

DEPARTMENT ORDER NO. 20-2010
June 15, 2010

**OMNIBUS REVISED RULES AND REGULATIONS
IMPLEMENTING R.A. NO. 245, AS AMENDED, AND R.A. NO. 1000,
AS AMENDED, IN RELATION TO R.A. NO. 7653**

1. Legal Basis:

1.1 This Order is issued pursuant to Republic Act No. 245, as amended, and Republic Act No. 1000, as amended, in relation to Republic Act No. 7653 to prescribe the omnibus revised rules and regulations on the issuance, placement, recording, selling, servicing, redemption and payment of Government Securities issued by the Republic of the Philippines.

1.2 The Secretary of Finance is mandated under Republic Act No. 245 to prepare and issue such rules, regulations, and instructions as he considers necessary for the successful achievement of the purposes of meeting public expenditures authorized by law or providing for the purchase, redemption, or refunding of any obligations, either direct or guaranteed, of the Philippine Government, taking such measures as he may deem necessary to protect the Republic of the Philippines and the investing public from fraud or loss.

1.3 The Secretary of Finance is authorized to prescribe the form or forms, the interest and discount rates, the denominations, maturities, negotiability, convertibility, call and redemption features, and all other terms and conditions of issuance, placement, recording, sale, servicing, redemption, and payment of all evidences of indebtedness issued under the authority of Republic Act Nos. 245 and 1000.

2. Purposes

2.1 To provide a liquid and organized environment for Government Securities issued by the Republic and make the same more attractive to investors thereby enhancing the capability of the Republic to raise needed funds from public borrowings to achieve the purposes set forth in Republic Act Nos. 245 and 1000.

2.2 To allow various participants in the Government Securities market to trade, transfer, or encumber in and among themselves despite differences in their tax status in due consideration of the innovations of technology which now enable the tracking of beneficial ownership and the development of a legal framework that recognizes electronic evidence of recording beneficial ownership.

2.3 To establish an orderly environment and appropriate oversight over the secondary market for Government Securities consistent with relevant laws, rules and regulations which now require the existence of organized secondary markets under the regulatory oversight of the Securities and Exchange Commission, even for securities which are exempt under the Securities Regulation Code, such as Government Securities, to protect the Republic of the Philippines and the investing public from fraud or loss.

2.4 To establish the minimum standards for secondary markets of Government Securities to ensure that all investors of Government Securities enjoy equal benefits regardless of market venue.

In accordance with Republic Act No. 245, as amended, and Republic Act No.1000, as amended, in relation to Sections 117, 118, 119, 120, 121, 122, and 129 of Republic Act No. 7653, the following Omnibus Revised Rules and Regulations governing the Issuance, Placement, Sale, Servicing and Redemption of Government Securities issued by the Republic of the Philippines are hereby adopted:

Article I
GENERAL PROVISIONS

Part 1
DEFINITION OF TERMS

Section 1. *Definition of Terms.* When used in this Order, the terms below shall have the following meaning:

1. **“Auction Method”** is a method of sale or origination of Government Securities whereby prospective buyers accredited by BTr submit tenders or bids through the Auction System.
2. **“Auction System”** means an auction system used by BTr for the primary or origination sale of Government Securities through an Auction Method. Unless the context otherwise requires, the term Auction System shall include ADAPS or such other BTr-accredited auction system.
3. **“Automated Debt Auction Processing System” or “ADAPS”** means the electronic auction system that accepts and processes bids for auction of Government Securities.
4. **“Brokers”** are institutions licensed as such by the SEC in respect of Government Securities.
5. **“BSP”** shall refer to the Bangko Sentral ng Pilipinas, or its successor agency.
6. **“BTr”** means BTr or National Treasury, or its successor agency.
7. **“BTr-Managed Funds”** shall refer to funds managed by BTr pursuant to law or contract.
8. **“Competitive Bid or Tender”** means a bid or tender to purchase a stated par amount of securities at a specified yield or rate.
9. **“Dealers”** are financial institutions licensed as such by the SEC in respect of Government Securities.
10. **“Dutch or Single Price Auction”** means an auction in which all successful bidders pay the same price regardless of the bid yields or rates that each of them submits.
11. **“English or Multi-Price Auction”** means an auction in which each successful competitive bidder pays the price equivalent to the bid yield or rate that each of them submits.
12. **“Financial Institution”** shall mean corporations organized as such primarily to deal in financial assets through borrowing

- funds from savers or investors and lending funds to users, producers and other financial institutions. This may refer to banks, non-bank financial intermediaries, insurance companies, securities dealers or brokers, investment houses, finance companies and mutual funds under the appropriate regulatory requirements of Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, or the Insurance Commission.
13. **“Government-Owned or Controlled Corporation”** shall refer to a corporation which is created by special law or organized under the Corporation Code in which the Government, directly or indirectly, has ownership of the majority of the capital or has voting control.
 14. **“Government Securities”** for purposes of this Department Order shall mean securities issued by the Republic of the Philippines and includes Treasury bills, certificate of indebtedness, Treasury bonds, notes, securities, and other evidence of indebtedness.
 15. **“Government Securities Eligible Dealer”** or **“GSED”** means a SEC-licensed dealer in Government Securities accredited by BTr to participate in the primary or origination sale of Government Securities.
 16. **“Government Securities Trading Market”** or **“GSTM”** shall refer to an SEC-authorized trading market accredited by BTr under this Order as a secondary market for Government Securities.
 17. **“Local Government Unit”** shall refer to a political subdivision of the Republic of the Philippines consisting of provinces, cities, municipalities, or autonomous regional political subdivision authorized by law to issue bonds or incur indebtedness.
 18. **“Market Maker”** means a GSED accredited by BTr who commits to provide firm two-way quotes in Government

Securities in accordance with the relevant BTr rules and regulations.

19. **“Non-Competitive Bid or Tender”** means a bid or tender to purchase a stated par amount of securities at the weighted average interest rate resulting from the accepted Competitive Bid or Tender.
20. **“Over-the-Counter Method”** is a manner of primary origination or sale of Government Securities through offer or negotiation to entities as may be allowed by BTr such as but not limited to Government-Owned or Controlled Corporations (GOCCs), Local Government Units (LGUs), or Tax-Exempt Institutions (TEIs).
21. **“Primary Securities Account”** shall refer to the securities account in RoSS maintained by a participant.
22. **“Registry of Scripless Securities” or “RoSS”** means the electronic registry, which serves as the official and final record of ownership or interest in Government Securities. Unless the context otherwise requires, the term RoSS shall include any BTr-accredited electronic sub-registry.
23. **“SEC”** shall refer to the Securities and Exchange Commission of the Philippines, or its successor agency.
24. **“Settlement Bank”** shall refer to BSP or to a bank or non-bank financial institution designated by a bondholder for any settlement of primary market purchases, receipt of coupon and/or redemption payments of Government Securities. The Settlement Bank must be a member of the applicable payment system such as BSP Philippine Payment and Settlement System (*PhilPaSS*) or Philippine Domestic Dollar Transfer System (PDDTS).
25. **“Tax-Exempt Institution”** shall refer to an entity declared and certified by the Bureau of Internal Revenue as exempt from the applicable tax under the National Internal Revenue Code.

26. **“Tap Method”** means a manner of sale or offering of Government Securities open exclusively to GSEDs qualifying as Market Makers, BTr-Managed Funds, and other entities or instrumentalities as may be allowed by the Secretary of Finance or through BTr.

Part 2

POWERS OF THE SECRETARY OF FINANCE

Section 2. Authority to Borrow. – Under Section 1 of R.A. No. 245, as amended, the Secretary of Finance, with the approval of the President of the Philippines, and after consultation with the Monetary Board, is authorized to borrow from time to time on the credit of the Republic of the Philippines such sum (s) as in his judgment may be necessary to meet public expenditures authorized by law or to provide for the purchase, redemption or refunding of any obligation, either direct or guaranteed, of the Philippine Government, and to issue thereof evidence of indebtedness which may be made payable in Philippine currency, or in any readily convertible foreign currency.

Under Section 1 of R.A. No. 1000, as amended, upon the recommendation of the Secretary of Finance, the Monetary Board, and the National Economic and Development Authority, the President of the Philippines is authorized to issue, preferably in the Philippines, or abroad if necessary, in the name and in behalf of the Republic of the Philippines bonds, including lottery bonds, to finance public work and projects for economic and social development which have high economic or social rates of returns and which are authorized by law, including expropriation of lands for subdivision and resale to individuals, or to repay or service bonded obligations of the Government incurred for such projects. The bonds issued under the authority of this section may be made payable both as to principal and interest, in Philippine currency or any readily convertible foreign currency.

Section 3. *Issuance of Government Securities.* – The exercise of authority to borrow by the President of the Philippines or the Secretary of Finance shall be through the issue of Government Securities, and shall be undertaken by an Auction Committee hereinafter constituted whenever auction is prescribed and by BTr whenever any other method is authorized.

Section 4. *Authority of the Secretary of Finance to Prescribe the Features of Government Securities.* – The Secretary of Finance, in consultation with the Monetary Board, shall prescribe the terms, yields, denominations, maturities, negotiability, convertibility, call, eligibility, redemption and other features of the Government Securities, including documentary stamps tax on the original issue and final withholding tax on the income derived from Government Securities. Other terms and conditions of Government Securities issued pursuant to this Order shall be subject to the provisions of R.A. Nos. 245 and 1000, as applicable.

Section 5. *Authority of the Secretary of Finance to Prescribe Standards on Secondary Market of Government Securities.* – The Secretary of Finance, through BTr, shall determine the appropriate secondary market structure for Government Securities, in accordance with relevant laws and regulations, as well as require the implementation, through BTr, of an accreditation framework for GSTMs and its participants and provide the necessary environment to ensure the liquidity of the issues and the development of the investor base.

Part 3

CLASSIFICATION, FEATURES, PRICING, AND REDEMPTION OF GOVERNMENT SECURITIES

Section 6. *Classification of Government Securities.* – (1) Government Securities issued pursuant to R.A. No. 245, as amended are classified as follows:

- a. Treasury bills issued on a discount basis or at par and payable at maturity without interest. Treasury bills may be offered for sale either on a competitive basis or at a fixed rate of discount or at par and may be made payable at any date not later than one year from the date of issue;
 - b. Certificate of indebtedness having maturities not exceeding eighteen months from the date of issue; and
 - c. Treasury bonds, notes, securities or other evidences of indebtedness having maturities of one year or more but not exceeding twenty-five years from the date of issue.
- (2) Government Securities issued pursuant to R.A. No. 1000, as amended.
- (3) Cash management bills and other evidences of indebtedness not falling under Paragraph (1) and (2) above, issued by the Republic of the Philippines.

Section 7. *Pricing of Government Securities; Frequency of Payment.*

– Government Securities may be issued at a discount basis, at a premium, or at par and payable with or without coupon in accordance with the terms and conditions of issuance under a Notice of Offering or public notice issued by the Secretary of Finance through BTr. Coupons due on coupon-bearing Government Securities shall be payable semi-annually in arrears calculated on 30/360-days unless otherwise prescribed in the terms and conditions of issuance under a Notice of Offering or public notice issued by BTr.

Section 8. *Denomination and Exchange.* – (1) Government Securities issued in scripless form may be transacted in any face amount, subject to such requirements as the BTr may prescribe.

(2) Government Securities issued in certificated form shall be in denominations of P10,000.00, P50,000.00, P100,000.00, P500,000.00, P1,000,000.00, P5,000,000.00 and P10,000,000.00 unless otherwise prescribed in the terms and conditions of issuance under a Notice of Offering or public notice issued by BTr. Exchanges of Government Securities from higher to lower and/or lower to higher denominations of identical issue and series may be effected at BTr.

Section 9. *Servicing and Redemption.* – Government Securities issued by the Republic of the Philippines pursuant to R.A. Nos. 245 and 1000 as implemented by this Order may be exchanged at any time before maturity, or redeemed at or after maturity. Coupon and redemption payments due on Government Securities shall be made by the Republic of the Philippines, through BTr, to the person whose name appears in RoSS as registered owner of the Government Securities.

Section 10. *Taxation.* – (1) The income derived from Government Securities issued pursuant to R.A. No. 245, as amended, shall be subject to the applicable final tax rate under the National Internal Revenue Code in force at the time of issue and the rules and regulations issued by the Bureau of Internal Revenue (BIR), to be withheld on discounts valued at the time of issue on every original sale which shall be deducted by the buyer from the discounts of the Government Securities and included in the remittance of the purchase price. Periodic coupon payments on Government Securities shall be subject to the applicable final tax to be withheld at the time the coupon payments are made.

(2) Government Securities issued pursuant to R.A. No. 1000, as amended, shall not be subject to taxation.

- (3) The documentary stamp tax on the original issue of Government Securities under R.A. No. 245 shall be for the account of the issuer.
- (4) No other taxes shall be collected on subsequent trading of the securities which have been subjected to tax under the first paragraph herein.
- (5) Taxation of Government Securities transactions conducted under SEC-approved borrowing and lending programs of accredited GSTMs shall be governed by rules, regulations and issuances of the Bureau of Internal Revenue.
- (6) Taxation of repurchase agreements covering Government Securities conducted under relevant SEC-approved programs of accredited GSTMs and which provide for transfer of title over Government Securities subject of the repurchase agreement, shall be deemed to be covered by the exemption from documentary stamp tax under the relevant provisions of the Documentary Stamp Tax Law.

Part 4

FORM AND REGISTRY OF GOVERNMENT SECURITIES

Section 11. *Form of Government Securities.* – Government Securities issued pursuant to R.A. Nos. 245 and 1000 shall be issued in scripless form unless a physical certificate is otherwise prescribed by the Secretary of Finance through BTr.

Section 12. *Registry of Government Securities.* – Government Securities issued by the Republic of the Philippines pursuant to R.A. Nos. 245 and 1000, as well as all subsequent transfers of such Government Securities, shall be recorded in the RoSS.

BTr shall issue such rules, regulations, and procedures for the operation of the RoSS as it deems necessary, desirable and appropriate for the proper performance of its registry function.

Section 13. *Sub-Registrar and Sub-Registry Records.* The BTr may engage a Sub-Registrar which shall maintain the books and records of specific set of accountholders and their transactions.

(a) Qualifications of a Sub-Registrar:

- i. The Sub-Registrar must be a duly licensed entity under the jurisdiction of the BSP and/or the SEC and authorized to perform registry functions;
- ii. The Sub-Registrar must have the capability to service a tax unification program for trading and settlement of Government Securities in a manner acceptable to BTr, pursuant to this Order;

(b) Duties of a Sub-Registrar. The Sub-Registrar shall perform the following duties:

- i. It shall maintain an electronic sub-registry book, which shall contain all records of transfers of ownership;
- ii. It shall electronically interface with a BTr-accredited GSTM that provides services relative to clearing and/or settlement processes;
- iii. It shall perform such other duties as may be prescribed or required by BTr for the efficient and effective recording of transactions on Government Securities.

(c) The Sub-Registry records shall form part of the official records of RoSS.

Section 14. *Recording of Transfers.* – Government Securities may be validly transferred by making appropriate entries in RoSS. Such transfers shall have the effect of legal delivery of such Government Securities.

Section 15. *Finality of Transfer through RoSS.* - Records of transfers of Government Securities through entries in RoSS shall be binding on the parties to the transfer, and shall be final, conclusive and irrevocable. The procedure by which, and the exact time at which

such entries are created shall be governed by the rules of RoSS as prescribed by BTr.

Section 16. *Pledge of Government Securities.* – A pledge of Government Securities which have been transferred through entries in RoSS shall be constituted, and shall accordingly be considered delivered, in accordance with Article 2093 and 2095 of the Civil Code (RA No. 386) when RoSS certifies by an appropriate entry that the Government Securities have been segregated and/or earmarked in favor of the pledgee.

Section 17. *Involuntary Liens and Encumbrances on Government Securities Recorded in RoSS.* – Involuntary liens, garnishment, attachment, execution, or other legal processes against Government Securities recorded in RoSS shall comply with the provisions of the Rules of Court promulgated by the Supreme Court of the Philippines subject to R.A. Nos. 245 and 1000 prescribing limitation on garnishment or execution on Government Securities.

Article II

PRIMARY MARKET OF GOVERNMENT SECURITIES

Section 18. *Methods of Origination.* – The following are the recognized methods of issuing Government Securities: (a) Auction Method (b) Over-The-Counter Method, and (c) Tap Method. The Secretary of Finance through BTr may prescribe such other methods of origination in issuing Government Securities.

Part 1
AUCTION METHOD

Section 19. *Auction Process.* - Auctions of Government Securities may be conducted under a Dutch or Single Price Auction, English or Multi-Price Auction, or such other auction process as announced by BTr.

Section 20. *Participants in Auction of Government Securities.* (1) Any financial institution may be accredited to participate as an accredited GSED in the primary origination or auction of Government Securities in accordance with the requirements of BTr. Except as may otherwise be prescribed by BTr, an accredited GSED or financial institution shall meet the following criteria:

- (a) Unimpaired capital and surplus account at any one time as prescribed by BSP, the SEC, or the Insurance Commission. For purposes of this Order, the term “unimpaired capital and surplus” shall mean the combined capital accounts of a financial institution and refer to its unimpaired paid-in capital and earned surplus. The term “surplus” shall refer to the excess of the assets over the liabilities and paid-in capital of the financial institution, but excluding the reserves set aside for valuation purposes, and reserves for liabilities and deferred income tax, and other capital adjustments;
- (b) Certification by BSP, SEC, or Insurance Commission as to compliance with Paragraph (a) above including a certification that the financial institution is in good standing; and
- (c) For purposes of participating in the primary origination or sale of Government Securities, such Financial Institution shall have a deposit account with a Settlement Bank, where the settlement of the award may be debited.

(d) Necessary interface, electronic or otherwise, to effect participation in the methods of origination and settlement of Government Securities as prescribed by BTr.

Accredited GSEDs may participate in competitive and non-competitive auction.

(2) Persons other than accredited GSEDs may be allowed to participate in the Auction on a non-competitive basis in accordance with the rules and regulations that will be issued by BTr.

Section 21. *Public Notice of Offering.* - The Secretary of Finance through BTr may, from time to time, by public notice offer Government Securities for sale and invite tenders therefor. All tenders or bids for Government Securities of accredited buyers shall be transmitted through the Auction System. The Government Securities so offered, and tenders received shall be subject to the terms and conditions imposed under this Order, except as they may be modified by the Secretary of Finance, in consultation with the Monetary Board, which shall be made part of the public notice of offering. The public notice of offering shall be transmitted electronically to accredited buyers through an Auction System and/or by any other method as may be prescribed by BTr and shall indicate such information as may be deemed appropriate by the Secretary of Finance through BTr.

In cases where the announced auction cannot be conducted due to a declared holiday or suspension of work or banking day, or fortuitous event, the auction for Government Securities shall automatically adjust to the next succeeding business day or as may be announced by the BTr.

Section 22. *Submission of Bids or Tenders.* Unless otherwise prescribed by the Secretary of Finance through BTr, bids or tenders in response to a public notice of offering of Government Securities shall be transmitted to BTr through the Auction System.

In case of system failure, power outages or as may be prescribed by the Secretary of Finance through BTr, tenders for purchase of Government Securities shall be submitted in official tender forms required by BTr before the prescribed cut-off time for receiving tenders for manual entry to the Auction System.

Each tender shall be unconditional and shall be for a minimum nominal amount of P10.0 million and in multiples of P1.0 million thereafter, unless otherwise prescribed by the Secretary of Finance through BTr.

Unless otherwise provided in the public notice of offering, yields of submitted tenders for Government Securities shall be stated in three (3) decimal places.

Section 23. *Receipt and Processing of Tenders.* - Tenders for Government Securities electronically transmitted by accredited buyers through the Auction System prior to the cut-off time fixed for the receipt of tenders shall automatically be acknowledged by BTr through the Auction System. In case of any downtime of the Auction System, tenders for Government Securities shall be submitted in the prescribed tender form within the prescribed cut-off time and manually stamped in the time-dated receiving system by the Securities Origination Division of BTr. The BTr shall not be liable for any errors in tenders received or for delays in the transmission of tenders beyond the prescribed cut-off period for submission and receipt of tenders.

Section 24. *Auction Committee.* All tenders received on time shall be deliberated upon immediately after the cut-off time set by the Auction Committee composed of the Secretary of Finance, as Chairperson; the Treasurer of the Philippines as Vice Chairperson; the Assistant Secretary for the Domestic Finance Group of the Department of Finance or duly authorized representative as Member; the Deputy Treasurer of the Philippines for Operations or duly authorized representative as Member; the Deputy Governor for the Banking Services Sector, Research and Treasury of the BSP or duly

authorized representative, as Member; the Head of the Treasury Department of the BSP or duly authorized representative, as Member; and the Director of the Market Regulation Department of the SEC or duly authorized representative, as Member.

At least four (4) members of the Auction Committee shall constitute a quorum to do business.

The Deputy Treasurer of the Philippines for Operations shall also act as the Executive Officer of the Auction Committee.

The Secretary of Finance may designate an additional member(s) in the Auction Committee as he may deem appropriate.

The Auction Committee staff support shall be provided by the appropriate division of BTr.

Section 25. *Award for Tenders.* - The Auction Committee shall make a decision as to the amount and rate of the awards. Such decision shall be transmitted immediately to the winning accredited buyers through the Auction System, except on any downtime of the Auction System in which case the decision of the Auction Committee shall be transmitted manually in the prescribed notice of award form of BTr. The Executive Officer of the Auction Committee or duly authorized representative shall confirm the transmitted decision. The Vice Chairman shall authorize the posting of the confirmed and awarded Government Securities to the winning accredited buyer's Primary Securities Account in RoSS, subject to receipt of auction proceeds. A print-out of the auction results summary shall be signed by the members of the Auction Committee.

Section 26. *Apportionment of Awards and Reservation of Right.* – Unless otherwise provided in the public notice of offering by the Secretary of Finance through BTr, the lowest rate offered by bidders for Competitive Bids will be accepted in full down to the amount required after deducting the amount of Non-Competitive Bids from the total amount of issue (s). At cut-off level, if the same rate appears in two (2) or more Competitive Bids or Tenders, and it is necessary to

accept only part of the amount offered at such rate, the amount accepted at such rate shall be prorated in accordance with the respective amounts applied for. If the amount is the same, the proration of odd amount shall be applied in accordance with the terms and conditions as stated in the public notice of offering. Non-Competitive Bids or Tenders shall be accepted at the weighted average yield of the accepted Competitive Bids or Tenders.

The Auction Committee reserves the right to accept or reject any or all tenders or parts of the tenders and to award less than the amount applied for and any action it may take shall be final.

Section 27. *Payment of Awards.* - Payment on awarded issues shall be made or completed in accordance with the prescribed settlement cut-off time of BTr. In the event of a national or local holiday or fortuitous event when no settlement of the Government Securities and/or cash can be effected, the settlement date shall be adjusted to the next business day. Due notice shall be issued by BTr through the Auction System, or in the prescribed notice form of BTr in case of any downtime of the Auction System.

On settlement date, BTr shall instruct the debiting of the winning accredited buyer's Settlement Bank account and the crediting of the deposit account of the Treasurer of the Philippines under Section 47 of this Order.

Part 2

OVER-THE-COUNTER METHOD

Section 28. *Terms of Over-the-Counter Sale of Government Securities.* - The BTr shall issue a public notice of offering prescribing the terms and conditions for the over-the-counter origination or sale of Government Securities.

Section 29. *Allowable Funds; Scope of Investment.* – GOCCs and LGUs shall be allowed to purchase Government Securities using

investible funds or idle funds in excess of normal operating requirements in the case of LGUs. The phrase “idle funds in excess of normal operating requirements” shall generally mean the level of funds which an entity can freely invest in Government Securities after considering provisions for coverage of such (1) regular and recurring operating expenses such as salaries and wages, repairs and maintenance, inventories and supplies, debt servicing, etc. within the context of the entity’s cash operating cycle; and (2) local counterpart commitments for capital expenditures within the current fiscal year. In case of LGUs, unremitted national collections and funds set aside for payments of obligations to government corporations/cooperatives shall not form part of their idle funds.

New and internally-generated excess funds of GOCCs, i.e. funds which have not been previously invested in Government Securities nor sourced from equity or subsidy from the National Government may also be invested in Government Securities.

Temporary idle funds of LGUs qualifying as local counterpart commitments for capital expenditures within the current fiscal year may also be invested in Government Securities as may be allowed by their cash requirements, and provided that such investments will not delay the implementation of covered projects.

Section 30. Form and Cut-off Time. – Placements of GOCCs, LGUs, and TEIs shall be transmitted to BTr (Attention: Securities Origination Division, Liability Management Service) in the prescribed placement forms and in accordance with such time as may be prescribed by BTr.

Placements may be submitted in hard copy or via facsimile or any other mode of transmission acceptable to the BTr. The BTr may lawfully rely and execute such placement instruction within the settlement cut-off time for settlement payment with the Settlement Bank. The BTr shall not be liable for damages or losses on the GOCC, LGU or TEI for effecting settlement payment instructions.

On or before 4:00 P.M. on the day of placement, the GOCCs /LGUs/TEIs shall submit the duly executed placement form, in duplicate, to BTr (Attention: Securities Origination Division, Liability Management Service). Submitted placements of GOCCs, LGUs and TEIs shall be acknowledged by BTr (Securities Origination Division, Liability Management Service).

Section 31. *Pricing of Placements.* Pricing of Government Securities offered or issued to GOCCs, LGUs and TEIs shall be as prescribed by BTr.

Section 32. *Specific Requirements for TEI Accounts.* A TEI or its managing bank/financial institution shall:

- (a) To open a tax-exempt RoSS securities account, submit to the Securities Origination Division, Liability Management Service a
 - (i) Certified copy of current ruling (not more than a year) from the Bureau of Internal Revenue regarding its status as a tax-exempt institution;
 - (ii) Copy of the Board Resolution or as embodied in the Secretary's Certificate duly certified by the Corporate Secretary authorizing the placement (directly for managed funds or indirectly through designated trustee bank/financial institution in the case of managed trust funds) in Government Securities; and
 - (iii) Copy of the covering trust agreement; and
- (b) Perform all acts and undertaking connected therewith including the designation of person(s) authorized to exercise such functions.

Section 33. *Amount of Placements.* The minimum amount of placement shall be P500,000 for GOCCs and LGUs, and P1.0 Million for TEIs, and in even multiples of P100,000.00 in any case.

Section 34. *Settlement of GOCC, LGU and TEI Placement.* - Settlement of GOCC, LGU and TEI over-the-counter placement shall be on the same day as placement date.

Upon placement/maturity of Government Securities, BTr RoSS shall credit/debit the concerned GOCC/LGU/TEI RoSS Primary Securities Account.

Simultaneously, the Settlement Bank shall correspondingly debit/credit the GOCCs/LGUs/TEIs Cash Account and credit/debit TOP's Account with the Settlement Bank.

Section 35. *Proof of Over-the-Counter Placement.* – Government Securities placement of GOCCs, LGUs or TEIs shall be evidenced by the acknowledgment of the placement in the executed placement document.

Section 36. *Transfers.* – Government Securities held by GOCCs, LGUs and TEIs may be transferred prior to maturity to any person, regardless of tax classification, in any BTr-accredited GSTM.

Part 3

TAP METHOD

Section 37. *Participants.* – The tap facility shall be available to Market Makers, BTr-Managed Funds and other entities or instrumentalities as may be allowed by the Secretary of Finance or through BTr.

Section 38. *Methods of issuance and Features of GS issued under Tap.* – Primary origination or sale of Government Securities through tap shall be announced through a public notice of offering. The issue ceiling, yield and amount for Government Securities available on tap shall be as announced or as negotiated by BTr.

Article III
SECONDARY MARKET FOR GOVERNMENT SECURITIES

Part 1
GENERAL PROVISIONS

Section 39. *Secondary Market Transfers.* Transfers of Government Securities in a BTr-accredited GSTM shall be governed by this Order and the applicable rules and regulations issued by the Secretary of Finance through BTr, the rules and regulations of the SEC and the rules and conventions of such BTr-accredited GSTM.

Section 40. *Transfers Across Tax Categories.* Transfers of Government Securities between market participants shall be allowed regardless of tax status, subject to the rules and regulations to be issued by BTr to ensure the proper assessment and collection of taxes.

Section 41. *Accreditation of Secondary Market Participants.* The BTr shall promulgate the appropriate rules and regulations to classify and accredit participants in the secondary market of Government Securities based on their activities therein and their participation in a Government Securities Trading Market. The participants that may be allowed are Market Makers, Dealers and Brokers.

Notwithstanding the foregoing, the Secretary of Finance through BTr shall have the power, in accordance with this Order, to further and additionally classify and accredit participants in the secondary market, prescribe standards and qualifications defined by it for such classifications, establish a hierarchy of market participants based on their commitment to the Government Securities market, including incentives to ensure accredited participants' ability to support its commitments to the Government Securities market and enhance liquidity in the secondary market.

The BTr shall prescribe mechanisms to monitor compliance with commitments and take such actions as are necessary to enforce the

classification system, including suspension/revocation of incentives, suspension/revocation of the accreditations granted and such other actions necessary and incidental hereto to protect the Republic of the Philippines and the investing public from fraud or loss.

Section 42. *Special Covenants of all Accredited Secondary Market Participants.* All accredited participants, by application for any such accreditation of whatever classification, are deemed to have given consent to the disclosure to BTr of their activity in the Government Securities market by a GSTM. No other written consent shall be deemed necessary to give effect hereto, other than the accreditation granted by BTr under this Order and implementing issuances issued by BTr in relation hereto.

Part 2

GS TRADING MARKET ACCREDITATION STANDARDS

Section 43. *Market Structure.* The Secretary of Finance through BTr may accredit any trading market as a GSTM; provided, the GSTM is duly recognized by the SEC under applicable law, rules and regulation.

Section 44. *Documentation.* A GSTM shall be accredited as such by BTr through a Listing Agreement or other appropriate document showing BTr's consent to have Government Securities traded and settled on such GSTM.

Section 45. *GSTM Rules.* The GSTM shall adopt such rules and conventions as are necessary to give effect to its obligations under its accreditation.

Section 46. *Minimum Requirements for GSTM.* A GSTM shall comply with the following minimum requirements to be qualified for accreditation:

I. GS Trading Market Facilities.

- a. *Transaction Modes.* The GSTM shall allow negotiated transactions and/or automatic matching processes, or any other transaction modes as may be notified to the BTr.
 - b. *Retail Market Structure.* The GSTM shall allow retail investors to participate therein in accordance with relevant regulation and at the trading lots prescribed by BTr.
 - c. *Accessibility.* The GSTM shall be accessible as much as possible on a nationwide basis. The GSTM shall be deemed to be in compliance herewith where regional or key cities in provincial areas are capable of accessing the trading system directly.
 - d. *Regulatory environment.* The GSTM shall be under the oversight of a Self-Regulatory Organization (SRO) duly recognized as such by the Securities and Exchange Commission, with rulemaking and enforcement powers, and independent compliance and surveillance functions as required under the Securities Regulation Code or its successor law.
- II. ***GSTM Participants.*** The GSTM shall include the participation of brokering entities, dealing entities and qualified investors.
- III. ***Monitoring Facilities on Market Participants.*** The GSTM shall have facilities required to monitor and report on the secondary market performance of GS Market Participants accredited by BTr, based on performance criteria prescribed by BTr.
- IV. ***Price Transparency.*** The GSTM shall have price transparency mechanisms consisting of public dissemination facilities that capture transaction data and disseminate the same in accordance with timeliness standards under applicable regulation.
- V. ***Liquidity Facilities for Failed Trades Management and to Support Trading Activities***
- a. *Cash Liquidity Programs.* The GSTM shall operate programs that seek to address cash liquidity concerns of its participants,

which shall serve as part of the GSTM's failed trades management activities. Such cash liquidity programs shall have the following essential features:

- (1) SRO. Cash Liquidity Programs shall be under the oversight of a duly registered Self-Regulatory Organization (SRO); provided, however, that the SRO may exempt certain entities or activities from its SRO oversight with concurrence of the SEC.
- (2) Risk Mitigation Mechanisms. Cash Liquidity Programs shall have in place mechanisms that mitigate risks, such as, but not limited to, collateralization of transactions.
- (3) Collateral Administration and Management. Cash Liquidity Programs shall include the participation of an entity that shall take delivery of collateral with the task of monitoring and acting to maintain collateral levels at agreed upon levels and conduct resolutions processes.
- (4) Regulatory Approval. Such Cash Liquidity Programs must be approved by the relevant regulatory authorities having jurisdiction over the GSTM and the participants contemplated.

b. *Securities Liquidity Programs*. The GSTM shall operate programs that seek to address securities liquidity concerns of its participants, which shall serve as part of the GSTM's support for the trading activities of its participants. Such securities liquidity programs shall have the following essential features:

- (1) SRO. The Securities Liquidity Program shall be under the oversight of a duly registered Self-Regulatory Organization (SRO); provided, however, That the SRO may exempt certain entities or activities from its SRO oversight with concurrence of the SEC.

- (2) *Risk Mitigation Mechanisms*. Securities Liquidity Programs shall have in place mechanisms that mitigate risks, such as, but not limited to, collateralization of transactions.
- (3) *Collateral Administration and Management*. Securities Liquidity Programs shall include the participation of an entity that shall take delivery of collateral with the task of monitoring and acting to maintain collateral levels at agreed upon levels and conduct resolutions processes.
- (4) *Regulatory Concurrence*. Such Securities Liquidity Program shall have been approved by the relevant regulatory authorities having jurisdiction over the GSTM and the participants contemplated.

VI. ***Trading Programs That Promote Equality of Access***. The BTr shall establish trading programs that enhance market access and allow equality of access by its participants, which Programs shall be implemented through the GSTMs accredited by it. The GSTM shall provide facilities to ensure that counterparty risks are sufficiently mitigated through the use of bilateral counterparty limits, margin-based trading limits, pre-delivery and such other mechanisms to mitigate counterparty risk.

VII. ***Settlement Standards***. The GSTM shall observe the following settlement standards:

- a. *Straight-Through Process*. The GSTM shall provide for settlement on a straight-through process mode, to ensure minimization of operational inefficiencies.
- b. *Delivery-versus-Payment*. The GSTM shall settle trades conducted on its systems on a delivery-versus-payment (DvP) mode. Such settlement may allow investors to settle directly into their cash and/or securities accounts.
- c. *Clearing Authority*. The GSTM shall ensure that its clearing and settlement processes use intermediaries that are

authorized by the Securities and Exchange Commission to perform the clearing and settlement process of the GSTM.

VIII. **Other Capabilities.** The GSTM shall likewise have the following capabilities.

- a. *Business Continuity Plan (BCP) and Disaster Recovery Program (DRP) Requirements.* The GSTM shall provide BTr a copy of its DRP and BCP.
- b. *Ability and Undertaking to Link with Existing Markets and Payment Systems.* All GSTMs shall have the capability to link with existing GSTMs and payment systems.
- c. *Electronic Interface.* All GSTMs shall have automated interface with the RoSS.

ARTICLE IV

MISCELLANEOUS

Section 47. *Deposit Account.* – The Treasurer of the Philippines shall maintain a deposit account with the Bangko Sentral ng Pilipinas or authorized government depository bank to which all proceeds from the sale of Government Securities under R.A. No. 245, as amended, and R.A. No. 1000, as amended, shall be credited and all payments for interest and redemption of Government Securities shall be charged.

Section 48. *Reservation as to Terms of these Rules and Regulations.* – The Secretary of Finance reserves the right to amend, supplement, revise, prescribe or withdraw all or any of the provisions of these rules and regulations at any time, or from time to time.

Section 49. *Inconsistent Circulars, Memoranda, and Orders.* – This Order expressly supersedes and repeals Department Order No. 141-95, as amended. All circulars, memoranda or orders inconsistent herewith are hereby revoked or modified accordingly.

Section 50. *Transitory Provision.* - The BTr is hereby authorized to implement the requirements of this Order in such manner deemed

appropriate under the circumstances, and shall further prescribe the transitory provisions necessary to ensure a smooth transition from the present state of the Government Securities market to the environment contemplated under this Order.

Section 51. Effectivity. - These Omnibus Revised Rules and Regulations shall take effect immediately.

MARGARITO B. TEVES
Secretary of Finance

____(original signed)____
(Date)