

(TYPE IN YOUR LETTERHEAD, EXECUTE/ACCOMPLISH IN TRIPLICATE COPIES)

OATH OF UNDERTAKING

That, _____, an institution duly organized and existing under and by virtue of the Philippine laws, with principal office at _____, herein represented by _____, in his capacity as the _____, hereby agree and undertake to abide and be bound by all the provisions of the herein Convention for Electronic Auction:

CONVENTION FOR ELECTRONIC AUCTION

1. **Notice of Offer/Invitation to Tender**

Notice of offering of Treasury Bills or Bonds for sale and invitation to tender shall be made by the Secretary of Finance, through the Bureau of the Treasury (BTr), via the Reuters Limited-Philippines at least two (2) working days before the specified auction date.

2. **Auction Cycle**

The auction for T/Bills shall be held on Monday for settlement on Wednesday.

Auction for Treasury Bonds shall be held on Tuesday for settlement on Thursday.

In the event of a holiday or fortuitous event, the auction-settlement cycle shall be adjusted and dealers notified accordingly.

3. **Maturity Date**

Maturity of T/Bills falling on a regular holiday (e.g. New Year's Day, Labor Day, etc.) will transform our conventional formula for computing price into:

$$PP = \frac{FV (360)}{360 + r (t)}, \quad \text{where } t = \text{the exact no. of days to maturity}$$

4. **Reissuance of Fixed Rate Treasury Bonds.**

Reissuance of Fixed Rate Treasury Bonds via adoption of the Securities Industry Association (SIA) method in computing the lapsed days using the 30-day and 360-day year convention formula:

$$(Y2 - Y1) \times 360 + (M2 - M1) \times 30 + (D2 - D1),$$

where the original issue date is D1, M1, Y1 and the reissue date is D2, M2, Y2.

or, adoption of the method of issuing huge volume in lesser frequency.

5. **Eligible Dealers**

Government Securities Eligible Dealers (GSEDs) shall participate in all auctions of government securities and shall not bid directly or indirectly on behalf of, or in concert with, any other GSED.

6. **Nature and Amount of Tender**

Each tender shall be unconditional. The tender for each tenor shall be an amount of not less than P10M for both competitive and non-competitive tenders and any excess thereof, shall be in even multiples of P1.0M.

7. **Places of Decimal and Calculation of Purchase Price.**

Bids for T/Bills will be accepted on gross yield basis to three (3) decimal places, i.e. xx.xxx%, and the calculation of the purchase price for accepted bids shall be carried to five (5) decimal places on the basis of price per hundred.

Non-competitive tenders shall be accepted in full at the average yield of the accepted competitive tenders. Provided, that should be the total non-competitive tenders exceed 40% of the total volume of the tenor being offered each tender shall receive pro-rata allotment.

Each T/Bond bids shall state the yield to maturity (YTM) to three decimal places (i.e. xx.xxx%).

At the option of the issuer through the Secretary of Finance, coupon rate may be equivalent to the lowest accepted yield to maturity (YTM) or weighted average yield of accepted bids or the stop-out rate in which case it will be rounded down to the nearest 1/8 of 1%; or any equivalent and predetermined rate or agreed upon by both BTr and GSEDs. The purchase price and payment required for each accepted tender shall be carried to five decimal places on the basis of price per hundred.

8. **Time and Method of Submitting Tenders.**

All tenders shall be submitted directly via Reuters Limited-Philippines to the BTr not later than 1:00 p.m. of every auction unless advised otherwise by the BTr.

In case of power outages and/or technical problems in GSED's terminal, the tenders shall be submitted to BTr by fax before the prescribed cut-off time, signed by the authorized signatories to this document, provided that the original bid shall forthright be sent to BTr. BTr, upon receipt of said bids shall override or delete all entries inputted by GSEDs before the incurrence of technical problem and from thereon GSEDs shall not enter any updates on their terminal. The page can be read by BTr only once, simultaneously or after cut-off time.

9. **Number of Bids**

A dealer is allowed to submit up to a maximum of ten (10) competitive bids and one (1) non- competitive bid per tenor.

10. **Errors and Delays in Tenders**

Neither the Department of Finance nor the BTr shall bear any liability whatsoever for any errors in tenders received, nor for delay in the transmission of tenders.

11. **Automatic Acknowledgement of Tenders/Bids**

Bids shall be automatically acknowledged by the Automated Debt Auction Processing System (ADAPS) indicating the time of receipt.

12. **Dual Authorization**

There shall be two (2) authorized passwords for each bid by a GSED.

13. **Tender Retrievals and Resubmissions**

Retrievals and resubmissions of bids shall be allowed only before the prescribed cut-off time.

14. **Allocation of Non-Competitive and Competitive Bids**

The volume of offering allocated for competitive bids is 60% while the volume assigned for non-competitive bids is 40%. The allocation of competitive and non-competitive bids cannot be changed without prior consultation (at least one banking day notice prior to auction date) with GSED. In case of oversubscription of non-competitive bids at such magnitude that awards are prorated to 25% or less per bid, the Secretary of Finance and/or the Auction Committee shall have the option to double the awards per bid.

15. **Right of Refusal**

The Auction Committee reserves the rights to accept or reject any or all tenders, in whole or in part, including without limitation, the right to accept less than the total amount specified in the Public Offering and any action it may take shall be final.

16. **Confirmation and Notification of Auction Awards**

On the day of auction, immediately after the Auction Committee decision is confirmed, all dealers shall be advised via Reuters of the auction results/awards. Thereafter, the Auction Committee will sign a printout of auction results summary.

17. **Allocation of Awards at Cut-Off Rate**

At cut-off rate, if there is an odd amount to be allotted, it shall be given to the dealer with the largest bid at the rate. If the amount is the same, it shall be awarded randomly.

18. **Settlement**

On settlement date, pursuant to the concerned GSED Autodebit/Autocredit Authorization, the Bangko Sentral ng Pilipinas (BSP)/Land Bank of the Philippines (LBP) shall debit the concerned GSED's Account and credit the Demand Deposit Account of the Treasurer of the Philippines maintained with the BSP/LBP. The Bureau, through its Registry of Scripless Securities (RoSS) shall in turn credit GSED's Securities Account for the value of securities purchase/awarded.

On maturity, the redemption value shall be credited to GSED account at the same bank. Likewise, the value shall be credited to the same account every coupon payment.

19. **Evidence of Ownership**

Effective November 20, 1995, no physical certificates shall be provided. Transfer of Ownership shall be effected through, and in accordance with the procedures of the Registry of Scripless Securities (RoSS) of the BTr.

20. **Fees/Charges**

No commissions will be paid by the Government in connection with the issuance of Treasury Bills, Notes or Bonds.

21. **Data Generation**

Statistics related to government securities shall be made available upon request of concerned parties.

22. **Audit Controls**

For audit purposes, the system shall produce hard copies of transactional details.

23. **Coordination**

Market players shall address various issues affecting the players in regular meetings among themselves and/or with BTr.

IN WITNESS WHEREOF, the undersigned institution have hereunto caused this presents to be signed by its duly authorized representative on this _____ day of _____, 199__ in the City of _____, Philippines.

(Name of Institution)

By:

(Signature Over Printed Name)

(Official Title)

(Acknowledgement)

