

# Philippine stock exchange



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The Philippine Stock Exchange, Inc. (“ PSE” or the “ Exchange”) is a private organization that provides and ensures a fair, efficient, transparent and orderly market for the buying and selling of securities. PSE traces its roots from the country’s two former bourses: the Manila Stock Exchange (“ MSE”) and the Makati Stock Exchange (“ MkSE”).

Founded in March 1927, the MSE was the first stock exchange in the Philippines and one of the oldest in Asia. Originally housed in downtown Manila, the MSE moved to Pasig City in 1992. The MkSE, on the other hand, was established in May 1963 and became the second bourse to operate in the country. It was based in Makati City, a budding business district during those days. While trading the same listed issues, MSE and MkSE remained separate entities for almost thirty years.

December 23, 1992 marked a milestone for the Philippine capital market when the MSE and MkSE were unified to become the PSE. At present, PSE maintains two trading floors — one in Makati City and another in its head office in Pasig City. Even with two trading floors, PSE maintains a “ one-price, one-market” Exchange through the MakTrade System. This is a single-order-book system that tallies all orders into one computer and ensures that these orders match with the best bid/best offer regardless of which floor the orders were placed. MakTrade likewise allows PSE to facilitate the trading of securities in a broker-to-broker market through automatic order and trade routing and confirmation. It also keeps an eye on any irregularity in the transactions with its market regulation and surveillance databases.

In June 1998, the Securities and Exchange Commission conferred to the PSE the status of a Self-Regulatory Organization, which allows the PSE to implement its own rules and impose penalties on erring trading participants and listed companies. In 2001, or a year after the Securities Regulation Code of 2000 was enacted, the PSE was reorganized and transformed from a non-stock, member-governed organization into a shareholder-based, revenue-generating corporation. Along with this rebirth came the separation of the Exchange's ownership and trading rights, opening the doors for new market participants. On December 15, 2003, PSE shares were listed by way of introduction.

The Philippine Central Depository, established in March 1995, provides the securities settlement system for both debt and equity instruments of the Exchange. Its computerized book-entry-settlement system paved the way for a safe and efficient scripless trading. Assuming the role of settlement coordinator and risk manager for broker transactions as well as administrator of the trade guaranty fund is the Securities Clearing Corporation of the Philippines ("SCCP"). SCCP is the clearing and settlement agency for depository eligible trades in the Exchange. Companies are listed in the PSE on the First Board, Second Board or the Small and Medium Enterprises Board.

To help the investing public keep track faster of industry performance, listed companies are classified into the following sectors: Financial, Industrial, Holding Firms, Property, Services, and Mining and Oil. More importantly, PSE has adopted an online daily disclosure system to improve the transparency of listed companies and ensure full, fair, timely and accurate disclosure of

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material information from all listed companies. To address public demand for speedy access to information on the securities market, the PSE's website, [www.pse.com.ph](http://www.pse.com.ph), provides comprehensive market data, stock quotations, dividend declarations, trading activities, and other pertinent information on the PSE, trading participants, listed companies and other institutions.

As had been the practice throughout Southeast Asia, trading was done on the auction basis with board trading and the outcry system. This system worked efficiently during the early development of the market but by 1992, the increasing volume of business signaled the end of an era. Clearly, computerized trading operations were needed to handle the sharply increasing activity. On 4 January 1993, the Manila Stock Exchange started full operation of its computerized match trading system, the Stratus Trading System with Equicom.

Shortly thereafter, on June 15, the Makati Stock Exchange, Inc. launched its automated trading system referred to as MakTrade, the same system being utilized by the Stock Exchange of Thailand and which was developed by the Chicago Stock Exchange. The successful computer link-up of the two systems on March 25, 1994 produced single Open and Close prices for all traded stocks although orders are queued on separate order books of the two trading systems. On November 13, 1995, the last step in the unification process was taken when PSE implemented the Unified Trading System (UTS), using the MakTrade System. The UTS used the single-order-book system where all orders are posted and matched in one computer, and ensured that

the trade orders were matched with the best bid/best offer (BBO) regardless of which floor the orders originated.

The trading of bonds on PSE started on January 15, 2001. The MakTrade System, which enabled the electronic trading of equities, was modified to enable brokers to use the same MarketWorks trading terminal to trade bonds. Furthermore on the same date, the PSE-RoSS Interface System became operational, enabling the brokers to access online the Bureau of the Treasury's Registry of Scripless Securities (BTr-RoSS). MAK TRADE SYSTEM

The MakTrade System is composed of hardware, software and network that allow trading of securities (equities, warrants, and bonds) in a broker to broker market. The system accepts, routes, stores and automatically matches orders.

After matches take place, the system stores trade records and generates notice of the transaction to the user. It also maintains market regulation and surveillance databases. The system allows, aside from main board sales, big block transactions, cross trades, and odd lot transactions. Good-Till-Canceled (GTC) orders, are also accepted on the system.

GTC regular order expires on the seventh calendar date from the day of posting while GTC odd lot orders stay in the trading system indefinitely until actually canceled. Also, it allows brokers to execute transactions on the trading floor and at their offices through remote network connections.

SYSTEM ARCHITECTURE MakTrade is simply a group of computer equipment, programs and communication media that collectively enables electronic trading. The Maktrade System has a Client-Server architecture.

The main computer is known as the Central Order Book (COB) server. It is responsible for queuing and matching of all orders forwarded by the four trading hub servers. This creates a single order book for the entire PSE market. It also computes and distributes all market information such as indices and trade statistics.

It also holds the master database of all orders, trades, securities and member-brokers. Primary market regulation and surveillance functions, which include opening and closing the market, halting of trading of a security, suspending a broker, inputting of listed companies' news stories and broadcasting of market-wide administrative messages are also performed by the COB. End of day processing such as reports and clearing files generation, order book maintenance and database updates are all done at the COB as well. There are four Trading Hub Servers (THS), a pair in Ayala and another pair in Tektite.

The Trading Hub Servers primarily support the trading and information requirements of the trading terminals such as trade and market information, trade and order confirmations. The Trading Hub Servers minimize the capacity requirements of the COB by acting as information hubs for broker terminals. The servers also ensure equivalent access to the COB for all brokers. Probably the most familiar components of the MakTrade system are the trading terminals, better known as the MarketWorks terminals.

These are simply Personal Computer (PC) based terminals that run the MarketWorks program. These allow brokers to enter, view, cancel, or modify orders; enter, view, or cancel deals; view news; send messages; get stock

information, stock quotes, time and sales information, market indicators, graphical statistics, most active stocks, top 10 gainers and losers, and other market related information. Similar workstations that can access market information but do not have order entry functions are also available to investors. These workstations are referred to as “ INVESTOR” terminals and are located at the public galleries of the respective trading floors. Brokers are also able to use the same MarketWorks software at the convenience of their offices or trading centers using PC based computer terminals that allow remote log-in to the trading hub servers.

The MakTrade system feeds market information to data re-sellers or data vendors. Market information such as last sale, bid/ask, volume and value, and market indicators are transmitted through modems using leased/dial-up lines from the COB to the distribution centers of the vendors and re-sellers. The Communications Front-End (CFE) is a process that enables the brokers to connect their own private trading systems on a “ peer to peer” basis to the COB system. This system allows PSE members to develop or purchase customized trading systems that can be used for many purposes such as managing the orders from branch offices and agents. It also allows the brokers to expand their operations depending on their own capabilities and based on their own technological resources. Moreover, it provides scheduling, recovery, session managing, and other supervisory routines that can be utilized by broker developed applications.

WHAT ARE STOCKS? SECURITIES? Stocks are shares of ownership in a corporation. When you become a stockholder or shareholder of a company, you become part-owner of that company. Securities, on the other hand, are <https://assignbuster.com/philippine-stock-exchange/>

proof of one's ownership or indebtedness in a company. Examples of securities are treasury bills and commercial papers, which are considered as short-term and are traded in the money market; and stocks and bonds, which are long-term and traded in the capital market. Securities are easily bought and sold in the stock market.

WHAT ARE THE TYPES OF SECURITIES THAT I CAN BUY IN THE STOCK MARKET? Most of the issues listed in the PSE are common stocks. Other types of securities such as preferred stocks, warrants, PDRs and bonds are also traded. 1. Common Stocks - These are usually purchased for participation in the profits and control of ownership and management of the company. Holders of common stocks have voting rights.

They are also entitled to an equal pro rata division of profits without preference or advantage over another stockholder. However, they have the last claim on dividends and are the last to collect in case of corporate liquidation. 2. Preferred Stocks - Its name is derived from preference given to the holders of these stocks over holders of common stocks.

Holders of preferred stocks are entitled to receive dividends, to the extent agreed upon, before any dividends are paid to the holders of common stocks. However, preferred stocks usually have a specified limited rate of return or dividend and a specified limited redemption and liquidation price.

3. Warrants - A corporation can also raise additional capital by issuing warrants. A warrant, normally issued on a detachable basis, allows its holders the right, but not the obligation, to subscribe to new shares at a set price during a specified period of time.



It is usually provided free of charge and traded separately in the securities market. 4. Philippine Deposit Receipts (PDRs) – A PDR is a security which grants the holder the right to the delivery or sale of the underlying share, and to certain other rights including additional PDR or adjustments to the terms or upon the occurrence of certain events in respect of rights issues, capital reorganizations, offers and analogous events or the distribution of cash in the event of a cash dividend on the shares. PDRs are evidences or statements nor certificates of ownership of a foreign/foreign-based corporation. For as long as the PDRs aren't exercised, the shares underlying the PDRs are and will continue to be registered in the name of and owned by and all rights pertaining to the shares shall be exercised by the issuer. 5.

Small-Denominated Treasury Bonds (SDT-Bonds) – The SDT Bonds are long-term and relatively risk-free debt securities issued by the Bureau of Treasury (BTr) of the Republic of the Philippines. The bond is a certificate of indebtedness of the Republic of the Philippines to the owner of the SDT-Bonds. WHERE CAN I BUY OR SELL SHARES OF STOCKS AND/OR BONDS? In the Philippines, the only operating stock exchange is the Philippine Stock Exchange (PSE). Its main function is to facilitate the buying and selling of stocks and other securities through its accredited trading participants.

The PSE has two trading floors – PSE Centre in Ortigas, Pasig City and PSE Plaza in Ayala, Makati City – where trading participants trade daily – from 9:30 a. m. to 12:10 p. m.

except Saturdays, Sundays, legal holidays and days when the Central Bank Clearing Office is closed. HOW ARE SHARES AND SDT-BONDS BOUGHT OR

SOLD? If you wish to buy shares of stocks or SDT-Bonds, you must have a stockbroker who will do this for you. A stockbroker is a person or a corporation authorized and licensed by the Securities and Exchange Commission (SEC) and PSE to trade securities. Investing Procedures: 1. Choose a stockbroker. The PSE has a complete list and information about all its trading participants who are authorized and qualified to trade either equity or debt securities for you.

This list is also available on the Exchange's website and the PLDT directory's Government and Business listings yellow pages under the category of stock and bond brokers. . You shall be required to open an account and fill-out a Reference Card and to submit identification papers for verification. The stockbroker will then assign a trader or agent to assist you in either buying or selling any listed security. Discuss with the trader what stocks to buy or sell.

3. Give the order to your broker/trader, and then get the acknowledgement receipt. 4. For equity transactions: Deliver the Stock Certificate if you are selling or pay within the settlement date (3 days from date of transaction) if you are buying. Some brokers may require you to pay with post-dated checks upon ordering.

For SDT-Bonds transactions: Selling investors must open a RoSS account under his broker's sub-account and instruct his bank-underwriter to transfer the share to this account. Buying investors must also open an account with a BTr accredited bank and pay the appropriate amount of transaction to the settlement bank on the trade date. 5. You shall receive from your broker

either the proceeds of sale your stocks (after 3 days for equities and on the date of trade for SDT-Bonds) or proof of ownership of stocks you bought (confirmation receipt and invoice). If you wish to have a physical certificate of the equities you bought, just give instructions to your broker and pay the required upliftment fee. Buyers of SDT-Bonds will only be given a confirmation slip in lieu of the bond certificates.

You can purchase shares of stock either through IPO (Initial Public Offering) or through the open market. Shares sold through IPOs are offered for the first time to the public by the company (primary market) whereby proceeds of the sale go directly to the company. Shares of listed or publicly traded companies are bought during trading (open market). These shares have since been transferred from one owner to another (secondary market) and proceeds of the sales do not go directly to the company but to the owners of the shares. The Trading Cycle All equity transactions, whether buying or selling has a settlement period of T+3 (trading day + 3 working days).

This means that a seller should be able to deliver the stock certificate, if any, to his broker and the buyer must have paid the cost of transaction to his broker within 3 working days after the trade was done. Historically, settlement was done manually (27-day cycle). With the advent of scripless trading wherein settlement is done via the book-entry-system (thru Philippine Central Depository or PCD), transactions are settled on the third day after trade date. Under this system, the investor has the option to hold on to his certificate (uplift) or deposit (lodge) this certificate in PCD through his broker-participant account. SDT-Bonds transactions, however, are settled on the same day when the trade is transacted (T+0).

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There shall be no physical transfer of bond certificates. The transfer of securities shall be conducted electronically by the BTr's Registry of Scripless Securities (RoSS). On the other hand, cash settlement will be coursed through the PSE's two settlement banks namely, Equitable-PCI Bank and Rizal Commercial Banking Corporation. WHAT IS THE MINIMUM AMOUNT NEEDED TO INVEST IN THE STOCK MARKET? Equity trading is done by board lot or round lot system.

The Board Lot Table determines the minimum number of shares one can purchase or sell at a specific price range. Therefore, the minimum amount needed to invest in the stock market varies and will depend on the market price of the security as well as its corresponding board lot. Prices of stocks move through a scale of minimum price fluctuations. On the other hand, the minimum amount of SDT-Bonds that an investor can buy if PhP 5, 000. 00.

Board Lot Table: PRICEMINIMUM FLUCTUATIONS BOARD LOT 0.

001 to 0. 0024 0. 00021, 000, 000 0. 0026 to 0. 0050 0.

00021, 000, 000 0. 0055 to 0. 0100 0. 00051, 000, 000 0. 0110 to 0. 0250 0.

001100, 000 0. 0260 to 0. 0500 0. 001100, 000 0. 0525 to 0. 1000 0.

0025100, 000 0. 105 to 0. 2500 0. 00510, 000 0.

2600 to 0. 5000 0. 0110, 000 0. 5100 to 1. 00 0. 0110, 000 1.

020 to 2. 500 0. 021, 000 2. 550 to 5.

000 0. 051, 000 \*\* 5. 10 to 10. 00 0.

101, 000 \* 10. 25 to 25. 00 0. 25100 25. 50 to 50.

00 0. 50100 50. 50 to 100. 00 0. 50100 101.

00 to 250. 00 1. 0010 252. 50 to 500. 00 2.

5010 505. 00 and up 5. 0010 The following securities fees and taxes (subject to change) are levied on the investors: FEES/TAXESSELLERBUYER a.

Brokerage Commission (maximum of 1.

5% of transaction cost + 12% VAT) XX b. SCCP Fee of 0. 0001 x value of transactionXX . Transfer Fee of Php 100. 00 + 12% VAT X d. Cancellation Fee of Php 20.

00 + 12% VATX e. Stock Transaction Tax (? of 1% value of transaction in lieu of capital gains tax)X Illustration: Buying Transaction: Mr. X wishes to buy a stock whose market price is P10. 00 and with a par value of P1. 00. Based on the Board Lot Table, the minimum number of shares he can buy at a regular transaction is 1, 000 shares (a).

In this case, the amount that he needs is about P10, 000. 00 plus charges.

His required cash outflow will be as follows: Market price/shareP10. 00

Minimum number of shares \*x1, 000 P10, 000. 0 Broker's Commission (1.

5% + 12% VAT)+168. 00 Transfer Fee + 12% VAT+112. 00 SCCP Fee+1. 00

Total Cash OutlayP10, 281.

00 Selling Transaction: Mr. Y wishes to sell a stock whose market price is P5.

00 and with a par value of P1. 00.

Based on the Board Lot Table, the minimum number of shares he can sell at a regular transaction is 1,000 (b). In this case, the proceeds of the sale is about P5,000.00 less charges. His cash inflow will be as follows: Market price/share P5.

00 Minimum number of shares  $\times$  1,000 P5,000.00 Broker's Commission (1.5% + 12% VAT) - 84.00 Stock Transaction Tax - 25.

0 PCD and SCCP Fees - 0.50 Cancellation Fee + 12% VAT - 22.40 Net Cash Receivable P4,868.10

### HOW CAN I PROFIT IN THE STOCK MARKET?

Investors can profit in the stock market thru any or a combination of the following; A.

**Capital Gains** - These are profits made due to an increase in the market price of a stock from the buying price. **B. Cash Dividend** - A dividend given to shareholders in the form of cash. It is computed by multiplying the number of shares held by the cash dividend rate declared. **C. Stock Dividend** - A dividend given to shareholders in the form of additional stocks.

It is computed by multiplying the number of shares held by the percentage of the stock dividend declared. **D. Stock Rights** - Stock rights offering is the option given to the present shareholders to buy additional shares of stock at a price lower than its market price.

### IS THERE ANY RISK INVOLVED IN INVESTING?

Yes, since risk is always a part of any investment. And because stock investment is the most volatile, a better attitude would be to limit and manage your risk. A maximum level of gain or loss should be set and calculated decisions should be made when this level is reached.

DO I NEED TO KEEP TRACK OF MY INVESTMENT? Yes! Having placed some amount in stocks, you should spend some time and effort in studying your investment. You should keep track of the stock price and follow closely the developments of the company. This way, you are able to foresee possible gains or losses that will guide you in making sound and wise investment decisions. Daily quotations of stock prices can be obtained from your stockbroker or from all leading newspapers.

You may also get information from our official website: [www.pse.com.ph](http://www.pse.com.ph) or from the PSE-Public Information and Assistance Center (PIAC) at telephone numbers 688-7602 to 03.

BASIC GUIDELINES  
FIRST BOARD  
SECOND BOARD  
SME BOARD

a. A track record of profitable operations for three (3) full fiscal years; or b. A market capitalization of P500 m, provided that it has a five-year operating history; or c. Net tangible assets of P500 m, provided that it has a five-year operating history. a.

The applicant company must demonstrate its potential for superior growth to the Exchange; b. It must have an operating history of at least one (1) year prior to its listing; and c. At listing, the market capitalization of the company must be at least P250 m. The applicant company shall be evaluated based on the following: a. The integrity and capability of the company's management and its controlling stockholders; b.

The company's prospects of further growth and profitability; c. The viability of the business and sustainability of the projected earning stream; and d.

The company's lack of existing material conflicts of interest. TRACK RECORD

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REQUIREMENT FIRST BOARD SECOND BOARD SME BOARD A company must have a cumulative consolidated pre-tax profit of at least at least P50 Million and a minimum pre-tax profit of P10 Million for each of the three (3) full fiscal years immediately preceding the application for listing. For purposes of this rule, pre-tax profit shall not include non-recurring and extraordinary income, nor shall it be reduced by non-recurring and extraordinary loss.

The applicant must further be engaged in materially the same businesses and must have a proven track record of management throughout the last three (3) years prior to the filing of the application. Exceptions to the 3 year track record rule: a. The applicant company has been operating for at least Ten (10) years prior to the filing of the application. The applicant company shall have a cumulative pre-tax profit of at least P50 Million, excluding non-recurring and extraordinary income and/or loss, for the last Three (3) fiscal years immediately preceding the application for listing.

No net operating loss must have been registered in the fiscal year immediately preceding the filing of the application; b. The applicant company is a newly formed holding company which uses the operational track record of its subsidiary(ies). The company, however, is prohibited from divesting its shareholdings in the said subsidiary(ies) for a period of three (3) years from the listing of its securities. The prohibition shall not apply if a divestment plan is approved by majority of the applicant company's stockholders.

None, but must demonstrate a potential for superior growth, through the submission of Statement of Active Business Pursuits and Objectives. The



applicant company should have been operational for at least one (1) year with positive net operating income (income before interest, taxes, depreciation and amortization-EBITDA) during the last financial year.

NUMERICAL CRITERIA FIRST BOARD SECOND BOARD SME BOARD Authorized Capital Stock- Minimum- P400, 000, 000. 00 Subscription & Paid-up- Minimum- P100, 000, 000. 0 Authorized Capital Stock- Minimum- P 100, 000, 000.

00 Subscription & Paid-up- Minimum- P 25, 000, 000. 00 Condition on Paid-up: at least 75% of the paid-up must have already been disbursed to the project, venture or business referred to in the business plan Authorized Capital Stock- Minimum- P 20, 000, 000. 00 Maximum- P 100, 000, 000. 00 Subscription & Paid-up- Minimum- 25% of the ACS \* The applicant company should have net tangible assets of at least Five Million Pesos (P 5, 000, 000. 00). The net tangible assets requirement is not applicable to information technology companies.

OPERATING HISTORY FIRST BOARD SECOND BOARD SME BOARD For a track record of profitable operations- At least three (3) full fiscal years prior to the filing of the listing application if with track record For a market capitalization or net tangible assets of P500M - at least five (5) years. At least one (1) year prior to listing. At least one (1) year from filing TRADING SCHEDULE Trading in the Philippine Stock Exchange is in one continuous session daily except Saturdays, Sundays, legal holidays and days when the Bangko Sentral ng Pilipinas (BSP or formerly Central Bank of the Philippines) Clearing Office is closed. Trading of Equities begins at 9: 30 a.

. and end at 12: 00 p. m. with a ten-(10) minute extension. The Exchange has two trading centers: one in Pasig City and another one in Makati City.

**UNIT OF TRADING** Trading of shares shall be in terms of fixed minimum amounts called board lots. Depending on the price range of a particular stock, the unit of trading ranges from 10 to 1, 000, 000 shares. Cost of transaction therefore varies from company to company since prices of each company differ according to its par value. Prices of stocks move through a scale of minimum price fluctuations. Prices are thus adjusted by only one minimum fluctuation at a time. Transactions that are beyond the prescribed number of minimum fluctuations from the last sale price are not allowed.

In case of cross sales, transactions may be made through two minimum fluctuations provided the price is within the best bid and offer. For purposes of easy trading, the PSE shall fix the board lot for each listed issue. The PSE shall set the table of board lots and make amendments as the situation warrants. Board lots shall be automatically updated every end of the day based on the closing price of that particular issue and in relation to the existing schedule of board lots to be made effective the following trading day. Whenever board lots are updated, it shall be the responsibility of the brokers to update their affected Good-Till-Canceled (GTC) orders. Trading in units lower than the minimum standard unit of trading or the so-called “ odd-lot” trading is also allowed.

Odd lots are due to fractional issuance of stock dividends or special sales arrangements or when what was once a board lot becomes an odd lot because of a change in the price range. All special block sales should first be

approved by the Floor Trading and Arbitration Committee. The transaction value of the subject of the block sale currently must not be less than P20 million. A transaction is defined as one entry to the system.

However, a block sale involving one listed issue to be done at two different prices shall be counted as two transactions. Each of the transactions must be more than the minimum amount to qualify as a block sale. METHOD OF TRADING The method of transaction is a double auction market between a buyer and a seller who are represented by stockbrokers. Stock trading is fully automated and scripless. PRICE FREEZING LIMIT Orders to be posted shall be limited to a maximum of three fluctuations from the last traded price and a capitalization of P30 million per order.

Brokers may, however, impose their own limits per order for their trades. Limit orders shall be executed at a price band within the floor (minimum) and ceiling (maximum) price limits established by the Exchange for each security. Outside the trading band, the price of the security shall be automatically frozen. This band is set at not more than 50% up and not more than 40% down on a particular day, to be reckoned from the last closing price (excluding special block sales) or at last posted bid price, whichever is higher. In case of an issue that has not been traded for the last six (6) months, the last special block sale or a negotiated sale price, shall be considered the last traded/closing price.

The trading system does not accept the price of a security that falls outside the trading band. Only when the Exchange is satisfied with the justification of an official announcement from the company or the proper government

agency and duly published and disseminated for the information of all member-brokers will the freeze be lifted subject again to the trading band rule. MARGIN TRADING A broker or dealer must not extend credit to a client beyond 50% of the current market price of the security at the time of transaction. In the event that the equity is P50, 000. 00 or less, the broker shall not extend new or additional credit to said account. A customer must maintain a margin of at least 25% of the current market value of all securities " long" in the account and 30% of the current market value of securities " short" in the account.

NON-RESIDENT TRANSACTIONS Securities dealers/brokers may undertake stock transactions, whether arbitrage or investment, even without prior BSP approval. However, when the purchase/sale of Philippine shares of stock involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three (3) business days from transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under Bangko Sentral rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SETTLEMENT All Exchange trades in listed securities are reported, confirmed and settled through the Securities Clearing Corporation of the Philippines (SCCP), pursuant to its rules and procedures, unless otherwise exempted by Exchange or Government laws, rules and regulations. Equity trades are

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settled on the third day after trade date, i. e. , T+3 through Delivery-versus-Payment (DVP) Settlement System.

As such, cash and/or securities obligations must be paid and/or delivered to the settlement banks (either Equitable PCI Bank, Inc. or Rizal Commercial Banking Corporation) and the Philippine Central Depository not later than 12:00 noon of the settlement date. CLEARING AND TRADE GUARANTEE FUND A fund called the Clearing and Trade Guarantee Fund (CTGF) has been established and is being administered by SCCP. The fund, which is important in risk management, is intended to cover obligations of a Member who has defaulted due to temporary illiquidity, insolvency or bankruptcy. These obligations include all SCCP-eligible trades executed in the Philippine Stock Exchange that are scheduled to settle on the day of the default plus all Compared Trades that have not yet reached their scheduled settlement date.

Initially only Small Denominated Treasury Bonds (SDT-Bonds) are listed at the Exchange and only Certified Debt Securities Traders are allowed to quote, receive and execute orders of clients. TRADING SCHEDULE Trading in the Philippine Stock Exchange is in one continuous session daily except Saturdays, Sundays, legal holidays and days when the Bangko Sentral ng Pilipinas (BSP or formerly Central Bank of the Philippines) Clearing Office is closed. Trading of listed Government Securities begins at 9: 30 a. m.

and end at 11: 00 a. m. The Exchange has two trading centers: one in Tektite and another one in Ayala. UNIT OF TRADING Trading of SDT-Bonds shall be in lots of P5, 000. 00 with no maximum trading lot.

The price is quoted as a percentage of its face value up to the sixth decimal place. The most important determinant of bond prices is the prevailing interest rate level. Trading in units lower than the minimum standard unit of trading or the so-called "odd-lot" trading is not allowed. METHOD OF TRADINGThe method of transactions is a double auction market between a buyer and a seller who are represented by stockbrokers. Stock trading is fully automated and scripless.

SETTLEMENTSettlement of scripless securities floated by the Republic of the Philippines is on a T+0 Settlement (post-trade). The T+0 book-entry transfer of ownership of listed Government Securities is done at the Bureau of the Treasury through its automated registry system called RoSS (Registry of Scripless Securities). All cash obligations and entitlements are likewise, settled on T+0 with the same settlement banks. Brokers however are required to open and maintain a separate settlement bank account for the purpose of settling the cash element of trades on listed Government Securities.

Remittance of Due Clearing obligations to the settlement banks is at 12: 30 p. m. on Trade Date. For payment of interest and principal upon maturity, investors and brokers are required to open an account with any of the Bureau of the Treasury's accredited banks to which said payments will be credited.