

GUIDELINES FOR SHORT SELLING TRANSACTIONS

1. Eligible Securities

- a. All PSEi member companies and exchange traded funds are deemed Eligible Securities.

The Exchange may review and amend the criteria for Eligible Securities from time to time, in support of securities borrowing and lending activities and to manage risk.

- b. An Eligible Security must maintain a ratio of short interest to outstanding shares ("Short Interest Ratio") at less than or equal to ten percent (10%) ("Short Interest Threshold") or as may be prescribed by the Exchange. Any change in the prescribed Short Interest Threshold shall be subject to prior approval of the Securities and Exchange Commission.

An Eligible Security which breaches the Short Interest Threshold will become ineligible for short selling until such time that its Short Interest Ratio falls back within the prescribed limit.

The "short interest" or the "outstanding short position" refers to the cumulative number of shares of a security sold short that have not yet been closed out, and adjusted for corporate actions as may be applicable.

- c. The Short Interest Ratio of an Eligible Security shall be monitored daily. Changes in eligibility status shall be announced at the end of each trading day and shall take effect on the next trading day.
- d. At the end of each trading day, the Exchange shall publish on its website the gross short selling transactions and outstanding short position of Eligible Securities traded on the Exchange.

2. Execution of short selling orders

- a. The trading system shall not accept Short Selling orders for ineligible securities.
- b. Only Trading Participants are allowed to enter Short Selling orders. Clients who want to place Short Selling orders must course these orders through their respective Trading Participants.
- c. Prior to entering the Short Selling order, the Trading Participant shall determine that the client has entered into the necessary borrowing arrangements for the Eligible Securities subject of the Short Sale.
- d. For Trading Participants whose clients have direct market access (DMA), the Trading Participant shall still enter the Short Selling order on behalf of the DMA client. However, if the Trading Participant has the capability to determine that its DMA client has borrowed the subject securities prior to the entry of any Short Selling order, and upon compliance with such requirements that may be imposed by the Exchange, then the DMA clients of said Trading Participant may be allowed to enter Short Selling orders without the intervention of the Trading Participant.
- e. Short Selling orders shall not be accepted during the following trading phases: Pre-Open and Pre-Close. (*revised January 22, 2019 pursuant to SRC Rule 40.3.3*)
- f. Short Selling orders shall be entered as day orders only.
- g. Trading Participants shall not aggregate Short Selling Orders.
- h. Short Selling orders for the Odd Lot Market and Block Sales shall not be accepted by the trading system.

3. Uptick Rule

Trading Participants must comply with the uptick rule under Section 3 of SRC Rule 24.2-2 and Section 5.2(b) of the Revised Trading Rules of the Exchange, or relevant revisions thereto.

4. Flagging and Trade Amendments

- a. A Trading Participant shall flag Short Selling orders accordingly.
- b. If an Eligible Security subsequently becomes ineligible, no Short Selling orders shall be accepted by the trading system on such Security.
- c. A Trading Participant shall not be allowed to amend a trade from Short Sale to a regular sale and vice-versa.

5. Securities Borrowing and Lending (“SBL”) Procedures for Short Selling Transactions

The requirements of the PSE and the Securities and Exchange Commission on SBL should be complied with by the short seller for purposes of complying with the PSE Trading Rules prohibition against “naked short sales”.

- a. A depository participant that transfers shares to another depository participant for Short Selling transactions shall indicate “SBL Borrow – Short Selling” or, for Buyback transactions, “SBL Return – Short Selling”, in the depository’s system.

A Buyback transaction shall be understood to be a buy transaction that is executed for purposes of closing or covering a short interest.

- b. For transfers of shares of clients within a depository participant’s omnibus account for short selling and buyback transactions, the depository participant shall report such transfers to the Exchange in such format and manner as the Exchange may prescribe.

6. Responsibility of Trading Participants

A Trading Participant shall be responsible for all Short Selling orders that are entered into or executed in the Exchange, regardless of whether such orders are for its own account or for its client’s account.

7. Violations and Penalties

Violations of the relevant provisions of the Revised Trading Rules on Short Selling, these Guidelines, and any amendments thereto shall be penalized in accordance with Article IX of the Revised Trading Rules.

The Trading Participant shall also continue to be bound by the other provisions of the Revised Trading Rules and any amendments thereto, as may be applicable, and shall be held liable for any breach of such rules and regulations.

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