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Ladies and Gentlemen:

**The 1992 ISDA Master Agreements
 Enforceability of Close-out Netting**

We refer to our opinion dated January 10, 1997 as last updated on October 25, 2001 (collectively the "Opinion") on the enforceability of close-out netting provisions of the ISDA Master Agreements (as defined in the Opinion).

In this connection, we confirm that, since October 25, 2001, there have been no legislative, administrative or judicial developments in this jurisdiction that could materially and adversely affect the conclusions expressed in the Opinion in respect of the 1992 ISDA Master Agreements (as defined in the Opinion). Moreover, there are no developments pending as a result of which the current regulatory or legal environment in this jurisdiction concerning the enforceability of close-out netting may be expected to change in the foreseeable future.

We wish, however, to update certain citations in our opinion dated January 10, 1997, as follows:

1. Certain provisions of Central Circular No. 102 (1995) and Circular-Letter dated May 30, 1996 (referred to on page 2 of our January 10, 1997 opinion) are now embodied in Section X602 of the Manual of Regulations for Banks and Section 4603Q of the Manual of Regulations for Non-Bank Financial Institutions. The Circular's Annex A appears as Appendix 25 to the Manual of Regulations for Banks and Appendix Q-15 to the Manual of Regulations for Non-Bank Financial Institutions.

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2. Section 4 of Circular No. 102 (as quoted on page 7 of our January 10, 1997 opinion) was restated in Subsection X602.2 of the Manual of Regulations for Banks and Subsection 4603Q.2 of the Manual of Regulations for Non-Bank Financial Institutions. These subsections were amended by Section 2 of Circular No. 297 (2001). However, Circular No. 297 retains the requirement that Philippine banks, non-bank financial intermediaries performing quasi-banking functions, and other Central Bank-supervised financial institutions engaging in derivative transactions as end-users must do so for hedging purposes only and not for speculation.

3. The General Banking Act (Republic Act No. 337, as amended) has been repealed and superseded by the General Banking Law of 2000 (Republic Act No. 8791). The provision in Section 19 of the General Banking Act (as quoted on page 10 of our January 10, 1997 opinion) is now restated in the second paragraph of Section 75 of the General Banking Law of 2000. Moreover, the provision of Section 69 of the General Banking Act (cited on page 11 of our January 10, 1997 opinion) now appears as the first paragraph of Section 75 of the General Banking Law of 2000.

The foregoing updates do not materially and adversely affect the conclusions expressed in the Opinion in respect of the 1992 ISDA Master Agreements.

We understand that the list of derivative transactions as set out in Appendix A to the Opinion has been updated to include new transaction types, and the updated list is the one attached as Annex C to your letter to us dated October 21, 2002. In this respect, we confirm that there is nothing in the Opinion that would be changed by the inclusion of such new transaction types.

Very truly yours,


Rafael A. Morales