



SECURITIES  
CLEARING CORPORATION  
OF THE PHILIPPINES

# Memo for Brokers

No. 01-0112

**For** : All Clearing Members  
**Date** : 02 January 2012  
**Subject** : Revisions to Annex 7: Schedule of Fees, Fines and Penalties of the SCCP Rules and Section 3.14: Schedule of Penalties and Sanctions of the SCCP Operating Procedures

As you know, trades done through the Philippine Stock Exchange settle at 12:00 Noon of T+3. Late settlements are levied a penalty of P1,000.00 +  $\frac{1}{4}$  of 1% or .0025 of the value of the cash or securities fail, compounded daily until paid, regardless of the time that the Clearing Member is able to settle its cash or securities obligation. A Clearing Member who settles at 12:30 PM on T+3 is levied the same penalty as one who settles the following morning (T+4) or who does not settle at all.


It will be recalled that last 21 November 2007, the SCCP Board approved the imposition of a lower penalty rate on Late Settlements while retaining the existing penalty rate on Overnight Fails. The penalty rate approved then for late settlements was .00025 of the value of the cash or securities fail, or P5,000.00, whichever is higher. This penalty rate, however, has not been approved by the Securities and Exchange Commission ("SEC") and is deemed to be quite low and there are concerns that the significantly-reduced penalty rate may contribute to a rise in the number of settlement fails.

It is for this reason that, during its regular meeting held on 16 November 2011, the SCCP Board approved to revise the penalty rate to be imposed on Late Settlements *from* .00025 to P1,000 plus  $\frac{1}{8}$  of 1% or .00125 of the value of the fail. Furthermore, Late Settlements were defined as settlements made after 12:00 noon but no later than 2:00 PM on settlement date. Settlements made after 2:00 PM on settlement date, or not made at all, will be referred to as Settlement Fails and will continue to be charged the existing rate of P1,000 plus  $\frac{1}{4}$  of 1% or .0025 of the value of the fail.

Attached for your review and comments, before we submit same to the SEC for their approval, are the revised (i) Fails Management System portion of Annex 7 of the SCCP Rules pertaining to the Schedule of Fines and Penalties and (ii) Section 3.14: Schedule of Penalties and Sanctions found in the SCCP Operating Procedures under the Fails Management System. Please email your comments to any of the following on or before 16 January 2012:

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Thank you.

  
**Renee D. Rubio**  
Chief Operating Officer

**ANNEX 7: SCHEDULE OF FEES, FINES AND PENALTIES**

<b>FEES</b>	
Initial Clearing Membership Fee	P5,000.00
Clearing Fees	An ad-valorem rate of 0.0001 or 1 basis point (VAT-inclusive based on gross trade value (per month).
<b>FINES AND PENALTIES</b>	
<i>Fails Management System</i>	
Late Cash Payments (Cash Payments made after 12:00 NN but no later than 2:00 PM on Settlement Date)	₱1,000.00 + $\frac{1}{8}$ of 1% or 0.00125 of the value of the cash fail plus any charges incurred by SCCP should advances from the Settlement Bank or from the CTGF have been made, plus any actual out-of-pocket expenses incurred by SCCP to resolve the cash fail.
Late Securities Delivery (Securities deliveries made after 12:00 NN but no later than 2:00 PM on Settlement Date)	₱1,000.00 + $\frac{1}{8}$ of 1% or 0.00125 of the market value of the securities fail plus any charges incurred by SCCP should advances from the Settlement Bank or from the CTGF have been made, plus any actual out-of-pocket expenses incurred by SCCP to resolve the securities fail.
Cash Fails (Cash payments made after 2:00 PM on Settlement Date or not made at all)	₱1,000.00 + $\frac{1}{4}$ of 1% or 0.0025 of the value of the cash fail compounded daily until paid or until payment of any advances made from the Settlement Bank or the CTGF is made plus any actual out-of-pocket expenses incurred by SCCP to resolve the cash fail and if not paid by 9:15 AM of T+4, a preventive suspension shall be imposed on the Defaulting Member.
Securities Fails (Securities deliveries made after 2:00 PM on Settlement Date or not made at all)	₱1,000.00 + $\frac{1}{4}$ of 1% or 0.0025 of the market value of the securities fail compounded daily until delivery is rendered or until payment of any advances made from the Settlement Bank or the CTGF is made plus any actual out-of-pocket expenses incurred by SCCP to resolve the securities fail and if not delivered by 9:15 AM of T+4, a preventive suspension shall be imposed on the Defaulting Member.
<i>Mark to Market Collateral Deposit (MMCD) System</i>	
Non-payment or Non-Delivery of Required Collateral (collateral deposits/pledges not made by 12 NN of Collateral Cut-Off Date)	<p>1<sup>st</sup> Offense: a payment charge equivalent to <math>\frac{1}{4}</math> of 1% of the required collateral plus actual out-of-pocket expenses incurred by SCCP on the matter.</p> <p>2<sup>nd</sup> Offense: a payment charge equivalent to <math>\frac{1}{2}</math> of 1% of the required collateral plus out-of-pocket expenses incurred by SCCP on the matter and an issuance of a warning to the Defaulting Clearing Member.</p> <p>3<sup>rd</sup> Offense: a payment charge equivalent to 1% of the required collateral plus out-of-pocket expenses incurred by SCCP on the matter and a recommendation for suspension of the Defaulting Clearing Member.</p>



### 3.14 Schedule of Penalties and Sanctions

<b>Offense</b>	<b>Action/Penalty</b>
Late Cash Payments (Cash Payments made after 12:00 NN but no later than 2:00 PM on Settlement Date)	₱1,000.00 + $\frac{1}{8}$ of 1% or 0.00125 of the value of the cash fail plus any charges incurred by SCCP should advances from the Settlement Bank or from the CTGF have been made, plus any actual out-of-pocket expenses incurred by SCCP to resolve the cash fail.
Late Securities Delivery (Securities deliveries made after 12:00 NN but no later than 2:00 PM on Settlement Date)	₱1,000.00 + $\frac{1}{8}$ of 1% or 0.00125 of the market value of the securities fail plus any charges incurred by SCCP should advances from the Settlement Bank or from the CTGF have been made, plus any actual out-of-pocket expenses incurred by SCCP to resolve the securities fail.
Cash Fails (Cash payments made after 2:00 PM on Settlement Date or not made at all)	₱1,000.00 + $\frac{1}{4}$ of 1% or 0.0025 of the value of the cash fail compounded daily until paid or until payment of any advances made from the Settlement Bank or the CTGF is made plus any actual out-of-pocket expenses incurred by SCCP to resolve the cash fail and if not paid by 9:15 AM of T+4, a preventive suspension shall be imposed on the Defaulting Member.
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