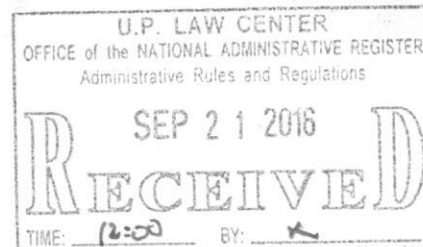




Funding the Republic

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
Intramuros, Manila



TREASURY CIRCULAR NO. 02-2013
04 October 2013

**Guidelines on the Recognition of Government Securities Brokers and
Sponsorship of RoSS Principal Securities Accounts**

I. PURPOSE

This Circular is issued to recognize brokers of government securities (GS) (hereinafter referred to as "Government Securities Brokers or GSB"), duly registered with the Securities and Exchange Commission (SEC) and to prescribe the guidelines for the sponsorship by Government Securities Eligible Dealers (GSEDs) and GSBs of Registry of Scripless Securities (RoSS) Principal Securities Accounts ("RoSS Account") relative to their role in respect of investors, in accordance with their mandate to protect the Republic of the Philippines and the investing public from fraud or loss.

II. LEGAL BASIS

This Circular is issued pursuant to R.A. No. 245, as amended, and in relation to the fiscal agency functions under R.A. No. 7653 as implemented by Department of Finance Order No. 141-95, as amended, and E.O No. 449, s. 1997, which authorizes the Bureau of the Treasury ("BTr") to adopt an electronic book entry system, the RoSS, that will serve as the final and official record of ownership of or interest in GS issued by the National Government.

In addition, this Circular is issued to align the BTr's operationalization of its registry infrastructure with the environment prescribed by the Securities Regulation Code and its Amended Implementing Rules and Regulations and Securities and Exchange Commission ("SEC") Memorandum Circular No. 14, Series of 2006, otherwise known as the Rules Governing the Over-the-Counter (OTC) Market, to promote investor protection.

III. GUIDELINES

Section 1. *Recognition of Government Securities Brokers.* – All SEC-registered brokers, possessing the qualifications stated in Annex A hereof and recognized by the BTr following the process prescribed in the same Annex A, shall be allowed to maintain a Principal Securities Account with the RoSS.

Section 2. *Sponsorship of RoSS Accounts.* - All GSEDs and GSBs shall be entitled to sponsor a RoSS Account. A sponsor shall be entitled to create/open a RoSS Account for another person or entity, and operate the same, upon undergoing the

proper authorization procedures, including transfer of balances therefrom in relation to a secondary market trade following applicable rules of the SEC.

A GSED shall only be allowed to sponsor the creation/opening and operation of a RoSS Account of a Qualified Institutional Buyer (QIB). A GSB shall be allowed to sponsor the creation/opening and operation of a RoSS Account of any type of investor. The sponsor shall be responsible for securing the consent/approval of the relevant investor to create/open and operate the RoSS Account in his/its behalf and to effect transfer instructions in such RoSS Account.

Section 3. *Sponsorship of RoSS Accounts for Foreign Currency-denominated GS.* – The sponsorship, creation, opening and operation of the accounts authorized under this Circular for foreign currency-denominated GS issued domestically shall be governed by the Operating Guidelines attached hereto as Annex B, which is made an integral part hereof.

Section 4. *Sponsorship of RoSS Accounts for Peso-denominated GS.* – Unless otherwise prescribed by the BTr, the sponsorship of RoSS Accounts covering Philippine Peso-denominated GS shall be governed by existing BTr issuances and covering agreements, which allow GSEDs to sponsor RoSS Accounts. The requirements to implement the sponsorship by GSBs under Section 2 hereof shall be provided for by separate issuance of the BTr.

Section 4. *Reportorial Duty.* – All sponsors shall submit reports on their sponsored RoSS Accounts as the BTr deems necessary or appropriate under the circumstances.

Section 5. *Suppletory Application of Securities Regulations.* – This Circular shall not be construed nor interpreted as diminishing the duties and obligations imposed on securities brokers and dealers under the Securities Regulations Code, its Amended Implementing Rules and Regulations, and other pertinent issuances, orders, circulars, memoranda of the SEC (collectively, the "Securities Regulations"). In the absence of any specific provision in this Circular relative to GSBs and GSEDs, the Securities Regulations shall apply suppletorily.

IV. SEVERABILITY CLAUSE

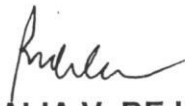
Any portion or provision of this Circular that may be declared unconstitutional or invalid shall not have the effect of nullifying other portions and provisions hereof as long as such remaining portion or provision can still subsist and be given effect in its entirety.

V. REPEALING CLAUSE

All other circulars, orders, memoranda, regulations, or parts thereof that are inconsistent herewith are likewise hereby repealed or modified and amended accordingly.

VII. EFFECTIVITY

This circular shall take effect immediately from publication in the Official Gazette or in a newspaper of general circulation.


ROSALIA V. DE LEON
Treasurer of the Philippines

001794



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ANNEX A

GUIDELINES FOR THE RECOGNITION OF GOVERNMENT SECURITIES BROKERS

A. Qualifications for Recognition of Government Securities Brokers (GSBs)

1. SEC-registered broker
2. Member (as broker) of a SEC-registered Self-Regulatory Organization (SRO) as required by the OTC Rules issued by the SEC
3. Has capability to interface electronically with a BTr-accredited frontend system (in cases where a BTr-accredited frontend system is required for the sponsor's activities as such)
4. Maintains a deposit account with a settlement bank (to receive or make payments in relation to a trade of government securities)
5. Certificate of good standing issued by the BSP, SEC or IC, as applicable

B. Application for Recognition as a GSB

1. All entities with the above qualifications may apply for recognition as a GSB by submission of a letter therefor, addressed to the Treasurer of the Philippines, indicating its desire to be a GSB.
2. Should the BTr find the application to be meritorious, it shall issue a letter of recognition as a GSB to the applicant.
3. Should the applicant's firm have engaged in the creation/sponsorship of RoSS Principal Securities Accounts for clients in connection with the BTr's MRTB and/or ODB issuances, it shall facilitate the re-association of accounts following the Operating Guidelines for Sponsorship, as applicable.

C. Documentary Requirements for Opening by a GSB of a RoSS Principal Securities Account

The following documents shall be submitted to the BTR-SRD:

1. Application Letter for Opening of a RoSS Principal Securities Account (BTr Form 01)
2. Application for Opening of a RoSS Principal Securities Account (BTr Form 02)
3. Settlement Bank Authorization with attached Board Resolution from the Settlement Bank (BTr Form 03A or BTr Form 03B)
4. Letter-Instruction on Test Key Pins (BTr Form 04)
5. A copy of the GSB's Board Resolution as embodied in a Secretary's Certificate authorizing the opening of RoSS Principal Securities Account and designating authorized signatories therefor.



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ANNEX B

OPERATING GUIDELINES FOR THE SPONSORSHIP OF ROSS PRINCIPAL SECURITIES ACCOUNTS FOR FOREIGN CURRENCY-DENOMINATED GOVERNMENT SECURITIES

Pursuant to Treasury Circular No. 02-2013 dated 04 October 2013, the following guidelines shall be observed in the sponsorship of RoSS Principal Securities Accounts for Foreign Currency-denominated Government Securities:

Section 1 - Qualifications of a Sponsor

Only Government Securities Eligible Dealers (GSEDs) and Government Securities Brokers (GSBs), after compliance with the accreditation/recognition requirements of the Bureau of the Treasury (BTr), may sponsor a RoSS Principal Securities Account (hereinafter referred to as "Sponsor").

A Sponsored RoSS Account shall pertain to RoSS Principal Securities Account that are opened/maintained and operated by a Sponsor, for and on behalf of its clients, by virtue of a Special Power of Attorney (SPA) or written authority from said clients specifically authorizing the sponsor to perform certain functions such as but not limited to creating/opening a ROSS Principal Securities Account in the BTr and operating its ROSS Accounts including those arising from trade. For purposes of these guidelines, a RoSS Principal Securities Account created/opened by a Sponsor shall be referred to as a "Sponsored RoSS Account".

Section 2- Responsibilities and Warranties of a Sponsor

The Sponsor shall:

1. Open and maintain its own RoSS Account as a pre-requisite condition for the creation/opening and operation of a Sponsored RoSS Account.
2. Warrant that for every Sponsored RoSS Account created, every act of administration, and on a continuing basis, the existence of authorities to perform such act, are duly granted by its clients.
3. Assist its client to open his/its Sponsored RoSS Account. The Sponsor shall ensure that the client submits the duly-accomplished Investor's Undertaking (BTr Form 05 available at BTr website www.treasury.gov.ph) in the manner prescribed by the BTr. The Sponsor shall submit all BTr-prescribed documents to support the tax status of a client in the event that the client will claim tax benefits or incentives.

4. Conduct the Know-your-Client ("KYC") screening of clients referred to the BTr for the creation of a Sponsored RoSS Account. In this connection the Sponsor shall: (a) issue a certification signed by a competent officer and submit the same to the BTr that it has conducted the necessary "KYC" screening; (b) maintain client identification records; (c) report any suspicious transaction in accordance with the provisions of Republic Act No. 9160, otherwise known as the "Anti-Money Laundering Act of 2001," as amended, and its implementing rules and regulations and other relevant banking rules and regulations; and (d) afford BTr unchallenged access to said KYC records/documents. BTr may likewise use the same KYC or client identification documents for verification with competent authorities.
5. Transmit the client's instructions to RoSS for the creation/opening of a Sponsored RoSS Account in the manner and form prescribed by the BTr. The Sponsor shall immediately furnish the client with the electronic confirmation of Sponsored RoSS Account created.
6. Undertake not to misuse any Sponsored RoSS Account particularly as it relates to the transfer instructions of the client. The Sponsor shall commit to abide by memoranda, orders, circulars, guidelines and procedures prescribed by the BTr relative to the RoSS.
7. Ensure confidentiality and prompt delivery of all notices and statements of Sponsored RoSS Account/s to clients.
8. Ensure that all government securities purchased or sold in behalf of the clients are delivered or accounted to the client's Sponsored ROSS Account or to the account of the client's designated third party securities custodian or to the designated depository account in the case of purchase, or the appropriate ROSS Account of the counterparty, and thereafter provide to the client an electronic transaction confirmation.
9. Acquaint/apprise clients on the rules and procedure prescribed by the BTr in connection with investment and trading of government securities, including but not limited to rules and procedures pertaining to coupon payment, redemption value/proceeds of the client's securities, legal encumbrances, and other relevant information relative to the client's security holdings. As a minimum, investors must be apprised of the relevant procedures on buying and selling government securities in the primary market and/or the secondary market and recording of transfers in the RoSS, with particular emphasis on the flexibility of allowing investors to buy or sell securities through other GSBs.
10. Ensure that all instructions transmitted to RoSS concerning the Sponsored RoSS Account are legal, valid and duly authorized pursuant to an agreement or any

written authority executed by the client in favor of the Sponsor. The Sponsor shall provide BTr, upon reasonable request, all evidence of authority issued by the investor to execute transactions for recording in the Sponsored RoSS Account.

11. Undertake and be duty bound to carefully examine the client statement of securities and other notices, and report to BTr any discrepancy with their own records/books within two (2) business days from receipt of the statement or notice.
12. Ensure that trades executed on behalf of clients are cleared and settled in accordance with the rules, procedures and guidelines prescribed by BTR and the trading market where the government securities are listed.
13. Hold the BTr, its officers, employees and agents free and harmless from any claim, suit, damages or liability on account of effecting instruction/s transmitted by the Sponsor affecting a Sponsored RoSS Account.
14. In case the Sponsor commits any fraudulent act or transaction in connection with government securities or violates any of the undertakings herein, the BTr shall have the right to impose administrative sanctions as it may prescribe and as prescribed by the SEC and other competent authorities without prejudice to civil or criminal prosecution in accordance with law.

Section 3 - Opening of a Sponsored RoSS Account

1. The Sponsor must secure from the client the following documents to open a Sponsored ROSS Account in his/its behalf:
 - a. Investor's Undertaking (BTr Form 05)
 - b. Investor's authorization (or Special Power of Attorney) for the creation of RoSS Principal Securities Account
 - c. Valid identification document for KYC requirements in accordance with relevant requirements
 - d. Investor Information Form in compliance with the Anti-Money Laundering Law (R.A. No. 9160) and implementing rules and regulations. The Investor Information may vary in accordance with the requirements of the Sponsor.
2. The Sponsor must submit the following documents to the BTr before the latter authorizes the creation of a Sponsored ROSS Account:
 - a. a notarized certification to the BTr that the Sponsor has conducted the necessary "KYC" screening; and
 - b. Investor's Undertaking.

In cases where a Sponsor shall electronically create a RoSS Account without the submission of the required documents of the BTr, the Sponsored RoSS Account shall not be "authorized" by BTR to be a valid account for creation and shall remain as such until the required documents are submitted by the Sponsor to BTr.

3. The Sponsor shall submit the account creation request/file through such means allowed by the BTr. The account creation files, which shall include the following details, among others, shall be the sole basis for the creation of the Sponsored RoSS Accounts:
 - a. Investor name, address, contact details and other mandatory personal details such as mailing options;
 - b. Settlement Bank account number for purposes of receiving coupon and maturity payments for government securities holdings; and
 - c. Business Partner ID (BPID) assigned by the Sponsor which shall form part of the Sponsored RoSS Account's identification code.
4. The BTr, through the RoSS, shall transmit an account opening confirmation electronically to the Sponsor for further delivery to the client.
5. The Sponsor shall be responsible for informing its client to keep the electronic account opening confirmation for evidentiary and audit purposes.

Section 4- Operating the RoSS Account by the Sponsor

A Sponsor may only effect transfers in the RoSS Accounts of its sponsored clients in relation to trade, after obtaining proper client authorizations, under the following instances:

- a. Pre-trade and Post-trade transfer on behalf of the client in relation to trades executed through an SEC-registered trading market where settlement is through Delivery versus Payment (DvP).
- b. To effect a value received (VR) transfer to the Sponsored RoSS Account of the client arising from participation in the primary market through a GSED or any authorized selling agent of the BTr;
- c. Transfer of securities to a designated third party securities custodian or depository of the client for trade settlement.

The procedures for effecting transfers of securities shall be governed by prevailing guidelines in the operation of the RoSS.

Non-trade transfers including donation, inheritance, pledge, compliance to reserve requirements or deposit for faithful performance of a business commitment shall be directly effected by the RoSS. The Sponsor shall be responsible for facilitating non-trade transfers by verifying the identity and signature of the party/ies requesting for the non-trade transfers. The procedures for effecting non-trade transfers by RoSS shall be governed by the prevailing guidelines in the operation of the RoSS.

Section 5- Re-association of Sponsored RoSS Accounts

The re-association of sponsored RoSS Account shall pertain to the change or affirmation of the Sponsor associated with the creation/opening of a RoSS Principal Securities Account.

- a. Where the RoSS Principal Securities Account was created and operated by an entity with concurrent dealer and broker license, the sponsorship of the broker unit shall be affirmed upon submission of the Affirmation in the form prescribed by BTr on a finding that the same is in good order. Henceforth, the sponsorship of such RoSS Principal Securities Account shall be deemed to be under the broker.
- b. Where the RoSS Principal Securities Account was created and operated by an entity with a dealer license only, any further action on the account must be effected through a recognized broker duly designated by the investor.
 - a. The previous sponsoring GSED must submit to BTr: (i) a Letter Request of Re-association (copy furnished the client-designated GSB); and (ii) a Letter from the client revoking the written authority issued to Sponsor-GSED and designating the new Sponsor-GSB.
 - b. The new sponsoring GSB must submit to BTr: (i) New Investor's Undertaking executed by the client; and (ii) Certification to the BTr conduct of client on the necessary "KYC" screening.
- c. Any other change in Sponsor shall require the submission of the requirements provided in 2(a) and 2(b) hereof, by the GSED and/or GSB as applicable under the circumstances.

An electronic confirmation shall be sent by the RoSS to the old and new Sponsor once a successful re-association of accounts has been effected.