_.

**ANNEX 9: CREDIT RING AGREEMENT**

*(Deleted)*



# **SECURITIES CLEARING CORPORATION OF THE PHILIPPINES**

2/F PSE Plaza, Ayala Triangle, Ayala Ave. Makati City  
Trunk Lines (632) 848-6612 ; Fax No. (632) 848-6626 / (632) 848-6616

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## **QUARTERLY FILING REQUIREMENTS QUESTIONNAIRE**

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Page 1 of 1

**MEMBER NAME:** \_\_\_\_\_ **Broker Code** \_\_\_\_\_

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1. Has the Member received any instructions from the PSE and/or SEC to reduce or suspend your trading activities?

Yes

No

If Yes, please list activities restricted, e.g., margin trading, short-selling.

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2. Are there any pending suits against the Member?

Yes

No

If Yes, if first time reported, please explain the nature of these suits. If previously reported, please provide the status of these suits.

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3. Have any credit lines or facilities been cancelled by a financial institution?

Yes

No

If Yes, please state the reasons cited by the financial institution(s) for the cancellation.

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Date: \_\_\_\_\_

Submitted by: \_\_\_\_\_  
*(please sign over printed name)*

Title: \_\_\_\_\_