



Funding the Republic

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
Intramuros, Manila 1002

TREASURY CIRCULAR NO. 1 - 2019
4 March 2019

Treasury Circular prescribing the Guidelines on the Secondary Market Trading and Settlement of the Onshore Foreign Currency Denominated Treasury Bonds of the Republic of the Philippines pursuant to the Program Mechanics and Terms and Conditions in relation thereto.

1. PREAMBLE

This Treasury Circular and the attached Operating Guidelines (Annex A), are hereby issued to prescribe the trading and settlement guidelines to implement the secondary market requirements, in relation to the transition from BTr Sub-Registry to the National Registry of Scripless Securities (NRoSS) system environment, for the Bonds under the Program Mechanics and the Terms and Conditions in relation thereto, as may be amended from time to time.

2. SCOPE

This Treasury Circular shall apply to the Onshore Foreign Currency Denominated Treasury Bonds (the "Bonds").

3. TAXABILITY OF THE BONDS

The final withholding tax on interest due on the Bonds is assumed by the Republic as stated in the Program Mechanics and the Terms and Conditions in relation thereto. The interest payable by the Republic shall be increased as will result in the receipt by the holder of the amount that would have been received if such final withholding tax had not been required.

4. NON-LIMITED TRADING AND SETTLEMENT OF THE BONDS

Transfers of the Bonds between and among its holders shall be conducted in the secondary market infrastructure recognized by the Securities and Exchange Commission and recorded in the National Registry of Scripless Securities (NRoSS). The NRoSS System shall provide an environment that shall allow holders of any tax classification to transfer the Bonds and settle the same between and among themselves. The NRoSS System shall compute and track the appropriate withholding tax on accrued interest due from a seller on each trade transaction on the basis of the seller's holding period for the sold securities as set forth in this Treasury Circular.

5. THE REGISTRY

The Bonds shall be held and recorded in the registry book of the NRoSS.

6. NRoSS ACCOUNT

- 6.1. Designation of NRoSS Account. Each trading participant, including each investor acting through a trading participant, shall designate an NRoSS account for tax tracking used for settlement of trades.
- 6.2. Balances of NRoSS Account. The NRoSS account shall reflect the total balance for the Bonds that will be subject of tax tracking. The total balance for the Bonds in NRoSS Account shall be comprised of the earmarked balance plus remaining balance.
- 6.3. Handling of Balances in NRoSS Account
 - 6.3.1. Treatment of Purchases. The Bonds subject of buy transactions that have settled shall be added to the balances in NRoSS Account in the order of their settlement date.
 - 6.3.2. Treatment of Sales. The Bonds subject of sell transactions will be earmarked against the remaining balance of the seller. Any withdrawn/cancelled sell transaction within the day or any sell transaction which failed to settle shall release such earmarked securities.
- 6.4. Holding Period of Balances in NRoSS Account. The Bonds purchased shall remain in NRoSS Account up to maturity or until sold or transferred to another holder with an NRoSS Account.

7. SETTLEMENT AMOUNT

- 7.1. Settlement Amount. Since the final withholding tax on interest due on the Bonds is assumed by the Republic as stated in the Terms and Conditions, the Settlement amount shall be computed as Clean Price plus the Accrued Interest.
- 7.2. Balances in NRoSS Account. Upon settlement of the trade transaction, the balances of securities in NRoSS Account shall be used as basis for the calculation of the final withholding taxes on accrued interest due from a seller for each trade transaction. The NRoSS System shall compute and track the appropriate withholding tax on accrued interest on the basis of the seller's holding period for the sold securities inventory as set forth in this Treasury Circular. The computed final withholding tax on accrued interest shall be assumed and paid by the Republic on coupon payment date.

8. INTEREST PAYMENT

On interest payment date, the interest payment due to each holder of the Bonds shall be computed taking into account, among others:

- a. Final withholding taxes assumed by the Republic; and
- b. Holding Period, which is the length of time the Bonds are held by the holder in NRoSS Account within a coupon payment period.

9. REPEALING CLAUSE

All circulars, orders or memoranda inconsistent herewith are hereby repealed, modified and amended accordingly.

10. EFFECTIVITY

This Treasury Circular shall take effect immediately.



ROSALIA V. DE LEON
Treasurer of the Philippines