

Trading & Settlement Operating Guidelines
POWER SECTOR ASSETS & LIABILITIES MANAGEMENT CORPORATION
Series A Five Year Fixed Rate Retail Bonds due 2015
Series B Seven Year Fixed Rate Retail Bonds due 2017

1. Coverage

- 1.1.** These Trading and Settlement Guidelines (Guidelines) shall apply to trades on the following securities of the **POWER SECTOR ASSETS & LIABILITIES MANAGEMENT CORPORATION** (“PSALM” or the “Issuer”) upon their listing on PDEX:
- 1.1.1.** PSALM Series A Five Year Fixed Rate Retail Bonds due 2015 (“PSALM Series A Bonds”)
 - 1.1.2.** PSALM Series B Seven Year Fixed Rate Retail Bonds due 2017 (“PSALM Series B Bonds”)

The PSALM Series A and Series B Bonds shall be collectively referred to as the “PSALM Retail Bonds” or “Bonds”.

- 1.2.** A Trading Participant of the Philippine Dealing & Exchange Corp. (PDEX) that trades on the Bonds shall be bound by these Trading and Settlement Operating Guidelines for the Bonds (Guidelines), the Trading Conventions for Fixed Income Securities in the Public Market (PDEX Trading Conventions), and the PDEX Rules.
- 2. Pricing Convention.** Quotations for the Bonds shall be expressed in terms of Clean Price (i.e., price without accrued interest), exclusive of any applicable withholding tax. The Trading System shall calculate an implied Yield to Maturity.
- 3. Day Count Standard.** The day count standard shall be **30E/360 ISMA**.
- 4. Series Names in Trading System.** There shall be two (2) series names for each series of the Bonds in the corporate securities board of the Trading System. The two (2) series names for each of the Bonds are being made available solely for settlement value computation purposes, and should not be construed as two (2) separate tranches or series nor as separate securities.
- 4.1.** Tax-Withheld Series Names - the settlement value of a done trade on this series name shall be computed on a tax-withheld basis, based on a withholding tax rate of 20%.
 - 4.1.1.** PSALM Series A Bonds - “PSALM 05-01”
 - 4.1.2.** PSALM Series B Bonds - “PSALM 07-01”
 - 4.2.** No Withholding Tax (NWT) Series Names - suffix “NWT” indicates that the settlement value of a done trade on this series name shall be computed on a no tax-withheld basis.

- 421. PSALM Series A Bonds - “PSALM 05-01-NWT”
- 422. PSALM Series B Bonds - “PSALM 07-01-NWT”

5. Trading Mechanics

5.1. Tax-Withheld Series Name

5.1.1. Orders for the account of tax-withheld investors and Dealing Participants trading for their own proprietary position shall be dealt using the tax-withheld series name.

5.1.2. Market Making Participants (Market Makers) shall post prices using the tax-withheld series name.

5.2. **No Withholding Tax Series Name.** Orders for the account of investors not subject to withholding tax shall be dealt using the no-withholding tax series name.

6. Responsibilities of Trading Participants with Respect to the Bonds

6.1. A Trading Participant shall determine the suitability of each buyer and ensure that it fully understands the risks involved in investing in the Bonds.

7. Trading Break during Closed Periods

7.1. In accordance with the terms and conditions of the Bonds, there shall be a trading break during the Closed Periods for the Bonds.

7.2. For clarity, the Closed Periods for the Bonds are as follows:

7.2.1. during the period of two (2) Banking Days ending on (and including) the due date of any redemption payment of principal; and

7.2.2. during the period of one (1) Banking Day preceding any Interest Record Date ending on (and including) the Interest Payment Date.

8. **Restrictions on Transfers of Tax Exempt Institutions.** In accordance with the terms and conditions of the Bonds, unless otherwise permitted by the Issuer, following its initial purchase of the Bonds, a Tax Exempt Institution (TEI) may transfer PSALM Retail Bonds only to other TEIs.

9. Registrar and Settlement Policy for the PSALM Retail Bonds.

9.1. The Registrar for the PSALM Retail Bonds is the Bureau of the Treasury, through its Registry of Scripless Securities (RoSS) facility.

9.2. All PSALM Retail Bond transactions executed on the PDEX Trading System shall be settled in accordance with PDEX procedures applicable for government securities (GS) transactions.