



For : All Clearing Members

Date : 26 June 2024

Subject : Proposed Amendments to the SCCP Rules on the Requirements for a Refund of CTGF Contributions

The Securities Clearing Corporation of the Philippines (“SCCP”) is inviting all Clearing Members to submit their comments on the following proposed amendments to the SCCP Rules and Operating Procedures which are meant to formalize the requirements needed for a Clearing Member to claim the refund of its contributions to the Clearing and Trade Guaranty Fund (“CTGF”) upon cessation of the business of such Clearing Member and/or upon termination of its membership with SCCP.

I. Proposed Amendment to the SCCP Rules

EXISTING RULE	PROPOSED RULE
<p>Rule 5.2 Return of Required Contributions</p> <p>Contributions to the Clearing Fund shall be refunded as trade-related assets to a Clearing Member in the following cases:</p> <p>....</p> <p>(2) Upon cessation of business of the Clearing Member and/or upon termination of their membership with SCCP, provided that all liabilities of such Clearing Member owing to the SCCP at the time of termination, whether actual or contingent, shall have been satisfied or paid in full, and shall take into account any pending and previous applications of the Clearing Fund at the time of such termination.</p>	<p>Rule 5.2 Return of Required Contributions</p> <p>Contributions to the Clearing Fund shall be refunded as trade-related assets to a Clearing Member in the following cases:</p> <p>....</p> <p>(2) Upon cessation of business of the Clearing Member and/or upon termination of their membership with SCCP, provided that <u>(a) such Clearing Member secured all applicable regulatory approvals and clearances (from e.g., the Commission, PSE, SCCP and the Capital Markets Integrity Corporation) for cessation of business and/or termination of their SCCP membership; (b) all liabilities of such Clearing Member owing to the SCCP at the time of termination, whether actual or contingent, shall have been satisfied or paid in full, and shall take into account any pending and previous applications of the Clearing Fund at the time of such termination; (c) such Clearing Member submits a copy of its relevant audited financial statements and other evidence acceptable to SCCP showing that it has been absorbing its CTGF contributions rather than passing such contributions to</u></p>

	<p><u>its clients. For avoidance of doubt, a Clearing Member shall only be entitled to a refund of its CTGF contributions to the extent that it is able to prove that it has been absorbing such contributions; and (d) for the proceeds of the refund of the CTGF contributions, the Clearing Member, through its authorized signatory(ies), shall provide the name of its bank and the Clearing Member's active bank account number where the refund will be credited to, or alternatively, the name and specimen signature of its representative authorized to receive the check payable to the order of the Clearing Member. For this purpose, no check shall be issued by SCCP payable to Cash or Bearer.</u></p>
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II. Proposed Amendment to the SCCP Operating Procedures

EXISTING PROCEDURE	PROPOSED PROCEDURE
<p><u>4.2.1.3</u> 4.3.1.3¹ Return of the Clearing Members' Contributions</p> <p>Contributions to the Clearing Fund shall be refunded as trade-related assets to a Clearing Member upon cessation of business of the Clearing Member and/or upon termination of its membership with the SCCP, provided that all liabilities of such Clearing Member owing to the SCCP at the time of termination, whether actual or contingent, shall have been satisfied or paid in full. The return of contributions shall be made after a reasonable processing time and shall take into account any pending and previous applications of the Clearing Fund at the time of such termination. Such contributions are administered and accounted separately by the SCCP.</p>	<p><u>4.2.1.3</u> 4.3.1.3 Return of the Clearing Members' Contributions</p> <p>Contributions to the Clearing Fund shall be refunded as trade-related assets to a Clearing Member upon cessation of business of the Clearing Member and/or upon termination of its membership with the SCCP, provided that <u>(a) such Clearing Member secured all applicable regulatory approvals and clearances (from e.g., the Commission, PSE, SCCP and the Capital Markets Integrity Corporation) for cessation of business and/or termination of their SCCP membership; (b) all liabilities of such Clearing Member owing to the SCCP at the time of termination, whether actual or contingent, shall have been satisfied or paid in full; (c) such Clearing Member submits a copy of its relevant audited financial statements and other evidence acceptable to SCCP showing that it has been absorbing its CTGF contributions rather than passing such contributions to its clients. For avoidance of doubt, a Clearing Member shall only be entitled to a refund of its CTGF contributions to the extent that it is able to prove that it has been absorbing such contributions; and (d) for the proceeds of the refund of the CTGF contributions,</u></p>

¹ The Operating Procedure Number is based on the Proposed Amendments previously submitted to the Board and the SEC.

the Clearing Member, through its authorized signatory(ies), shall provide the name of its bank and the Clearing Member's active bank account number where the refund will be credited to, or alternatively, the name and specimen signature of its representative authorized to receive the check payable to the order of the Clearing Member. For this purpose, no check shall be issued by SCCP payable to Cash or Bearer.

The return of contributions shall be made after a reasonable processing time and shall take into account any pending and previous applications of the Clearing Fund at the time of such termination. Such contributions are administered and accounted separately by the SCCP.

The first proposed amendment (under item (a) in both the relevant rule and operating procedure) provides that in order for a Clearing Member to obtain its CTGF contributions upon the cessation of its business and/or termination of its SCCP membership, it must show to SCCP that it obtained all applicable regulatory approvals and clearances given by the SEC, PSE, SCCP and the Capital Markets Integrity Corporation ("CMIC") in order for it to cease doing business as a broker-dealer or trading participant. This is to ensure that the Clearing Member is able to obtain its CTGF contributions only when it has been approved by the concerned regulators to cease its business.

The second proposed amendment (under item (c)) provides that such Clearing Member must submit a copy of its relevant audited financial statements and other evidence acceptable to SCCP (such as notarized certifications/undertakings and interim financial statements for shorter periods where audited financial statements are not available) showing that it has been absorbing its CTGF contributions rather than passing such contributions to its clients. This is to avoid undue enrichment of the Clearing Member because a Clearing Member should only be entitled to a refund of its CTGF contributions that it paid for by itself, not by its clients.

Finally, the third proposed amendment (under item (d)) provides that for the proceeds of the refund of the CTGF contributions, the authorized signatory(ies) of the Clearing Member shall provide the name of the Bank and the Clearing Member's active bank account number where the proceeds of the refund of CTGF contributions will be credited to, or the Clearing Member may choose to provide the name and specimen signature of its representative who is authorized to receive check which must be payable to the order of the Clearing Member. As a matter of prudence, SCCP may not issue checks payable to Cash or Bearer for the proceeds of the refund of the CTGF contributions of the Clearing Member.

Clearing Members may submit their comments by e-mail addressed to both **Ms. Renee D. Rubio (coo@sccp.com.ph)** and **Atty. Maximo Paulino T. Sison III (mtsison@pse.com.ph)** until **July 9, 2024**.

(ORIGINAL SIGNED)
RENÉE D. RUBIO
Chief Operating Officer