



REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
INTRAMUROS, MAYNILA

Funding the Republic

NOTICE OF OFFERING

To : All Government Securities Eligible Dealers

Date : October 6, 2011

Subject : **Ten (10) Year and Fifteen (15) Year Fixed Rate Retail Treasury Bonds (Quarterly Coupon) Due 2021 and 2026**

Please be advised that the Department of Finance ("DOF") of the Republic of the Philippines (the "Republic"), through the Bureau of the Treasury ("BTr") will issue Peso-denominated 10-year and 15-year Fixed Rate Retail Treasury Bonds (the "Bonds") in a minimum aggregate nominal principal amount of PhP20,000,000,000.00.

You are invited to participate as a Dealer in respect of such issue subject to the provisions of this Notice of Offering, the Program Mechanics for the Issuance of Peso-Denominated Retail Treasury Bonds dated June 9, 2003 (the "Program Mechanics") and the Principal Commercial Terms attached as Schedule 1 (collectively, the "Applicable Terms"). The Program Mechanics, a copy of which is available for inspection at the BTr, shall be deemed to be incorporated by reference in, and to form part of this Notice of Offering. The contemplated issue will be governed by the Applicable Terms. Please be advised that your submission of the Accession Letter and Bid/Proposal Notice signifying your agreement to participate in the issue as a Dealer shall constitute an agreement on your part to be bound by the Applicable Terms in relation to such issue.

Below is the timetable of activities relative to the captioned issue.

Auction Date : **October 10, 2011**
Public Offer Period : **October 10 to 17, 2011**
Issue Date : **October 20, 2011**

The Republic, through the BTr, reserves the right to revise the timetable. You will be notified through Reuters and other information service provider, e.g. Bloomberg and PDEX, of any change in the timetable of activities.

Further, a copy of the herein Notice of Offering and its annexes may be accessed through the BTr website.

Interested GSEDs must submit their bids electronically through their respective Reuters terminals on or before 1:00 p.m. of the Auction Date.

Terms not defined herein have the meanings set forth in the Program Mechanics.

Schedule 1

Principal Commercial Terms

Issuer	:	REPUBLIC OF THE PHILIPPINES
Dealers	:	Government Securities Eligible Dealers ("GSEDs") who have submitted an Accession Letter in the form attached hereto as Annex A and in accordance with the Program Mechanics.
Selling Agents	:	Dealers who have successfully bid for an aggregate minimum principal amount of PhP500,000,000 of 10-year or 15-year Retail Treasury Bonds or any combination thereof.
Issue Amount	:	Minimum of: 10-year - PhP10,000,000,000.00 15-year - PhP10,000,000,000.00
		The Republic reserves the right to increase the overall size of the Issue.
Auction Date	:	October 10, 2011. The Republic, through the Auction Committee, reserves the right to accept or reject any or all tenders or part of tenders and to award less than the minimum Issue Amount.
Public Offer Period	:	October 10 to 17, 2011. When subscription has reached a level deemed sufficient by the BTr, the BTr-SOD shall announce the termination and closure of the offer period through electronic financial information providers chosen by DOF/BTr such as Thomson Reuters, Bloomberg, PDEX or any of their successors. The Republic reserves the right to announce at any time, the remaining volume available for sale on a particular day during the Public Offer Period.
Issue Date	:	October 20, 2011, unless another date is announced by the Republic.
ISIN/SERIES CODE	:	10-year - PIID1021J039 15-year - PIID1526J019
Form and Denomination	:	The Retail Treasury Bonds shall be issued in scripless form and will be sold during the public offer period in minimum denominations of PhP5,000.00 and integral multiples thereof.

Maturity Date	:	<p><i>October 20, 2021 and October 20, 2026 for the 10-year and 15-year Retail Treasury Bonds, respectively,</i> or if the Issue Date does not occur on October 20, 2011, the Maturity Date shall be the date that is 10 and 15 years, respectively, following the Issue Date.</p>
Issue Price	:	At par (or 100%)
Redemption Price	:	At par (or 100%)
Interest Rate	:	The final Interest Rate will be determined through a Dutch auction to be participated in by GSEDs. The interest rate at which a GSED can bid shall not exceed the Maximum Interest Rate.
Maximum Interest Rate	:	The Maximum Interest Rate for the Retail Treasury Bonds shall be calculated as the relevant Interest Benchmark Rate, rounded down to the nearest one-eighth (1/8) of one percent (1%). The Maximum Interest Rates shall be stated in three (3) decimal places.
Interest Benchmark Rate	:	<p>The Interest Benchmark Rate for the 10-year Retail Treasury Bonds shall be determined as being the benchmark yield of the most recent "on-the-run" 10-year Fixed Rate Treasury Bond ("FXTB") issue as shown on the PDST-F page at or about 11:16 a.m. on the Auction Date.</p> <p>The Interest Benchmark Rate for the 15-year Retail Treasury Bonds shall be interpolated on a straight-line basis using the most recent "on-the-run" 10-year and 20-year Fixed Rate Treasury Bond issues as shown on the PDST-F page at or about 11:16 a.m. on the Auction Date.</p> <p>In the absence of a quotation for the applicable benchmark "on-the-run" issue, the applicable benchmark yield or bid yield shall be interpolated on a straight-line basis from the nearest shorter and longer-dated FXTB issues.</p> <p>If such screen page is unavailable on the Auction Date, the Interest Benchmark Rate shall be determined by reference to the PDST-F page at or about 11:16 a.m. on the immediately preceding Business Day.</p>
Interest Payment Date	:	Interest on the Retail Treasury Bonds, to be calculated on a 30/360-day basis, will be paid <u>quarterly</u> in arrears on the last day of each 3-month Interest Period. Each Retail Treasury Bond will cease to bear interest on the Maturity Date. If the Interest Payment Date is not a

Business Day, interest will be paid on the next succeeding Business Day, without adjustment in the amount of interest to be paid.

Selling and Transfer Restriction: As per Program Mechanics, this Notice of Offering and applicable regulations of the BTr.

Pursuant to the Authority of the Secretary of Finance under RA 245, as amended, the issuance of the 14th tranche of Retail Treasury Bonds to the Selling Agents, and the initial transfer of the RTB from the Selling Agents to the investors within Twenty (20) Business Days from Issue Date, is considered within the coverage of the Primary Market and, accordingly, not covered by the rules on fees of any relevant Exchange.

Retail Investors : Those persons other than a GSED, the GSIS, SSS, PHIC, HDMF (Pag-IBIG), Investment Houses, and Subsidiary Corporation/s of GSEDs and Investment Houses performing banking and/or quasi-banking functions/activities.

Retail Sales Obligations : Each Dealer/Selling Agent shall be required to sell to retail investors (as defined above), at least **55%** in aggregate value of its subscription or award at the primary auction (as allocated to it by the Issuer) at any time within a period commencing on the Issue Date up to and including the date that is Twenty (20) Business Days from the Issue Date.

In the event a Dealer is unable to comply with this requirement, the Republic shall only pay selling commission for the actual amount sold to retail investors and shall not pay any selling commission for the balance of the total sales; Provided, that any deliberate failure by the Dealer and/or Selling Agent to comply with the retail sales obligation shall entail exclusion of such Dealer and/or Selling Agent from participating in future issues of Retail Treasury Bonds.

Sale to Dealers and Investment Houses and/or subsidiary corporations of Dealers and Investment Houses performing banking and/or quasi-banking functions/activities shall not be considered as retail sales. However, the Dealer and/or Investment House may require the investment house and/or subsidiary corporation to comply with the **55%** sell down requirement to Retail Investors, in which event the investment house/subsidiary corporation

shall be required to submit the corresponding bondholders' list to the Dealer to be included in its reportorial obligations to the Issuer.

Dealers and/or Selling Agents are not allowed to sell the RTBs to Government Owned and Controlled Corporations (GOCCs) and Local Government Units (LGUs) as the terms are defined under Department Order No. 141-95 as amended during the public offering or on-selling period.

GOCCs and LGUs may only purchase the Bonds from the Issuer through the over-the-counter facility of BTr on the bond's issue date.

Further, Dealers are to sell RTBs in its original form and current structure. Any attempt or intention to introduce variants and derivatives thereof, to use it as underlying assets for another product, or to create a wrap around structure to repackage the same, shall constitute a material breach of the selling agency obligation under the Program Mechanics and this Notice of Offering, and shall result in the automatic termination of services as Dealer and/or Selling Agent, as well as forfeiture of the corresponding selling agency fee.

Reliance on Accuracy of Information : In case the Dealer and/or Selling Agents submit falsified Sales Report/Bondholders' list, such Dealers and/or Selling Agents shall be excluded from participating in future issuances of the Republic. This is without prejudice to the filing of appropriate criminal charges and other sanctions provided for by law.

Waiver of Confidentiality : The Issuer shall have the right to rely and consider accurate all information and documents supplied by the holder/investor and the selling agents. Further, it shall be deemed to have been granted the authority to verify the truthfulness and accuracy of the information and documents supplied by a holder/investor and the selling agent.

All information relative to the bondholders shall be treated with absolute confidentiality.

Responsibilities of Selling Agent : Each Selling Agent is required to submit to BTr-RoSS an electronic copy (PDF File) of the special power of attorney and Investor Undertaking (form of Investor Undertaking attached hereto as **Annex "B"**) duly executed by the Retail Investor in connection with the purchase and delivery of the Bonds.

Selling Agent which has branches located outside Metro Manila shall additionally submit copy of their daily sales report in the prescribed form (**Annex C**) to the BTr-Provincial Offices

Selling Agency Fees : Selling Agents shall be paid a selling agency fee in accordance with the Schedule set out in **Annex D** hereof. No Selling Agent shall cede, pay, share, or compensate third-party investors or purchasers any Selling Agency Fees in exchange for the purchase of the Retail Treasury Bonds. Any selling agency fee due to Selling Agents shall be deducted from the proceeds of their Retail Treasury Bonds sales in accordance with the BTr's "Settlement Procedures for the RTB Public Offering", attached as **Annex E**.

Reporting and Other Obligations: As per Program Mechanics and this Notice of Offering.

For the First Day of the Public Offer Period

The BTr shall determine the amount of the RTBs to be offered and the maximum order allowed per selling agent on or before 2:00 p.m. on the first day of the Public Offer Period.

For orders during the first day of the Public Offer Period, each Selling Agent shall submit to the Issuer, such orders from 2:00 p.m. – 5:00 p.m., in the format attached as **Annex F**, through fax to BTr-SOD at the following Nos. (02) 527-3132; 527-7089 and 526-6487. Subscriptions sent thru fax may be confirmed at the following telephone numbers: (02) 527-3117, 527-2827, or 567-5480 loc. 207.

For the subsequent Days of the Public Offer Period

Beginning on the second day of the Public Offer Period, the BTr shall announce no later than 8:30 a.m. the amount of RTBs to be offered for the day.

Subsequent orders for the remainder of the Offer Period shall be submitted through the BTr's Tap Facility which shall be open from 9:00 a.m. until 3:30 p.m. daily. The BTr shall confirm through the Tap Facility the accepted additional subscriptions no later than 5:00 p.m. of each day.

In all cases, the maximum amount that may be ordered by the selling agents shall be

equivalent to the amount of RTBs to be offered for the day divided equally among the selling agents.

Should any portion of the maximum amount offered for a particular day remain unsold, the said balance shall be added to the following day's amount to be offered divided equally among the selling agents.

Taxation	:	<p>Prevailing final withholding tax on coupon payment shall be for the account of the bondholders. Tax Exempt Institutions (TEIs) purchasing RTBs shall submit a valid tax ruling and proof of compliance with existing DOF orders and circulars for TEIs.</p> <p>Documentary stamp tax (DST) on original issue shall be for the account of the Issuer.</p>
Status	:	<p>The Retail Treasury Bonds constitute direct, unconditional, unsubordinated, and general obligations of the Republic and shall at all times rank <i>pari passu</i> and without any preference among themselves.</p>
Sinking Fund	:	<p>The Republic shall set up and maintain a sinking fund with the BTr in order to accumulate the amounts necessary to pay the principal of the Retail Treasury Bonds on the Maturity Date.</p>
Eligibility	:	<p>The Retail Treasury Bonds qualify in the same manner as all other Treasury Notes and Bonds in respect of: (i) the liquidity floor requirement for government funds and reserves for trust duties under <i>Bangko Sentral ng Pilipinas</i> rules and regulations; (ii) insurance reserves under the Insurance Commission rules and regulations; and (iii) performance and judicial bonds.</p>
Settlement Procedures	:	<p>Settlement shall follow the procedure prescribed in the Settlement Procedures for Peso-Denominated RTB Public Offering.</p>
RoSS Principal Securities Account	:	<p>All holders of the Bonds are required to open and maintain a Principal Securities Account in RoSS except as otherwise allowed for investors who opt to deliver any purchased Bonds to RoSS securities custody account of his/its designated BSP-accredited third party securities custodian. The authority to create and to deliver the purchased RTBs in the appropriate Principal Securities Account shall be evidenced by a Special Power of Attorney</p>

(SPA) executed by the investor. An electronic copy (PDF) of the SPA shall be submitted by the Selling Agent to BTr-RoSS.

Listing : The RTBs shall be listed in the Philippine Dealing and Exchange Corp. (PDEX).

(SGD) EDUARDO S. MENDIOLA, CESO II
Deputy Treasurer of the Philippines