



Funding the Republic

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

NOTICE OF OFFERING

To : All Government Securities Eligible Dealers

Date : May 25, 2018

Subject : **Three- (3) Year Fixed Rate Retail Treasury Bonds Due 2021**

Please be advised that the Republic of the Philippines (the "Republic") through the Bureau of the Treasury ("BTr"), will issue Peso-denominated 3-year Fixed Rate Retail Treasury Bonds (the "Bonds") in a minimum aggregate nominal principal amount of PhP30,000,000,000.00.

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"), as may be amended from time to time, and the Principal Commercial Terms attached as Schedule 1. 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.

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| Auction Date | : | May 30, 2018 |
| Start of Public Offer Period | : | May 30 - June 8, 2018 |
| End of Public Offer Period | : | June 8, 2018 (or any earlier date within the Public Offer Period as determined by the BTr) |
| Issue Date | : | June 13, 2018 |

The Republic, through the BTr, reserves the right to revise the timetable. You will be notified through Reuters and other information service providers, 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: www.treasury.gov.ph.

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

Terms not defined herein have the meanings set forth in the Program Mechanics and in the applicable terms set out in Schedule 1 of this Notice of Offering, as may be necessary.

Schedule 1

Principal Commercial Terms

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| 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 placed bids for a minimum principal amount of PhP500,000,000.00 |
| Issue Amount | : Minimum of PhP30,000,000,000.00 The Republic reserves the right to increase the overall size of the Issue. |
| Auction Date | : May 30, 2018. 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. |
| Maximum Bid on Auction Date | : GSEDs will be allowed to submit one (1) bid per interest rate with a maximum volume of PhP10.00 Billion. Any other subsequent bid submission at the same rate will not be accepted by the auction system. |

For avoidance of doubt, GSEDs may submit a maximum of ten (10) bids at different rates capped at PhP10.00 Billion per bid. If the GSED would want to change the volume on each bid, the GSED should withdraw its earlier submission subject to cap and cut-off time.

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| Public Offer Period | : May 30 – June 8, 2018. The Republic reserves the right to change/adjust the manner of accepting subscriptions during the Public Offer Period. When subscription has reached a level deemed sufficient by the BTr, the BTR-Securities Origination Division (BTr-SOD) shall announce the termination and closure of the offer period through electronic financial information providers chosen by BTr, such as Reuters, Bloomberg, PDEX or any of their successors. |
| Issue Date | : June 13, 2018 unless another date is announced by the Republic. |
| ISIN/SERIES CODE | : PIID0321F092 |
| Form and Denomination | : The Retail Treasury Bonds (“RTBs”) 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 | : June 13, 2021 , or if the Issue Date does not occur on June 13, 2018 , the Maturity Date shall be the date that is three (3) years following the Issue Date. |
| 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. |
| Interest Rate Guidance | : The Interest Rate shall be based on current market levels of comparable securities rounded down to the nearest one-eighth (1/8) of one percent (1%) . The Interest Rate shall be stated in three (3) decimal places. |
| 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. |

Retail Investors : Those persons other than Government Owned or Controlled Corporations (GOCC) including the GSIS, the SSS, the PHIC, and the HDMF (Pag-IBIG Fund), the BSP, LGUs, other domestic or foreign government offices and instrumentalities, GSEDs, Investment Houses, and subsidiaries of GSEDs and Investment Houses performing banking and/or quasi-banking functions/activities.

Sale to GSEDs and Investment Houses and/or subsidiary corporations of GSEDs and Investment Houses performing banking and/or quasi-banking functions/activities shall not be considered as retail sales. However, the Dealer/Selling Agent may require the GSEDs and Investment Houses and/or subsidiary corporations to comply with the Retail Sales Obligation, in which event the GSEDs and Investment Houses and/or subsidiary corporations shall be required to submit the corresponding bondholders' list to the Selling Agent to be included in the Selling Agent's reportorial obligations to the Issuer.

Dealers/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 during the Public Offer Period unless allowed by the BTr in a separate announcement.

Further, Dealers/Selling Agents are to sell RTBs in its original form and current structure during the Public Offer Period. Any attempt or intention to introduce variants and derivatives thereof, or 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/Selling Agent, as well as forfeiture of the corresponding Selling Agency Fee (as defined below). The foregoing penalties are without prejudice to other administrative, civil and criminal actions that the Issuer may institute as warranted.

Retail Sales Obligations : Each Selling Agent shall be required to sell to Retail Investors (as defined above) at least **30%** in aggregate value of its subscription or award at the primary auction (as allocated to it by the Issuer) at any time within the Public Offer Period.

Failure by the Selling Agent to comply with the Retail Sales Obligation may result in the imposition by the BTr of sanctions, as it may deem appropriate and reasonable, including the possible exclusion of such Selling Agent from participating in future issues of Retail Treasury Bonds.

Individual Investors : Refers to a natural person under Philippine law. For this purpose, trust accounts and/or private banking arrangements representing funds of natural persons or a group of natural persons, such as but not limited to employee retirement or trust funds, provident funds, cooperatives, associations and Investment Management Accounts, are considered Individual Investors. Sales to individuals coursed thru Trust and Private Banking arrangements such as retirement funds, provident funds, cooperatives and Investment Management Accounts (IMA) for individuals or families shall be certified by a Trust Officer.

Individual Sales Obligation : Each Selling Agent shall be required to sell to Individual Investors (as defined above) at least **10%** in aggregate value of its subscription or award at the primary auction (as allocated to it by the Issuer) at any time within the Public Offer Period.

Failure by the Selling Agent to comply with the Individual Sales Obligation may result in the imposition by the BTr of sanctions, as it may deem appropriate and reasonable, including the possible exclusion of such Selling Agent from participating in future issues of Retail Treasury Bonds.

Reliance on Accuracy : In case the Selling Agent submits a falsified Sales Report/Bondholders' list, such Selling Agent shall be excluded from participating in future issuances of the Republic. This is without prejudice to the filing of appropriate administrative, civil and 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 through the Dealer/Selling Agent. Further, the Issuer 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 Dealer/Selling Agent.

All information relative to the bondholders shall be treated with absolute confidentiality as provided for by law.

Responsibilities of Selling Agent : Each Selling Agent is required to submit to BTr-SSRD, as may be required, an electronic copy (PDF File) of the Special Power of Attorney and Investor Undertaking (form of Investor Undertaking attached hereto as **Annex "C"**) duly executed by the Investors in connection with the purchase and delivery of the Bonds.

On Issue Date, the Selling Agent shall effect the transfer of the RTBs from the Selling Agent's securities account in RoSS to the Investors' securities account in RoSS or to the Investors' designated third party securities custodian who must have a securities account in RoSS.

During the Public Offer Period, each Selling Agent shall include in its daily sales report (**Annex "D"**) the indicative volume of RTBs sold to Retail and Individual Investors, expressed in percentages.

Selling Agency Fees : Selling Agents shall be paid a Selling Agency Fee in accordance with the Schedule set out in **Annex “B”** 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.

The BTr shall have the sole discretion of determining the amount of RTBs to be offered for each day of the Public Offer Period. Such daily RTB volume, except for the first day of the offer period, shall be allocated by the BTr in its sole discretion taking into account the orders submitted by the Selling Agents or GSEDs on a pro-rata basis among all the Selling Agents, and shall be referred to as the “Selling Agent Allocated Amount”.

On the first day of the Public Offer Period, the BTr shall announce the RTB volume, for the said day only, to be equally divided among all Selling Agents.

For the First Day of the Public Offer Period

The BTr shall announce the RTB volume for the day on or before 2:00 p.m.

Each Selling Agent shall submit to the Issuer their orders from 2:00 p.m. – 5:00 p.m., in the format attached as **Annex “D”**, to BTr-SOD through fax at the following Nos.: (02) 524-7026, 524-7025, and/or through electronic mail address: ebbona@treasury.gov.ph. Subscriptions sent thru fax and/or electronic mail may be confirmed at the following telephone numbers: (02) 663-2247, 663-2248.

Any Selling Agent Allocated Amount in excess of such Selling Agent’s total order for the day (“Excess Allocation”) shall be pooled and

distributed pro-rata to other Selling Agents with orders in excess of their Selling Agent Allocated Amount for the day ("Excess Demand"); provided, that the total Excess Allocation for distribution to a Selling Agent with Excess Demand shall not exceed such Selling Agent's actual Excess Demand. This process of pro-rata distribution of the Excess Allocation (the "Excess Allocation Distribution Process") shall be observed until the Excess Allocation amount or the total aggregate Excess Demand is reduced to zero, whichever comes earlier.

For the subsequent Days of the Public Offer Period

On the second day of the Public Offer Period, the BTr shall announce no later than 8:30 a.m. the accepted orders of the previous day.

Orders for the second day of the Public Offer Period up to the day prior to the last day of the Public Offer Period shall be submitted from 9:00 a.m. until 3:30 p.m. daily, in the format attached as **Annex "D"** to BTr-SOD through fax at the following Nos. (02) 524-7026, 524-7025, and/or through electronic mail address: ebbona@treasury.gov.ph. Subscriptions sent thru fax and/or electronic mail may be confirmed at the following telephone numbers: (02) 663-2247, 663-2248. The BTr shall confirm the accepted additional subscriptions no later than 5:00 p.m. of each day.

On the last day of the Public Offer Period, subscriptions submitted through the fax and/ or through electronic mail shall be made from 9:00 a.m. until 12:00 noon only. The BTr shall confirm the accepted subscription not later than 1:00 p.m. of the last day of the Public Offer Period.

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| Taxation | <p>: Prevailing final withholding tax on coupon payment shall be for the account of the bondholders. Tax Exempt Institutions (TEIs) without a tax-exempt RoSS Securities Account purchasing RTBs shall submit a valid BIR tax ruling.</p> <p>Documentary stamp tax (DST) on original issue shall be for the account of the Issuer.</p> |
| Status | : 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. |
| Sinking Fund | : The Republic may 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. |
| Eligibility | : 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 Bangko Sentral ng Pilipinas rules and regulations; (ii) insurance reserves under the Insurance Commission rules and regulations; and (iii) performance and judicial bonds. |
| Settlement Procedures | : Settlement shall follow the procedures prescribed in the Settlement Procedures for Peso-Denominated RTB Public Offering. |
| RoSS Securities Account | : All holders of the Bonds are required to open and maintain a 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 Securities Account shall be evidenced by a Special Power of Attorney executed by the investor, an electronic copy (PDF) of which shall be submitted by the Selling Agent to BTr-SSRD, as may be required. |

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



ROSALIA V. DE LEON
Treasurer of the Philippines