

DELIVERY OF GOVERNMENT SECURITIES TO THE INVESTOR'S PRINCIPAL SECURITIES ACCOUNT WITH THE REGISTRY OF SCRIPLESS SECURITIES

Appendix to Secs. 431, 242 on Delivery of Securities, and 245 on Delivery of Securities

The following are the guidelines on the delivery of government securities by the selling bank and/or NBFI under the supervision of the Bangko Sentral to an investor's Principal Securities Account with the Registry of Scripless Securities (RoSS) through the Client Interface System (CIS) facility as compliance with the requirement of effective delivery under Secs. 242 (*Delivery of Securities*), 245 (*Delivery of Securities*) and 431:

- a. Banks/NBFIs, acting either as accredited government securities eligible dealers (GSEDs) or licensed government securities dealers, shall execute the attached Memorandum of Agreement (MOA) with the BTr regarding the creation of the Principal Securities Account with the RoSS on or before 31 January 2007. The MOA between the BTr and the GSED is attached as Annex A.
- b. The dealing bank/NBFI shall provide BTr with the following documents:
 - (1) Agency Document issued by investor/client if the dealing bank/NBFI is designated as the agent; and
 - (2) Investor's Undertaking (attached as Annex B)
- c. No new Investors Principal Securities Account shall be created unless the foregoing documents are submitted to the BTr. Otherwise, the dealing bank/QB/NBFI will be subject to the appropriate penalties prescribed under Secs. 242 (*Delivery of Securities*), 245 (*Delivery of Securities*) and 431.

(As amended by Circular 873 dated 25 March 2015)

Annex A

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This agreement made and entered into this _____ at _____, Philippines by and between:

The **BUREAU OF THE TREASURY**, a duly constituted government bureau under the Department of Finance, Republic of the Philippines, with principal office at Palacio del

Gobernador Building, Gen. Luna corner A. Soriano Avenue, Intramuros, Manila, represented herein by the Treasurer of the Philippines, _____, and hereinafter referred to as “**BTr**”;

- and -

_____ a domestic/international banking/financial institution organized and existing pursuant to the laws of the Republic of the Philippines/(*country of incorporation*), duly licensed by the Securities and Exchange Commission (SEC) to deal in securities, represented herein by _____ in her/his capacity as _____, and hereinafter referred to as the “**Dealer**”;

(the “BTr” and the “Dealer” may be referred to as a “Party” in the singular tense, as “Parties” in the plural/collective tense)

WITNESSETH: THAT

WHEREAS, the Registry of Scripless Securities (“RoSS”) is the official registry of government securities issued by the National Government through the Bureau of the Treasury;

WHEREAS, the RoSS is an electronic registry of recording ownership of or interest in and transfers of government securities;

WHEREAS, the delivery of government securities sold by the Dealer, on a without recourse basis, to the investor’s Principal Securities Account with the RoSS through the Client Interface System (“CIS”) Facility shall be sufficient compliance with the delivery requirement under Sec. 245 (*Delivery of securities*), of the Bangko Sentral ng Pilipinas (“BSP”) Manual of Regulations for Banks (MORB) and Circular No. 524 dated 31 March 2006.

WHEREAS, the Dealer is a government securities eligible dealer, accredited by the BTr to participate in the primary auction of government securities pursuant to Finance Department Order No. 141-95, as amended, and/or a bank/financial institution licensed by the SEC to deal in government securities in the secondary market;

WHEREAS, investors of government securities purchase/trade the same in the secondary market through any of the dealers;

WHEREAS, recording of ownership of, or interest in government securities requires the creation/opening of a Principal Securities Account with the RoSS through the CIS Facility;

WHEREAS, to promote transparency, investor confidence and deepening of the government bond market, investors must be given adequate assistance in the opening/creation of his/its Principal Securities Account with the RoSS (“Name-on-Registry”);

NOW, THEREFORE, in view of the foregoing premises and the mutual covenants hereinafter provided, the parties hereby agree as follows:

Section 1. Obligations of BTr

1. Receive instruction from the Dealer as authorized by the investor, through the RoSS-CIS for the creation/opening of the Principal Securities Account;
2. Create/open in the RoSS a Principal Securities Account for the requesting investor of scripless government securities through which all transactions affecting said securities will be recorded;
3. Provide and forward to the investor an electronic confirmation of his/its RoSS Principal Securities Account Number and notices and statements of account under any of the modes indicated in the Investor’s Oath of Undertaking submitted to the BTr;
4. On relevant coupon/maturity payment dates and for payments made through the Bangko Sentral, instruct the Bangko Sentral to credit the regular demand deposit account (DDA) of the investor’s settlement bank: *Provided*, That if the coupon/maturity payment date falls on a Saturday, Sunday, or Holiday or on a day during which business operations of the BTr is suspended, payment/s shall be made by the BTr on the next business day, without adjustment in the amount of interest to be paid;
5. Ensure that all government securities bought by investors from the Dealer are accurately recorded under the investor’s Principal Securities Account, or to the Securities Custody Account of the investor’s designated third-party custodian, or to the Securities Deposit Account of the investor’s designated depository;
6. Furnish the investor with Statement(s) of Securities Account, at least quarterly and whenever there is a movement in the investor’s Principal Securities Account, through the investor’s preferred mode of receipt of notice and/or statement; and
7. Consistent with BTr Memoranda dated 28 December 2005, 12 January 2006 and 31 January 2006 and applicable Bangko Sentral regulations, disallow any increase in the holdings of beneficial owners of securities recorded in the sub-account of the Dealer, if any, existing as of 02 February 2006, for beneficial owners of securities who have either (a) declined in writing the delivery of

his/its securities to a direct registry account under his or its name or a third-party custodian or (b) not responded to the Dealer's letter to the investor as regards the disposition of his/its securities. Any withdrawal or sale of the securities, either partial or total, under the sub-account of the Dealer for the beneficial owners may only be allowed if the Dealer is authorized in writing by the client/Investor. Such written authority shall be furnished by the Dealer to the BTr prior to the execution of the transaction.

Section. 2. Obligations of the Dealer

The Dealer shall:

1. Assist the investor to open his/its individual Principal Securities Account (Name-On-Registry) with the RoSS through the CIS facility;
2. Conduct the Know your Client ("KYC") screening of its investors/clients referred to the BTr for the creation of the Principal Securities Account (Name-On-Registry) with the RoSS. In this connection it shall: (a) issue a certification 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 R.A. No. 9160, otherwise known as the "Anti-Money Laundering Act of 2001", as amended, and its implementing rules and regulations; and whenever necessary, (d) afford BTr unchallenged access to said KYC records/documents. The same KYC or customer identification documents shall likewise be made available to regulators for verification upon request;
3. Transmit the investor's instructions to the RoSS for the creation/opening of a Principal Securities Account. For this purpose, the Dealer shall submit and/or inform the investor to submit to the BTr his/her settlement account maintained in a settlement bank of his/her choice, through which all relevant payments on the securities will be made by the BTr;
4. Upon the creation of the investor's Principal Securities Account with the BTr's RoSS to which the securities subject of a sale will be credited, immediately furnish the investor with the BTr's electronic confirmation of its creation. The Dealer shall also provide to the investor the BTr electronic confirmation that includes a statement on the credited amount of securities;
5. Ensure that all the necessary documents executed by the client investor are complete and submitted to BTr upon request;
6. Ensure that all government securities sold to investors are delivered to their appropriate Principal Securities Account with the RoSS, or to the account of the investor's designated custodian or securities depository;

7. Undertake not to misuse the investor's RoSS Account No., which may come into its possession upon the creation of a Principal Securities Account for the investor or on previous transactions with the investor;
8. Acquaint/apprise investors on the rules and procedure prescribed by the BTr in connection with investment and trading of scripless government securities, including but not limited to coupon payment, redemption value/proceeds of the investor's securities, legal encumbrances, and other relevant information relative to investor's security holdings. As a minimum, investors must be apprised of the Revised RoSS Procedure on Buy and Sell of Securities and recording of transfers through the RoSS-CIS facility found in the BTr website, with particular emphasis on the feature of non-tagging of securities to GSEDs, or non-exclusivity of the selling GSEDs for subsequent transactions;
9. Whenever designated as authorized agent and/or settlement bank, ensure confidentiality and prompt delivery of all notices and statements of securities account/s to investors; and
10. Ensure that all instructions transmitted to BTr concerning the securities account of clients-investors are legal, valid and duly authorized pursuant to an agreement or any written authority executed by the client-investor in favor of the dealer.

Annex B

NOTE: TO BE SUBMITTED TO THE BUREAU OF THE TREASURY

INVESTOR'S UNDERTAKING

I/We

For Individual Investors
of legal age

Name:
Address:
Civil Status:

For Juridical Entity
authorized to do business
in the Philippines

Name:
Principal Office Address:
Place of Incorporation:
Name of Representative:
Capacity/Position of Representative:

- A. Hereby agree to execute, necessary written authority in favor of either the dealing Government Securities Eligible Dealer¹ (GSED) (accredited by the Bureau of the Treasury) or

Securities Dealer² (licensed by the Securities and Exchange Commission) for the creation of a Principal Securities Account with the RoSS or for the execution of trade transactions (i.e. buying and selling instructions, including relaying of instructions to “the CUSTODIAN” or “Central Securities Depository” to receive or deliver securities in order to consummate the buy/sell transactions) and to be bound by the provisions of a written authority or any relevant agreement I/we have entered into concerning my/our government security holdings, thereby confirming my/our authority for BTr-RoSS to carry out and execute the acts or instructions referred to in the aforesaid documents; and

- B. It is understood that the RoSS administered by the BTr is the official registry of ownership of or interest in government securities; that all government securities floated/originated by NG under its scripless policy are recorded in the RoSS as well as subsequent transfer of the same; and that I/we will abide by the rules and regulations of BTr-RoSS concerning government securities.

And further undertake as follows:

1. To create/open through the Client Interface System a Principal Securities Account with the RoSS to ensure that title of said scripless securities is officially recorded in my/our name and under my/our control.
2. That as a condition for the creation/opening of my/our Principal Securities Account with the RoSS, I/we have opened a bank account with (_____ as *Settlement Bank*) to which coupon and maturity proceeds and any other payments to be made on my/our government securities holdings will be credited; undertake to furnish the RoSS of said bank account number; and give notice at least three (3) business days prior to any coupon and/or maturity payment of any change in the Settlement Bank and/or bank account number.
3. That no transfer of securities shall be made: (i) during the period of two (2) business days ending on (and including) the due date of any redemption payment of principal; and (ii) during the period of two (2) business days ending on (and including) the due date of any coupon payment date (the “Closed Period”). I/We further acknowledge that the BTr shall prevent any transfer of the securities to be recorded in the RoSS during any Closed Period.
4. That in the case of outright sale transactions of government securities, including that of RTBs, I/we undertake to sell the same to any of the GSEDs or Securities Dealers, save those provided for under existing rules and regulations on government securities applicable to tax-exempt institutions, government-owned or controlled corporations and local government units. Otherwise, I/we shall have the said securities delivered to my/our agent/custodian for

trading or any other transactions pursuant to a relevant written instruction/authority.

5. To receive notices and/or statements of account on a quarterly basis or whenever there is a movement in my Principal Securities Account from the RoSS through any of the following modes: (Please indicate choice)

- ☐ Pick-up at the RoSS
- ☐ Registered Mail to Home/Office Address _____
- ☐ Deliver electronically to Agent
- ☐ Deliver electronically to Settlement Bank (for pick up)
- ☐ Email – email address _____

In the absence of an indicated choice, I/we understand that the BTr shall electronically deliver all Notices and Statements to my/our designated settlement bank.

Note: In addition to the indicated manner of receiving notice(s) and statement(s), Investor can directly secure from the BTr written copy of any notice, statement of account, or confirmation report, subject to prior notice to and in accordance with the procedures of the BTr.

I/We hereby agree to abide with the Schedule of Fees and the manner of collection, as may be prescribed by the BTr from time to time.

6. That I/we expressly agree and acknowledge that the crediting to the regular DDA of my/our settlement bank of coupons and/or redemption value due my/our scripless securities, shall constitute actual receipt of payment by me/us.
7. To hold the BTr, its officers, employees and agents free and harmless against all suits, actions, damages or claims arising from failure of my/our Settlement Bank to credit my/our bank account for coupons and maturity values on due date.
8. That all instructions affecting my/our scripless securities which are transmitted to or received in good faith the RoSS from myself/ourselves or my/our designated agent/custodian are covered by relevant documentation indicating my/our express consent and authority.
9. That I/we expressly warrant and authorize the delivery of copies of all evidence of authority granted to my/our designated agent/custodian to transact on my/our scripless securities upon reasonable demand by BTr.

10. That I/we undertake to immediately notify the RoSS of any unauthorized trade of my/our scripless securities, and until receipt of such notice, transactions effected by BTr in good faith are deemed valid.
11. To render free and harmless the BTr, its officers, employees and agents for any claim or damages with respect to trade instructions carried out in good faith.
12. That while it is understood that BTr shall maintain the strict confidentiality of records in the RoSS, I/we hereby expressly waive and authorize BTr, to the extent allowed by law, to disclose relevant information in compliance with Anti-Money Laundering laws, rules and regulations.
13. To submit to the BTr the relevant authorizations issued to my/our agent, upon demand of BTr.

IN WITNESS WHEREOF, I/We hereunto affix our hands this _____ day of _____ at _____, Philippines.

Name & Signature of Investor

Conforme:

Settlement Bank

ACKNOWLEDGMENT

BEFORE ME, a Notary Public for and in the City of _____, personally appeared:

Name	CTC No.	Date:	Place of Issue
_____ (Investor or Representative of Juridical Entity)	_____	_____	_____

known to me to be the same person who executed the foregoing instrument and he/she acknowledge to me that the same is his/her free and voluntary act and deed (and the free act

and deed of the entity they represent).

WITNESS MY HAND AND NOTARIAL SEAL this _____ at _____,
Philippines.

NOTARY PUBLIC

Doc. No. : _____

Page No. : _____

Book No. : _____

Series of _____

Footnotes

1. Accredited by the Bureau of the Treasury
2. Licensed by the Securities and Exchange Commission