



Guidelines for the Settlement of Government Securities under the National Registry of Scripless Securities Environment

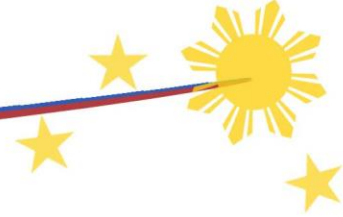
**Market Briefing
20 August 2018**

OUTLINE OF PRESENTATION



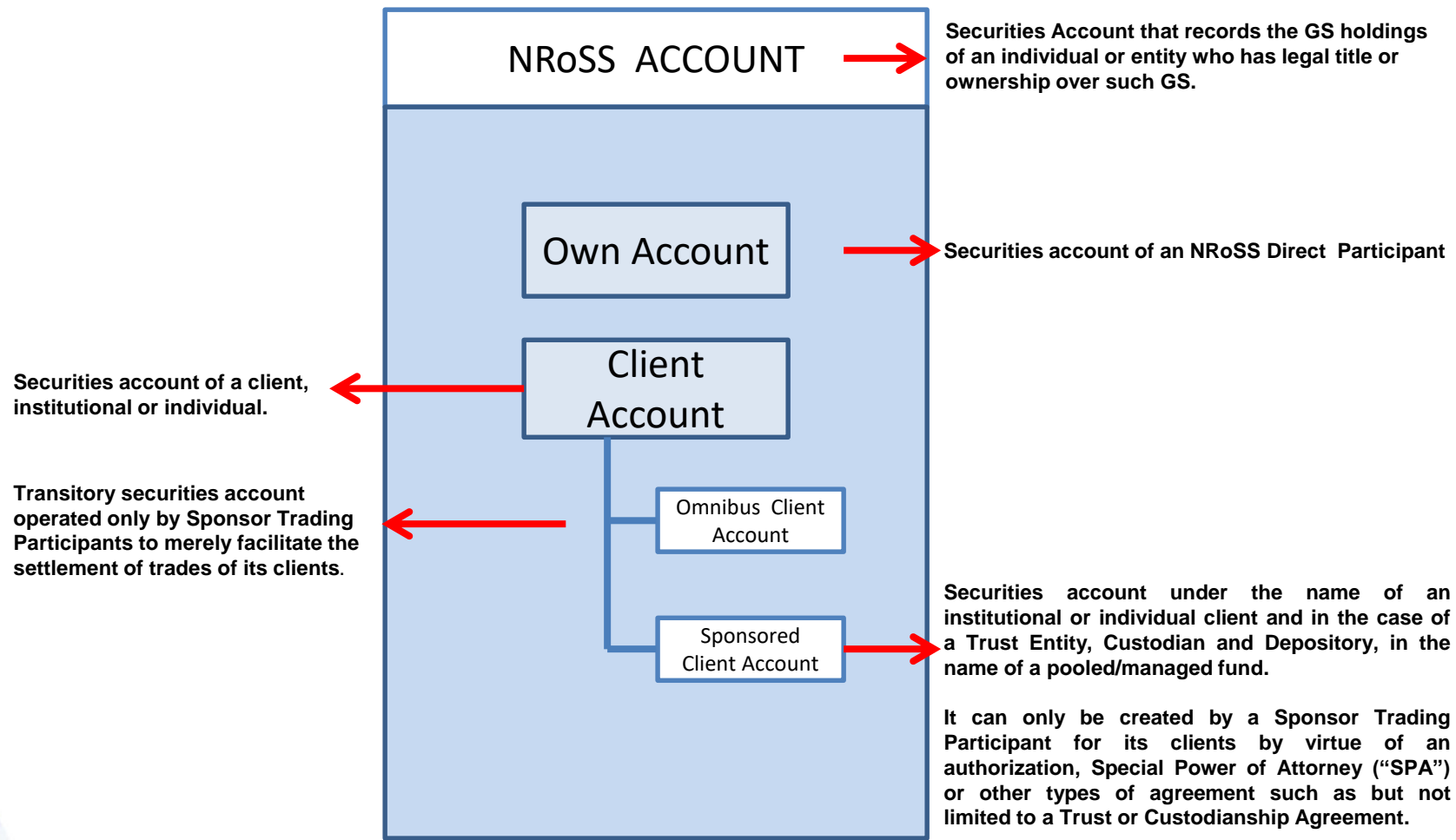
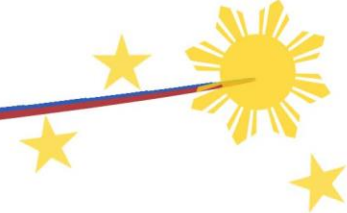
- I. Background
- II. NroSS Account
 - a. Structure
 - b. NRoSS Direct Participants
- III. Settlement Participants
- IV. General Policies
- V. Settlement Process and Rules
- VI. Settlement Process Per Participant
- VII. Settlement Timeline
- VIII. Tax Calculation
- IX. Documentary Requirements

BACKGROUND | NRoSS

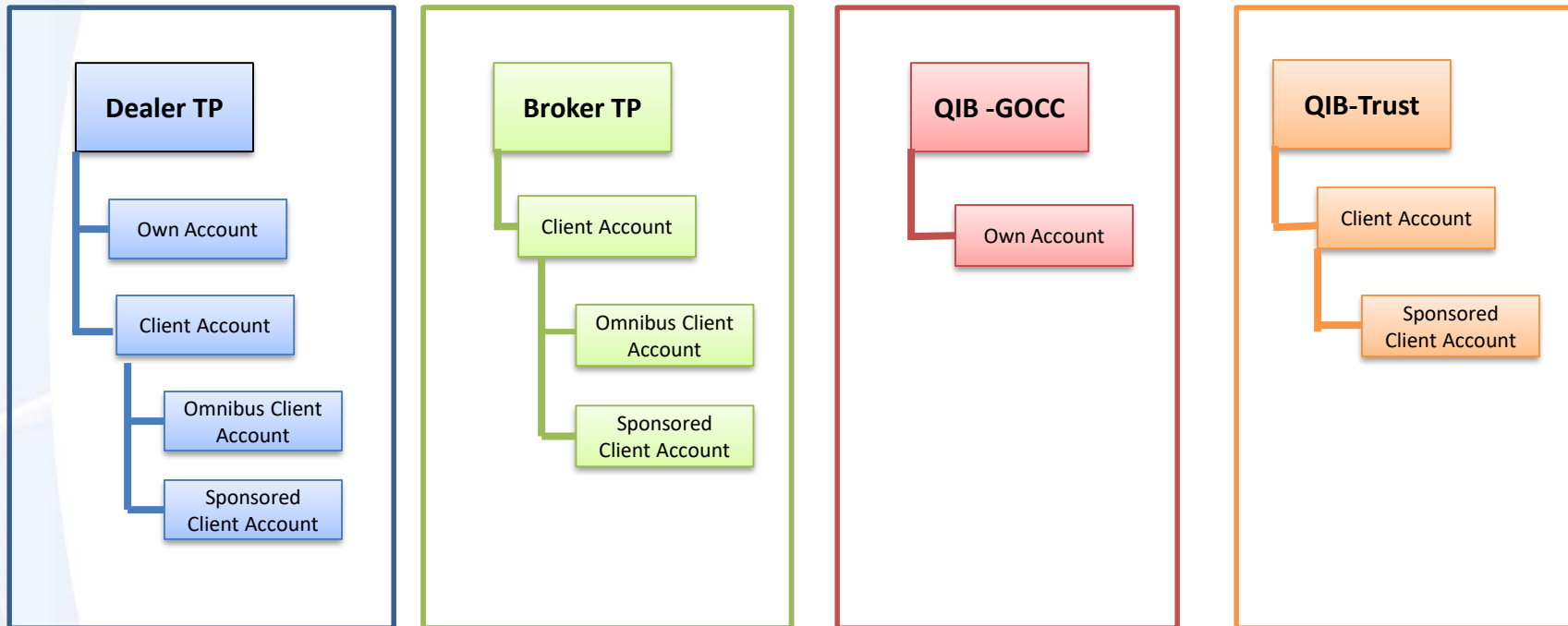


- ❑ System modernization project capable among others of **servicing the settlement and recording of coupon bearing government securities** across different tax status.
- ❑ **Interfaced with BSP's Philippine Payment and Settlement System (*Philpass*)** via the real time gross settlement (RTGS) of BSP to achieve real time, final and irrevocable delivery-versus-payment (DVP)
- ❑ **Amends Treasury Circular no. 04-2014 dated 22 September 2014 and its Operating Guidelines** which implemented the transition to a non-restricted trading (NRT) across tax categories in the secondary market trading of PHP-denominated coupon bearing treasury bonds issued by the Republic of the Philippines.

NRoSS ACCOUNT STRUCTURE

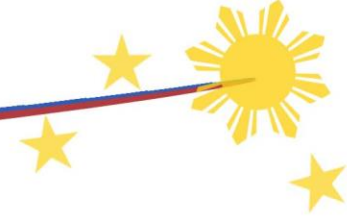


SETTLEMENT STRUCTURE OF TRADING PARTICIPANTS



Note: Ross Direct Participants -8 characters where last character is either “0” for own account or “ 1” for client
Client Account consist of 15 characters = NRoSS Account of Sponsor TP and account code of client (8+7)
Omnibus Client Code – NRoSS Account of TP + TAXABLE = 8+7

NRoSS DIRECT PARTICIPANTS



**Entities authorized by BTr to connect
to front-end system of NRoSS**

TRADING PARTICIPANTS

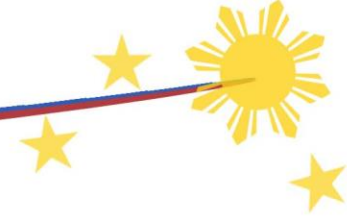
CUSTODIANS, TRUST
ENTITIES, DEPOSITORIES

REGULATORY AGENCIES

QUALIFIED INSTITUTIONAL
BUYERS

An NRoSS Account shall be created by the BTr for an NRoSS Direct Participant based on his functions or role in the securities market.

SETTLEMENT PARTICIPANTS IN NRoSS



TRADING PARTICIPANTS

NRoSS Direct Participant

SEC Licensed Dealer including GSEDs who buys and sells for own account or account of QIBs

SEC-licensed broker including GSBs who buys and sells for account of QBs and non-QBs

QBs which are allowed by the SEC to buy and sell securities directly with SEC-licensed dealers and brokers.

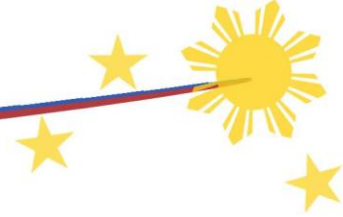
SPONSORED TRADING PARTICIPANTS

NRoSS Direct Participant with DDA in BSP

GSED or GSB authorized by its client to

- (a) open or create and operate the Sponsored Client Account
- (b) Facilitate DvP settlement of both cash and securities using the NRoSS-PhilPaSS Facility.

POLICY GUIDELINES



1. PHP-denominated GS to be held and recorded in the electronic registry book of NRoSS. Foreign ccy-denominated GS migration to be announced by BTr.
2. Trading Participants shall settle all their secondary market GS trades including that of their Sponsored Clients on a DvP basis using NRoSS-PhilPaSS Facility.
3. TPs shall use a Standard Settlement Account (SSA)
4. Cash settlement at the NRoSS –PhilPaSS Facility involves the DDA with the BSP of the designated settlement bank.
5. An NRoSS Direct Participant without a DDA or without an auto-debit/credit authorization from its settlement bank shall **designate a Sponsor Trading Participant** which shall facilitate the settlement of its own and client trades.

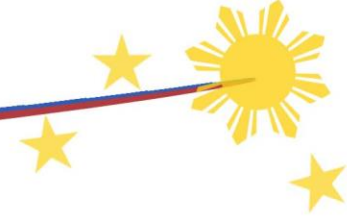
NOTE: NRoSS Direct Participants must be confined to TPs.

POLICY GUIDELINES



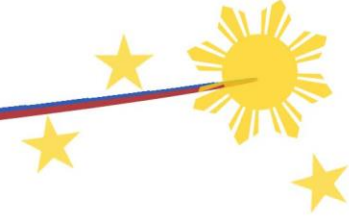
1. **Secondary market transfers of PHP-denominated coupon bearing GS across tax categories shall be allowed.** Such transfers shall be monitored by a tax-calculation facility under the NRoSS System which provides an environment where holders of the Treasury Bonds belonging to any tax classification will be allowed to transfer and settle the same between and among themselves.
2. Trading Participants shall ensure that securities of Sponsored Clients are maintained in the proper Client Account. **Securities of TEI clients shall be timely placed in their own TEI Sponsored Client Account for proper tax monitoring and calculation.**

SETTLEMENT ACCOUNT UNDER NRoSS –PHILPaSS FACILITY



1. To settle all trades, TPs shall designate an NRoSS Account and a DDA at BSP.
2. **A TP with a DDA at BSP or with an auto-debit/credit authorization** from its settlement bank shall settle the cash and securities leg of its own trade transaction including that of its Sponsored Clients.
3. **A Trading Participant without a DDA at BSP or without an auto-debit/credit authorization from its settlement bank shall designate a Sponsor Trading Participant.** The Sponsor Trading Participant shall facilitate the settlement (i.e., authorize and approve the settlement of securities and cash at NRoSS) of its Sponsored Client's trade transactions.
4. **Specific NRoSS Accounts shall be used by Trading Participants as their SSAs** in all their trade transactions to avoid settlement fails on account of incorrect securities account numbers.

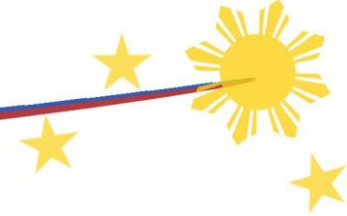
STANDARD SETTLEMENT ACCOUNT



NRoSS Account that Trading Participants shall use to settle own or client trades using the NRoSS-PhilPaSS Facility.

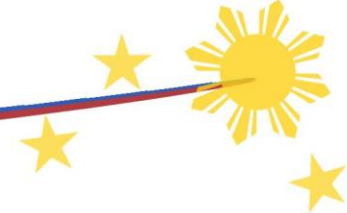
Trading Participant	Nature of Transaction	With DDA or with auto-debit/credit authorization?	Standard Settlement Account
DEALERS	Own	Yes	Own Account
		No	Sponsored Client Account with a Sponsor Trading Participant
	Client	Yes	Omnibus Client Account (Taxable)
		No	Sponsored Client Account with a Sponsor Trading Participant
BROKERS	Client	Yes	Omnibus Client Account (Taxable)
		No	Sponsored Client Account with a Sponsor Trading Participant
QIBs	Own	Yes	Own Account
		No	Sponsored Client Account with a Sponsor Trading Participant

SETTLEMENT RULES AND PROCESS



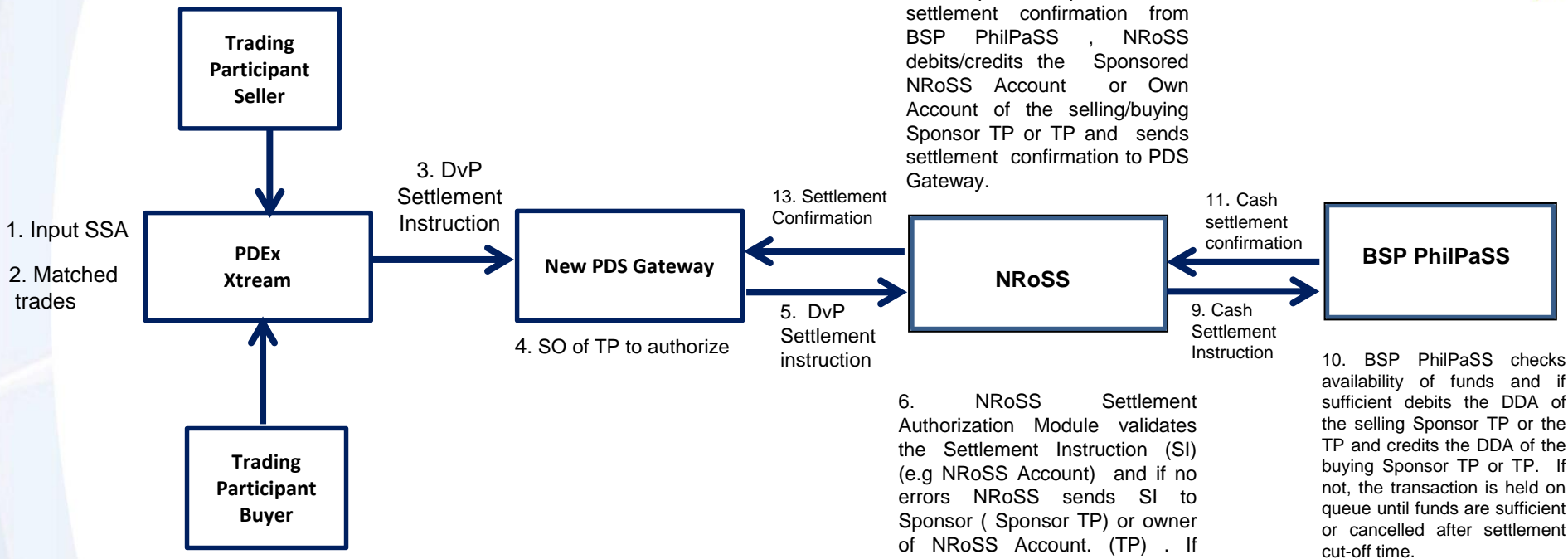
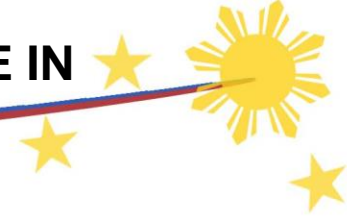
1. Secondary market trades for settlement shall originate from
 - a. Authorized trading platform or trade quotation system connected to the NRoSS
 - b. NRoSS DvP Module
2. For trades transacted through an authorized trading platform or trade quotation system, TPs shall
 - a. Either input their SSA or, if allowed, register their SSA in the platform or quotation system.
 - b. If applicable, TPs shall also authorize such trades for settlement in facilities provided therefor (e.g., New PDS Gateway). Only duly matched trades shall be transmitted to NRoSS for settlement.
 - c. Trading Participants or through their Sponsor Trading Participants shall authorize the settlement of cash and securities using the NRoSS Settlement Authorization Module.

SETTLEMENT RULES AND PROCESS



3. TPs or through their Sponsor Trading Participants shall be allowed to enter trades for settlement via the NRoSS DvP Module.
4. On or before settlement date, TPs shall perform pre- and post-settlement transfers for purposes of properly managing balances in concerned securities accounts. These transfers shall follow the conventional market timeline in settling GS trades.
5. Trading Participants shall transfer all securities balances in the Omnibus Client Account to the relevant Sponsored Client Accounts before cut-off of each business day. **The Omnibus Client Account shall be zeroed out at end of day.**

PHASE 1- SETTLEMENT PROCESS FOR TRADES DONE IN THE PDEx TRADING PLATFORM



Note:
1. No need to input SSA for Dealer trades for its own account

12. Upon receipt of cash settlement confirmation from BSP PhilPaSS, NRoSS debits/credits the Sponsored NRoSS Account or Own Account of the selling/buying Sponsor TP or TP and sends settlement confirmation to PDS Gateway.

6. NRoSS Settlement Authorization Module validates the Settlement Instruction (SI) (e.g NRoSS Account) and if no errors NRoSS sends SI to Sponsor (Sponsor TP) or owner of NRoSS Account. (TP) . If rejected , error codes or invalid account number status sent to PDS Gateway for correction within settlement timeline.

7. SO of TP or Sponsor TP authorizes and approves the settlement of cash or securities using NRoSS Settlement Authorization Module.

8. NRoSS checks the security balance and if sufficient earmarks the security and send the SI to BSP PhilPaSS for cash settlement If not transaction is held on queue within settlement timeframe or cancelled after cut-off time.

OPERATING GUIDELINES ON USE OF SETTLEMENT AUTHORIZATION



- **Two-sided transaction** to be authorized or rejected by the buying and selling party
- **Four-eyes check** –the maker-checker of each TP or Sponsor TP shall take part in the authorizations process. (Authorize for maker and Approve for checker)
- **A settlement instruction that is not authorized or is rejected will be “cancelled”** and will be reported to the trading platform or trade quotation system that transmitted such settlement instruction.
- Correcting a rejected settlement instruction must be **within the established settlement timeline**.

SETTLEMENT AUTHORIZATION MODULE



NATIONAL REGISTRY OF
SCRIPLESS SECURITIES
(1.0.35-20180518)

Business Date 04/11/2018
Previous (DEFAULT): Start of Business Day - 08:28
Next (DEFAULT): Intraday Auction Cutoff - MANUAL

Welcome (gsis7121) of GSISPHMM712 | [Logo](#)

Alert Status **15** new alerts out of

Search

SETTLEMENT

OPERATIONS

TRNAUT001



Date: 05/25/2018 10:31:35

- SESSION
- ADMINISTRATIVE
- MAINTENANCE
- ROUTING
- SETTLEMENT
 - Operations
 - List
 - Authorize**
 - Approve
 - Bulk Upload
 - Bulk Authorize
 - Bulk Approve
 - Account
- AUCTION
- QUEUE
- TAXATION
- REPORTS
- WORKSTATION
- BILLING

Search

Participant GSISPHMM712 - GOVERNMENT SEF

Reference

ISIN

Currency

Tran Type

Reset

Ok

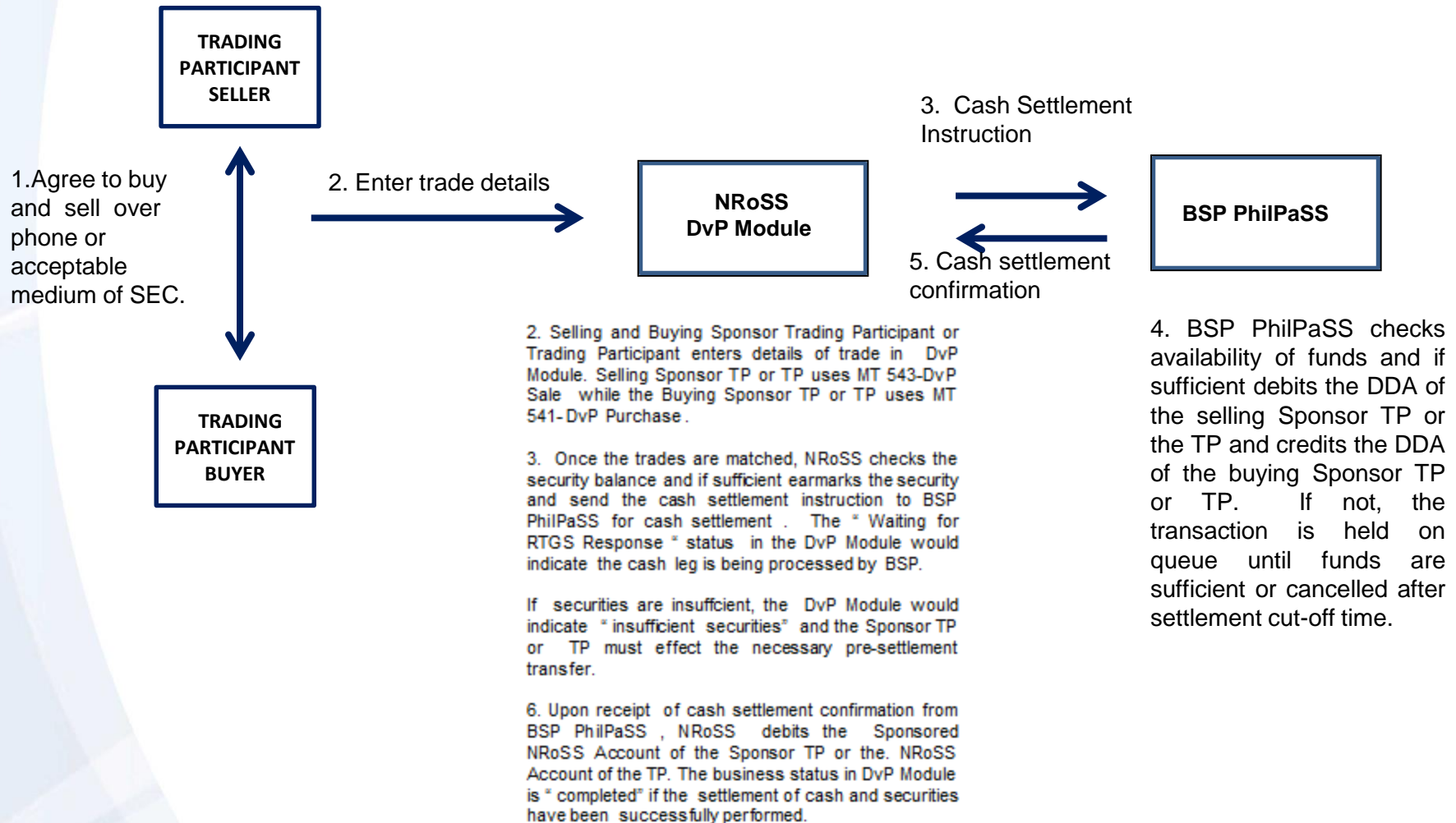
Items 1 to 16 of 16

Items on page 20

Page 1 of 1

NO.	TYPE	OPERATION CODE	REFERENCE	FROM	TO	ISIN	FACE AMOUNT	SETTLEMENT AMOUNT	VALUE DATE	BUSINESS STATUS
1	DvP	PDEX Trade	20180522T0000001	GSISPHMM712	CHASPHMM034	PIBD0518E723	500,000.00 PHP	480,000.00 PHP	04/11/2018	Active
2	DvP	PDEX Trade	20180522T0000002	GSISPHMM712	CHASPHMM034	PIBD2031G171	500,000.00 PHP	510,000.00 PHP	04/11/2018	Active
3	DvP	PDEX Trade	20180522T0000003	GSISPHMM712	CHASPHMM034	PIBD2030E166	500,000.00 PHP	502,000.00 PHP	04/11/2018	Active
4	DvP	PDEX Trade	20180522T0000004	GSISPHMM712	CHASPHMM034	PIID0522L114	500,000.00 PHP	502,000.00 PHP	04/11/2018	Active
5	DvP	PDEX Trade	20180522T0000005	CHBKPHMM006	GSISPHMM712	PIBD2028L151	1,000,000.00 PHP	1,000,100.00 PHP	04/11/2018	Active
6	DvP	PDEX Trade	20180522T0000006	CHBKPHMM006	GSISPHMM712	PIBL1218C064	1,000,000.00 PHP	900,990.00 PHP	04/11/2018	Active

PHASE 1- SETTLEMENT PROCESS FOR TRADES DONE IN DvP Module



DvP MODULE

DVP Sale/Purchase in NRoSS

Message Type

Operation Type

Reference

Trade Date

Settlement Date

ISIN

Face Amount

Yield

Cash Currency

Delivering Agent

Receiving Agent

Receiving Account Type

Message Type

Operation Type

Reference

Trade Date

Settlement Date

ISIN

Face Amount

Yield

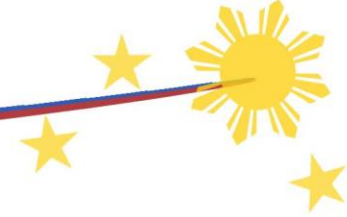
Cash Currency

Delivering Agent

Delivering Account Type

Receiving Agent

OPERATING GUIDELINES OF DvP MODULE



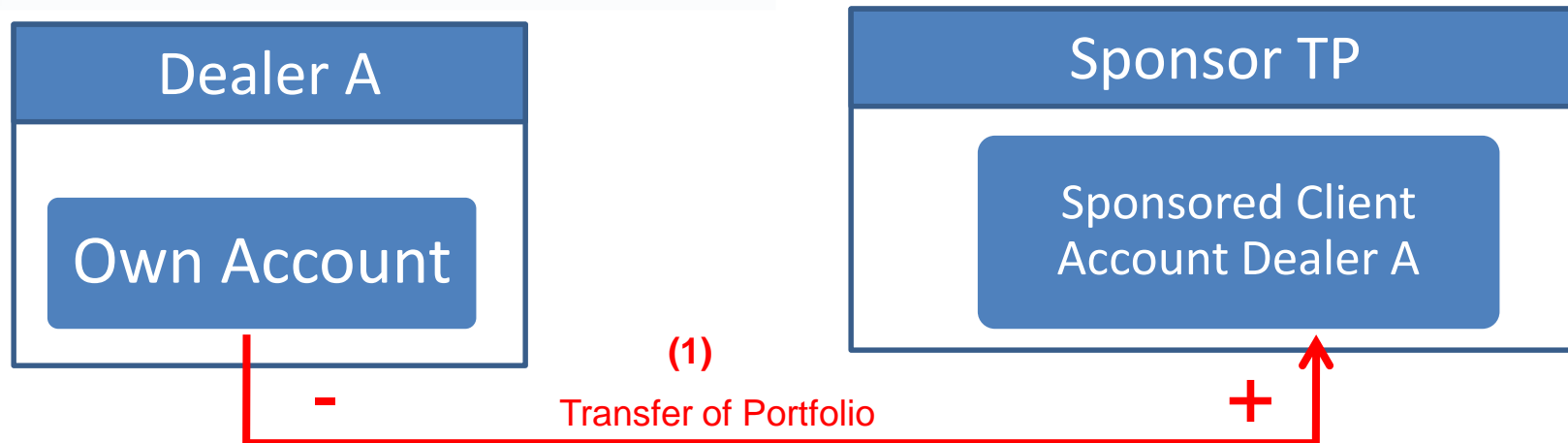
- Used by TPs or Sponsor Trading Participants for:
 - Trade transactions allowed to be executed and settled outside the Trading Platform or Trade Quotation System connected to NRoSS
 - BCP purposes
- **A Settlement Allegement Report (MT 578) will be generated** by NRoSS to the counterparty with an allegement.
- **If details of the alleged transaction is correct, alleged trade transactions are auto-populated** in the counterparty screen for review and approval. Four-eyes check is in place.
- **Incorrect details in the alleged transaction may be amended.** Once the amendment is authorized by the maker-checker, a new Settlement Allegement Report will be sent to the originator Trading Participant or Sponsor Trading Participant.
- **“Waiting for Matching” will be the status for unmatched transactions.** At this point, the DvP transaction may be cancelled.



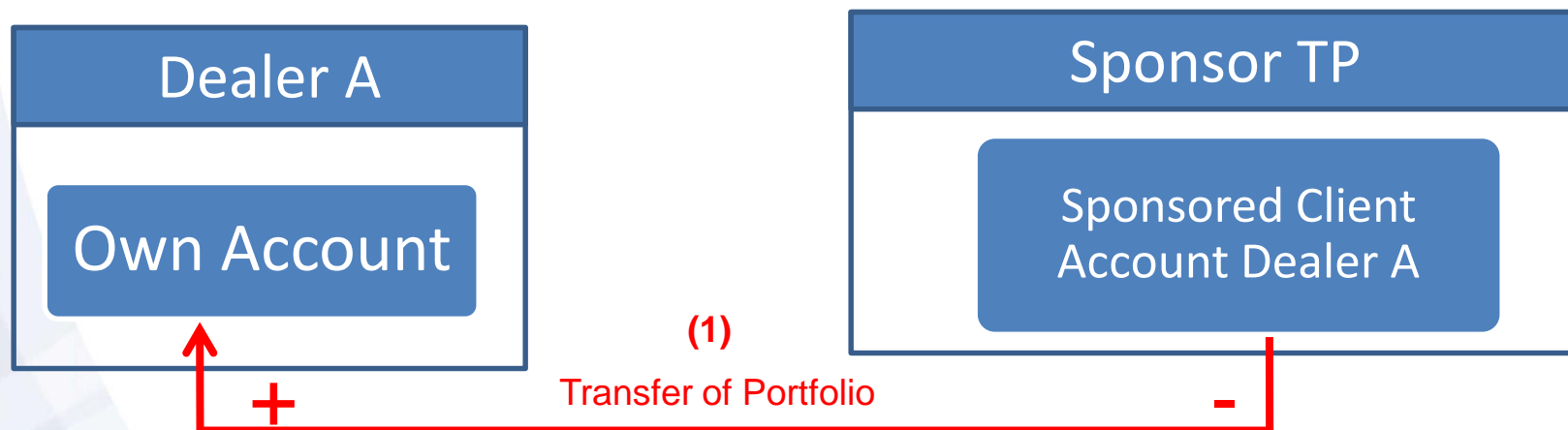
PRE AND POST SETTLEMENT TRANSFERS

DEALER W/O DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - OWN ACCOUNT

Pre-Settlement- Sale Transaction

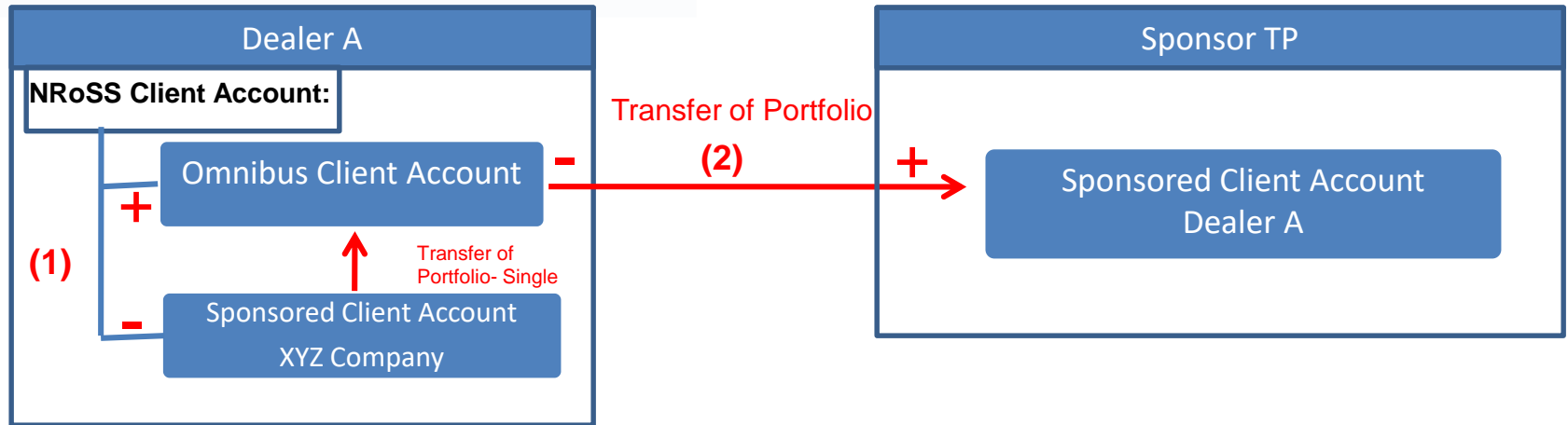


Post-Settlement- Buy Transaction

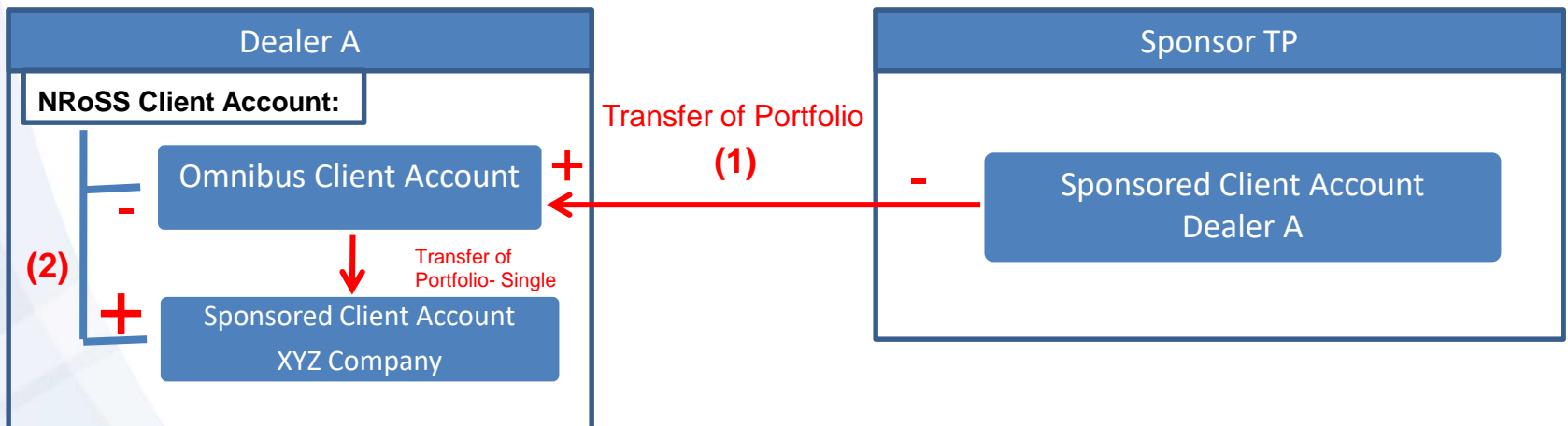


DEALER W/O DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK – FAO CLIENT

Pre-Settlement- Sale Transaction

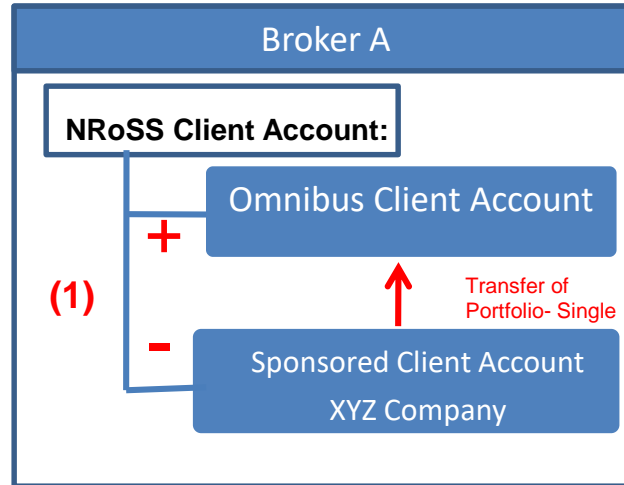


Post-Settlement- Buy Transaction

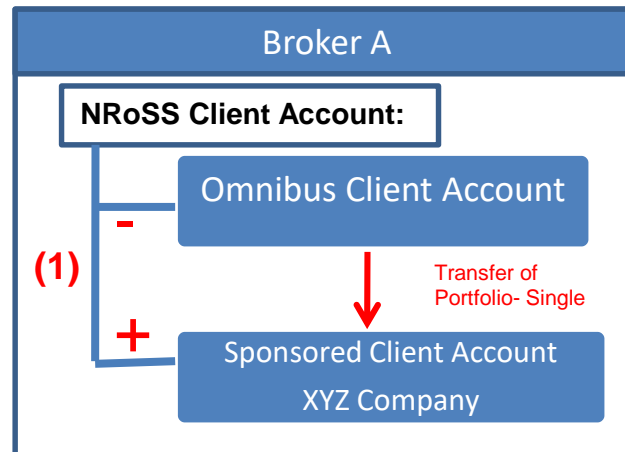


BROKER WITH DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - FAO Client

Pre-Settlement- Sale Transaction

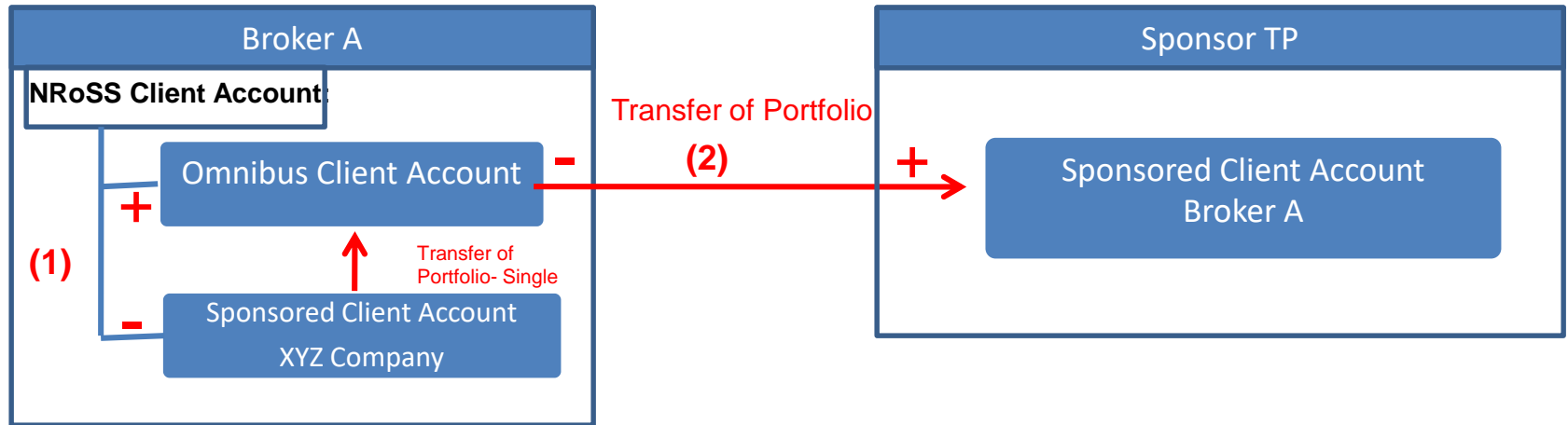


Post-Settlement- Buy Transaction

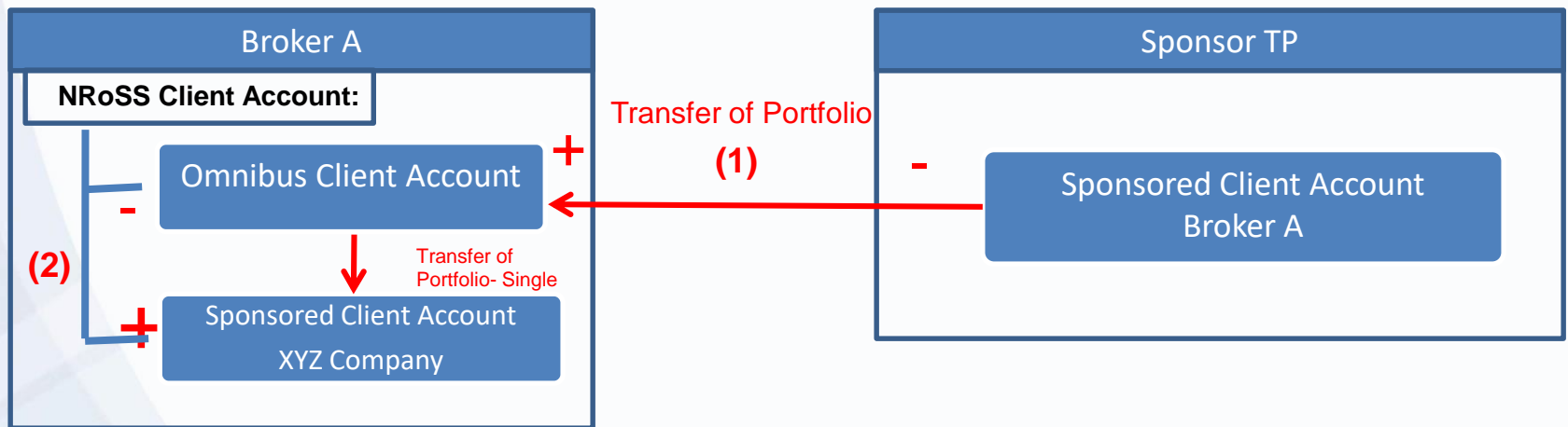


BROKER WITHOUT DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - FAO Client

Pre-Settlement- Sale Transaction

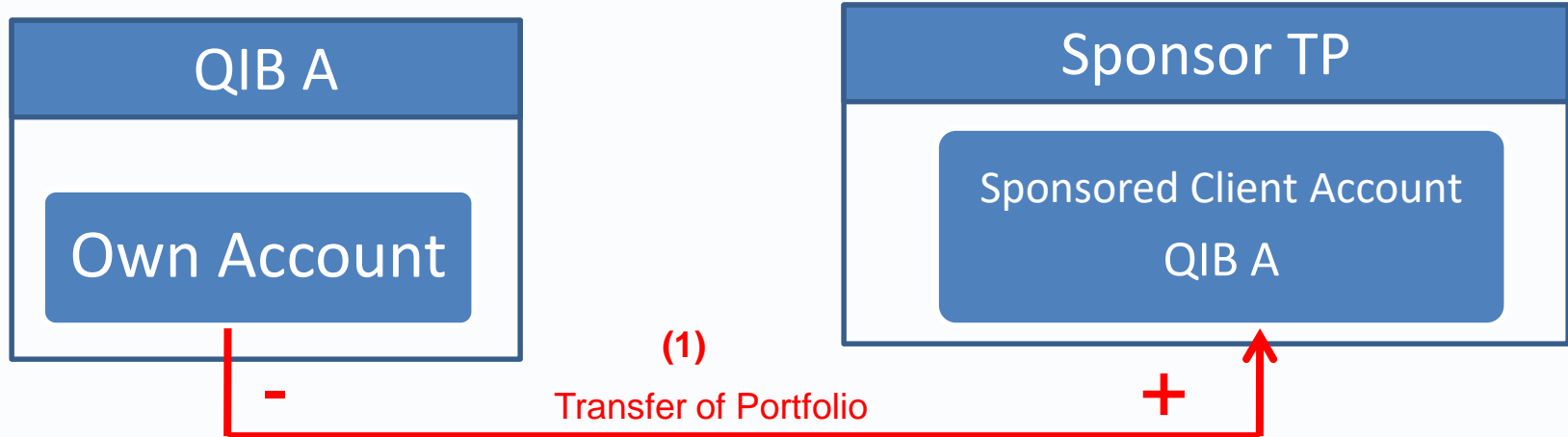


Post-Settlement- Buy Transaction

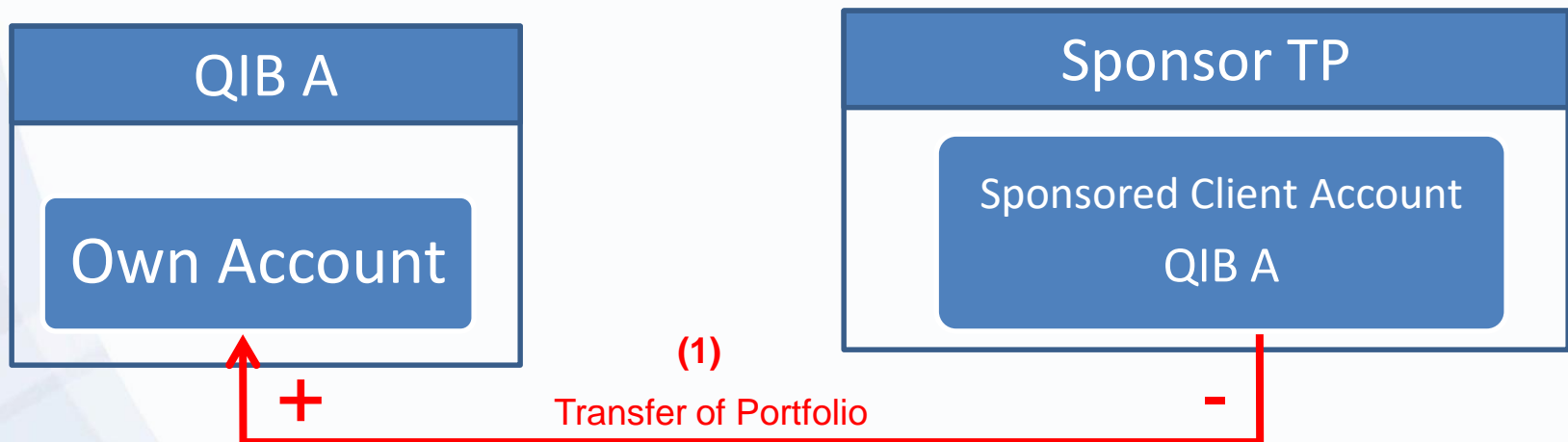


QIBs WITHOUT DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - | OWN ACCOUNT

Pre-Settlement- Sale Transaction



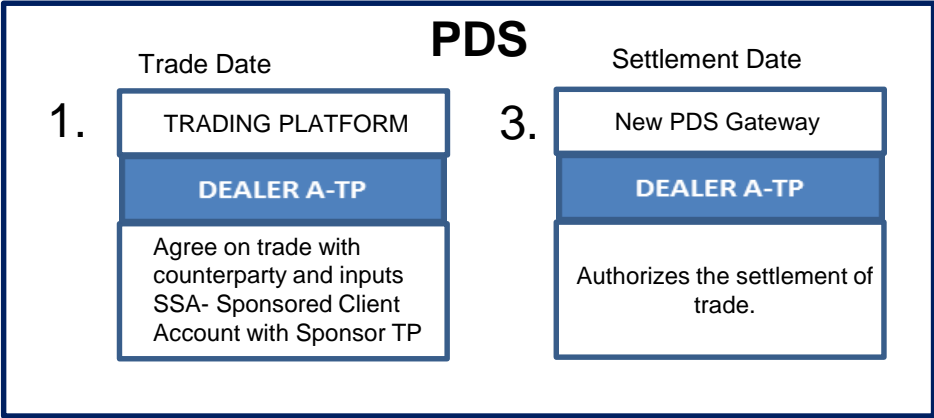
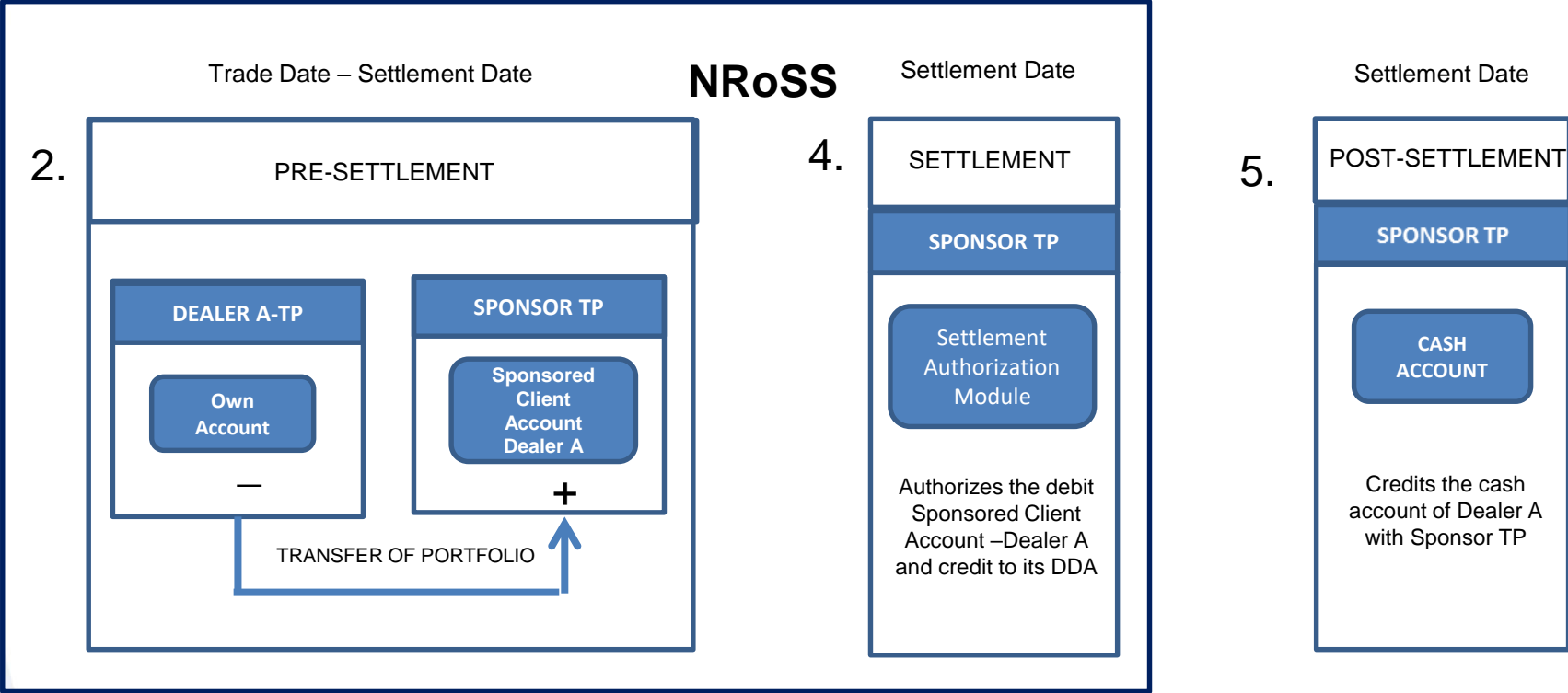
Post-Settlement- Buy Transaction



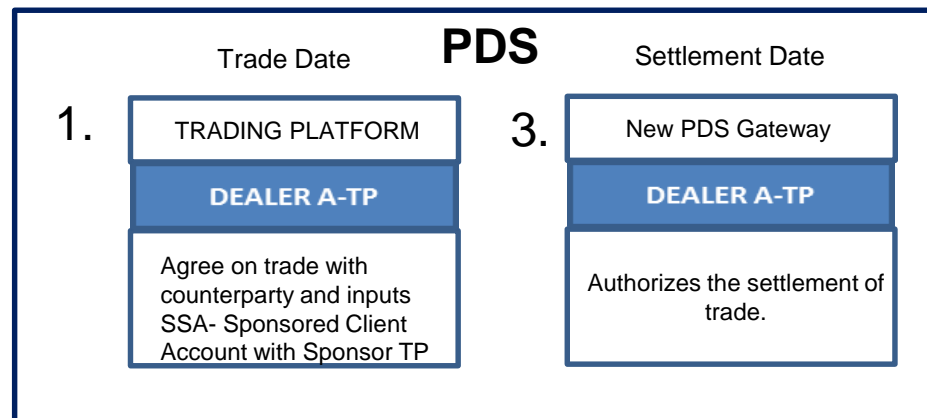
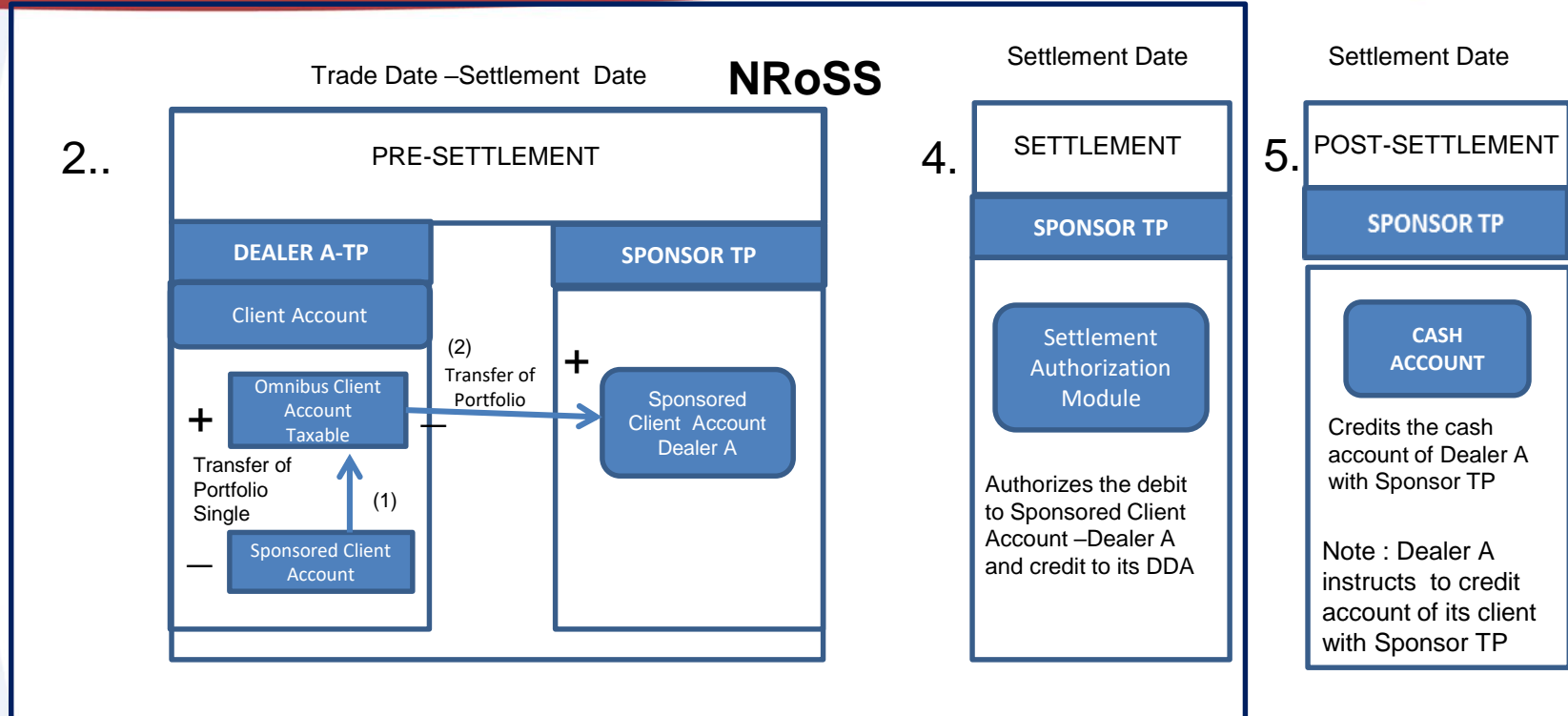


SETTLEMENT PROCESS FLOW

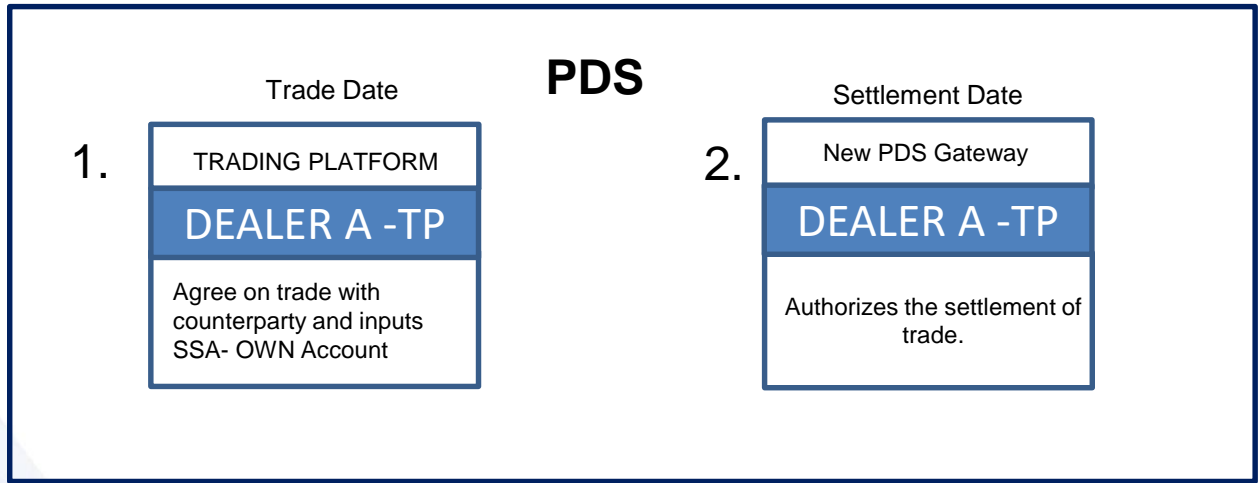
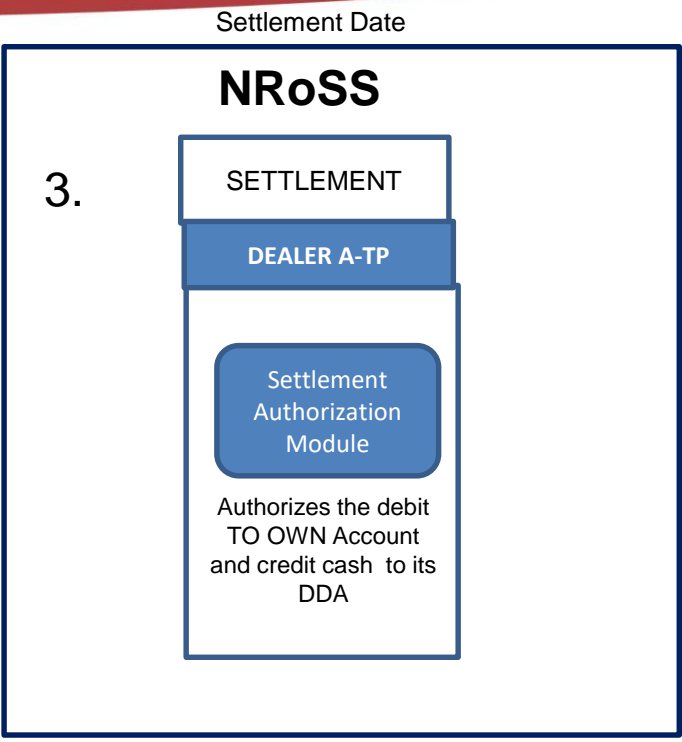
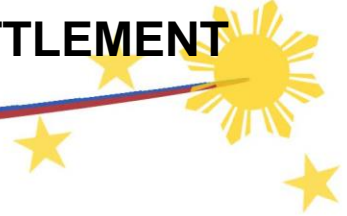
DEALER WITHOUT DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - SALE TRANSACTION- OWN ACCOUNT



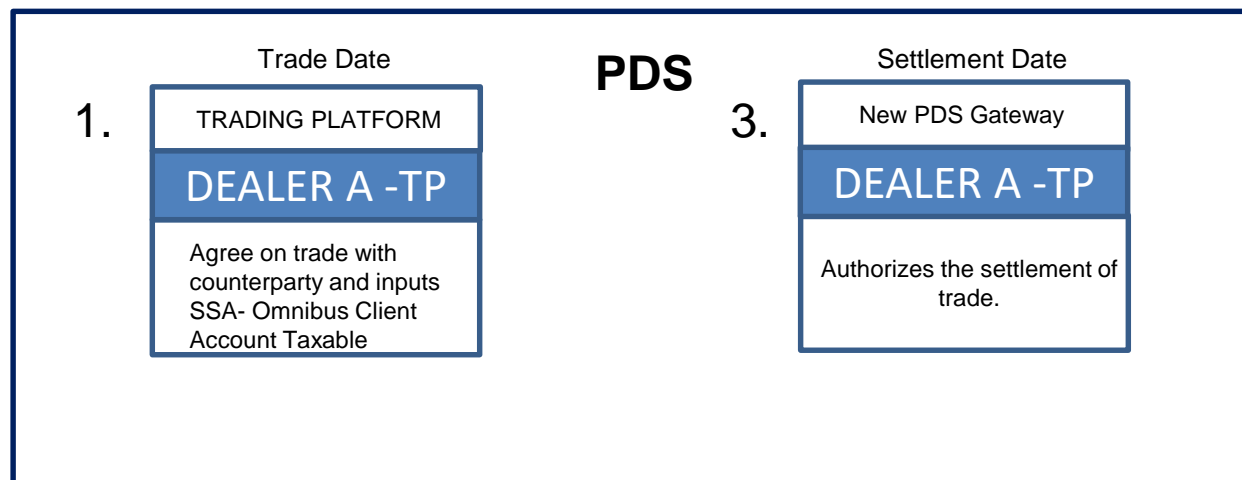
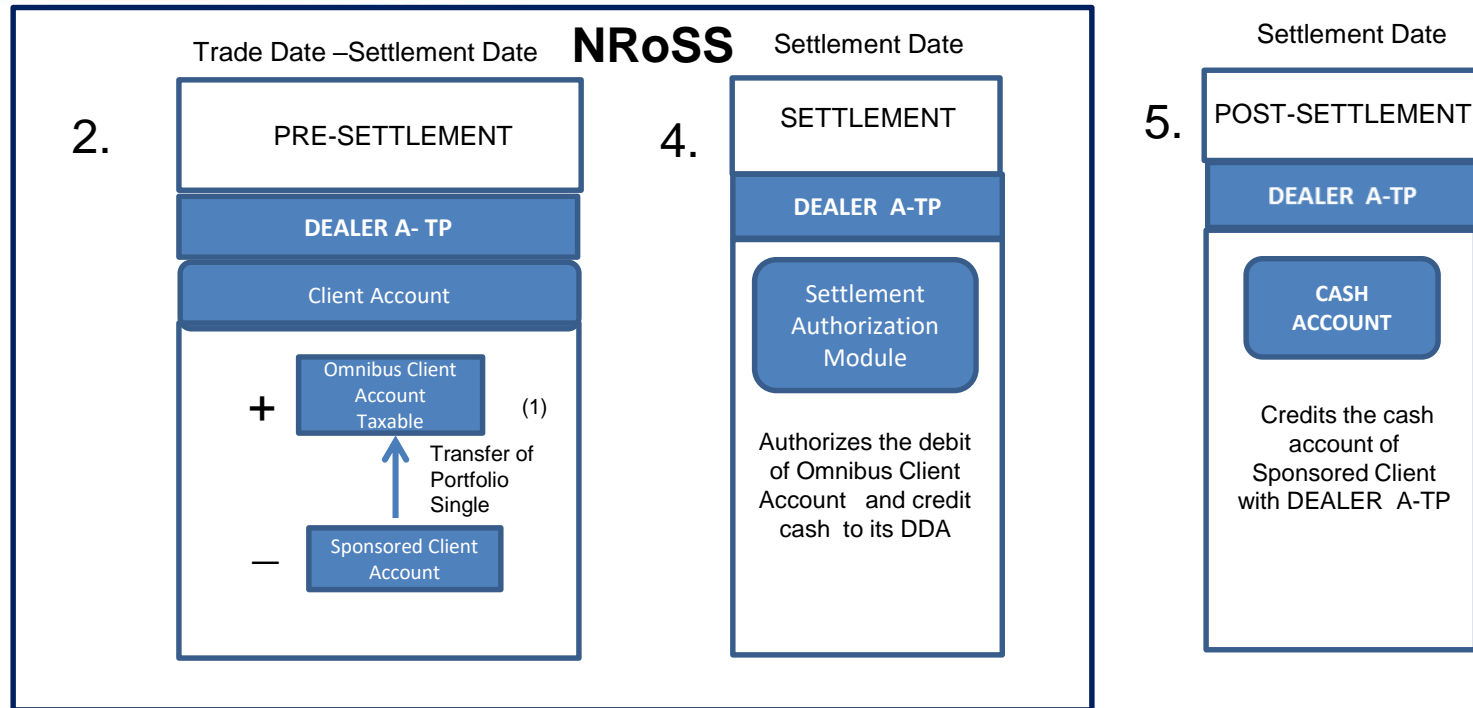
DEALER WITHOUT DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - SALE TRANSACTION FAO CLIENT



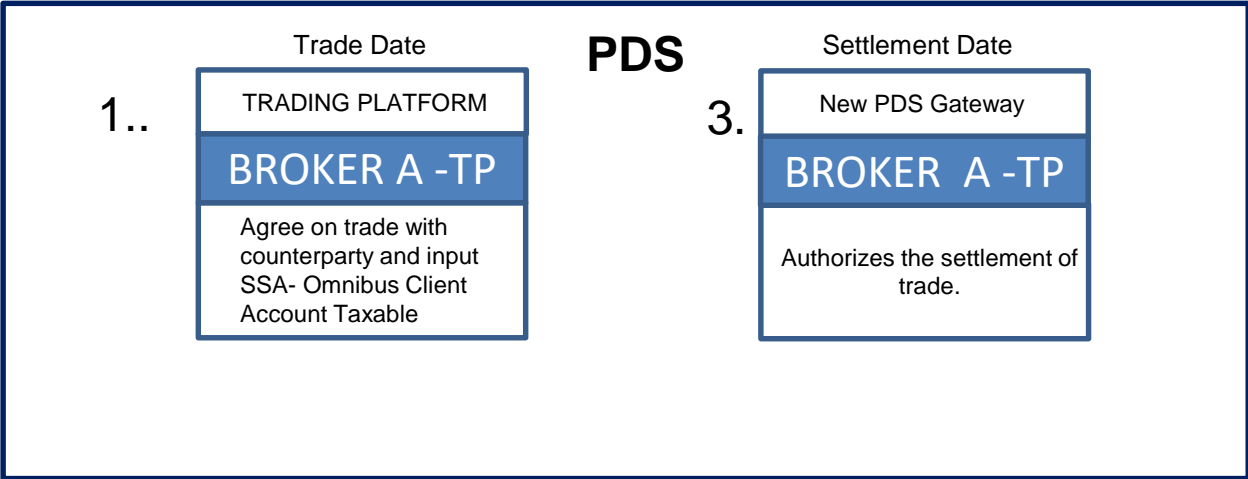
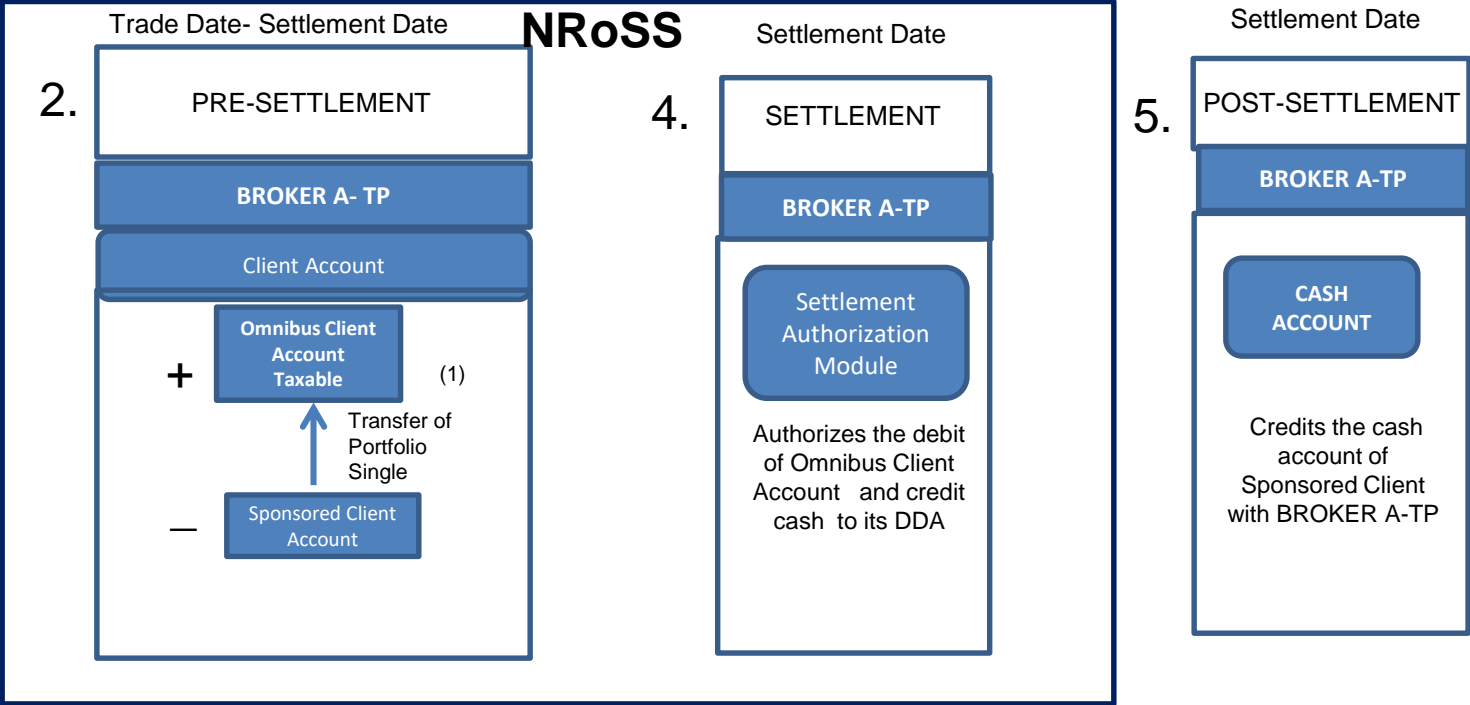
DEALER WITH DDA OR AUTO DEBIT AUTHORITY WITH CASH SETTLEMENT BANK - SALE TRANSACTION FOR OWN ACCOUNT



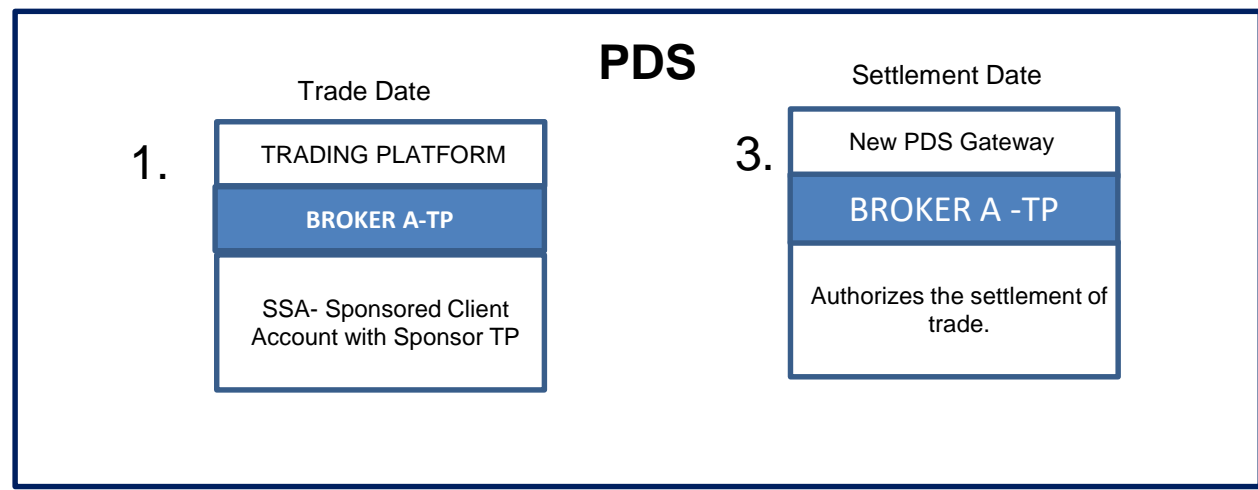
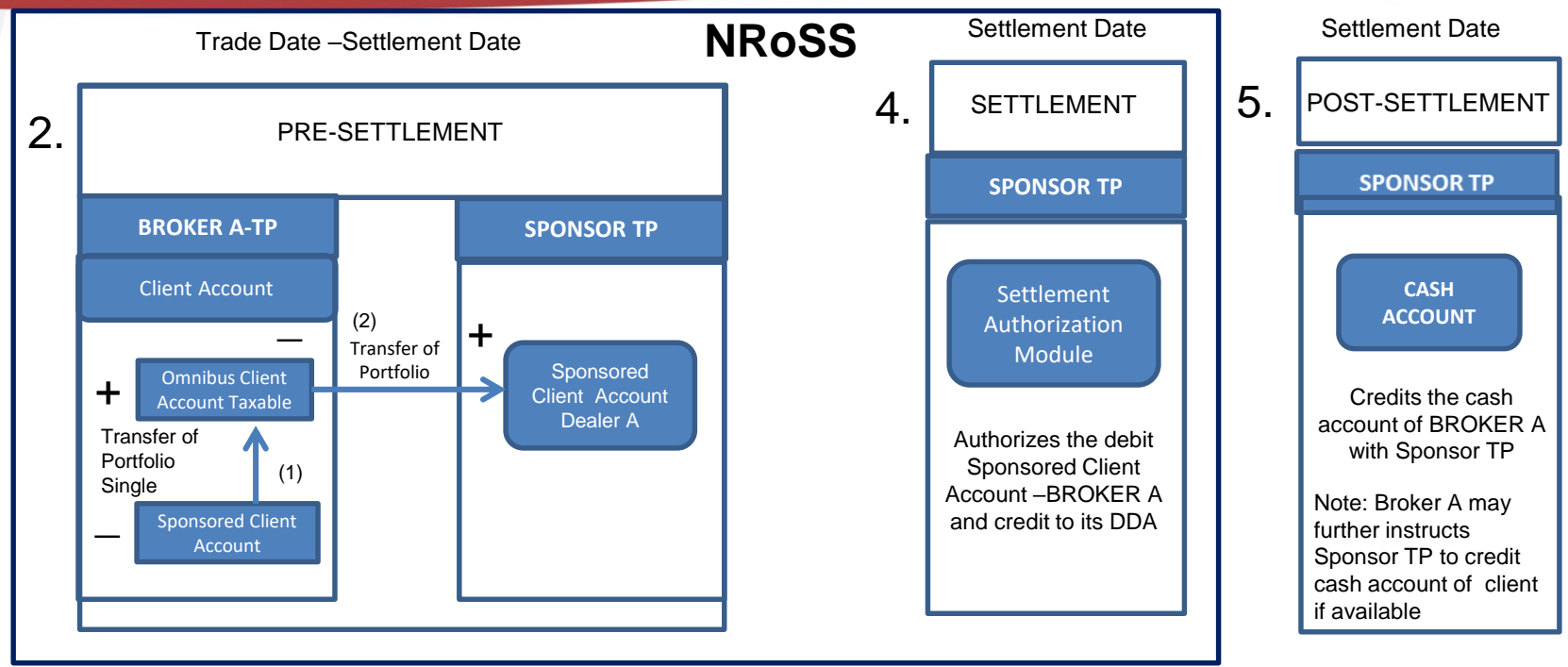
DEALER WITH DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - SALE TRANSACTION FAO CLIENT



BROKER WITH DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANKS - SALE TRANSACTION - FAO CLIENT

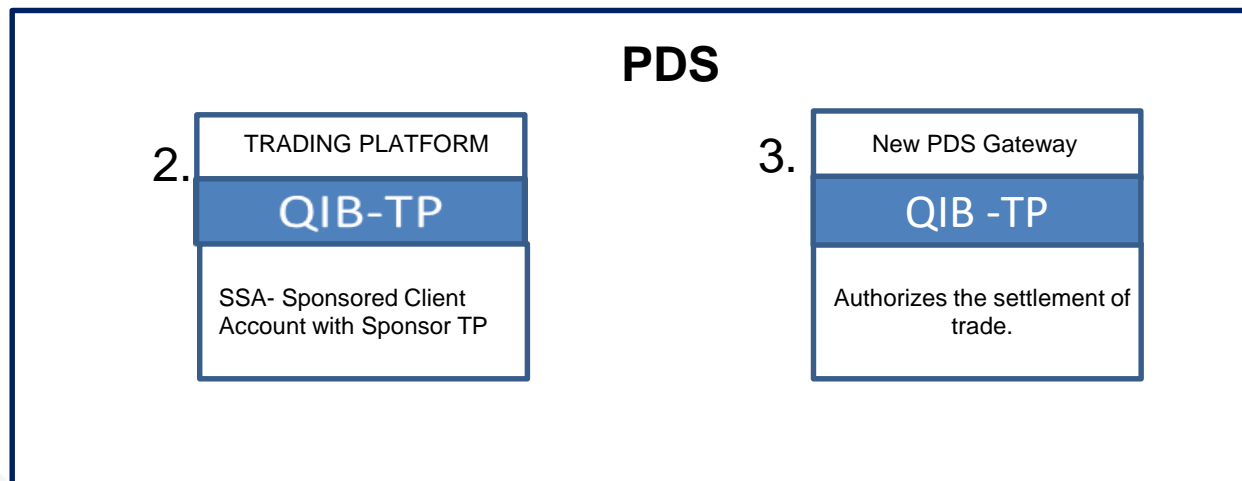
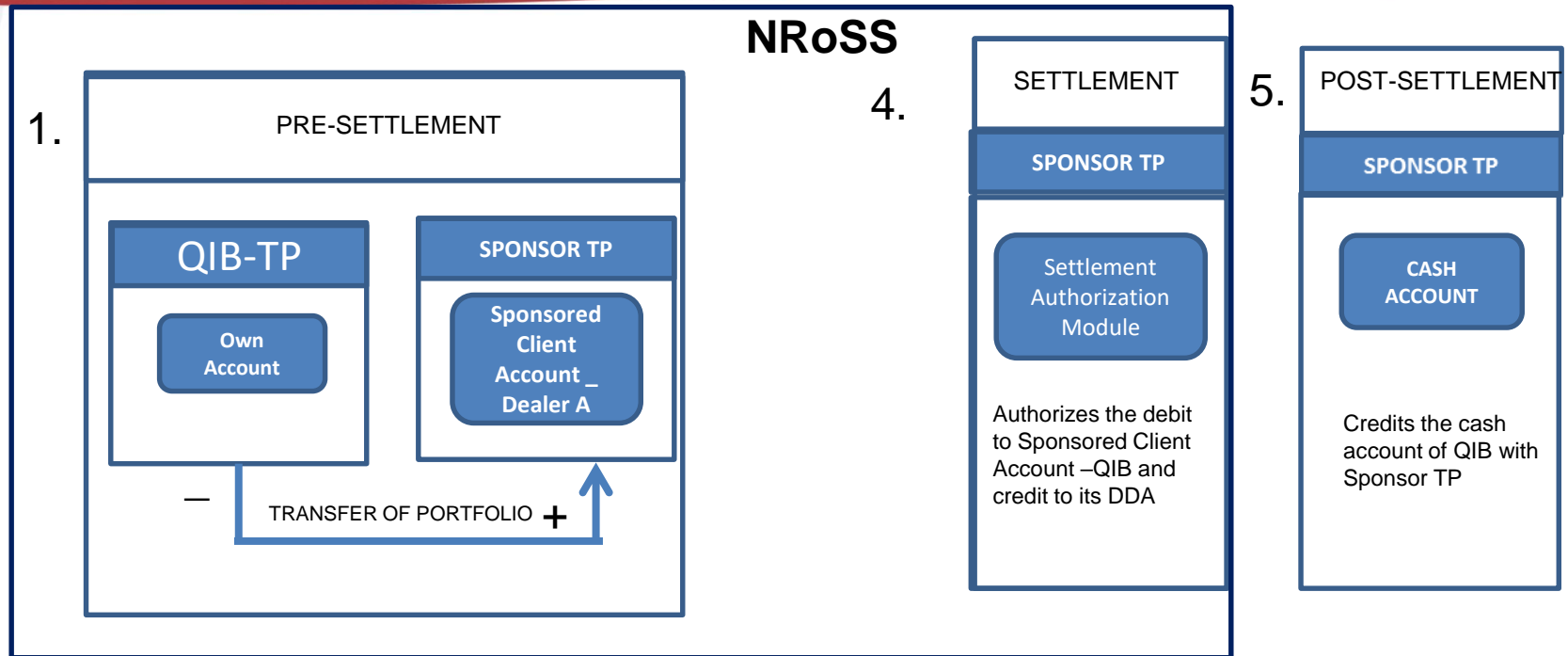


BROKER WITHOUT DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - SALE TRANSACTION - FAO CLIENT

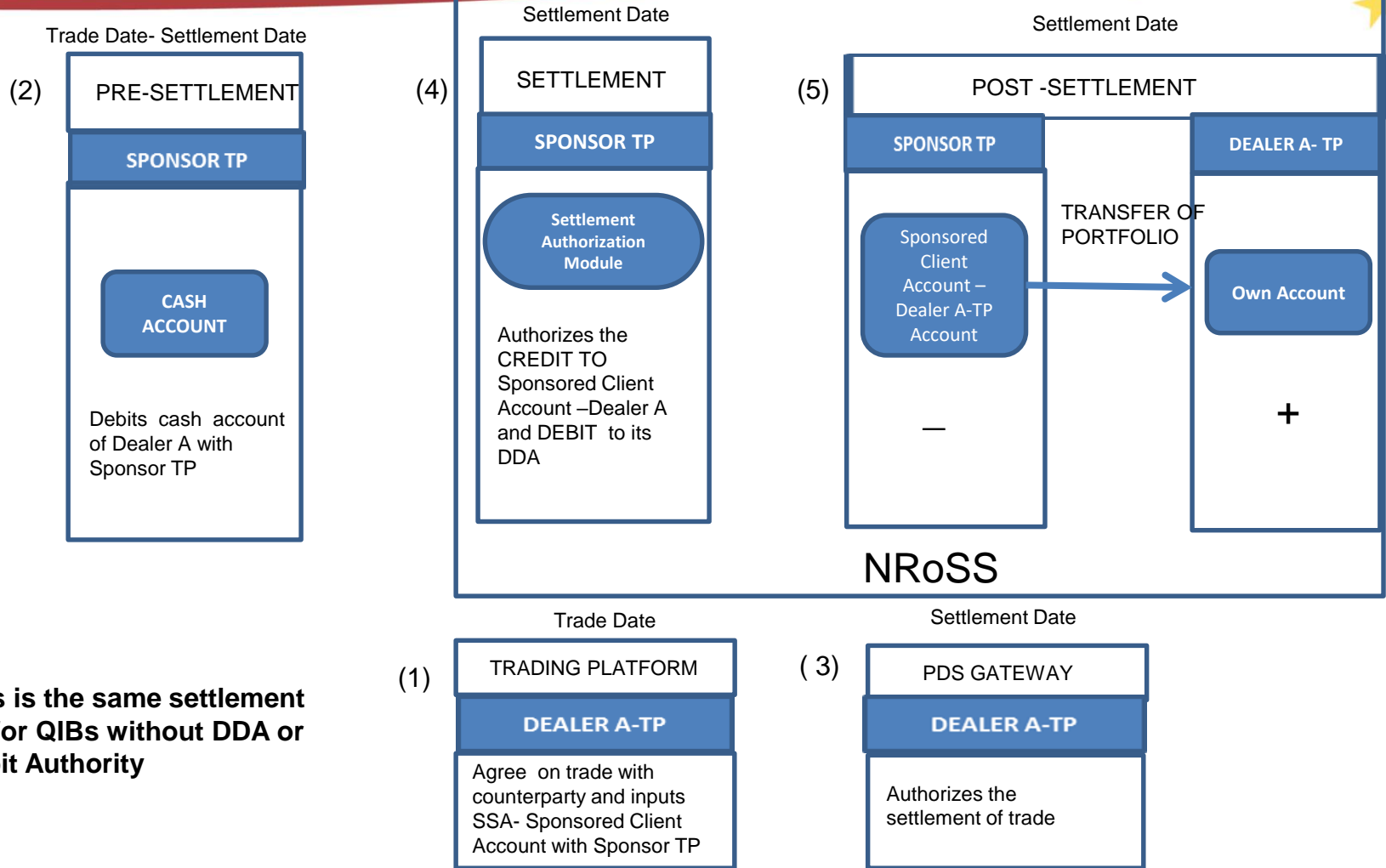


QIB WITHOUT DDA OR DEBIT AUTHORITY FROM CASH SETTLEMENT BANK

- SALE TRANSACTION- OWN ACCOUNT



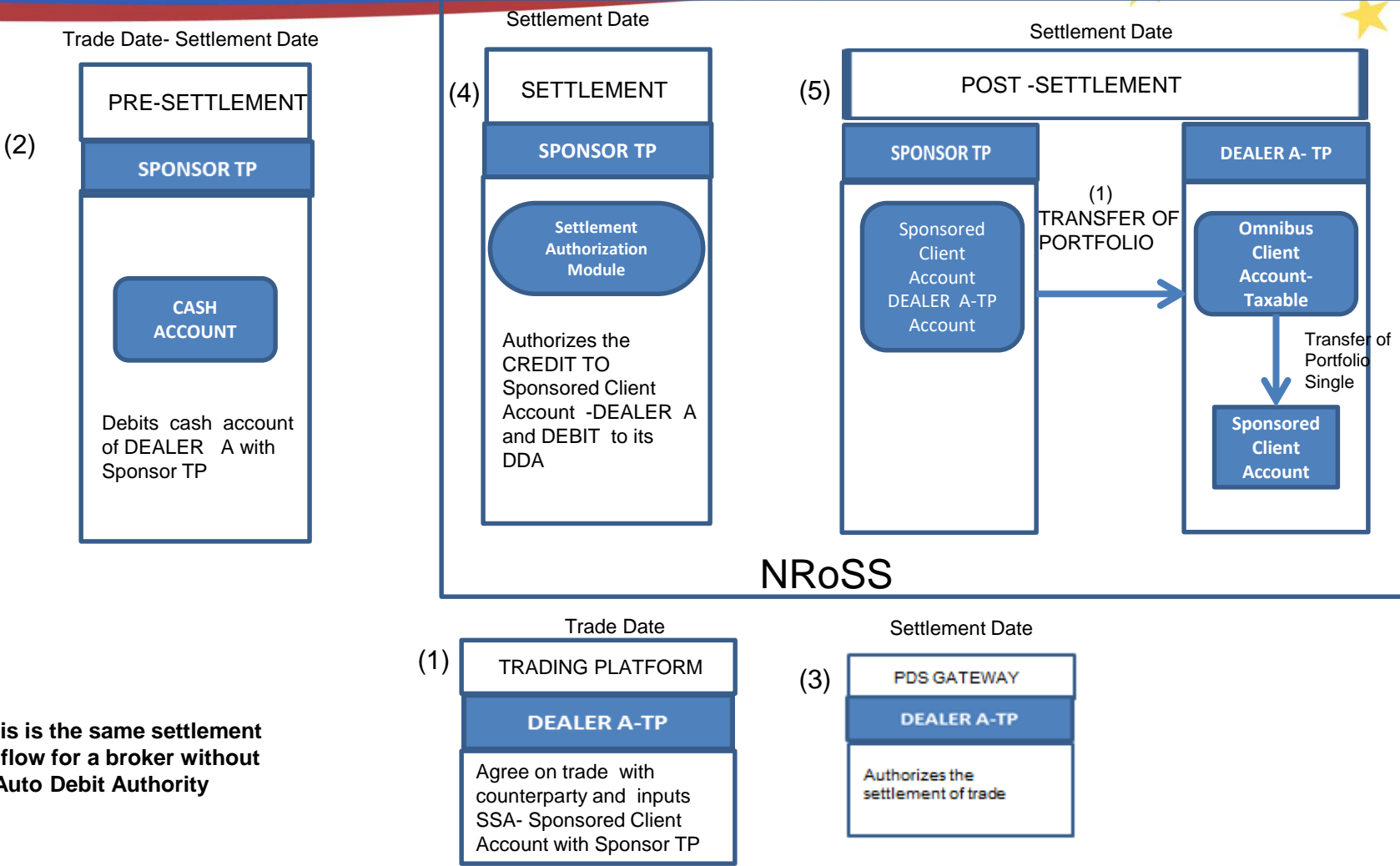
DEALER WITHOUT DDA OR AUTO DEBIT AUTHORITY FROM CASH - BUY TRANSACTION- OWN ACCOUNT



Note: this is the same settlement process for QIBs without DDA or Auto Debit Authority

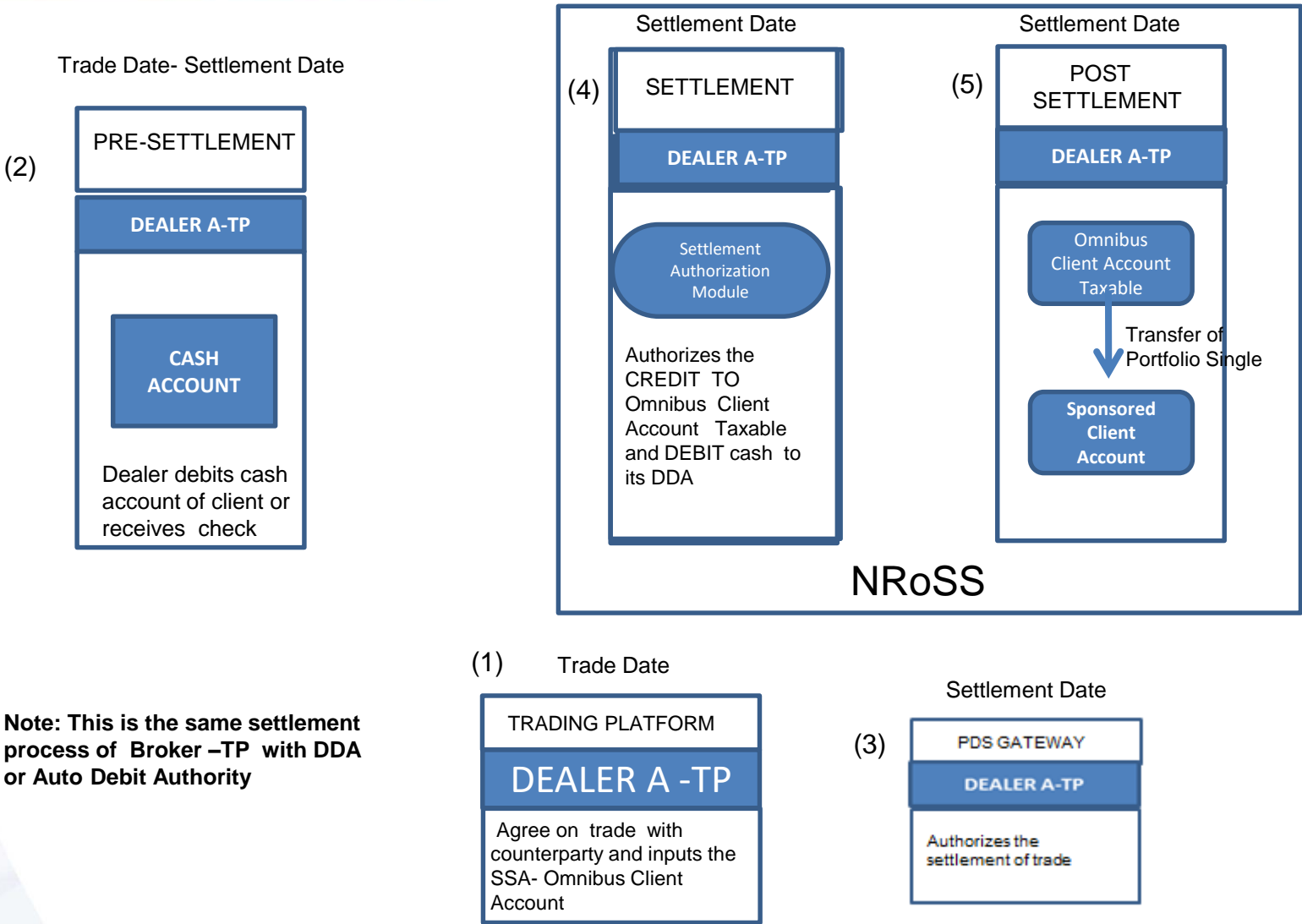
DEALER WITHOUT DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT

BANK- BUY TRANSACTION- FAO CLIENT

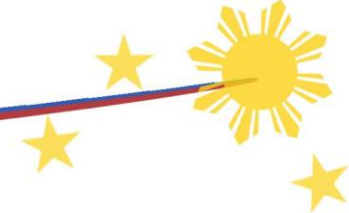


Note: This is the same settlement process flow for a broker without DDA or Auto Debit Authority

DEALER WITH DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - BUY TRANSACTION - FAO CLIENT

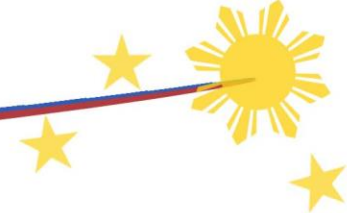


SETTLEMENT TIMELINE



Activity	Trade Date -T+0	Settlement Date -T+1					
		9:00 AM	12:00pm	2:30pm	3:30pm	4:00 PM	6:00 PM
T+1 trade	9-4pm						
A. Pre-settlement Transfer							
B. Settlement Proper from PDS Gateway to NRoSS Philpass Facility							
1. PDS Gateway transmit settlement instruction							
3. Selling and Buying Trading Participant or Sponsor Trading Participant authorizes the settlement instruction in Settlement Authorization Module of NRoSS							
5. GS Blocking /earmarking of GS in the selling broker's or GSED RoSS Account							
6. Sending of peso settlement to Philpass via nRoSS Philpass Facility							
7. Settlement of peso in Philpass- BSP debits the DDA of buying broker's or GSED settlement bank and credits the DDA of the selling broker's or GSED settlement bank							
8. Settlement of GS in nRoSS - RoSS debits the RoSS Account of the Selling GSB or GSED and credits the RoSS Account of the Buying GSB or GSED							
C. Post-Settlement - outside RoSS Philpass							

TAX-CALCULATION MECHANICS OF THE NROSS SYSTEM



1.1 Tax Calculation Requirements and Process

1.1.1 The NRoSS Account is a prerequisite for the tax-calculation functionality of NRoSS to work. It contains the tax status of NRoSS Account Holders and their designated settlement bank.

1.1.2 For Treasury Bonds, the NRoSS System is capable of computing for the appropriate tax and coupon payment due from/to NRoSS Account Holders with different tax status. It specifically computes for the following:

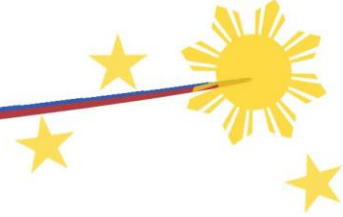
- 1.1.2.1 Gross coupon amount and the 20% final withholding tax;
- 1.1.2.2 Tax due from holders; and
- 1.1.2.3 Net tax due to BIR.

1.2. Reimbursement in NRoSS

On coupon payment date, the final reimbursable amount due to a selling tax-exempt NRoSS Account Holder shall be made.

Any shortfall or loss in amounts supposed to be received by TEI clients in violation of Section 6.5 hereof shall be for the account of the concerned Trading Participant.

DOCUMENTARY REQUIREMENTS



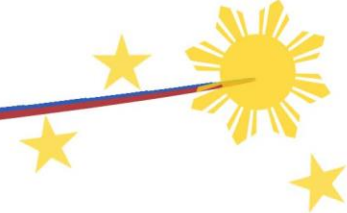
1. NRoSS Direct Participant

- ☐ Participation Agreement
- ☐ User Enrollment Form
- ☐ Access Rights and Authentication Policy
- ☐ VPN Connectivity and Registration Form

2. Sponsorship of Trading Participants

- ☐ Investors Undertaking
- ☐ SPA – between Sponsor Trading Participant and Trading Participant
- ☐ Sponsors Declaration and Undertaking

Go!Live Cut-over timeline:

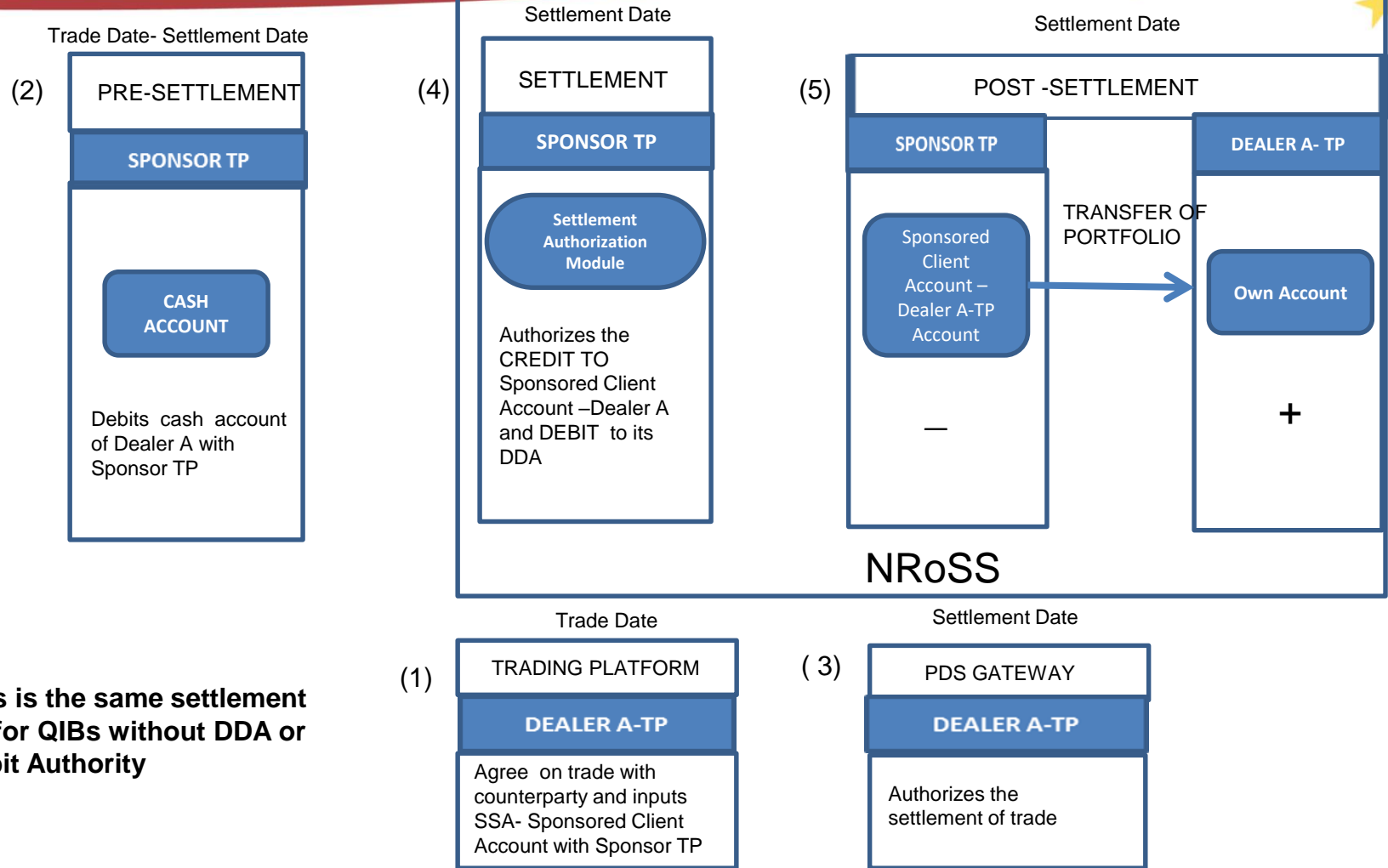


Date	Activity	Responsible
Thursday, Aug. 23, 2018	Participant Connectivity test	Participants, NRoSS team
Friday, Aug. 24, 2018	RoSS Data Migration	NRoSS team
Saturday, Aug.25, 2018	Subregistry Data Migration	NRoSS team
	BTr Internal Data Validation	NRoSS team
	Loading of Participant DM reference files for validation to Participant Sharepoint folders	NRoSS team
Sunday, Aug. 26, 2018	Start Participant Validation (9:00am)	Participants, NRoSS Helpdesk
Monday, Aug. 27, 2018	End Participant validation (12:00 noon)	Participants, NRoSS Helpdesk
	Deadline of Participant data error reporting (12:00noon)	Participants, NRoSS Helpdesk



END OF SLIDE.

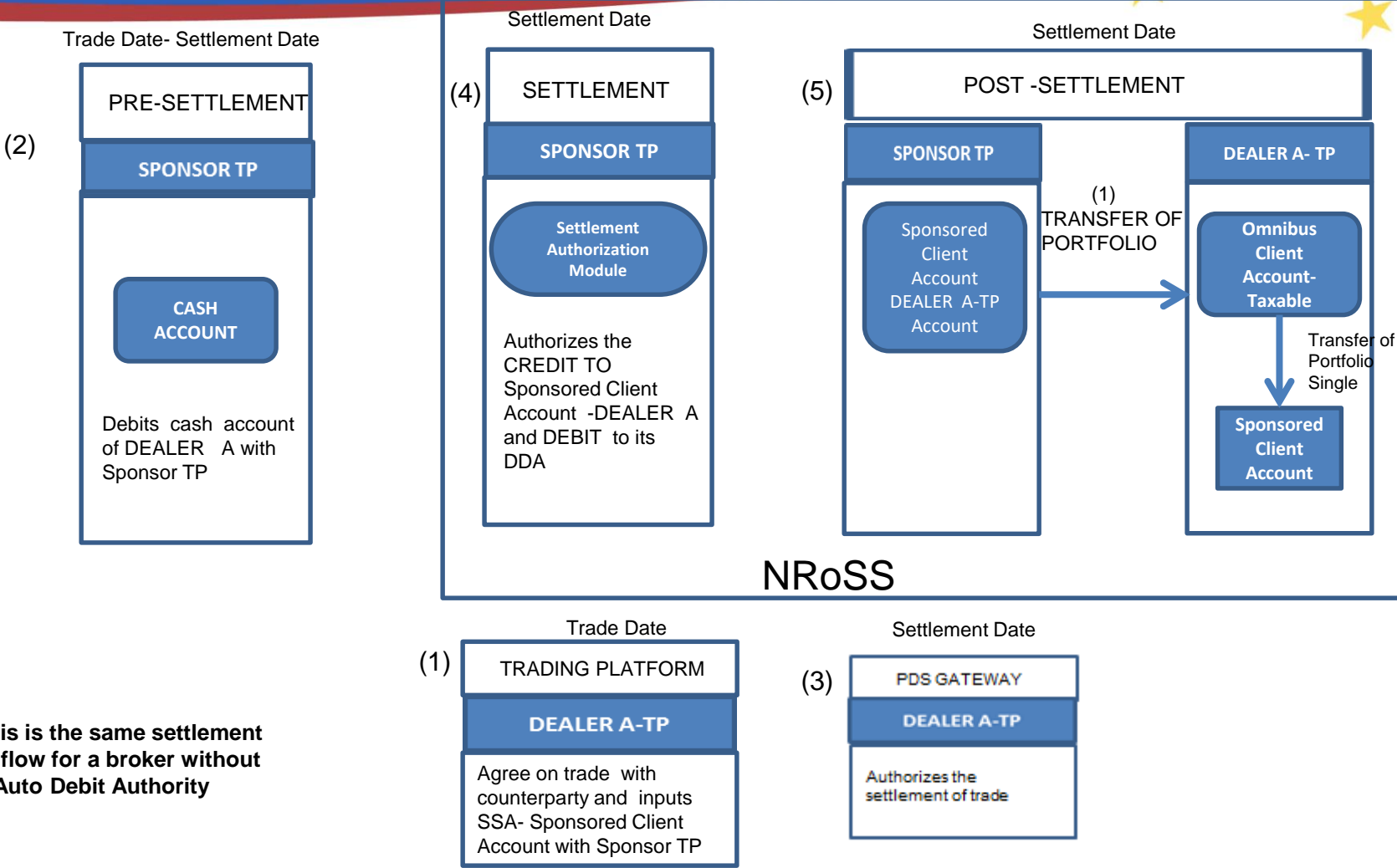
DEALER WITHOUT DDA OR AUTO DEBIT AUTHORITY FROM CASH - BUY TRANSACTION- OWN ACCOUNT



Note: this is the same settlement process for QIBs without DDA or Auto Debit Authority

DEALER WITHOUT DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT

BANK- BUY TRANSACTION- FAO CLIENT



Note: This is the same settlement process flow for a broker without DDA or Auto Debit Authority

DEALER WITH DDA OR AUTO DEBIT AUTHORITY FROM CASH SETTLEMENT BANK - BUY TRANSACTION - FAO CLIENT

