PDEx INTER-PROFESSIONAL MARKET REPURCHASE AGREEMENT PROGRAM RULES

Part A
GENERAL PROVISIONS

1. Definition of Terms

As used in these Program Rules, the following terms shall have the definitions given herein:

BSP	Shall refer to the Bangko Sentral ng Pilipinas
Cash Borrower	The party that receives cash at the inception of a Repo; this shall always be the Repo Seller.
Cash Lender	The party that pays cash at the inception of a Repo; this shall always be the Repo Buyer.
Collateral Management System	Shall refer to that system operated by PDTC, which has the functions set forth in these Program Rules.
Collateral Management System Operator	Shall refer to the operator of the Collateral Management System designated as such by PDEx.
Collateral Securities	Shall refer to those assets delivered by the Repo Seller to the Collateral Management System, in the form of eligible securities, intended to secure its obligations under Repos transacted under these Program Rules. These may alternatively be referred to as "Underlying Securities"
Day	Shall refer to a calendar day unless the same is specifically defined as a business or trading day.
Depository System	Shall refer to the system operated by PDTC as an SEC-licensed securities depository under the Securities Regulation Code.
Equivalent Securities	Shall refer to a security with the same International Securities Identification Number (ISIN) and same tax treatment as the original Collateral Security. Under these Program Rules, references to the return of the Collateral Security shall mean the return of the same or equivalent security.
Far Date	Shall refer to the future date on which the Repo Seller and Repo Buyer are required to perform acts to extinguish their repayment obligations under the terms of the Repo executed and these Program Rules. The Far Date may also be called the Repo Maturity Date.
General Collateral	Shall refer to additional securities delivered in response to a margin call.
Near Date	Shall refer to the date on which the Repo Seller is required to deliver the Collateral Securities and the Repo Buyer is required to deliver the cash to consummate the Repo.
PDEx or the Exchange	Shall refer to the Philippine Dealing & Exchange Corp., an Exchange duly registered as such with the Securities and Exchange Commission under the Securities Regulation Code.
PDEx Rules	Shall refer to the *PDEx Inter-Dealer Rules for the Government Securities Market, as Amended* and other PDEx rules that may be adopted in the future that shall be so provided to be subject to the

	coverage of these Program Rules, as they may be amended from time to time.
Program Rules	Shall refer to these Rules as administered by PDEx, as they may be amended from time to time.
SEC or Commission	Shall refer to the Securities and Exchange Commission.
Repo	Shall refer to a repurchase transaction as the same is defined and described in these Program Rules.
Repo Buyer	Shall refer to the party that pays cash at the inception of a Repo; this shall always be the Cash Lender.
Repo Interest	Shall refer to the amount of interest to be paid by the Repo Seller to the Repo Buyer based on the Repo Rate, Repo Amount and Maturity Date.
Repo Maturity Amount	Shall refer to the Repo Amount plus the Repo Interest, payable by the Repo Seller to the Repo Buyer on Maturity Date.
Repo Maturity Date	Shall refer to the future date on which the Repo Seller and Repo Buyer are required to perform acts to extinguish their repayment obligations under the terms of the Repo executed and these Program Rules. The Repo Maturity Date may also be called the Far Date.
Repo Rate	Shall refer to that rate per annum that will be used by the Repo Seller to pay the Repo Buyer in consideration of the Repo transaction.
Repo Seller	Shall refer to the party that receives cash at the inception of a Repo; this shall always be the Cash Borrower.
Repo Trading Participant or Repo Participant	Shall refer to the PDEx Repo Trading Participant whether acting as a Repo Buyer or Repo Seller
TCV	Shall refer to the Total Collateral Value of all Collateral Securities and General Collateral delivered to the Collateral Management System to secure all outstanding Repos of a Repo Seller.
Tenor	Shall refer to the period during which a Repo subsists, until the same is repaid.
Trade Date	Shall refer to the day on which a Repo is executed or intended to be executed.
Trading Day	Shall refer to a day on which PDEx' Trading System is open for trading by its Trading Participants.
Trading Participant	Shall refer to an entity that is recognized by PDEx under the PDEx Rules as a Trading Participant.

2. General Provisions

Section 1. CONSTRUCTION

1. In these Rules, unless the context otherwise indicates –

   a. A reference to any one gender shall include a reference to all other genders; and

   b. The singular shall include the plural, and *vice versa*.

2.   A reference to these Rules shall be a reference to those provisions as:

    a.   Enacted or amended from time to time;

    b.   Modified by relevant regulatory implementing rule, regulation, action, or decision.

3.   Repo Sellers (Cash Borrowers) and Repo Buyers (Cash Lenders), and their officers and employees, shall comply with these Rules as interpreted by PDEx. An act or omission shall include an act or omission caused directly or indirectly by such Repo Sellers (Cash Borrowers) and Repo Buyers (Cash Lenders), and their personnel as enumerated herein.

4.   Failure by PDEx to take action in response to a breach of a Rule shall not be considered a waiver of the Rules.

Section 2.   RULES

1.   These Rules, including any decision or determination made hereunder, shall be binding on:

    a.   PDEx, its officers, directors, employees;

    b.   Repo Sellers (Cash Borrowers), and their officers, directors, employees;

    c.   Repo Buyers (Cash Lenders) and their officers, directors, employees.

2.   Every Repo Trading Participant is required to comply with these Rules, and any order of PDEx in relation thereto.

Section 3.   NOTICES

1.   Each Repo Trading Participant shall designate a Corporate Information Officer or Authorized Representative and their alternate(s), who shall act as their principal channel of communication.

2.   Each Repo Trading Participant shall notify PDEx of its business address, postal address, fax number, and email address at which they shall accept the delivery of all notices issued by PDEx.

3.   Any notice given by PDEx to a Repo Trading Participant shall be in writing, and:

    a.   If delivered by hand during normal business hours at the Repo Participant's business address referred to above, shall be deemed to have been received on the date of delivery, until the contrary is proved by the intended recipient; or

    b.   If posted by registered mail from an address in the Philippines to the Repo Participant at their postal address referred to above, shall be deemed to have been received no later than the seventh day after the date of posting, until the contrary is proved by the intended recipient; or

    c.   If transmitted by telefax or email or other electronic means, shall be deemed to have been received on the date of transmission.

In addition to the foregoing, the Exchange and the Collateral Management System Operator may provide notices by means of publication in their official websites, as the same are made known to Participants.

Part B
GENERAL PRINCIPLES FOR THE CONDUCT OF BUSINESS BY REPO PARTICIPANTS

Section 1.   GENERAL PROVISIONS

1.   All Participants have a common interest in ensuring that the Repo market operates in a sound and orderly market. Hence, it is essential that Participants adopt prudent practices, act at all times with integrity, and observe the highest standards of market conduct.

2.   Participants shall act with due skill, care and diligence. To this end, personnel of Participants should be properly trained in the practices of repurchase transactions and be familiar with these Rules.

3.   Participants in Repos should at all times treat the names of parties to transactions as confidential to the parties involved.

4.   Participants in the Repo market must not in any circumstances enter into transactions or holding arrangements designed to limit the availability of a specific security or with the intention of creating a false or distorted market in the collateral securities. In this connection, market participants should comply with relevant regulatory provisions on market abuse.

5.   Participants in the Repo market have a general responsibility to ensure that their activities do not cause market disruption through fails, or damage the reputation of the Repo market.

Section 2.   PRELIMINARY ISSUES

1.   Repo Trading Participants should ensure that there are no legal obstacles to their undertaking transactions under these Rules and that, where necessary, they have all relevant permissions from their regulatory authorities. They should become familiar with the rules, procedures, and conventions of each market in which they operate and should be aware that differences in market infrastructure can have significant implications for the business and its associated risks. Participants should ensure that they have established – and fully understand – their tax position in relation to repurchase transactions. Such transactions should be carried out in accordance with relevant market and tax regulations.

2.   Repo Trading Participants should be familiar with the settlement systems and functionalities that they use for the transfer of securities and the associated payments under this Program.

3.   Repo Trading Participants should ensure that they have adequate systems and controls for the business they intend to undertake. These should include the following:

    a.   Establishment, retention and periodic and regular updating of their documentation to ensure their adequacy to cover the types of transactions to be undertaken.

b. Maintenance of lists of personnel authorized to engage in Repo transactions on its behalf and should make this list available to counterparties and to PDEx, upon request.

c. Employment of suitable internal controls designed to ensure that any repo transactions have been properly authorized before cash is paid against an obligation to lend.

d. Maintenance of clear and timely records, kept and made available to the management of any party involved in a Repo, including PDEx, showing *inter alia*, the Repo Amount lent/borrowed, Collateral Securities taken/given and, any Repo Interest earned or paid. This information should be available in aggregate and by counterparty to enable accurate monitoring of credit risk.

e. Monitoring of their exposure to counterparties on a real time basis. Appropriate exposure limits should be maintained for all counterparties and, whether part of a group limit or solo limit for the party concerned, should be reviewed on a regular basis.

4. Repo Trading Participants should ensure that they use PDEx-approved documentation, and have assured themselves of its effectiveness, and that they, or a competent person, have undertaken a thorough credit assessment of counterparties under the Program.

5. Repo Trading Participants should establish whether their counterparty is a member of any other relevant exchange as this may mean that they are subject to particular rules which could affect the way in which they deal with certain events while a Repo is outstanding.

Part C
PDEx INTER-PROFESSIONAL REPO MARKET

1. General Description of Repos

Section 1.   DEFINITION.

A Repurchase Agreement (Repo) is a contract under which one party (the Repo Seller) sells a security (the Collateral Security) to another party (the Repo Buyer) on a given date (the Near Date) for cash proceeds (the Repo Amount) with a commitment to repurchase the Collateral Securities at a future date (the Repo Maturity Date). The future price for the repurchase of the Collateral Securities shall differ from the original purchase price based on an agreed Repo Rate, which represents an interest rate for the Repo Amount received from the Repo Buyer. The Collateral Securities shall be delivered by the Repo Seller to the Collateral Management System Operator.

Section 2.   ESSENTIAL FEATURES OF A REPO.

A Repo under the Program shall have the following essential features:

1.   A Repo involves two transactions and two settlement dates:

a.   A "near leg" wherein a Repo Seller delivers the Collateral Security and the Repo Buyer pays the Repo Amount on Near Date"; and

b.   A "far leg" wherein the Repo Buyer returns the Collateral Security and unblocks the relevant portion of the General Collateral, if any, and the Repo Seller pays the Repo Amount plus Repo Interest on the Maturity Date.

2.   The Repo Amount received by a Repo Seller are entirely secured during the Repo Tenor by Collateral Securities, including General Collateral.

3.   For receipt of the Repo Amount on the Near Date, the Repo Seller delivers the Collateral Securities to the Collateral Management System Operator and agrees to repurchase the Collateral Securities on the Maturity Date.

4.   Despite the delivery of the Collateral Securities to the Repo Buyer, a Repo Seller shall continue to recognize the economic risks and rewards of the Collateral Securities and book the daily mark-to-market (MTM) valuation of the Collateral Securities and the accrued interest on the Collateral Securities.

5.   The substitution of Collateral Securities shall be allowed with the consent of the Repo Buyer, provided that the assets offered as substitutes are also eligible as Collateral Securities under these Program Rules and such substitution shall not prejudice the adequacy of the Collateral Securities and applicable General Collateral.

6.   The standard tenors for Repos under these Program Rules shall be those prescribed by PDEx and made known to the Repo Trading Participants.

Section 3.   EFFECT OF BLOCKING AND UNBLOCKING ON COLLATERAL SECURITIES AND GENERAL COLLATERAL

The action of the Collateral Management System to block the Collateral Securities and any portion of the General Collateral shall have the effect of making the assets involved unavailable to any person for disposition or other action.   Unblocking shall be deemed a constructive delivery of the relevant collateral to the Repo Seller.

Part D
INTER-PROFESSIONAL REPO MARKET PARTICIPANTS

1. Classifications of Repo Trading Participants

Section 1.   GENERAL PROVISION

1.   All PDEx Trading Participants shall be entitled to become Repo Trading Participants. These shall include Financial Institutions or Qualified Investors, with limitations as follows:

a.   Financial Institutions with Quasi-Banking license (FIQB)

i.   FIQBs can participate as Repo Buyers against any other FIQB or FINQ as Repo Seller as provided under these Rules. They may likewise participate as

Repo Sellers on an unrestricted basis against any other FIQB or FINQ as Repo Buyer.

    ii. FIQBs can participate as Repo Sellers against any QIB as a Repo Buyer, *Provided*, That the FIQB's Aggregate Repo Amount borrowed from QIBs cannot exceed its Tier 1 Capital Limit, or such other limit as may be imposed by the BSP. The FIQB shall be provided a utility under the Program to monitor its aggregate limits against its own Tier 1 Capital Limit.

    b. Financial Institutions without Quasi-Banking license (FINQ)

        i. FINQs can participate as Repo Buyers on an unrestricted basis against any other FIQB or FINQ as Repo Seller.

        ii. FINQs may be allowed to participate as Repo Sellers as may be allowed by PDEx and their relevant regulatory authorities having jurisdiction over their activities.

    c. Qualified Investor (QI) – QIs may only participate as Repo Buyers

2. In any admission of a new Repo Trading Participant under this Program, PDEx shall notify all active Trading Participants and Repo Trading Participants of the fact of such admissions.

2. Repo Buyers

Section 1.   REPO BUYER QUALIFICATIONS

A Repo Buyer must be a duly admitted Repo Participant of the Phil. Dealing & Exchange Corp. that has executed the necessary agreement signifying its consent to be bound under these Program Rules, and its understanding of the same and a Repo Account with the Depository.

Section 2.   REPO BUYERS CONTINUING OBLIGATIONS

A Repo Buyer must:

1. Have a Cash Settlement Account with the BSP (DDA) or such other acceptable Cash Settlement Account under the Program.

2. Maintain an account with the Collateral Management System.

3. Cause the transfer of the Repo Amount to the cash account designated by the Repo Seller on the Near Date upon receipt of a confirmation from PDEx that a Repo was executed in favor of such Repo Buyer.

4. Receive the Repo Maturity Amount on Maturity Date, simultaneously with the delivery by the Collateral Management System of the Collateral Securities to the Repo Seller.

5. Pay all relevant fees under the Program.

Section 3.   VOLUNTARY WITHDRAWAL OF REPO BUYER PARTICIPATION

1.   A Repo Buyer may voluntarily withdraw its participation from the Program by submitting a request therefor within sixty (60) calendar days prior to intended effective date of termination.

2.   PDEx shall by written notice at least thirty (30) calendar days prior to the intended date of termination to the other Repo Trading Participants, give notice of the intention of the Repo Buyer to withdraw its participation from the Program.

3.   After the lapse of the 30-day period of notice and prior to the intended date of termination, PDEx shall consider such request for withdrawal and may accept such request either unconditionally or on such conditions as it may deem fit, or may refuse to accept such request until it is satisfied that all outstanding obligations of such Repo Buyer in terms of the Rules have been complied with.

4.   In no case shall the voluntary termination applied for be granted unless and until the Repo Buyer can adequately show to PDEx that no new Repos were entered into after the request for termination was filed with PDEx and that no Repo obligations remain outstanding.

Section 4.   INVOLUNTARY LOSS OF RIGHT TO PARTICIPATE AS A REPO BUYER

1.   A Repo Buyer may lose the right to participate in this Program under the following grounds:

    a.   Continual settlement failures on the near leg of its Repos

    b.   Violation of these Program Rules

    c.   Violation of any of the undertakings under these Program Rules, or when any of the warranties it is required to continually make ceases to be true

    d.   Its underlying regulatory or SRO recognition is terminated or otherwise revoked, whether voluntarily or involuntarily, in which case, the involuntary loss of right to participate as a Repo Buyer under this Section shall automatically take place.

2.   The name of the Repo Buyer whose right is terminated and the date from which such termination shall take effect shall be published by PDEx by means of a notice to Repo Trading Participants, at the cost of the terminated Repo Buyer.

3.   PDEx, in addition to the loss of their right to participate as a Repo Buyer, may impose such other sanctions as it deems appropriate under the circumstances, taking into consideration the gravity of the violation and extent of damage caused.

3. Repo Sellers

Section 1.   REPO SELLER QUALIFICATIONS

A Repo Seller must be a duly admitted Trading Participant of PDEx. that has executed the necessary agreement signifying its consent to be bound under these Program Rules, and its understanding of the same and a Repo Account with the Depository. Repo Sellers must have a

banking or quasi-banking license or others as allowed by PDEx and their relevant regulatory authorities

Section 2.   REPO SELLER'S CONTINUING OBLIGATIONS

A Repo Seller must:

1.   Have a Cash Settlement Account with the BSP (DDA)

2.   Be a PhilPass member

3.   Maintain an account with the Collateral Management System Operator.

4.   Have eligible and adequate Collateral Securities to cover all of its outstanding Repo/s from inception until Maturity.

5.   Promptly deposit additional eligible and adequate Collateral Securities in the Collateral Management System upon receipt of notice ("Margin Call") therefrom.

6.   Deliver the Collateral Security covering its Interbank Repo Transactions at the Collateral Management System on the Near Date.

7.   Pay the Repo Maturity Amount to the Repo Buyer on Maturity Date. (This amount includes the Repo Interest due to the Repo Buyer.)

8.   Pay the relevant fees imposed under the Program

9.   Inform the Collateral Management System Operator that an Event of Acceleration has occurred with respect to itself, and repay the Repo in accordance therewith.

Section 3.   VOLUNTARY WITHDRAWAL OF REPO SELLER PARTICIPATION

1.   A Repo Seller may voluntarily withdraw its participation from the Program by submitting a request therefor within sixty (60) calendar days prior to intended effective date of termination.

2.   PDEx shall by written notice at least thirty (30) calendar days prior to the intended date of termination to the other Repo Trading Participants, give notice of the intention of the Repo Buyer to withdraw its participation from the Program.

3.   After the lapse of the 30-day period of notice and prior to the intended date of termination, PDEx shall consider such request for withdrawal and may accept such request either unconditionally or on such conditions as it may deem fit, or may refuse to accept such request until it is satisfied that all outstanding obligations of such Repo Seller in terms of the Rules have been complied with.

4.   In no case shall the voluntary termination applied for be granted unless and until the Repo Seller can adequately show to PDEx that no new Repos were entered into after the request for termination was filed with PDEx and that no Repo obligations remain outstanding.

Section 4.   INVOLUNTARY TERMINATION OF A REPO SELLER

1.   The Repo Seller's participation as such shall automatically terminate when its recognition as a PDEx Trading Participant ceases, whether such cessation is voluntary or involuntary.

2.   If a Repo Seller's recognition as a Trading Participant is suspended by PDEx, such suspension shall likewise cause the automatic suspension of the Repo Seller's participation in this Program as such, which shall be reinstated upon the lifting of the suspension of its Trading Participant status in appropriate cases.

3.   PDEx shall require the Repo Seller affected by a suspension or termination by PDEx to notify all its counterparties in any outstanding Repo and shall settle the same on an accelerated basis.

4.   PDEx, in addition to the termination of the Repo Seller's participation in the Program, may impose such other sanctions as it deems appropriate under the circumstances, taking into consideration the gravity of the violation and extent of damage caused.

4. The Collateral Management System Operator

Section 1.   THE COLLATERAL MANAGEMENT SYSTEM OPERATOR

The Phil. Depository & Trust Corp is hereby appointed as the Collateral Management System Operator under these Program Rules, with the functions as set forth herein.

Section 2.   FUNCTIONS OF THE COLLATERAL MANAGEMENT SYSTEM

The Collateral Management System shall have the following functions:

1.   Receive and accept eligible Collateral Securities from Repo Sellers on behalf of Repo Buyers, observing the requirements of these Program Rules and such other criteria as may be set by the PDS Risk Management System

2.   Upon receipt of information from PDEx regarding Repos executed thereon, block the Collateral Securities to secure the Repo until the Repo is repaid on or before Maturity Date

3.   Perform daily valuation of Collateral Securities using standard methodologies made known to the Repo Participants and forming part of these Program Rules

4.   Determine the adequacy of the Total Collateral Value against the Total Value of Repos outstanding for all Repo Sellers of the Repo Buyer

5.   Issue margin calls or effect margin releases as appropriate

6.   Track corporate actions on all Collateral Securities

7.   Release the block on the Collateral Securities upon instruction of the Repo Buyer where repayment has extinguished the Repo

Section 3.   COLLATERAL MANAGEMENT SYSTEM OPERATOR'S RESPONSIBILITIES.

The Collateral Management System Operator must:

1.   Develop and update the criteria for determining the eligibility of Collateral Securities, such as but not limited to market liquidity of security, price transparency for ease of valuation and other key factors, subject to the confirmation of PDS Group Risk

2.   Make known to participating Repo Sellers the list of eligible Collateral Securities

3.   Receive and safekeep Collateral Securities securing executed Repos

4.   Collect the benefits from the Issuers and distribute to the Repo Sellers as instructed by the latter

5.   Ensure that Collateral Securities are not released during the tenor of the Repo except in cases where warranted

6.   Return Collateral Securities to the Repo Seller on extinguishment of the Repo in accordance with these Program Rules.

7.   Liquidate Collateral Securities and Additional Collateral blocked to secure a Defaulted Repo, and deliver the proceeds thereof to the Repo Buyer in the manner prescribed under the Master Agreement

Part E
ELIGIBLE COLLATERAL SECURITIES

Section 1.   COLLATERAL SECURITY TYPES

Following are the general types of Collateral Securities acceptable as collateral to be delivered into the Collateral Management System under the Program:

1.   Fixed Income Instruments (PhP-Denominated)

    a.   Securities issued by the Republic of the Philippines Bureau of the Treasury

    b.   Securities issued by the Bangko Sentral ng Pilipinas (BSP)

    c.   Securities issued by Municipal or Local Government Units of the Republic of the Philippines and as listed in PDEx

    d.   Private Corporate Debt Securities listed in PDEx

2.   Fixed Income Instruments (USD-Denominated)

    a.   Securities issued by the Republic of the Philippines (RoP Debt)

    b.   Private Corporate Debt Securities listed in PDEx.

Section 2.   COLLATERAL SECURITY FEATURES.

1.   A detailed list of Eligible Collateral Securities shall be published by the Collateral Management System Operator based on the general criteria of market liquidity and tradability of the security, price transparency of the security and resulting facility for market valuation.

2.   Following are the features of the securities to be accepted as Collateral Securities:

     a.   Securities issued in electronic form ("scripless") or physical securities that have been immobilized in a depository for electronic book-entry transfer

     b.   Securities that are free from liens and encumbrances

     c.   Securities that are not subject to early redemption (e.g. "callable" or "puttable" securities) within the tenor of a Repo

     d.   Securities that are traded in PDEx or in any other Philippine Exchange

     e.   Securities that are subject to daily MTM valuation based on the benchmark approved by the BSP and the Exchange and sourced from the Exchange

     f.   Securities with a tenor longer than the Repo tenor

Section 3.   INSTRUMENTS ELIGIBLE AS ADDITIONAL MARGIN COLLATERAL.

Following are the general types of acceptable as additional Margin Collateral for Repo Sellers to deliver to the Collateral Management System in response to Margin Calls.

     a.   Any of the general Collateral Securities as defined above

     b.   Cash

Part F
REPO TRADING MECHANICS

Section 1.   GENERAL DESCRIPTION

1.   The Repo Market Trading System shall be an Open Order Book that will allow Repo Trading Participants to enter Repo Bid or Offer Orders on an anonymous basis with an auto-matching capability when order details allow.

2.   The anonymous auto-matching of orders on the Repo Order Book shall be made possible through a Counterparty Credit Limit System which shall:

     a.   Allow a Repo Trading Participant to specify the maximum Repo Amount that can be matched against each and every other Repo Trading Participant in the System.

     b.   Be included in the anonymous order matching engine rules.

3.   The Repo Market Trading System shall provide pre-match notifications for Repo Bid and Offer Orders that are close to matching but need only slight amendments on the Order Details by either Repo Trading Participant to complete matching hat is built into the rules

of the matching engine. These pre-match notifications shall be done on an anonymous basis.

4. The specific counterparties to a Repo Transaction shall be revealed only after order matching has taken place and a transaction is confirmed.

Section 2.   PRE-TRADE PROCESSES

1. Prior to the start of Repo Trading, the designated officer of a Repo Trading Participant must input the Repo Counterparty Credit Limit Amount for each Repo Trading Participant in the Counterparty Credit Limit module of the Repo Market Trading System.

2. For clarity, the Counterparty Credit Limit shall refer to the Repo Amount of the Repo Transactions that will be allowed for matching against each of its Repo Counterparties within the trading system for that Trading Day.

3. The entry of a Counterparty Credit Limit in favor of another Repo Trading Participant finally, irrevocably and absolutely binds the Granting Repo Trading Participant to honor the limit granted, if the same is availed of by the Repo Trading Participant in whose favor such limit was granted.   Otherwise, amendments to the Counterparty Credit Limits posted may be amended as provided in these Rules.

4. Whenever a Repo transaction against a specific counterparty Repo Participant is executed in the Trading System, the available Counterparty Credit Limit for that Repo Participant shall be deducted by the transacted Repo Amount.

5. The designated officer of a Repo Participant may amend the available Counterparty Credit Limit by accessing the Counterparty Credit Limit System during the day; *Provided, However* Repo Participants may not lower the available counterparty limit below the amount of Repos already transacted within a Trading Day.

6. A Counterparty Credit Limit shall be deemed automatically replenished at the start of the Trading Day, without prejudice to the amendment of the same as provided in these Rules.

Section 3.   TRADE PROCESSES

1. The PDEx IP Repo Market Trading System shall operate on Trading Days. A Pre-Open Session may be set by PDEx for Repo Participants to enter orders prior to the official Repo Market open.

2. Order Entry by Repo Participants.   Repo Participants shall have access to the Repo Market Trading System and enter the required transaction details for their Repo Orders.

3. The Repo Market Trading System shall display the open Order Book wherein firm order details (excluding the name of the Counterparty) may be accessed and matched by Repo Traders. The key features of the Order book are:

   a. The Order Book shall show the best bid and best offer of the REPO Rate. For clarity, the lowest Repo BID Rate is the best bid to be displayed, and the highest Repo OFFER Rate is the best offer to be displayed ("top of the book")

   b. Repo Orders will be displayed on an anonymous basis.

c.   All Repo Orders shall be queued on the Repo Board for processing and execution in accordance herewith.

d.   The PDEx Repo Market Trading System shall display a Trades Blotter to each Repo Participant showing the done transactions of that Repo Participant (Cash Borrowers).

e.   The PDEx Repo Market Trading System shall display Repo Time & Sales data to all Repo Participants showing general information about Repos transacted during the trading day without revealing any counterparty names.

Section 4.   REPO TRADE MATCHING RULES.

Following are key rules for the trading engine in matching orders from the central open order book:

1.   The Collateral Security Series, REPO tenor, REPO Side and REPO Rate will be the primary fields to be matched.

2.   For a given Collateral Security needed for specified REPO tenors, Repo Sellers Offer orders will be matched against Repo Buyers Bid orders.

3.   The order precedence shall be based on the existence of sufficient Counterparty Credit Limits, price, and time.

4.   If a Repo Rate BID and OFFER match perfectly for a Repo Seller and Repo Buyer with counterparty lines for one another and the same Repo tenor, the system shall check for an exact match of the Repo Amount. If an exact match occurs, the Repo Buyer and Repo Seller shall be matched and confirmations shall be transmitted to the Repo Counterparties.

5.   If there is a match in the Face Amount but a mismatch in the Repo Amount, the system shall "hold" the first order entered and send an Amend Order transaction request to the second party

a.   If the second party amends his order to the YTM of the original order, the system shall confirm a done transaction.

b.   If the second party is unwilling to amend the order, the Amend Order transaction request is sent to the first party to see if it is willing to amend the order to the YTM of the second party.

c.   If the first party accepts the amendment to the YTM, then the system shall confirm a done transaction.

d.   If not, then both orders shall be displayed on the Order Book as firm orders open for other Repo Participants to access.

6.   If there is a match in the Yield to Maturity of the Collateral Securities, but a mismatch in the Face Amounts, then the system shall "hold" the first order entered and send an Amend Order transaction request to the second party

a.   If the second party amends his order to the Repo Amount of the original order, the system shall confirm a done transaction.

b. If the second party is unwilling to amend the order, the Amend Order transaction request is sent to the first party to see if it is willing to amend the order to the Repo Amount of the second party.

c. If the first party accepts the amendment to the Repo Amount, then the system shall confirm a done transaction.

d. If not, then both orders shall be displayed on the Order Book as firm orders open for other Repo Participants to access.

Section 5.   CANCELLATION

Repos executed on the Repo Trading System are final and irrevocable. However, PDEx may cancel executed Repos in cases of computer errors or system errors experienced by the Repo Trading System.

Part G
REPO SETTLEMENT MECHANICS

Section 1.   GENERAL DESCRIPTION

1. All done transactions shall constitute settlement instructions sufficient to empower PDEx to send binding instructions to settlement entities to effect acts consistent with such settlement instructions.

2. All Repo Trading Participants shall maintain securities settlement accounts with the Depository for purposes of settling both the near and far legs of the Repo transaction.

3. A Repo Participant (RP) may also be classified as either a " *PhilPaSS* RP" or "Non-*PhilPaSS* RP" for purposes of this Part G of these Program Rules.

    a. A *PhilPaSS* RP is an FIQB which is a *PhilPaSS* member and settles its Repo transactions (near and far legs) directly through its own BSP DDA.

    b. A Non-*PhilPaSS* RP may be any FIQB, FINQ, or QIB that is not a *PhilPaSS* member. A Non-*PhilPaSS* RP shall settle its Repo transactions (near and far legs) through the DDA of its designated Cash Settlement Bank (which must be a *PhilPaSS* member).

4. *PhilPass* RPs shall settle funds through their DDA.

5. Non-*PhilPaSS* RPs (i.e. Repo Buyers) shall settle funds through the DDA of their designated Settlement Banks as follows.

    a. Debits to the Non-*PhilPaSS* RP's cash settlement account with its Settlement Bank shall take place before the Settlement Bank's DDA is debited.

    b. Credits to the Non-*PhilPaSS* RP's cash settlement account with its Settlement Bank shall take place after the Settlement Bank's DDA has been credited. The Settlement Bank cannot refuse a credit.

Section 2.   PRE-SETTLEMENT ACTIVITIES – NEAR DATE

1.   Designated Settlement Officers of the Repo Seller and Repo Buyer shall review and authorize the Repos. Only Repos authorized by both Buyer and Seller shall be transmitted to the Depository System for settlement on settlement date.

2.   On Settlement Date, where the Repo Buyer is a Non-*PhilPaSS* RP, the Repo shall be routed to the designated Settlement Bank for confirmation.

3.   On Settlement Date, all authorized Repos shall be settled via DvP settlement under these Program Rules, in accordance with the cut off times prescribed under these Rules, which shall be made known to the Repo Participants.

Section 3.   SETTLEMENT PROCESSES AT NEAR DATE

1.   When the Repo DvP settlement process is run, the Depository System shall check for the availability of Collateral Securities in the Repo Seller's account upon receipt of the file from the PDS Gateway.

    a.   The settlement shall immediately fail if the Collateral Securities are not available or are insufficient in the Repo Seller's account.

    b.   Otherwise, the Depository System shall send a fund transfer request to *PhilPaSS* for cash settlement.

2.   Upon receipt of a fund transfer request, *PhilPaSS* shall check the DDA of the Repo Buyer (or its Settlement Bank) and debit the same if there is sufficient balance with corresponding credit to the DDA of the Repo Seller (or its Settlement Bank).

    a.   If the balance is sufficient, *PhilPaSS* shall send a confirmation to the Depository System.

    b.   Otherwise, *PhilPaSS* shall put the transaction on queue until funds become sufficient or until the Repo cut-off, whichever occurs first.

3.   For transactions confirmed by *PhilPaSS*, the Depository System shall cause the movement of the Collateral Securities into the appropriate Collateral account.

4.   At the close of the Repo Settlement window, the settlement results for transactions of Non-*PhilPaSS* RPs (settled and failed) shall be transmitted from the Depository System to PDS Gateway and made available by electronic display for the Repo Buyer and the Repo Seller for information and to make the appropriate entries, as necessary: For failed Repo trades of Non-*PhilPaSS* Repo Buyers, the Settlement Bank should make the appropriate entry to reverse the earlier debit confirmation. This can be a credit (or a removal of an earmark) to the settlement account of the Repo Buyer.

Section 4.   PRE-SETTLEMENT ACTIVITIES – MATURITY DATE

One day before the Repo Maturity Date, an extract of maturing Repos of Non-*PhilPaSS* TPs shall be transmitted from the Depository System to the PDS Gateway for advance notice to Settlement Banks.

Section 5.   SETTLEMENT PROCESSES AT REPAYMENT OR MATURITY

1.   When the maturity Repo DvP Settlement process is run, the Depository System will immediately check for the availability of Collateral Securities in the appropriate Depository account.

   a.   For transactions with sufficient securities, the Depository System shall send a fund transfer request to *PhilPaSS* for cash settlement.

   b.   Otherwise, the settlement shall immediately fail if the Collateral Securities are not available or are insufficient in the Repo Seller's account.

2.   *PhilPaSS* shall check the DDA of the Repo Seller (or its Settlement Bank) and debit the same if there is sufficient balance, with a corresponding credit to the DDA of the Repo Buyer (or its Settlement Bank).

   a.   If the balance is sufficient, *PhilPaSS* shall send a confirmation to the Depository System.

   b.   If balance is insufficient, *PhilPaSS* puts the transaction on queue until funds become sufficient or until Repo cut-off. time

3.   For transactions confirmed by *PhilPaSS*, the Depository System shall cause the movement of the Collateral Securities back into the normal Depository account balance of the Repo Seller.

4.   At the close of the Repo Maturity Settlement window, the settlement results for transactions of Non-*PhilPaSS* RPs (settled and failed) shall be transmitted from the Depository System to PDS Gateway and made available by electronic display to the Settlement Banks of non-*PhilPass* RPs for them to make the appropriate entries. For settled Repo Maturity legs of Non-*PhilPaSS* Repo Buyers, the Settlement Bank should make a corresponding credit entry to the Repo Buyer's settlement account to mirror the credit in its DDA.

Part H
RESCISSIONS, ACCELERATIONS, AND DEFAULTS – EVENTS AND CONSEQUENCES

1. Rescission

Section 1.   EVENT OF RESCISSION

Failure of settlement on the near date of the Repo Transaction shall be deemed to constitute a rescission of the Repo by the party at fault (the Rescinding Party).

Section 2.   CONSEQUENCES OF RESCISSION

A rescission shall produce the following effects:

1.   All obligations under the Repo Transaction shall be rescinded and the parties to the Repo shall be absolved from performing the same.

2.   The Rescinding Party shall be liable for the payment of the applicable penalty as prescribed by PDEx and made known to the Repo Participants.

3.   Habitual rescission may give ground for involuntary termination of the Rescinding Party.

2. Acceleration

Section 1.   EVENTS OF ACCELERATION

The following events, if occurring prior to the Repo Maturity Date shall give rise to the Repo Buyer's right to accelerate the obligation, and the day following the occurrence of such events shall consequently become the Maturity Date of the Repo, on which repayment shall be required to be made:

1.   Failure of the Repo Seller to respond to a Margin Call in the time agreed

2.   An act of insolvency shall have occurred with respect to the Repo Seller

3.   Any representation of the Repo Seller becomes untrue

4.   Except for settlement failure on the near leg, failure of the Repo Seller to perform its other obligations under the Repo and not remedying such failure within the curing period prescribed

5.   Any other event occurs that may prevent the Repo Seller from fulfilling its obligations under the Repo (e.g., loss of underlying PDEx or regulatory license/registration)

6.   Non-payment of a Repo by the Repo Seller, where it has more than one Repo outstanding at the time

Section 2.   CONSEQUENCES OF ACCELERATION

The occurrence of any of the Events of Acceleration shall accelerate the Repo Maturity Date to the Trading Day following the date of the Event of Acceleration. Settlement shall occur in accordance with the rules on Settlement at Maturity.

3. Default

Section 1.   WHAT CONSTITUTES DEFAULT

Any failure by the Repo Seller to perform its repayment obligation on Repo Maturity Date, whether the same is being repaid on an accelerated basis or not, shall constitute a Default on the Repo.

Section 2.   CONSEQUENCES OF DEFAULT

1.   Where the Repo Seller has defaulted, the Collateral Management System Operator shall issue a Notice of Default declaring the Repo Seller in Default, and send the same to the Repo Seller and the Repo Buyer.

2.   Upon issuance of a Notice of Default, the Collateral Management System Operator shall, by virtue of a special power of attorney herein given and granted to the same, cause the liquidation of the Collateral Securities blocked as well as any and all additional margin securities delivered to secure the Repo. Any proceeds from such liquidation shall be delivered in full to the Repo Buyer and the Repo shall be extinguished.

3.   In addition to the proceeds of liquidation of Collateral Securities, the Repo Buyer shall be entitled to a penalty fee as prescribed by PDEx and made known to the Repo Trading Participants.

Part I
COMPLIANCE REQUIREMENTS

Section 1.   RECORDKEEPING AND REPORTING.

Repo Sellers and Repo Buyers shall keep and maintain proper records of their Repo Transactions, including:

1.   Repo ledgers and other books of accounts

2.   Repo Transaction Records for each Repo transaction

Section 2.   TRANSACTION DETAILS REQUIRED TO BE RECORDED

For every Repo transacted on PDEx, the following details shall be recorded, whether in an appropriate Repo ledger or other Transaction Records:

1.   General Repo Trade Reference Data
   a.   Repo Trade Date
   b.   Repo Trade Time
   c.   Repo Trade Number
   d.   Repo Action
   e.   Repo Counterparty
2.   Repo Collateral Security
   a.   Series Name
   b.   ISIN
   c.   Face Value
   d.   Sec. Maturity Date
   e.   Coupon
   f.   YTM
   g.   Clean Price
   h.   Clean Price After Tax
   i.   Accrued Interest

      j.   Net Accrued Interest (NAI)
      k.   Market Price of Security (CPAT plus NAI)
      l.   Haircut
      m.   Collateral Price of Security (Repo Amount)

3. Repo Details
      a.   REPO Amount
      b.   REPO Tenor
      c.   Near Date (Tod or Tom)
      d.   REPO Maturity Date
      e.   REPO Rate
      f.   Repo Interest
      g.   Repo Interest (Income Tax)
      h.   Repo Net Interest
      i.   Repo Maturity Amount

4. Other remarkable details in respect of the Repo, such as prepayments, defaults, failures, etc.

Section 3.   COMMENCEMENT OF INVESTIGATION

1. PDEx, through its Compliance and Surveillance Department (CSD) shall investigate Repo Participants and their personnel based on complaints, findings or unusual borrowing or lending activities.

2. Any matter referred to the CSD for investigation or examination should be in writing addressed to the CSD stating the reason or nature of the complaint or referral. The CSD shall not be obliged to entertain or give due course to anonymous complaints or referrals.

Section 4.   PDEx POWERS DURING AN INVESTIGATION

PDEx shall have the power in any investigation to do any of the following acts:

1. Require the immediate production by a Repo Seller or Repo Buyer of accurate information about its business and transactions (including transactions that are not on PDEx) in a format, electronic or otherwise, specified by PDEx;

2. Require the immediate production by a Repo Seller or Repo Buyer of documents (which, for the purposes of these Rules, shall include anything in which information of any description is recorded) in the Repo Seller's or Repo Buyer's possession, custody, power or control;

3. Interview any employee or agent (or any employee of such agent) of a Repo Seller or Repo Buyer and require such person to answer questions and provide explanations and/or require answers and explanations from the Repo Seller or Repo Buyer, and record such answers and explanations in such format as is deemed appropriate and desirable;

4. Require the attendance, upon reasonable notice, of any employee or agent (or any employee of such agent) of a Repo Seller or Repo Buyer at a specified date, time and place, to answer questions, provide explanations and/or give evidence and require the Repo Seller or Repo Buyer to procure such attendance;

5.   Require the provision of information relating to any person who is to be, is or has been an employee or agent (or any employee of such agent) of the Repo Seller or Repo Buyer or engaged in its business; and

6.   Send any authorized representative to a Repo Seller's or Repo Buyer's offices at any time, for the purpose of inspections and investigations and to ensure compliance with these rules.

Section 5.   DUTY AND RESPONSIBILITY OF REPO SELLER OR REPO BUYER AND PERSONNEL ON INVESTIGATIONS

1.   It shall be the duty and responsibility of the Repo Seller or Repo Buyer and their personnel to comply with the orders of the PDEx for the purpose of obtaining information about any matter which it considers may relate to these Program Rules or to the integrity of the PDEx' markets.

2.   Repo Sellers or Repo Buyers and their directors, officers, employees and their agents shall exhibit utmost professionalism in dealing with CSD or PDEx.

3.   Every Repo Seller or Repo Buyer and personnel under investigation shall not unduly influence any member of the CSD, its staff, or PDEx.

Section 6.   CONFIDENTIALITY OF INVESTIGATION AND INFORMATION GATHERED THROUGH INVESTIGATION

Unless required by law or the relevant authorities, the CSD shall not disclose to third persons any information, which CSD receives, gathers or otherwise acquires in the course of its investigation and resolution of the case.

Part J
DISPUTE RESOLUTION

Any dispute arising out of a Repo shall be governed under the PDEx Rules for the Inter-Dealer Fixed Income Securities Market, as may be amended from time to time.

Part K
VALUATION METHODOLOGIES

Section 1.   SOURCES OF VALUATION METHODOLOGIES

The valuation methodology used in determining the valuation of Collateral Securities is derived from standard securities valuation methods used in the Philippine securities market as well as internal risk models developed by PDS (?) for determining the appropriate valuation adjustment (termed a "haircut') for each Collateral Security.

Section 2.   VALUATION METHODOLOGY FORMS PART OF THESE PROGRAM RULES.

Such valuation methodology shall be made known to all Repo Participants through means provided for under the Master Agreement and shall form part of these Program Rules.

Section 3.   RECKONING POINTS FOR VALUATION

1.   The Collateral Prices and corresponding Collateral Value of each eligible collateral security previously deposited by prospective Repo Sellers shall be determined at the start of each Trading Day.

2.   PDS Risk Management shall calculate a haircut value for each eligible Collateral Security based on the volatility estimate of that Collateral Security.

3.   The haircut value will be fixed for the entire Trading Day.

4.   PDS Risk Management shall maintain and update the internal risk model and may publish the volatility studies for eligible collateral securities.