

- b. Trading Participants shall ensure compliance with the System Order Ticket Rule and Best Execution Rule when aggregating an Order of a client with an Order for another client;
- c. Salesmen/Traders shall not aggregate the Order of a client with their proprietary account;
- d. A foreign aggregated Order can be unbundled into a foreign, local and/or error account;
- e. A local aggregated Order can only be distributed to local clients and/or error account;
- f. In cases where client Orders have been aggregated but the matched trade transaction does not fully satisfy the total Orders, the matched Orders shall be allocated by the Trading Participant among the different underlying Orders in a fair and reasonable manner, consistent with the best interest of all their clients. Clients whose Orders are aggregated shall be made aware of the allocation procedures;
- g. Distribution of matched aggregated Orders shall be done during the period prescribed by the Exchange;
- h. The Trading Participant warrants to the Exchange and Clearing Agency that all aggregated Orders are duly authorized and approved by their clients.

SECTION 5. Short Selling

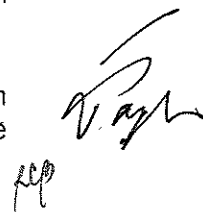
5.1 General Provisions

These Rules set out the requirements for the conduct of Short Selling in the Exchange.

- a. Only Eligible Securities may be short-sold by the Trading Participants, whether for principal or client account transactions.
- b. The Exchange shall regularly publish the list of Eligible Securities for the information and guidance of the investing public.
- c. If a Short Sale transaction will be settled by the delivery of borrowed Securities, then the securities borrowing and lending transaction should comply with the applicable rules of the Exchange and the SEC.

5.2 Trading

- a. The applicable rules of the Exchange shall apply to Short Sale transactions in the same manner as they apply to normal sale transactions.
- b. *Up Tick Rule.* Pursuant to the provisions of SRC Rule 24.2-2, paragraph 3 on "Execution of Short Sale", no Trading Participant shall use the facility of the

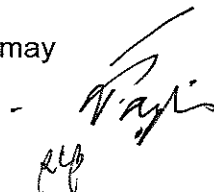
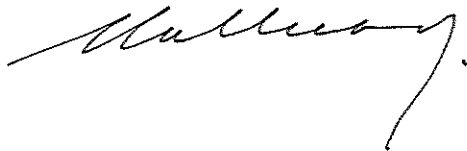


Exchange to effect a Short Sale of any Eligible Security unless the transaction is:

- i. at a price higher than the last sale price; or
 - ii. at the price of the last sale, only if that price is above the next preceding different sale price on such day.
- c. A Short Selling Order is valid only for one (1) Trading Day. Short Selling transactions are not allowed during the Pre-Open and Pre-Close Periods.
- d. *Naked Short Selling.* A Trading Participant shall not place a Short Sale Order for Eligible Securities, whether it is a principal or client Order, without: borrowing the Eligible Securities before the Short Sale' or entering into a prior securities borrowing and lending agreement to ensure that the Eligible Securities are available for delivery on settlement date, or having an exercisable and unconditional right to vest the Eligible Securities on the purchaser on settlement date.
- e. The Trading Participant, upon receiving an Order to Short Sell or when Short Selling for its own account, must identify its Order as a Short Selling transaction in the automated Trading System of the Exchange upon Order entry.
- f. Trading Participants shall comply with their obligations under SRC Rule 24.2-2 on "Short Sales", paragraph 5 on "Mandatory Close-Out".

5.3 Prohibitions and Penalties

- a. No director, officer or principal stockholder of a corporation shall make a Short Sale in Securities of the corporation in which he is a director, officer or principal stockholder.
- b. The Exchange may restrict or prohibit Short Selling indefinitely or for such period as it may deem necessary or advisable for the protection of investors and to maintain and ensure a fair and orderly market, with due notice to the Commission.
- c. The Exchange reserves the right, at its discretion, and as it may deem necessary in the public interest or advisable for the protection of investors, to perform any or all of the following:
 - i. to suspend the Short Selling of a particular Eligible Security, provided that the participants are duly notified thereof;
 - ii. to remove a particular Security from the list of Eligible Securities;
 - iii. to impose limits on the number of shares of Eligible Securities which may be sold short;



- iv. to require a Short Selling Trading Participant to cease Short Selling, whether temporarily or permanently, and either generally or in relation to Eligible Securities, provided that the participants are duly notified thereof;
- v. to require a Short Selling Trading Participant to liquidate open sold short positions held on his or its own account or for the account of his or its clients either generally or in relation to Eligible Securities;
- vi. to require a Trading Participant to disclose to the Exchange and the SEC the number of shares of Eligible Securities in which the Trading Participant holds an open sold short position, or the value of borrowed Securities sold short, either on his or its own account or for the account of his or its clients; and
- vii. to impose other limitations as may be required by the PSE for the maintenance of a fair and orderly market and for the protection of the investing public.

SECTION 6. Reference Price

The Reference Price shall be:

- a. the previous Trading Day's Closing Price;
- b. the Adjusted Closing Price (ACP) in the event of corporate actions that would result to an adjustment of the Closing Price; or
- c. the Last Traded Price or the last ACP in cases where there is no trading activity for the Security in the immediately preceding Trading Day.

SECTION 7. Trading Threshold

- a. The price for an Order shall be within the Trading Threshold for the Trading Day. Under these Rules, the Trading Threshold refers to the Static and Dynamic Thresholds.
- b. The upper Static Threshold shall be fifty percent (50%) above the Reference Price while the lower Static Threshold shall be fifty percent (50%) below the Reference Price.
- c. The above provision shall not apply to warrants.
- d. Dynamic Threshold shall be determined according to the price range and historical performance of the Security.
- e. The Exchange has the authority to adjust the Trading Threshold for a Security, provided the Order that breached the Trading Threshold falls within the allowable price percentage difference as provided under the Implementing Guidelines of these Rules.



