

TO : **ALL GOVERNMENT SECURITIES ELIGIBLE DEALERS
(GSEDs); other FINANCIAL INSTITUTIONS**

SUBJECT : **OPERATIONS GUIDELINES FOR GSED
CLASSIFICATION**

[illegible]

PRIMARY DEALERS – are GSEDs accredited by the Bureau of the Treasury to bid competitively in the primary market auction of government securities.

ORDINARY DEALERS – are GSEDs accredited by the Bureau of the Treasury to participate in the auction by submitting non-competitive bids in the primary market auction of government securities.

A. **PRIMARY DEALERS** – shall have the following privileges:

1. Eligibility to participate in the competitive bidding of regular issues;
2. Eligibility to participate in the issuance of special issues such as RTBs, PNs, DLPNs, Zeroes, and the like ;
3. Eligibility to act as underwriter, arranger and financial advisor of securities issued by the National Government;
4. Eligibility to access the tap facility window
5. Eligibility to purchase from/sell to the Bond Sinking Fund; and,
6. Other incentives and privileges which may hereafter be provided by the Bureau.

B. **ORDINARY DEALERS** – shall only be allowed to participate in the non-competitive bidding, unless otherwise announced.

Sec. 2. ALLOCATION OF COMPETITIVE & NON-COMPETITIVE BIDS FOR BOTH TREASURY BILLS AND TREASURY BONDS

A. The volume offering allocated for competitive bids is hereby increased from 60% to **75%**, while volume assigned for non-competitive bids is hereby reduced to **25%** from the former 40% of the total volume offering, unless modified otherwise.

B. As previously set, the minimum bid shall not be less than P10 Million, unless otherwise announced.

C. The maximum amount of non-competitive bid for each tenor by an **ORDINARY DEALER** shall not exceed the percentage allocated for non-competitive bidding in said tenor.

Sec. 3. OBLIGATIONS OF PRIMARY DEALERS

- A. Must submit at least one competitive bid in each scheduled auction.
- B. Must have total awards of at least 2% of the total amount of bills or bonds awarded within a particular quarter. This requirement does not cover special issues.
- C. Must be active in the trading of GS in the secondary market

Sec. 4. CONVERSION OF ORDINARY TO PRIMARY DEALER

An ORDINARY DEALER may apply for accreditation as a PRIMARY DEALER after at least FIFTEEN (15) months where it must meet the 2% award requirement for the last Two (2) consecutive quarters.

Sec. 5. EFFECT OF NON-COMPLIANCE BY PRIMARY DEALER WITH THE 2% MINIMUM AWARD REQUIREMENT

A. A PRIMARY DEALER which falls short of the 2% requirement for the entire quarter, shall be given until the First Month of the following quarter within which to satisfy the 2% mandatory requirement for the **four-month period** (including the month following the particular quarter), failure of which, the PRIMARY DEALER shall be dropped from the Roster of Primary Dealers, and shall be classified as an ORDINARY DEALER for a minimum of Twelve (12) months.

B. In the event that the PRIMARY DEALER referred to above, satisfactorily meets the 2% mandatory requirement on the subsequent month, it is still required to obtain at least 2% of the total volume awarded during the present quarter.

C. Failure to meet the 2% requirement for at least Two (2) quarters in a calendar year shall result in the delisting of the corresponding GSED from the Roster of Primary Dealers for a minimum of Twelve (12) months.

D. A GSED which has been delisted from the Roster of Primary Dealers becomes an ORDINARY DEALER and as such, is still eligible to participate in the auction by submitting non-competitive bids.

Sec. 6. REINSTATEMENT AS PRIMARY DEALER UPON SATISFACTORY PERFORMANCE FOR TWO (2) QUARTERS FOLLOWING THE TWELVE (12) MONTH PERIOD

A PRIMARY DEALER relegated to the status of an ORDINARY DEALER shall be reinstated as a PRIMARY DEALER after at least FIFTEEN (15) months as ORDINARY DEALER where it must meet the 2% award requirement for the last Two (2) consecutive quarters.

Sec. 7. DISACCREDITATION OF INACTIVE ORDINARY GSEDs

An ORDINARY DEALER which fails to participate in the auction of securities for One (1) quarter, shall be considered inactive, and its accreditation as a Government Securities Eligible Dealer shall be consequently cancelled.

Sec. 8. NEW GSED APPLICANTS

A. Unless announced otherwise, Financial Institutions applying for accreditation as Government Securities Eligible Dealers shall be classified as ORDINARY DEALERS for a minimum of One (1) year.

B. For conversion of ORDINARY DEALERS to PRIMARY DEALERS, Sec. 4 shall apply.

Sec. 9. QUARTERLY MONITORING OF AUCTION AWARDS

A. The performance of all GSEDs during auctions shall be monitored by the BTr's Financial Market & Monitoring Analysis Division (FMMAD), on a monthly basis, based on the volume of bids tendered and accepted within the month. Performance evaluation shall be done quarterly.

B. A Monthly Performance Evaluation Report shall be regularly issued by the FMMAD to all GSEDs.

Sec. 10. REFERENCE TO HANDBILL ISSUED IN JULY 1997

The Rules on Accreditation of GSEDs pursuant to the Handbill on Eligibility to Bid for Government Securities in the Primary Market promulgated on July 1997, is hereby incorporated and made part of this Circular.

Sec. 10. FILING OF MANIFESTATION IN WRITING

All Government Securities Eligible Dealers should manifest in writing their intention to be classified as a PRIMARY or an ORDINARY DEALER. Deadline for submission is on the First Business Day of November 2004.

Sec. 11. REPEALING CLAUSE

All Circulars, Memoranda or Orders inconsistent herewith are hereby revoked or modified accordingly.

Sec. 12. EFFECTIVITY

This Circular shall take effect on the First Business Day of December 2004. The first performance evaluation of all GSEDs shall cover the First Quarter of 2005.

(signed) MINA C. FIGUEROA
Treasurer of the Philippines