



*Funding the Republic*

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

**MEMORANDUM**

TO: : All Trading Participants

SUBJECT : **Transition from the BTr Sub-Registry to the National Registry of Scripless Securities (NRoSS) of the Onshore Foreign Currency Denominated Treasury Bonds**

Date : 4 March 2019

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The Bureau of the Treasury will be transitioning the Onshore Foreign Currency Denominated Treasury Bonds from the Sub-Registry to the NRoSS System environment effective **11 March 2019**. Please be guided accordingly by the attached Treasury Circular No. 1-2019.

Salient points in the Treasury Circular include the following:

1. PDS Investor Code (PIC) shall no longer be required, instead Trade Participants shall use Standard Settlement Account as indicated under 6.2.1 and Annex A of Treasury Circular No. 4-2018.
2. All transfers between and among the holders of the Bonds shall be recorded in the National Registry of Scripless Securities (NRoSS).

Thank you very much for your continued support and cooperation.

**ROSALIA V. DE LEON**  
Treasurer of the Philippines



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**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:

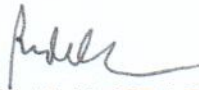
- a. Final withholding taxes assumed by the Republic; and
- b. Holding Period, which is the length of time the Bonds are held by the holder in NRoSS Account within a coupon payment period.

## **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



**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.

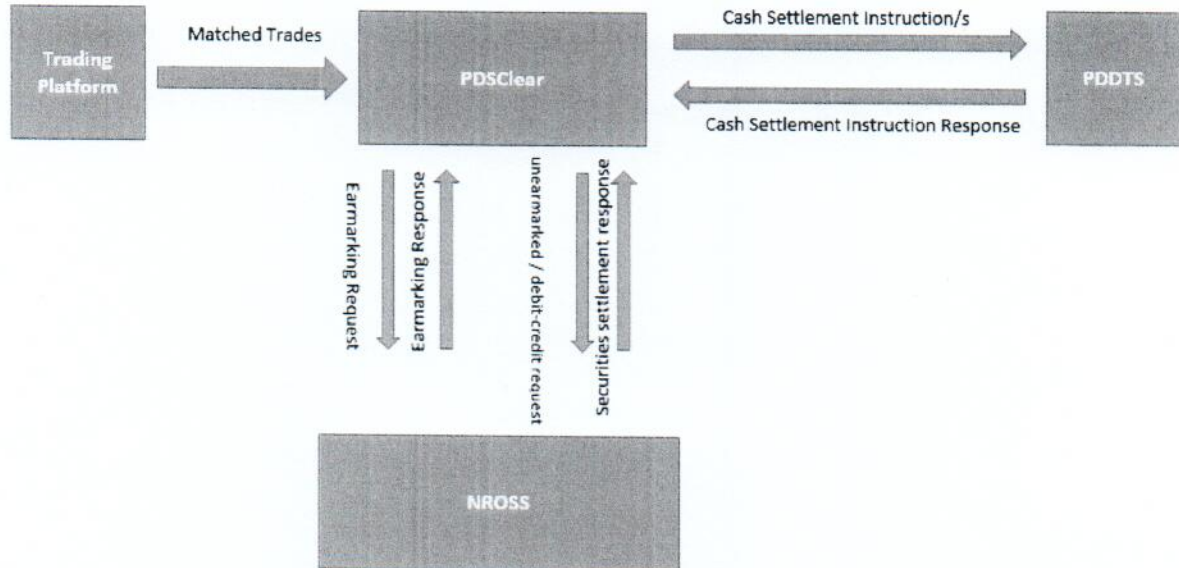
4.1.3 Done trades to flow to the PDS Clear System. Trading Participants or through their Sponsor Trading Participants shall authorize the settlement of trades in the PDS Clear System.

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 PDS Clear 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.