

Philippine Dealing and Exchange Corp.

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INSURANCE FORUM

The Philippine Dealing & Exchange Corp. (PDEX), together with the Philippine Depository & Trust Corp. (PDTTC), the Philippine Securities Settlement Corp. (PSSC) and the PDS Academy

for Market Development Corp. (PDSA), are the subsidiaries of the Philippine Dealing Systems Holdings Corp. (PDS Group). PDEX was incorporated in 2003 and licensed by the Securities and Exchange Commission (SEC) in April 2004 as an Exchange pursuant to the Securities Regulation Code (SRC, R.A. No. 8799).

The ownership structure of PDS, as of April 2016, is as follows: the Philippine Stock Exchange (PSE) (21%); the Bankers Association of the Philippines (BAP) (28.9%); Singapore Exchange Ltd. (20%); Tata Consultancy Services Asia (8%); Philippine American Life and General Insurance Co. (4%); San Miguel Corp. (4%); Financial Executives Institute of the Philippines (FINEX) (3.1%); Social Security System (1.5%); Investment House Association of the Philippines (IHAP) (1.1%); and Golden Astra Capital (0.4%).

It serves as the country's sole and exclusive electronic trading platform for fixed-income (FI) securities and foreign exchange (FX) markets. In other words, it is a "bonds exchange" or a "Fixed Income Exchange". The FI securities include both government (the majority) and corporate securities. Government securities refer to Treasury Bonds and Treasury Bills. As such, over-the-counter (OTC) trading of government securities passes through this trading system. PDEX is one of the two major stock exchanges in the country, the other is the PSE, which is limited to equities.

Its electronic system, dubbed X-Stream, has been pronounced as state-of-the-art and high performance. It was developed by Computershare Markets Technology.

The involvement of PDEX in the government securities market has been challenged before the Supreme Court. It has been alleged that there "is a usurpation of the government's role in the trading of treasury bills and bonds by a private institution" and creation of "monopoly". It has also been alleged that "exorbitant" fees are being imposed on trading participants, mostly banks, brokers and traders. Nonetheless, PDEX has been touted "as the venue for an efficient, stable, and secure market for the

trading of securities by providing a centralized fixed income trading facility. This infrastructure will promote price discovery and transparency, provide businesses equitable access to public funds, create a deeper investor based, and promote an active secondary market for fixed income securities.” It began its trading operations in government securities in March 2005.

Among other things, PDEX is also responsible for the calculation of the Philippine Dealing System Treasury Reference Rates (PDST Rates).

PDEX has been granted a self-regulatory organization (SRO) status by the SEC.

PDEX has the Automated Debt Auction Processing Systems (ADAPS) that allows the government to sell securities to Government Securities Eligible Dealers (GSEDs). ADAPS is linked to the Bureau of Treasury (BTr) terminals. An over-the-counter (OTC) transaction is where the BTr sells government securities to limited investors such as GOCCs, local government units and tax exempt institutions. Bids through OTC are non-competitive. Today (2017), the value turn-over of PDEX is much higher than that of the PSE.

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Dennis B. Funa (dennisfuna@yahoo.com) is the current Insurance Commissioner. Atty. Funa was appointed by President Rodrigo R. Duterte as the new Insurance Commissioner in December 2016.