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March 28, 2016

International Swaps and Derivatives Association, Inc.
360 Madison Avenue, 16th Floor
New York, New York 10017
United States of America

Ladies and Gentlemen:

The ISDA Master Agreements Enforceability of Close-Out Netting

You have requested our opinion on the enforceability of the termination, bilateral close-out netting and multibranch netting provisions of the following ISDA Master Agreements:

1. The 1992 ISDA Master Agreement (Multicurrency – Cross Border) (the “**Cross Border Agreement**”) and the 1992 ISDA Master Agreement (Local Currency - Single Jurisdiction) (the “**Single Jurisdiction Agreement**”) and, together with the Cross Border Agreement, the “**1992 ISDA Master Agreements**”) published in June 1992 by ISDA.¹

2. The ISDA 2002 Master Agreement, published in January 2003 by ISDA.

We are also requested to provide an opinion on the 2001 ISDA Cross-Agreement Bridge (the “**2001 Bridge**”). The 2001 Bridge allows the close-out amounts under various industry master agreements to be taken into account in Section 6 of the 1992 ISDA Master Agreements as Unpaid Amounts. Finally, we are asked to provide an opinion on the 2002 ISDA Energy Agreement Bridge (the “**2002 Bridge**”). The 2002 Bridge was modeled on the 2001 Bridge.

¹ The Single Jurisdiction Agreement is designed to be used for derivative transactions in a single currency between two parties organized or operating out of the same jurisdiction. The Cross Border Agreement is designed to be used for derivative transactions in any currency between two parties irrespective of their jurisdiction of organization. Both 1992 ISDA Master Agreements may be governed by either New York law or English law as the parties elect. Apart from differences relating to the multicurrency and cross border aspects of the Cross Border Agreement, the two 1992 ISDA Master Agreements are essentially the same in substance.

We understand that the enforceability of close-out netting is of interest to banks and corporations that have entered into transactions governed by the 1992 ISDA Master Agreements and/or the 2002 ISDA Master Agreement as a matter of both credit risk assessment and considerations of capital adequacy. In this regard, you have informed us as follows:

The Basel Committee on Banking Supervision of the Bank for International Settlements published a set of requirements for capital adequacy in the Basel Capital Accord of July 1998 and subsequent amendments and the Basel II Revised Framework of November 2005 (the "Basel Accords"). The Basel Accords require banking supervisors in each of the G-10 countries to recognize various aspects of close-out netting for capital purposes, provided that a bank satisfies certain requirements, including the requirement that a bank obtain the following with respect to a master netting agreement to which that bank is a party:

"written and reasoned legal opinions that, in the event of a legal challenge, the relevant courts and administrative authorities would find the bank's exposure to be such a net amount under:

- *The law of the jurisdiction in which the counterparty is chartered and, if the foreign branch of a counterparty is involved, then also under the law of the jurisdiction in which the branch is located;*
- *The law that governs the individual transactions; and*
- *The law governs any contract or agreement necessary to effect the netting.*

The national supervisor, after consultation when necessary with other relevant supervisors, must be satisfied that the netting is enforceable under the laws of each of the relevant jurisdictions."

In the case of a bank that has entered into transactions under a Cross Border Agreement or a 2002 ISDA Master Agreement as a multibranch party, it is now clearer that, to satisfy this opinion requirement, it is necessary to obtain enforceability opinions from each country where a branch of that bank is located that has entered into one or more transactions under the multibranch ISDA Master Agreement.

Only the Cross Border Agreement of the two 1992 Master Agreements has a multibranch provision. The Single Jurisdiction Agreement does not accommodate multibranch arrangements.² Section 10(a) of the Cross Border Agreement provides that:

"If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home

² For this reason, all references below in Part I and Part II to the 1992 ISDA Master Agreement are to the Cross Border Agreement.

office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organization of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into."

Section 10(a) of the 2002 ISDA Master Agreement has been amended as compared to Section 10(a) of the Cross Border Agreement, as marked in [bold] italics below:

*"If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to **and agrees with** the other party that, notwithstanding the place of booking or its jurisdiction of incorporation or organization, its obligations are the same **in terms of recourse against it** as if it had entered into the Transaction through its head or home office, **except that a party will not have recourse to the head or home office of the other party in respect of any payment or delivery deferred pursuant to Section 5(d) for so long as the payment or delivery is so deferred.** This representation and agreement will be deemed to be repeated by each party on each date on which **the parties enter into a Transaction.**"*

At the outset, we wish to point out that the principle of autonomy in contract-making is recognized in our jurisdiction. Thus, the Civil Code of the Philippines provides as follows:

Art. 1306. The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.

In this regard, we understand that the parties referred to below are to select either New York law or English law to govern the ISDA Master Agreement. This choice of governing law will be upheld in this jurisdiction, considering that it is not contrary to law, morals, good customs, public order or public policy. In this opinion, when we speak of enforceability of provisions of the ISDA Master Agreement (assuming Philippine law were to apply), it means that they pass muster under the *proviso* in Article 1306 of the Civil Code quoted above.

Moreover, we note that the *Bangko Sentral ng Pilipinas* (the "**Central Bank**") may require licensing of certain financial derivative activities of Philippine banks and non-bank financial institutions performing quasi-banking functions, and/or their subsidiaries and affiliates engaged in related financial activities (*see* Section X611, Manual of Regulations for Banks; Section 4611Q, Manual of Regulations for Non-Bank Financial Institutions).³ We also note that the original version of Appendix 25 to the Manual of Regulations for Banks and Appendix Q-15

³ Section 3(a) of the 1992 ISDA Master Agreements and the 2002 ISDA Master Agreement contains the following representation that can be relied on by the counterparties of any of such Philippine banks and non-bank financial institutions performing quasi-banking functions, and their said subsidiaries or affiliates: "(iv) *Consents*: All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with."

to the Manual of Regulations for Non-Bank Financial Institutions, entitled “Risk Management Guidelines for Derivatives,” authorized the use of “the International Swap Dealers Association, Inc. (ISDA) Master Agreement insofar as the same is not inconsistent with existing laws, rules and regulations.” Thus, we have in this jurisdiction an official endorsement of the use of the ISDA Master Agreement.

Scope of Transaction Types Covered by our Opinion

Appendix A dated August 2015 (a copy of which is attached hereto) contains a brief description of the various types of transactions that currently may be documented under the ISDA Master Agreements (the “Transactions”). Our conclusions in this opinion apply to any of these types of Transactions.

Scope of Counterparty Types Covered by our Opinion

Our opinion covers all the counterparty types specified in Appendix B dated September 2010 (a copy of which is attached hereto), except when an issue concerns a specific counterparty only and save that the portion of our opinion on insolvency would not apply to the Republic of the Philippines (as a Sovereign), its local government units (as Local Authorities), the Central Bank, and an International Organization (such as the Asian Development Bank), considering that there are no Philippine insolvency laws or rules that apply or purport to apply to those entities. Otherwise, our opinion would cover the said entities.

The Philippines is a unitary state and, therefore, there is no Philippine equivalent of a State of a Federal Sovereign.

All applicable counterparty types (save for the Republic of the Philippines and its Local Authorities, the Central Bank, and an International Organization) generally are in the form of a stock corporation, in which case the corporate name will include the word “Corporation” or “Incorporated” in full or in the abbreviated form “Corp.” or “Inc.” The word “Bank” is included in the names of banks, while “Insurance” or “Assurance” is found in the name of an insurance company.

To the extent that a partnership is allowed by law, the word “Partnership” is usually included or “Partnership Limited” if the partnership is limited.

I. Close-out Netting Under the ISDA Master Agreements

A. Assumptions

We make the following assumptions:

1. Two institutions (either two derivative dealers or a derivative dealer and a sophisticated end-user of derivatives), each of which is a type of entity falling within one of the category types specified in Appendix B as covered by this opinion, have entered into an ISDA Master Agreement. The parties have selected either New York law or English law to govern, at

least one of the institutions entering the ISDA Master Agreement is organized in the Philippines and neither institution has specified that the provisions of Section 10(a) apply to it.

2. Provisions of the ISDA Master Agreement that we deem crucial to our opinion have not been altered in any material respect. Any selection contemplated by Sections 5 and 6 of the ISDA Master Agreement and made pursuant to a Schedule to the ISDA Master Agreement or in a Confirmation of a Transaction would not be considered material alterations.

3. On the basis of the terms and conditions of the ISDA Master Agreement and other relevant factors, and acting in a manner consistent with the intentions stated in the ISDA Master Agreement, the parties over time enter into a number of Transactions that are intended to be governed by the ISDA Master Agreement. The transactions entered into include any or all of the Transactions described in Appendix A.

4. Some of the Transactions provide for an exchange of cash by both parties and others provide for the physical delivery of shares, bonds or commodities in exchange for cash.

5. After entering into these Transactions and prior to the maturity thereof, one of the parties, which is organized in the Philippines, becomes the subject of a voluntary or involuntary case under Philippine insolvency laws and, subsequent to the commencement of the insolvency, either that party or an insolvency official seeks to assume the Confirmations representing profitable Transactions for the insolvent party and reject the Confirmations representing unprofitable Transactions for the insolvent party.

We also assume that the parties have amended the 1992 ISDA Master Agreement so that they have adopted the approach of Full Two Way Payments for all Events of Default as well as Termination Events. However, the choice between Full Two Way Payments and Limited Two Way Payments (called the First Method in the 1992 ISDA Master Agreement) does not affect our analysis. Therefore, we do not analyze the enforceability of Limited Two Way Payments. Moreover, we do not address the selection of Market Quotation or Loss as a payment measure under the 1992 ISDA Master Agreement, since the selection does not make a difference under the laws of the Philippines. We have noted that under the 2002 ISDA Master Agreement, the First Method was eliminated, leaving only the Second Method in the 2002 ISDA Master Agreement (although it is not referred to as such).

B. Issues

We shall now deal with the issues raised, using the question-and-answer format.

1. Assuming the parties have not selected Automatic Early Termination upon certain insolvency events to apply to the insolvent counterparty organized in your jurisdiction, are the provisions of the ISDA Master Agreement permitting the Non-defaulting Party to terminate all the Transactions upon the insolvency of its counterparty enforceable under the law of your jurisdiction?

The said provisions are enforceable under Philippine law.

We note that Republic Act No. 10142, otherwise known as the Financial Rehabilitation and Insolvency Act of 2010 (“FRIA”), repealed the Insolvency Law (Act No. 1956, as amended). Section 127 of the FRIA states that any transaction entered into by a debtor or involving its assets and occurring prior to the issuance by a Philippine court of a liquidation order in respect of such debtor (or, in case rehabilitation proceedings in respect of such debtor have been converted to liquidation, prior to the commencement date of such proceedings) may be rescinded or declared null and void if such transaction was executed with intent to defraud creditors or constituted an undue preference of creditors. Under Section 58 of the FRIA, a debtor is presumed to have entered into a transaction with intent to defraud its creditors or to have constituted an undue preference to its creditors, if there is an “accelerated payment” of a creditor’s claim within 90 days prior to the issuance of such liquidation order (or, in case rehabilitation proceedings have been converted to liquidation, 90 days prior to the commencement date of such proceedings). The issue here is whether a close-out netting under the ISDA Master Agreements constitutes an “accelerated payment” that is rescindable or voidable under Section 127 of the FRIA. In this regard, there is basis to argue that such close-out netting is not a rescindable or voidable “accelerated payment,” because set-off (or “compensation” in Philippine Civil Code parlance), which effects such close-out netting, is recognized as valid under Section 124 of the FRIA, in the context of liquidation. We are aware that, in Section 17(c) of the FRIA, set-off may be voided in rehabilitation proceedings (*i.e.*, pre-liquidation), if a commencement order has been issued by the Philippine court. However, it is doubtful whether a set-off that occurs by operation of law (*i.e.*, legal compensation), or even a contractual set-off (*i.e.*, conventional compensation) that is effected outside of the Philippines pursuant to the ISDA Master Agreement governed by either New York law or English law, can be voided by a Philippine court.

Banks, quasi-banks, pre-need companies and insurance companies are not subject to FRIA but to a different set of insolvency rules (*see* Section 138, FRIA; Section 67 *et seq.*, General Banking Law of 2000; Section 30 *et seq.*, New Central Bank Act; Section 49 *et seq.*, Pre-need Code; Section 255 *et seq.*, Insurance Code). In this regard, it is well to stress that the insolvency rules applicable to banks, quasi-banks, pre-need companies and insurance companies do not have provisions similar to Sections 17 and 58 of the FRIA. Accordingly, the discussion on fraudulent preferences in the preceding paragraph would not concern banks, quasi-banks, pre-need companies and insurance companies. No such preference issues arise in respect of them.

2. Assuming the parties have selected Automatic Early Termination upon certain insolvency events to apply to the insolvent counterparty organized in your jurisdiction, are the provisions of the ISDA Master Agreement automatically terminating all the Transactions upon the insolvency of a counterparty enforceable under the law of your jurisdiction?

The provisions of the ISDA Master Agreement automatically terminating all the Transactions upon the insolvency of a Philippine counterparty are enforceable under the law of our jurisdiction, for the reasons stated in our response to question 1 above.

3. *Are the provisions of the ISDA Master Agreement providing for the netting of termination values in determining a single lump-sum termination amount upon the insolvency of a counterparty enforceable under the law of your jurisdiction?*

The provisions are likewise enforceable in our jurisdiction. Netting, as described above, is similar to our concept of “compensation” or set-off (Art. 1278 *et seq.*, Civil Code).

In making this conclusion, we have taken into account Article 2018 of the Civil Code which reads:

Art. 2018. If a contract which purports to be for the delivery of goods, securities or shares of stock is entered into with the intention that the difference between the price stipulated and the exchange or market price at the time of the pretended delivery shall be paid by the loser to the winner, the transaction is null and void. The loser may recover what he has paid.

In our opinion, Article 2018 of the Civil Code will not apply where the object of the Transaction is the sale or exchange of currencies or monetary obligations (as in foreign exchange contracts, and currency and interest rate swaps).⁴ It should be noted that Article 2018 covers only transactions which “purport” to be for delivery of goods (*Onapal Philippines Commodities, Inc. v. The Honorable Court of Appeals*, 218 SCRA 281 (1993)). Therefore, it would have no application to, for instance, an interest rate or currency swap transaction where the written contract evidencing the agreement of the parties reflects an intention to make actual delivery of the object of the contract on settlement date. The settlement of these Transactions by (we presume) the netting of amount mutually owing to the counterparties precisely evidences delivery of the object of the transaction. The fact that these Transactions are settled by netting amounts due and owing between the parties would not subject the Transactions to the coverage of Article 2018. Compensation – the civil law analogue of netting – is a legitimate mode of extinguishing obligations of persons who in their own right are reciprocally debtors and creditors of each other (Art. 1278 *et seq.*, Civil Code).

The same argument cannot be applied to derivative contracts wherein the underlying transaction involves a purported future sale or delivery of goods or securities (other than money). We note here that, in Assumption 4 above, the Transactions in question provide for either an exchange of cash by both parties, or the physical delivery of shares, bonds or commodities in exchange for cash.

Still, Article 2018 of the Civil Code does not apply to a commodity option that can be settled either by physically delivering the specified quantity of the commodity in exchange for

⁴ A contrary view has been advocated based on the argument that the term “goods,” in the context of Article 2018 (in relation to Article 1636) of the Civil Code, is broad enough to include foreign currency. We are of the opinion, however, that Article 2018 will not apply to the sale or exchange of currencies or monetary obligations. Besides, the definition of “goods” in Article 1636 applies only to Title VI (Sales) in Book IV of the Civil Code. It does not apply to Article 2018 which is under Title XIII (Aleatory Contracts) in Book IV.

the strike price or by cash settling the option (*i.e.*, the seller of the option would be required to pay the buyer the difference between the market price of that quantity of the commodity on the exercise date and the strike price). Similarly-settled equity options and bond options are likewise not covered by Article 2018.

It must be noted that Article 2018 does not apply to any option listed in Appendix A attached hereto (i) if it is agreed by the parties that such option must be cash settled so that both parties have obligations payable in cash, or (ii) if such option transaction clearly calls for physical delivery of the underlying commodity, bonds or shares, or (iii) such option transaction leaves the choice to the buyer of the option as to whether to have physical settlement or cash settlement, which choice will be made at the time of exercise of the option by the buyer.

This is not to say, however, that Transactions outside of the purview of Article 2018, are necessarily valid and enforceable. It must be noted that the use of Transactions to speculate on interest or exchange rate movements may characterize the arrangements as a game of chance. This statement is meant to apply to all Transactions including rate protection transactions – whether or not covered by Article 2018 of the Civil Code – which are entered into for speculation and not for hedging or other legitimate business purposes.

For instance, the use of Transactions to speculate on interest or exchange rate movements may characterize the arrangements as a game of chance. A game of chance (or gambling) is one which depends more on chance or hazard than on skill or ability (Art. 2013, Civil Code). A Philippine court, in case of doubt as to the nature of a gaming contract before it, will apply the presumption that the transaction is one of chance (Art. 2013, Civil Code).

While a game of chance is not illegal *per se*, Article 2014 of the Civil Code provides that no action can be maintained by the winner to collect what he has won, at the same time that it permits the loser to recover his losses, with legal interest from the time of payment of the amount lost.

In order to meet the challenge that a Transaction is not a game of chance, the parties must be able to demonstrate that the arrangement was not entered into primarily for speculation, *i.e.*, that it was entered into with an underlying legitimate business or economic purpose. The parties may, for example, justify the arrangement as a financing, investment or asset and liability management device. If it can be shown that a Philippine party to a Transaction has an actual economic interest in the fluctuation of the relevant index or reference price (*e.g.*, as a hedge against movements in an interest rate, currency rates, a commodity price or an equity index), it should be sufficient to establish that the Transaction is valid and enforceable against the Philippine party.

The Central Bank, as stated earlier, issued certain “Risk Management Guidelines for Derivatives” to Philippine banks, non-bank financial intermediaries performing quasi-banking functions and/or their subsidiaries and affiliates engaged in related financial activities. These Philippine parties can, as end-users, enter into Transactions for legitimate economic purposes which “may include, but are not limited to, the following: hedging, proprietary trading, managing capital or funding costs, obtaining indirect exposures to desired market factors,

investment, yield-enhancement, and/or altering the risk-reward profile of a particular item or an entire balance sheet” (Section X611, Manual of Regulations for Banks; Section 4611Q, Manual of Regulations for Non-Bank Financial Institutions).

In this regard, we observe that the ISDA Master Agreement together with all Confirmations will constitute a “single agreement” between the parties. This intention (clearly reflected in Section 1(c) of the ISDA Master Agreement) will be enforced in this jurisdiction (Article 1370, Civil Code). Accordingly, we do not believe that the insolvent Philippine party or an insolvency official can selectively assume the Confirmations representing profitable Transactions for such party and reject the Confirmations representing unprofitable Transactions for such party (see *First Philippine International Bank v. Court of Appeals*, 252 SCRA 259 (1996)).

4. Assuming the parties have entered into either a 1992 ISDA Master Agreement (Multicurrency-Cross Border) or a 2002 ISDA Master Agreement, one of the parties is insolvent and the parties have selected a Termination Currency other than the currency of the jurisdiction in which the insolvent party is organized:

(1) would a court in your jurisdiction enforce a claim for the net termination amount in the Termination Currency?

Yes. Under Republic Act No. 8183, which repealed the Uniform Currency Act (Republic Act No. 529, as amended), the contracting parties can stipulate a foreign currency to be their currency of payment.

(2) can a claim for the net termination amount be proved in insolvency proceedings in your jurisdiction without conversion into the local currency?

If in either case the claim must be converted to local currency for purposes of enforcement or proof in insolvency proceedings, please set out the rules governing the timing and exchange rate for such conversion.

There is no need to convert the said claim into the local currency.

II. Close-out Netting for Multibranch Parties

A. Assumptions

In this part, we assume the same facts as set forth in Part I above (as applicable) with the following modifications:

1. When addressing Issue 1 set forth in Part II.B below, we assume that a bank organized in our jurisdiction has entered into an ISDA Master Agreement on a multibranch basis. In the ISDA Master Agreement, the local bank has specified that Section 10(a) applies to it. The local bank then has entered into Transactions under ISDA Master Agreements through the said

bank in our jurisdiction and also through one or more branches located in other countries that had been specified in the Schedules to the bank's ISDA Master Agreement. After entering into these Transactions and prior to the maturity thereof, the local bank becomes the subject of a voluntary or involuntary proceeding under the insolvency laws of our jurisdiction.

2. When addressing Issues 2 and 3 set forth in Part II.B. below, we assume that a bank ("Bank F") organized and with its headquarters in a country ("Country H") other than our jurisdiction has entered into an ISDA Master Agreement on a multibranch basis. Bank F has entered into Transactions under ISDA Master Agreement through Bank F and also through one or more branches located in other countries that Bank F had specified in the Schedules to Bank F's ISDA Master Agreement, including in each case a branch of Bank F located in and subject to the laws of our jurisdiction (the "Local Branch"). After entering into these Transactions and prior to the maturity thereof, Bank F becomes the subject of a voluntary or involuntary proceeding under the insolvency laws of Country H.

B. Issues

We now respond to your specific questions.

1. Would there be any change in your conclusions concerning the enforceability of close-out netting under the ISDA Master Agreements based upon the fact that the local bank has entered into ISDA Master Agreements on a multibranch basis and then conducted business in that fashion prior to its insolvency?

No. Our conclusions are not affected by the fact that the Philippine bank has entered into an ISDA Master Agreement on a multibranch basis and then conducted business in that fashion prior to its insolvency.

2. Would there be a separate proceeding in your jurisdiction with respect to the assets and liabilities of the Local Branch at the start of the insolvency proceeding for Bank F in Country H? Or would the relevant authorities in your jurisdiction defer to the proceedings in Country H so that the assets and liabilities of the Local Branch would be handled as part of the proceeding for Bank F in Country H? Could local creditors of the Local Branch initiate a separate proceeding in your jurisdiction even if the relevant authorities in your jurisdiction did not do so?

Under the second paragraph in Section 75 of the General Banking Law of 2000 (Republic Act No. 8791), it is provided that –

Residents and citizens of the Philippines who are creditors of a branch in the Philippines of a foreign bank shall have preferential rights to the assets of such branch in accordance with existing laws.

In the light of Section 75, the relevant authorities in this country (primarily the Central Bank) may not defer to the proceedings in Country H so that the assets and liabilities of the Local Branch would be handled as part of the proceedings for Bank F in Country H. Further, given the preferential rights granted to Philippine residents and citizens under Section 75, it is possible that local creditors may initiate separate proceeding in this country even if the Central Bank did not do so.

Having stated that, please note that, for the effective protection of the interests of the depositors and other creditors of a Philippine branch, it is required here that the head office of such branch fully guarantee the prompt payment of all liabilities of such branch (Section 75, General Banking Law of 2000; Section 5, Republic Act No. 7721; Section 8, Central Bank Circular No. 51). Accordingly, Bank F must have submitted such a guarantee to the Central Bank. In this jurisdiction, it is likely that the Central Bank will intervene to effectuate the mandate in Section 75 of the General Banking Law of 2000 and to enforce the said guarantee.

We might add that the Model Law on Cross-Border Insolvency of the United Nations Center for International Trade and Development has been adopted as part of the FRIA (Section 139, FRIA).

3. If there would be a separate proceeding in your jurisdiction with respect to the assets and liabilities of the Local Branch, would the receiver or liquidator in your jurisdiction and the courts of your jurisdiction, on the facts above, include Bank F's position under an ISDA Master Agreement, in whole or in part, among the assets of the Local Branch and, if so, would the receiver or liquidator and the courts of your jurisdiction recognize the close-out netting provisions of the ISDA Master Agreements in accordance with their terms? The most significant concern would arise if the receiver, liquidator or court in your jurisdiction considering a single ISDA Master Agreement would require a counterparty of the Local Branch of Bank F to pay the mark-to-market value of Transactions entered into with the Local Branch to the liquidator or receiver of the Local Branch while at the same time forcing the counterparty to claim in the proceedings in Country H for its net value from other Transactions with Bank F under the same ISDA Master Agreement. In considering this issue, please assume that close-out netting under all the relevant ISDA Master Agreements would be enforced in accordance with its terms in the proceedings for Bank F in Country H.

The Philippine insolvency official or court, on the facts above and in the light of our previous analysis, would recognize the close-out netting provisions of the ISDA Master Agreement in accordance with their terms.

4. As indicated above thus far ISDA has obtained legal opinions indicating that bilateral and multibranch close-out netting would be enforceable in the following jurisdictions: Anguilla, Australia, Austria, Barbados, the Bahamas, Belgium, Bermuda, Brazil, The British Virgin Islands, Canada, Cayman Islands, Channel Islands (Guernsey and Jersey),

The Czech Republic, Denmark, England, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Luxembourg, Malaysia, Malta, Mexico, The Netherlands, Netherlands Antilles, New Zealand, Norway, Peru, Philippines, Poland, Portugal, Scotland, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey and the United States (multibranch netting enforceable for branches of non-U.S. banks chartered in New York).

However, we would like you to confirm that your answers to Issues 1, 2 and 3 immediately above remain the same, notwithstanding possible actions that could be taken by an insolvency official or court in another jurisdiction where close-out netting may be unenforceable (the "Non-Netting Jurisdiction"). Such actions taken by an insolvency official of a Non-Netting Jurisdiction include the following scenarios:

(1) In the case of an insolvency proceeding for a local bank (a bank organised under the laws of your jurisdiction), the local bank, acting as a multibranch party, has booked Transactions through its home office and one or more branches located in Non-Netting Jurisdictions (the "Non-Netting Branches").

(2) In the case of an insolvency proceeding for a Local Branch of Bank F, Bank F acting as a multibranch party, has booked Transactions through (i) its home office, (ii) its Local Branch and (iii) one or more Non-Netting Branches in other jurisdictions.

ISDA would like you to confirm that where courts in your country have jurisdiction over the assets of a local bank or a Local Branch, a multibranch master agreement such as the ISDA Master Agreement would be treated as a single, unified agreement by a receiver under the laws of your jurisdiction regardless of the treatment of the ISDA Master Agreement or Transactions there under by an insolvency official in a country where close-out netting may be unenforceable.

If you believe that your answer to Issue 3 immediately above will be that the receiver or liquidator in your jurisdiction or the courts of your jurisdiction will not recognize the close-out netting provisions of the ISDA Master Agreements in accordance with their terms, please contact me immediately because there may be additional questions that ISDA would like you to address.

We confirm that where a Philippine court has jurisdiction over the assets of a Philippine bank or a Local Branch, a multibranch master agreement would be treated as a single, unified agreement by a Philippine insolvency official under the Philippine law regardless of the

treatment of the agreement or transactions thereunder by an insolvency official in a jurisdiction where close-out netting may be unenforceable.

III. Key Differences between the 1992 ISDA Master Agreements and the 2002 ISDA Master Agreement

We respond below to your questions relative to the key differences between the 1992 ISDA Master Agreement and the 2002 ISDA Master Agreement.

While a number of amendments were made in the 2002 ISDA Master Agreement, as compared to the 1992 ISDA Master Agreements, some of the key differences are the following: (i) amendments to Sections 5 and 6, including the tightening of grace or cure periods and the addition of new Section 5(b)(ii) – Force Majeure Termination Event; (ii) the introduction of a single measure of damages provision, Close-out Amount, which replaces Market Quotation and Loss in the 1992 ISDA Master Agreements; and (iii) the inclusion of a set-off provision in Section 6(f) in the 2002 ISDA Master Agreement.

First, Sections 5 and 6 of the 1992 ISDA Master Agreements have been amended in several ways. Grace periods in Sections 5(a)(i), 5(a)(v) and 5(a)(vii)(4) have been reduced in length. Second, Section 5(a)(v) has been amended so that cross-acceleration of a Specified Transaction is not sufficient to trigger an Event of Default; rather, there must be a determination that an acceleration has occurred under the documentation applicable to the relevant Specified Transactions. Thus, “mini close-outs”, where fewer than all transactions are terminated, are not sufficient in themselves to constitute an Event of Default.

A third amendment is the addition of a Termination Event set forth in Section 5(b)(ii) as the Force Majeure Termination Event. While some of the changes to the 1992 ISDA Master Agreements effected by the inclusion of a Force Majeure Termination Event relate to Sections 5 and 6, none of the changes relate to the focus of your opinion, namely close-out netting in the event of insolvency. Nevertheless, we ask that you confirm that the inclusion of the Force Majeure Termination Event would not affect your opinion. If the inclusion of such provisions would affect your opinion, please set forth the legal implications. Please note that this is not a request for advice on force majeure and impossibility issues generally under the laws of your jurisdiction, but merely whether the inclusion of a Force Majeure Termination Event would affect your opinion on the enforceability of the termination, close-out netting and multi-branch netting provisions of the 2002 ISDA Master Agreement.

We confirm that the inclusion of the Force Majeure Event would not affect our opinion on the enforceability of the termination, close-out netting and multibranch netting provisions of the 2002 ISDA Master Agreement.

A fourth amendment is the inclusion of a single measure of damages provision, Close-out Amount, in the 2002 ISDA Master Agreement. Market Quotation and Loss in the 1992 ISDA Master Agreements have been eliminated. Please confirm that the inclusion of Close-out Amount will not affect your opinion on the enforceability of the termination, close-out netting and multi-branch netting provisions of the 2002 ISDA Master Agreement.

We confirm that the inclusion of Close-out Amount (in lieu of the prior choice between Market Quotation and Loss) would not affect our opinion on the enforceability of the termination, close-out netting and multibranch netting provisions of the 2002 ISDA Master Agreement.

A fifth amendment is the inclusion of a set-off provision in Section 6(f) of the 2002 ISDA Master Agreement. We are not asking you to opine on the enforceability of Section 6(f), but to confirm that the inclusion of Section 6(f) would not affect your opinion on the enforceability of the close-out netting provisions of the 2002 ISDA Master Agreement.

We confirm that the inclusion of Section 6(f) would not affect our opinion on the enforceability of the close-out netting provisions of the 2002 ISDA Master Agreement.

IV. 2001 ISDA Cross-Agreement Bridge

As stated in the introduction, we request your advice on the 2001 Bridge. This advice should be included as a separate heading in your opinion to ISDA regarding the ISDA Master Agreements.

The inclusion of the 2011 Bridge does not materially affect the conclusions reached in our opinion herein.

V. 2002 ISDA Energy Agreement Bridge

We also request your advice on the 2002 Bridge. This advice should be included as a separate heading in your opinion to ISDA regarding the ISDA Master Agreements. You will note that the 2002 Bridge is nearly identical in substance to the 2001 Bridge and thus it is anticipated that your advice will generally be the same as set forth for the 2001 Bridge.

We confirm that the inclusion of the 2002 Bridge does not materially affect the conclusions reached in our opinion herein.

VI. Close-out Amount Protocol

We also request your advice on the Close-out Amount Protocol. The 2009 ISDA Close-out Amount Protocol was published on Monday February 27, 2009. The purpose of the Protocol is to facilitate amendment of existing 1992 ISDA Master Agreements to replace Market Quotation and (subject to the election to preserve Loss provisions) Loss with Close-out Amount. A copy of the protocol is attached for your convenience as Annex F.

On the basis that your netting opinion confirms that the inclusion of Close-out Amount in the 2002 Master Agreement does not affect the conclusions reached in your opinion, we assume that you will be able to confirm that the amendments proposed by the Protocol to replace the relevant 1992 Master Agreement provisions with the Close-out Amount provisions contained in the 2002 Master Agreement and consequential changes to replace references to Market Quotation (or, where applicable, Loss) with references to Close-out Amount are not material to and do not affect the conclusions reached in your opinion.

We confirm that the amendments proposed by the Protocol to replace the relevant 1992 Master Agreement provisions with the Close-out Amount provisions contained in the 2002 Master Agreement and consequential changes to replace references to Market Quotation (or, where applicable, Loss) with references to Close-out Amount are not material to and do not affect the conclusions reached in our opinion herein.

VII. June 2014 Amendment to the ISDA Master Agreement

*Finally, we request your advice on the amendments set out in the Annexes to the June 2014 Amendment to the ISDA Master Agreement in relation to Section 2(a)(iii). To assist, we refer you to:
[http://www.isda.org/publications/pdf/Guidance Note amendment agreement.pdf](http://www.isda.org/publications/pdf/Guidance%20Note%20amendment%20agreement.pdf)*

Since the overall effect of the amendments is simply to introduce a time limit on the operation of Section 2(a)(iii) in certain circumstances and given that Section 2(a)(iii) does not apply once an Early Termination Date has occurred or been designated, we would be grateful if you could confirm that the amendments would not have a material and adverse effect on your conclusions as to the enforceability of the early termination and close-out netting provisions of the ISDA Master Agreements.

We confirm that the amendments would not have a material and adverse effect on our conclusions as to the enforceability of the early termination and close-out netting provisions of the ISDA Master Agreements.

If we could be of further assistance, please let us know.

Very truly yours,


Rafael A. Morales

**CERTAIN TRANSACTIONS UNDER
THE ISDA MASTER AGREEMENTS**

Basis Swap. A transaction in which one party pays periodic amounts of a given currency based on a floating rate and the other party pays periodic amounts of the same currency based on another floating rate, with both rates reset periodically; all calculations are based on a notional amount of the given currency.

Bond Forward. A transaction in which one party agrees to pay an agreed price for a specified amount of a bond of an issuer or a basket of bonds of several issuers at a future date and the other party agrees to pay a price for the same amount of the same bond to be set on a specified date in the future. The payment calculation is based on the amount of the bond and can be physically-settled (where delivery occurs in exchange for payment) or cash-settled (where settlement occurs based on the difference between the agreed forward price and the prevailing market price at the time of settlement).

Bond Option. A transaction in which one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to purchase (in the case of a call) or sell (in the case of a put) a specified amount of a bond of an issuer, such as Kingdom of Sweden or Unilever N.V., at a specified strike price. The bond option can be settled by physical delivery of the bonds in exchange for the strike price or may be cash settled based on the difference between the market price of the bonds on the exercise date and the strike price.

Bullion Option. A transaction in which one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to purchase (in the case of a call) or sell (in the case of a put) a specified number of Ounces of Bullion at a specified strike price. The option may be settled by physical delivery of Bullion in exchange for the strike price or may be cash settled based on the difference between the market price of Bullion on the exercise date and the strike price.

Bullion Swap. A transaction in which one party pays periodic amounts of a given currency based on a fixed price or a fixed rate and the other party pays periodic amounts of the same currency or a different currency calculated by reference to a Bullion reference price (for example, Gold-COMEX on the COMEX Division of the New York Mercantile Exchange) or another method specified by the parties. Bullion swaps include cap, collar or floor transactions in respect of Bullion.

Bullion Trade. A transaction in which one party agrees to buy from or sell to the other party a specified number of Ounces of Bullion at a specified price for settlement either on a "spot" or two-day basis or on a specified future date. A Bullion Trade may be settled by physical delivery of Bullion in exchange for a specified price or may be cash settled based on the difference between the market price of Bullion on the settlement date and the specified price.

For purposes of Bullion Trades, Bullion Options and Bullion Swaps, "Bullion" means gold, silver, platinum or palladium and "Ounce" means, in the case of gold, a fine troy ounce, and in the case of silver, platinum and palladium, a troy ounce (or in the case of reference prices not expressed in Ounces, the relevant Units of gold, silver, platinum or palladium).

Buy/Sell-Back Transaction. A transaction in which one party purchases a security (in consideration for a cash payment) and agrees to sell back that security (or in some cases an equivalent security) to the other party (in consideration for the original cash payment plus a premium).

Cap Transaction. A transaction in which one party pays a single or periodic fixed amount and the other party pays periodic amounts of the same currency based on the excess, if any, of a specified floating rate (in the case of an interest rate cap), rate or index (in the case of an economic statistic cap) or commodity price (in the case of a commodity cap) in each case that is reset periodically over a specified per annum rate (in the case of an interest rate cap), rate or index (in the case of an economic statistic cap) or commodity price (in the case of a commodity cap).

Collar Transaction. A collar is a combination of a cap and a floor where one party is the floating rate, floating index or floating commodity price payer on the cap and the other party is the floating rate, floating index or floating commodity price payer on the floor.

Commodity Forward. A transaction in which one party agrees to purchase a specified quantity of a commodity at a future date at an agreed price, and the other party agrees to pay a price for the same quantity to be set on a specified date in the future. A Commodity Forward may be settled by the physical delivery of the commodity in exchange for the specified price or may be cash settled based on the difference between the agreed forward price and the prevailing market price at the time of settlement.

Commodity Index Transaction. A transaction, structured in the form of a swap, cap, collar, floor, option or some combination thereof, between two parties in which the underlying value of the transaction is based on a rate or index based on the price of one or more commodities.

Commodity Option. A transaction in which one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to purchase (in the case of a call) or sell (in the case of a put) a specified quantity of a commodity at a specified strike price. The option can be settled either by physically delivering the quantity of the commodity in exchange for the strike price or by cash settling the option, in which case the seller of the option would pay to the buyer the difference between the market price of that quantity of the commodity on the exercise date and the strike price.

Commodity Swap. A transaction in which one party pays periodic amounts of a given currency based on a fixed price and the other party pays periodic amounts of the same currency based on the price of a commodity, such as natural gas or gold, or a futures contract on a commodity (e.g., West Texas Intermediate Light Sweet Crude Oil on the New York Mercantile Exchange); all calculations are based on a notional quantity of the commodity.

Contingent Credit Default Swap. A Credit Default Swap Transaction under which the calculation amounts applicable to one or both parties may vary over time by reference to the mark-to-market value of a hypothetical swap transaction.

Credit Default Swap Option. A transaction in which one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to enter into a Credit Default Swap.

Credit Default Swap. A transaction in which one party pays either a single fixed amount or periodic fixed amounts or floating amounts determined by reference to a specified notional amount, and the other party (the credit protection seller) pays either a fixed amount or an amount determined by reference to the value of one or more loans, debt securities or other financial instruments (each a "Reference Obligation") issued, guaranteed or otherwise entered into by a third party (the "Reference Entity") upon the occurrence of one or more specified credit events with respect to the Reference Entity (for example, bankruptcy or payment default). The amount payable by the credit protection seller is typically determined based upon the market value of one or more debt securities or other debt instruments issued, guaranteed or otherwise entered into by the Reference Entity. A Credit Default Swap may also be physically settled by payment of a specified fixed amount by one party against delivery of specified obligations ("Deliverable Obligations") by the other party. A Credit Default Swap may also refer to a "basket" (typically ten or less) or a "portfolio" (eleven or more) of Reference Entities or may be an index transaction consisting of a series of component Credit Default Swaps.

Credit Derivative Transaction on Asset-Backed Securities. A Credit Default Swap for which the Reference Obligation is a cash or synthetic asset-backed security. Such a transaction may, but need not necessarily, include "pay as you go" settlements, meaning that the credit protection seller makes payments relating to interest shortfalls, principal shortfalls and write-downs arising on the Reference Obligation and the credit protection buyer makes additional fixed payments of reimbursements of such shortfalls or write-downs.

Credit Spread Transaction. A transaction involving either a forward or an option where the value of the transaction is calculated based on the credit spread implicit in the price of the underlying instrument.

Cross Currency Rate Swap. A transaction in which one party pays periodic amounts in one currency based on a specified fixed rate (or a floating rate that is reset periodically) and the other party pays periodic amounts in another currency based on a floating rate that is reset periodically. All calculations are determined on predetermined notional amounts of the two currencies; often such swaps will involve initial and or final exchanges of amounts corresponding to the notional amounts.

Currency Option. A transaction in which one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to purchase (in the case of a call) or sell (in the case of a put) a specified amount of a given currency at a specified strike price.

Currency Swap. A transaction in which one party pays fixed periodic amounts of one currency and the other party pays fixed periodic amounts of another currency. Payments are calculated on a notional amount. Such swaps may involve initial and or final payments that correspond to the notional amount.

Economic Statistic Transaction. A transaction in which one party pays an amount or periodic amounts of a given currency by reference to interest rates or other factors and the other party pays or may pay an amount or periodic amounts of a currency based on a specified rate or index pertaining to statistical data on economic conditions, which may include economic growth, retail sales, inflation, consumer prices, consumer sentiment, unemployment and housing.

Emissions Allowance Transaction. A transaction in which one party agrees to buy from or sell to the other party a specified quantity of emissions allowances or reductions at a specified price for settlement either on a "spot" basis or on a specified future date. An Emissions Allowance Transaction may also constitute a swap of emissions allowances or reductions or an option whereby one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to receive a payment equal to the amount by which the specified quantity of emissions allowances or reductions exceeds or is less than a specified strike. An Emissions Allowance Transaction may be physically settled by delivery of emissions allowances or reductions in exchange for a specified price, differing vintage years or differing emissions products or may be cash settled based on the difference between the market price of emissions allowances or reductions on the settlement date and the specified price.

Equity Forward. A transaction in which one party agrees to pay an agreed price for a specified quantity of shares of an issuer, a basket of shares of several issuers or an equity index at a future date and the other party agrees to pay a price for the same quantity and shares to be set on a specified date in the future. The payment calculation is based on the number of shares and can be physically-settled (where delivery occurs in exchange for payment) or cash-settled (where settlement occurs based on the difference between the agreed forward price and the prevailing market price at the time of settlement).

Equity Index Option. A transaction in which one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to receive a payment equal to the amount by which an equity index either exceeds (in the case of a call) or is less than (in the case of a put) a specified strike price.

Equity Option. A transaction in which one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to purchase (in the case of a call) or sell (in the case of a put) a specified number of shares of an issuer or a basket of shares of several issuers at a specified strike price. The share option may be settled by physical delivery of the shares in exchange for the strike price or may be cash settled based on the difference between the market price of the shares on the exercise date and the strike price.

Equity Swap. A transaction in which one party pays periodic amounts of a given currency based on a fixed price or a fixed or floating rate and the other party pays periodic amounts of the same

currency or a different currency based on the performance of a share of an issuer, a basket of shares of several issuers or an equity index, such as the Standard and Poor's 500 Index.

Floor Transaction. A transaction in which one party pays a single or periodic amount and the other party pays periodic amounts of the same currency based on the excess, if any, of a specified per annum rate (in the case of an interest rate floor), rate or index level (in the case of an economic statistic floor) or commodity price (in the case of a commodity floor) over a specified floating rate (in the case of an interest rate floor), rate or index level (in the case of an economic statistic floor) or commodity price (in the case of a commodity floor).

Foreign Exchange Transaction. A deliverable or non-deliverable transaction providing for the purchase of one currency with another currency providing for settlement either on a "spot" or two-day basis or a specified future date.

Forward Rate Transaction. A transaction in which one party agrees to pay a fixed rate for a defined period and the other party agrees to pay a rate to be set on a specified date in the future. The payment calculation is based on a notional amount and is settled based, among other things, on the difference between the agreed forward rate and the prevailing market rate at the time of settlement.

Freight Transaction. A transaction in which one party pays an amount or periodic amounts of a given currency based on a fixed price and the other party pays an amount or periodic amounts of the same currency based on the price of chartering a ship to transport wet or dry freight from one port to another; all calculations are based either on a notional quantity of freight or, in the case of time charter transactions, on a notional number of days.

Fund Option Transaction: A transaction in which one party grants to the other party (for an agreed payment or other consideration) the right, but not the obligation, to receive a payment based on the redemption value of a specified amount of an interest issued to or held by an investor in a fund, pooled investment vehicle or any other interest identified as such in the relevant Confirmation (a "Fund Interest"), whether i) a single class of Fund Interest of a Single Reference Fund or ii) a basket of Fund Interests in relation to a specified strike price. The Fund Option Transactions will generally be cash settled (where settlement occurs based on the excess of such redemption value over such specified strike price (in the case of a call) or the excess of such specified strike price over such redemption value (in the case of a put) as measured on the valuation date or dates relating to the exercise date).

Fund Forward Transaction: A transaction in which one party agrees to pay an agreed price for the redemption value of a specified amount of i) a single class of Fund Interest of a Single Reference Fund or ii) a basket of Fund Interests at a future date and the other party agrees to pay a price for the redemption value of the same amount of the same Fund Interests to be set on a specified date in the future. The payment calculation is based on the amount of the redemption value relating to such Fund Interest and generally cash-settled (where settlement occurs based on the difference between the agreed forward price and the redemption value measured as of the applicable valuation date or dates).

Fund Swap Transaction: A transaction a transaction in which one party pays periodic amounts of a given currency based on a fixed price or a fixed rate and the other party pays periodic amounts of the same currency based on the redemption value of i) a single class of Fund Interest of a Single Reference Fund or ii) a basket of Fund Interests.

Interest Rate Option. A transaction in which one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to receive a payment equal to the amount by which an interest rate either exceeds (in the case of a call option) or is less than (in the case of a put option) a specified strike rate.

Interest Rate Swap. A transaction in which one party pays periodic amounts of a given currency based on a specified fixed rate and the other party pays periodic amounts of the same currency based on a specified floating rate that is reset periodically, such as the London inter-bank offered rate; all calculations are based on a notional amount of the given currency.

Longevity/Mortality Transaction. (a) A transaction employing a derivative instrument, such as a forward, a swap or an option, that is valued according to expected variation in a reference index of observed demographic trends, as exhibited by a specified population, relating to aging, morbidity, and mortality/longevity, or (b) A transaction that references the payment profile underlying a specific portfolio of longevity- or mortality- contingent obligations, e.g. a pool of pension liabilities or life insurance policies (either the actual claims payments or a synthetic basket referencing the profile of claims payments).

Physical Commodity Transaction. A transaction which provides for the purchase of an amount of a commodity, such as oil including oil products, coal, electricity or gas, at a fixed or floating price for actual delivery on one or more dates.

Property Index Derivative Transaction. A transaction, often structured in the form of a forward, option or total return swap, between two parties in which the underlying value of the transaction is based on a rate or index based on residential or commercial property prices for a specified local, regional or national area.

Repurchase Transaction. A transaction in which one party agrees to sell securities to the other party and such party has the right to repurchase those securities (or in some cases equivalent securities) from such other party at a future date.

Securities Lending Transaction. A transaction in which one party transfers securities to a party acting as the borrower in exchange for a payment or a series of payments from the borrower and the borrower's obligation to replace the securities at a defined date with identical securities.

Swap Deliverable Contingent Credit Default Swap. A Contingent Credit Default Swap under which one of the Deliverable Obligations is a claim against the Reference Entity under an ISDA Master Agreement with respect to which an Early Termination Date (as defined therein) has occurred.

Swap Option. A transaction in which one party grants to the other party the right (in consideration for a premium payment), but not the obligation, to enter into a swap with certain specified terms. In some cases the swap option may be settled with a cash payment equal to the market value of the underlying swap at the time of the exercise.

Total Return Swap. A transaction in which one party pays either a single amount or periodic amounts based on the total return on one or more loans, debt securities or other financial instruments (each a "Reference Obligation") issued, guaranteed or otherwise entered into by a third party (the "Reference Entity"), calculated by reference to interest, dividend and fee payments and any appreciation in the market value of each Reference Obligation, and the other party pays either a single amount or periodic amounts determined by reference to a specified notional amount and any depreciation in the market value of each Reference Obligation.

A total return swap may (but need not) provide for acceleration of its termination date upon the occurrence of one or more specified events with respect to a Reference Entity or a Reference Obligation with a termination payment made by one party to the other calculated by reference to the value of the Reference Obligation.

Weather Index Transaction. A transaction, structured in the form of a swap, cap, collar, floor, option or some combination thereof, between two parties in which the underlying value of the transaction is based on a rate or index pertaining to weather conditions, which may include measurements of heating, cooling, precipitation and wind.

CERTAIN COUNTERPARTY TYPES

Description	Covered by opinion	Legal form(s)
<p><u>Bank/Credit Institution.</u> A legal entity, which may be organized as a corporation, partnership or in some other form, that conducts commercial banking activities, that is, whose core business typically involves (a) taking deposits from private individuals and/or corporate entities and (b) making loans to private individual and/or corporate borrowers. This type of entity is sometimes referred to as a “commercial bank” or, if its business also includes investment banking and trading activities, a “universal bank”. (If the entity <u>only</u> conducts investment banking and trading activities, then it falls within the “Investment Firm/Broker Dealer” category below.) This type of entity is referred to as a “credit institution” in European Community (EC) legislation. This category may include specialised types of bank, such as a mortgage savings bank (provided that the relevant entity accepts deposits and makes loans), or such an entity may be considered in the local jurisdiction to constitute a separate category of legal entity (as in the case of a building society in the United Kingdom (UK)).</p>	<p>Yes</p>	<p>Stock corporation organized under the Corporation Code.</p> <p>The corporate name will include the word “Corporation” or “Incorporated” in full or in the abbreviated form “Corp.” or “Inc.” The word “Bank” is also included.</p>
<p><u>Central Bank.</u> A legal entity that performs the function of a central bank for a Sovereign or for an area of monetary union (as in the case of the European Central Bank in respect of the euro zone).</p>	<p>Yes</p> <p>But the portion of the Opinion on insolvency would not apply as there are no Philippine insolvency</p>	<p><i>Bangko Sentral ng Pilipinas</i> as a body corporate established by Republic Act No. 7653</p>

Description	Covered by opinion	Legal form(s)
	laws or rules that apply or purport to apply to this counterparty type.	
<p><u>Corporation</u>. A legal entity that is organized as a corporation or company rather than a partnership, is engaged in industrial and/or commercial activities and does not fall within one of the other categories in this Appendix B.</p>	Yes	<p>Stock corporation organized under the Corporation Code.</p> <p>The corporate name will include the word "Corporation" or "Incorporated" in full or in the abbreviated form "Corp." or "Inc."</p>
<p><u>Hedge Fund/Proprietary Trader</u>. A legal entity, which may be organized as a corporation, partnership or in some other legal form, the principal business of which is to deal in and/or manage securities and/or other financial instruments and/or otherwise to carry on an investment business predominantly or exclusively as principal for its own account.</p>	Yes	<p>Stock corporation organized under the Corporation Code.</p> <p>The corporate name will include the word "Corporation" or "Incorporated" in full or in the abbreviated form "Corp." or "Inc."</p>
<p><u>Insurance Company</u>. A legal entity, which may be organized as a corporation, partnership or in some other legal form (for example, a friendly society or industrial & provident society in the UK), that is licensed to carry on insurance business, and is typically subject to a special regulatory regime and a special insolvency regime in order to protect the interests of policyholders.</p>	Yes	<p>Stock corporation organized under the Corporation Code.</p> <p>The corporate name will include the word "Corporation" or "Incorporated" in full or in the abbreviated form "Corp." or "Inc." "Insurance" or "Assurance" is also found in the name of an insurance company.</p>

Description	Covered by opinion	Legal form(s)
<p><u>International Organization.</u> An organization of Sovereigns established by treaty entered into between the Sovereigns, including the International Bank for Reconstruction and Development (the World Bank), regional development banks and similar organizations established by treaty.</p>	<p>Yes</p> <p>But the portion of the Opinion on insolvency would not apply as there are no Philippine insolvency laws or rules that apply or purport to apply to this counterparty type.</p>	<p>Legal form is stated in the pertinent treaty.</p>
<p><u>Investment Firm/Broker Dealer.</u> A legal entity, which may be organized as a corporation, partnership or in some other form, that does not conduct commercial banking activities but deals in and/or manages securities and/or other financial instruments as an agent for third parties. It may also conduct such activities as principal (but if it does so exclusively as principal, then it most likely falls within the "Hedge Fund/Proprietary Trader" category above.) Its business normally includes holding securities and/or other financial instruments for third parties and operating related cash accounts. This type of entity is referred to as a "broker-dealer" in US legislation and as an "investment firm" in EC legislation.</p>	<p>Yes</p>	<p>Stock corporation organized under the Corporation Code.</p> <p>The corporate name will include the word "Corporation" or "Incorporated" in full or in the abbreviated form "Corp." or "Inc."</p>
<p><u>Investment Fund.</u> A legal entity or an arrangement without legal personality (for example, a common law trust) established to provide investors with a share in profits or income arising from property acquired, held, managed or disposed of by the manager(s) of</p>	<p>Yes</p>	<p>(a) Investment company organized as a stock corporation under the Investment Company Act and the Corporation Code, in the case of a mutual fund.</p>

Description	Covered by opinion	Legal form(s)
<p>the legal entity or arrangement or a right to payment determined by reference to such profits or income. This type of entity or arrangement is referred to as a "collective investment scheme" in EC legislation. It may be regulated or unregulated. It is typically administered by one or more persons (who may be private individuals and/or corporate entities) who have various rights and obligations governed by general law and/or, typically in the case of regulated Investment Funds, financial services legislation. Where the arrangement does not have separate legal personality, one or more representatives of the Investment Fund (for example, a trustee of a unit trust) contract on behalf of the Investment Fund, are owed the rights and owe the obligations provided for in the contract and are entitled to be indemnified out of the assets comprised in the arrangement.</p>		<p>The corporate name will include the word "Corporation" or "Incorporated" in full or in the abbreviated form "Corp." or "Inc."</p> <p>(b) Unit investment trust fund established under the Manual of Regulations for Banks or the Manual of Regulations for Non-Bank Financial Institutions.</p> <p>This is not a legal entity in itself and thus cannot be the counterparty. The counterparty will be the local bank or non-bank financial institution acting through its trust department, as trustee of the unit investment trust fund.</p>
<p><u>Local Authority.</u> A legal entity established to administer the functions of local government in a particular region within a Sovereign or State of a Federal Sovereign, for example, a city, county, borough or similar area.</p>	<p>Yes</p> <p>But the portion of the Opinion on insolvency would not apply as there are no Philippine insolvency laws or rules that apply or purport to apply to this counterparty type.</p>	<p>Local government unit, as a political subdivision of the Republic of the Philippines as a unitary state.</p>

Description	Covered by opinion	Legal form(s)
<p><u>Partnership.</u> A legal entity or form of arrangement without legal personality that is (a) organised as a general, limited or some other form of partnership and (b) does not fall within one of the other categories in this Appendix B. If it does not have legal personality, it may nonetheless be treated as though it were a legal person for certain purposes (for example, for insolvency purposes) and not for other purposes (for example, tax or personal liability).</p>	Yes	<p>Partnership established under the Civil Code.</p> <p>The word "Partnership" is usually included, or "Partnership Limited" if the partnership is limited.</p>
<p><u>Pension Fund.</u> A legal entity or an arrangement without legal personality (for example, a common law trust) established to provide pension benefits to a specific class of beneficiaries, normally sponsored by an employer or group of employers. It is typically administered by one or more persons (who may be private individuals and/or corporate entities) who have various rights and obligations governed by pensions legislation. Where the arrangement does not have separate legal personality, one or more representatives of the Pension Fund (for example, a trustee of a pension scheme in the form of a common law trust) contract on behalf of the Pension Fund and are owed the rights and owe the obligations provided for in the contract and are entitled to be indemnified out of the assets comprised in the arrangement.</p>	Yes	<p>Non-stock corporation incorporated under the Corporation Code, if incorporated.</p> <p>The corporate name will include the word "Corporation" or "Incorporated" in full or in the abbreviated form "Corp." or "Inc."</p> <p>If the pension fund is not incorporated, the counterparty will be the trustee of the pension fund.</p>
<p><u>Sovereign.</u> A sovereign nation state recognized internationally as such, typically acting through a direct agency or instrumentality of the central government without separate legal personality, for example, the ministry of finance, treasury or national debt office. This category does not include a</p>	<p>Yes</p> <p>But the portion of the Opinion on insolvency would not apply as there</p>	Republic of the Philippines.

Description	Covered by opinion	Legal form(s)
<p>State of a Federal Sovereign or other political sub-division of a sovereign nation state if the sub-division has separate legal personality (for example, a Local Authority) and it does not include any legal entity owned by a sovereign nation state (see “Sovereign-owned Entity”).</p>	<p>are no Philippine insolvency laws or rules that apply or purport to apply to this counterparty type.</p>	
<p><u>Sovereign Wealth Fund</u>. A legal entity, often created by a special statute and normally wholly owned by a Sovereign, established to manage assets of or on behalf of the Sovereign, which may or may not hold those assets in its own name. Such an entity is often referred to as an “investment authority”. For certain Sovereigns, this function is performed by the Central Bank, however for purposes of this Appendix B the term “Sovereign Wealth Fund” excludes a Central Bank.</p>	<p>Yes</p>	<p>Form will be determined by the statute or charter creating the Sovereign Wealth Fund.</p>
<p><u>Sovereign-Owned Entity</u>. A legal entity wholly or majority-owned by a Sovereign, other than a Central Bank, or by a State of a Federal Sovereign, which may or may not benefit from any immunity enjoyed by the Sovereign or State of a Federal Sovereign from legal proceedings or execution against its assets. This category may include entities active entirely in the private sector without any specific public duties or public sector mission as well as statutory bodies with public duties (for example, a statutory body charged with regulatory responsibility over a sector of the domestic economy). This category does not include local governmental authorities (see “Local Authority”).</p>	<p>Yes</p>	<p>Stock or non-stock corporation organized under the Corporation Code.</p> <p>The corporate name will include the word “Corporation” or “Incorporated” in full or in the abbreviated form “Corp.” or “Inc.”</p> <p>This entity may also be established through a legislative charter.</p>

Description	Covered by opinion	Legal form(s)
<p><u>State of a Federal Sovereign.</u> The principal political sub-division of a federal Sovereign, such as Australia (for example, Queensland), Canada (for example, Ontario), Germany (for example, Nordrhein-Westfalen) or the United States of America (for example, Pennsylvania). This category does not include a Local Authority.</p>	No	Not applicable as the Philippines is a unitary state and, therefore, there is no Philippine equivalent of a State of a Federal Sovereign.
<p><u>Trust Entity.</u> This is an entity licensed by the <i>Bangko Sentral ng Pilipinas</i> to perform trust and other fiduciary activities.</p>	Yes	Established under Section 79 <i>et seq.</i> of the General Banking Law of 2000 either as (i) a department or unit of a local bank or non-bank financial institution or (ii) a stand-alone trust corporation under the Corporation Code.