



MEMORANDUM – 2025-010

TO : ALL TRADING PARTICIPANTS

SUBJECT : CTGF TREATMENT IN RBCA REPORTS

DATE : 28 March 2025

In March 2025, the Securities and Exchange Commission (“SEC”) clarified that the **Clearing and Trade Guaranty Fund (“CTGF”)**, in relation to the calculation of the risk-based capital adequacy (“RBCA”) ratio, is considered as an **ineligible asset to be deducted in the computation of net liquid capital (“NLC”)**.

The CTGF, in its nature, is an ineligible or deductible asset that the Revised Securities Clearing Corporation of the Philippines (“SCCP”) Rules define as a fund established, maintained and administered for the purpose of covering failed trades due to a clearing member’s default on settlement obligations. Further, on its website, the SCCP defines CTGF as follows:

*The CTGF is a credit management tool and is intended to assist SCCP in meeting its obligations as Central Counterparty in the event that Clearing Members default on their settlement obligations. The Clearing Fund is continuously being built up through the collection of (i) monthly contributions from its active Clearing Members, based on the Clearing Members' total monthly turnover value net of block sales and cross transactions of the same flag and (ii) initial contribution from new or returning Clearing Members. **It is a last resort tool for covering failed trades., In case it is utilized, the concerned Clearing Member will be required to promptly replenish the amount advanced from the CTGF as a result of its settlement default.** (Emphasis supplied)*

Furthermore, given the nature of the CTGF as an ineligible asset, it is deducted from the NLC, pursuant to the SEC Memorandum Circular No. 16 Series of 2004, Subsection III (Computation of NLC), Item C (ii) (i), to wit:

C. Computation of Net Liquid Capital (NLC)

In computing NLC, the Equity Eligible for Net Liquid Capital of a Broker Dealer is adjusted by the following, provided however, that in determining net worth, all long and all short securities position shall be marked to their market value:

ii. Deducting fixed assets and assets which cannot be readily converted into cash (less any indebtedness excluded in accordance with paragraph (iv) of the Definition of the term Aggregate Indebtedness) including among other things: (Emphasis supplied)

xxx

i. A deposit with third-party clearing organization, unless approved by the Commission. xxx (Emphasis supplied)

The bi-monthly RBCA report as of 31 March 2025 shall reflect such treatment.

For your information and strict compliance.

(original signed)

GERARD B. SANVICTORES

President

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