

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

PROPOSED REVISIONS: PENALTIES FOR DEFAULT

[The rules sought to be amended are the SLT Program Rules, approved by the Securities and Exchange Commission on December 22, 2006. The proposed revisions are the highlighted portions.]

Part G

ACCELERATIONS AND DEFAULTS - EVENTS AND CONSEQUENCES

2. DEFAULT

SECTION 1. WHAT CONSTITUTES DEFAULT

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

SECTION 2. CONSEQUENCES OF DEFAULT

1. Where the Borrower has defaulted, the Lending Pool System shall issue a Notice of Default declaring the Borrower in Default, and send the same to the Borrower and the Lender.

2. Upon issuance of a Notice of Default, the operator of the Collateral Management System shall, by virtue of a special power of attorney herein given and granted to the same, cause the liquidation of the Collateral Securities blocked to secure the SLT. Any proceeds from such liquidation shall be delivered to appropriate parties in accordance with the Master Agreement.

3. The Lender shall be entitled to a penalty fee of one percent (1%) above the highest offer rate for the securities quoted in the morning trade of the Exchange or the approved MTM benchmark rate on the date of default in the absence of an offer rate in the Exchange.

4. Upon issuance of the Acceleration Notice, all Borrowing Rights of the Defaulting Borrower shall be suspended until all obligations arising from 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 Borrower:

- 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 Borrowing Rights.**