

FOR APPROVAL OF THE SEC
PROPOSED REVISIONS TO THE REPO PROGRAM RULES

PROPOSED REVISIONS: PENALTIES FOR DEFAULT

[The rules sought to be amended are the PDEX Inter-Professional Market Repurchase Agreement Program Rules (the "Repo Rules"), approved by the Securities and Exchange Commission in August 2007. The proposed revisions are the highlighted portions.]

PART H
Rescissions, Accelerations, and Defaults - Events and Consequences

x x x

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.
4. Upon issuance of the Acceleration Notice, the Defaulting Repo Seller shall be denied access to the program until all obligations arising from the Default have been settled.
5. In addition to the above, after the disciplinary proceedings provided in Rule 15 of the PDEX Rules, the following sanctions are applicable to the Defaulting Repo Seller:
 - a. Reprimand and penalty of ~~at least~~ Php 50,000; and/or [As amended by the Market Governance Board on 08 April 2008.]
 - b. Suspension of participation in the program.