

Annex A

OPERATING GUIDELINES FOR TRADING AND SETTLEMENT OF THE ONSHORE FOREIGN CURRENCY DENOMINATED TREASURY BONDS (the "Bonds")

1. Account Structure

NRoSS Account - refers to the securities account in NRoSS that records the GS holdings of an individual or entity who has legal title or ownership over such GS. An individual or entity who has a registered NRoSS Account in RoSS is called an "NRoSS Account Holder".

NRoSS Accounts are classified as follows:

1.1. **Own Account** - refers to the securities account of an NRoSS Direct Participant.

1.2. **Client Account** - refers to the securities account of a client, institutional or individual. This Client Account is further classified into:

1.2.1 **Omnibus Client Account** - is a transitory securities account that is used or operated only by Sponsor Trading Participants and registered in its name to merely facilitate the settlement of trades of its clients.

1.2.2 **Sponsored Client Account** - is a securities account under the name of an institutional or individual client and, in the case of a Trust Entity, Custodian and Depository, in the name of a pooled/managed fund. It can only be created by a Sponsor Trading Participant for its clients by virtue of an authorization, Special Power of Attorney ("SPA") or other types of agreement such as but not limited to a Trust or Custodianship Agreement.

2. **Standard Settlement Account** – refers to the NRoSS account that Trading Participants shall use to settle GS trades in the secondary market in order to promote efficiency and mitigate operational risk in settling trade transactions at NRoSS.

3. **Cash Settlement Account**. The cash settlement involves the PDDTS Account of the designated settlement bank as defined in the PDEX PDS Clear System, which will settle the cash leg in the PDDTS System.

4. Settlement Process

4.1. Trades shall be settled in accordance with the following process:

4.1.1 Secondary Market Trades shall originate from an authorized trading platform or trade quotation system following SEC-approved trading rules and conventions applicable to such platform or system.

4.1.2 To effect a trade transaction, encoding of the PDS Investor Code (PIC) shall no longer be required, instead Trade Participants shall use the Standard Settlement Account as indicated under 6.2.1 and Annex A of Treasury Circular No. 4-2018 dated August 20, 2018.

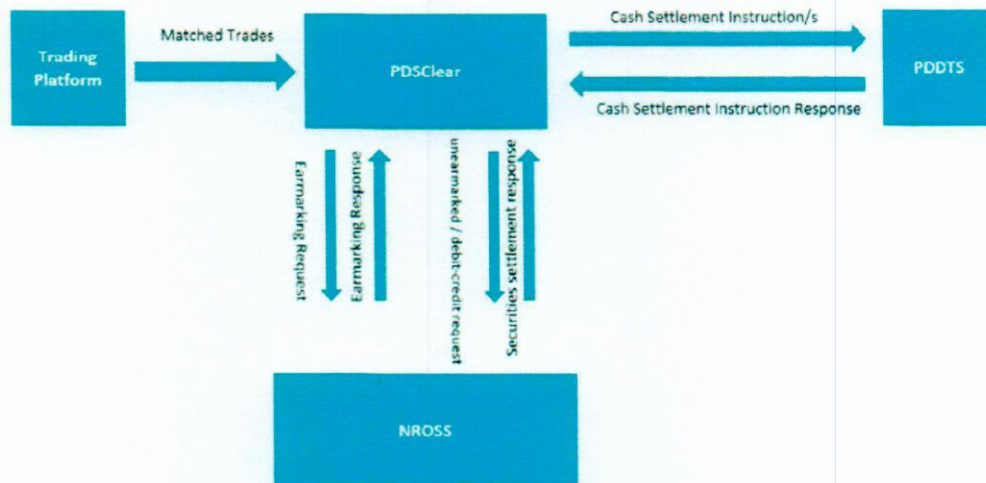
4.1.3 Done trades to flow to the PDS Clear System. Trading Participants or through their Sponsor Trading Participants shall authorize the settlement of trades in the PDS Clear System.

4.1.4 PDS Clear System shall send an earmarking request to NRoSS for the securities subject of the trade. Correspondingly, NRoSS shall send an earmarking completion to the PDSClear System.

4.1.5 PDS Clear System shall send the cash settlement instruction to the Philippine Domestic Dollar Transfer System (PDDTS) to debit the PDDTS account of the Buyer or PDDTS account of its designated Cash Settlement Bank and credit the PDDTS account of the Seller or PDDTS account of its designated Cash Settlement Bank as applicable.

4.1.6 Upon completion of the cash settlement, the PDS Clear System shall send a securities settlement instruction to NRoSS to trigger the unearmarking and immediate transfer of securities to the Buyer.

Diagram:



5. Pre and Post Settlement Activities

- 5.1. Trading Participants shall perform pre- and post-settlement transfers for purposes of properly managing balances in concerned securities accounts. These transfers shall follow the market convention timeline in settling GS trades. Annex D of Treasury Circular No. 4-2018 summarizes these transfers for guidance of Trading Participants.
- 5.2. 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.