Section 1. Short Title

These Rules may be cited as the "DMA Rules".

Section 2. Definition of Terms

As used in these Rules and unless the context otherwise requires:

"Algorithmic Trading" shall mean the use of electronic trading platforms for entering orders to the Exchange, with an algorithm deciding on aspects such as timing, price, or quantity of the order, or in many cases initiating the order without human intervention.

"CMIC" shall refer to the Capital Markets Integrity Corporation.

"Direct Market Access" or **"DMA"** shall mean an arrangement whereby a Trading Participant's client is permitted to enter orders to buy or sell securities including any modifications and cancellations directly into the PSE trade matching system for automatic execution without any intervention by the Trading Participant.

"DMA Client" shall refer to the Trading Participant's client availing of the DMA Service.

"DMA Facility" shall refer to any infrastructure (*i.e.*, technical systems and/or connecting systems) that may be used by Trading Participants for the provision of DMA Services or DMA Clients for the availment of DMA Services.

"DMA Orders" shall refer to orders to buy or sell securities placed through the DMA Facility.

"DMA Service" shall refer to services as described in Section 3 of these Rules.

"DMA Trading Participant" shall refer to a PSE Trading Participant that has been allowed by the Exchange to offer DMA Services upon the PSE Trading Participant's compliance with the requirements under Section 4 of these Rules.

"Exchange" or **"PSE"** shall mean The Philippine Stock Exchange, Inc.

"High-Frequency Trading" shall refer to a type of algorithmic trading in which a computer-driven process of entering or cancelling orders is carried out over sub-second intervals.

"PSE*trade*" shall refer to the Exchange's electronic trading system.

"**Qualified Institutional Buyer**" or **"QIB"** shall refer to the following qualified buyers: banks; registered investment house; insurance company; pension fund or retirement plan maintained by the government of the Philippines or any political subdivision thereof or managed by a bank or other persons authorized by the *Bangko Sentral* to engage in trust functions; investment company; entities which are registered as qualified institutional buyers in accordance with SEC Memorandum Circular No. 3 S. 2008 and 6 S. 2007; or such other person as the Commission may, by rule, determine as qualified buyers, on the basis of such factors as

financial sophistication, net worth, knowledge, and experience in financial and business matters, or amount of assets under management.

"SCCP" shall refer to Securities Clearing Corporation of the Philippines.

"Security" or "Securities" shall mean shares, and any other investment products, including derivatives, that are listed and traded in the Exchange.

"Wash Sale" shall refer to transactions in which there is no genuine change in beneficial ownership of a security.

Section 3: DMA Services

DMA Services shall mean services that allow the *bona fide* clients of a DMA Trading Participant to place buy or sell orders for securities without trading participant intervention. DMA Services can be any of the following:

a. Automatic Order Routing (AOR)
AOR is a type of DMA Service where a trading participant permits its DMA Clients to send orders electronically to the DMA Trading Participant's infrastructure, which in turn automatically sends the order to the PSE*trade*. The two (2) types of AOR are the following:

    (i) Internet Trading – if client is using the web-based trading application provided by the trading participant; or

    (ii) Straight-Through Processing (STP) – if client uses an order execution system, whether provided by the trading participant or a third party service provider, that is directly connected to the trading participant's infrastructure.

b. Sponsored Access
Sponsored Access is a type of DMA Service where a trading participant permits a QIB client to transmit orders for execution directly to the PSE*trade* without passing through the trading participant's infrastructure.

Section 4. Requirements for Providing DMA Services

Any trading participant intending to provide DMA Services shall file an application with the Exchange and comply with the following requirements prior to commencement:

a. DMA Facility has been certified by the PSE pursuant to Section 5 of these Rules;

b. DMA Trading Participant shall execute an agreement with PSE governing the privilege granted to the DMA Trading Participant to connect to the PSE*trade*;

c. DMA Trading Participant shall provide such information and documents as the PSE may require including, but not limited to, the following:

(i)   Template of the agreement to be executed between the DMA Trading Participant and its DMA Client, which, at the minimum, shall state:

1.   The duties, obligations and rights of the DMA Trading Participant and the DMA Client in relation to the provision of the DMA Services;

2.   DMA Client's obligation to execute orders in compliance with the Securities Regulation Code, Exchange rules and other pertinent laws, rules and regulations;

3.   The risk parameters that the DMA Trading Participant shall set;

4.   Situations in which DMA Client's orders may not be executed or cancelled;

5.   Process of DMA Order posting and execution;

6.   Service level commitment which shall include guaranteed processing time of order instructions and the maximum order capacity of the DMA Facility;

7.   Alternative means of order posting, modification or cancellation;

8.   DMA Client's consent to the submission of any electronic recording of online transactions to the concerned regulatory body;

9.   DMA Trading Participant's right to act (*i.e.*, modify or cancel) on a DMA Order to ensure fair and orderly trading;

10.   Instances when DMA Services may be cancelled or terminated by the DMA Trading Participant or the PSE;

11.   Possibility of discrepancy in the data displayed, technical glitches, delayed execution and other risks associated with DMA transactions;

12.   DMA Client shall explicitly agree to be bound by the Philippine securities laws, rules of the Exchange, CMIC and clearing agency and other pertinent laws, rules and regulations and shall be held liable for any breach of such laws, rules and regulations; and

13.   Statement that the PSE, its directors, officers and employees shall not be liable to the DMA Client for all damages directly or indirectly suffered as a result of the use or availment of the DMA Services.

(ii)   Certification from the DMA Trading Participant signed by the Nominee that it has written policies and procedures covering, at the minimum, the following:

1. Risk management and supervisory procedures;

2. Monitoring and managing of DMA Orders;

3. Handling of DMA Orders breaching the trading thresholds and other circumstances which may require confirmation;

4. Handling of errors and/ or exceptions including, but not limited to:
   (a) recommended solutions; or
   (b) escalation procedures;

5. Business continuity and disaster recovery;

6. Validation of identity of the person accessing the DMA Service;

7. Hiring and training of qualified technical personnel supporting the DMA Service of the DMA Trading Participant; and

8. Training of DMA Clients, whether online, in-person or through such other appropriate means, covering relevant rules, regulations and policies and the use of the DMA Facility.

d. DMA Trading Participant shall have a designated and an alternate personnel for monitoring and managing DMA Clients and DMA Orders. The designated and the alternate personnel must be SEC-licensed Salesmen/Traders who shall be proficient in the use of the facility for managing DMA Orders. The names of the DMA Trading Participant's designated and alternate personnel must be submitted to the Exchange and CMIC;

e. Audit trail facility that shows details of each instruction executed through the DMA Facility including, but not limited to, the items stated in Section 12 hereof;

f. Automated risk management system for controlling exposure to DMA Clients before the order is sent to the PSE*trade*. The Trading Participant shall define the minimum risk filters as stated in Section 11 hereof;

g. DMA Trading Participants shall inform PSE in writing of the commencement of DMA Services at least five (5) trading days ahead of the scheduled date of commencement;

h. For Sponsored Access:

(i) The DMA Trading Participant shall submit a certification that its DMA Client is a QIB; and

(ii) The DMA Trading Participant shall maintain a record of the names of its DMA Clients and their duly authorized employees, their position/designation and user details including user IDs, which record shall be made available to PSE, CMIC, and regulatory bodies as may be required. Only duly authorized employees of a DMA Client may access its DMA account.

Section 5. System Certification

a. The Trading Participant's DMA Facility is required to pass the system certification process and comply with the minimum functional requirements set by the Exchange before the commencement of DMA Services.

b. DMA Trading Participant shall provide to the Exchange the following information, in addition to the requirements indicated in Section 4:

   (i)   Measures to ensure the operational integrity, security, reliability;

   (ii) Server size and capacity; and

   (iii) Mechanisms to prevent the execution of unintended duplicate orders.

c. Executable copy of the certified version of the DMA Facility software shall be provided by the DMA Trading Participant to PSE.

Section 6. System Re-Certification

The DMA Trading Participant shall notify the Exchange in writing of any enhancements or modifications to the previously-certified DMA Facility, with a complete description of the enhancements or modifications.

If the intended enhancements or modifications are determined by the Exchange to be significant in nature:

a. The Exchange shall conduct a re-certification of the DMA Facility prior to conducting live trading;

b. The DMA Trading Participant shall pay re-certification fee; and

c. The DMA Trading Participant shall provide the Exchange a copy of the executable file of the modified version of the DMA Facility software.

Section 7. Schedule of Fees

The DMA Trading Participant shall be subject to the following fees:

Fees (VAT exclusive)	Amount (in PhP)
Installation Fee/Setup Charge	10,000.00
Certification/Re-certification Fee	2,500.00
Monthly Subscription Fee	10,000.00
Development Testing Fee	5,000.00

Section 8. Security System

a. The DMA Trading Participant shall ensure that the following minimum security measures are built into the DMA Facility:

   1. Authentication process (*i.e.*, use of user ID and password);

2.   Automatic expiry of passwords for a maximum of ninety (90) days;

3.   System to ensure that the authentication process shall not be by-passed;

4.   Automatic log-out or session time-out if there is no activity for a period of at least ten (10) minutes; and

5.   A firewall configured for the provision of DMA Services.

b.   The DMA Trading Participant shall ensure that the following minimum measures are observed in operating the DMA facility:

1.   The access to and from the location of the DMA facility is controlled, recorded and monitored; and

2.   The DMA facility is regularly maintained and the procedures for maintenance are accessible to the authorized personnel;

c.   The DMA Trading Participant shall have a facility and procedure to disconnect any user of its DMA Service in the event of a security breach, and to reconnect the user upon resolution of said breach. The DMA Trading Participant shall notify its DMA Client in writing of the security breach, the disconnection, and the resolution made. The DMA Trading Participant shall furnish the Securities and Exchange Commission (SEC) a copy of such notice within five (5) days from resolution.

Section 9. Restrictions on the Use of DMA Facility

The DMA Trading Participant shall observe the following restrictions:

a.   The DMA Trading Participant shall limit access to the DMA Facility to its clients and authorized employees;

b.   The DMA Trading Participant shall provide DMA Services only to clients who possess sufficient financial resources to fulfill its trade obligations and sufficient understanding of relevant provisions of the Securities Regulation Code, Exchange rules and other pertinent laws, rules and regulations;

c.   For Automatic Order Routing, simultaneous multiple log-in using the same user account shall not be allowed. For Sponsored Access, simultaneous multiple log-in using the same user ID shall not be allowed;

d.   For Sponsored Access, the DMA Trading Participant shall offer Sponsored Access service only to QIBs; and

e.   The DMA Facility shall not be used for High-Frequency and/or Algorithmic trading.

In case the DMA Trading Participant fails to strictly adhere to these requirements, the Exchange may take any of the actions enumerated in Sections 13 and 14 of these Rules as the Exchange may deem necessary, without prejudice to any action that the CMIC may take pursuant to its rules.

Section 10. Responsibilities of DMA Trading Participant

a. The DMA Trading Participant warrants that it shall be ultimately responsible for all DMA Orders entered by its clients, whether such DMA Orders were entered with or without DMA Trading Participant's knowledge.

b. The DMA Trading Participant warrants that it shall undertake the necessary measures that will ensure that the DMA Clients are knowledgeable of the PSE trading rules, and other pertinent laws, rules and regulations and proper use of the DMA Facility. The DMA Trading Participant shall maintain a record showing the participation or attendance by its DMA Clients in its training program, whether online, in-person or other appropriate means, which record shall be made available to PSE, CMIC, and regulatory bodies as may be required.

c. The DMA Trading Participant warrants that it shall undertake the necessary measures that will ensure that all revisions and updates to laws and rules are communicated promptly to the DMA Clients.

d. The DMA Trading Participant warrants that it shall update its DMA Service, if necessary, in order to comply with changes under pertinent laws, rules and regulations.

e. The DMA Trading Participant shall notify the Exchange of any change in the designated and the alternate personnel five (5) trading days prior to effectivity date.

f. The DMA Trading Participant shall furnish the Exchange a copy of the template of the DMA Agreement between the DMA Trading Participant and its DMA Client in the event of any revisions.

g. The DMA Trading Participant shall perform daily reconciliation of DMA Client accounts (between DMA Facility and back office system) to ensure accuracy of information.

h. The DMA Trading Participant warrants that it shall ensure that the DMA Facility has built-in measures to prevent Wash Sale.

i. The DMA Trading Participant shall make available the executed agreement between the Trading Participant and the DMA Client to the Exchange, CMIC and regulatory bodies upon request.

j. The DMA Trading Participant shall, upon the directive of the Exchange, CMIC or SEC, make such enhancements or modifications to the DMA Facility as may be necessary to comply with these Rules and regulatory requirements that may be issued subsequent hereto. If the enhancements or modifications are significant in nature, the Exchange shall require system re-certification.

k. The DMA Trading Participant shall conduct a disaster recovery test at least once a year. The results of the test shall be made available to PSE, CMIC, and regulatory bodies as may be required.

l. The DMA Trading Participant shall engage a third party to conduct a capacity stress test and penetration/vulnerability test at least once a year. The results of the tests shall be made available to PSE, CMIC, and regulatory bodies as may be required.

m. The DMA Trading Participant shall maintain a client complaint log, which record shall be made available to PSE, CMIC, and regulatory bodies as may be required.

Section 11. Risk Management Protocols

a. The DMA Trading Participant shall define the automated pre-trade risk filters before a DMA Client is allowed access to the DMA Facility, for the purpose of ensuring that the DMA Order is within the capacity of the DMA client to execute and settle. For this purpose, the DMA Trading Participant shall put in place a system for assessing the risk profile of its DMA Clients.

b. The DMA Trading Participant shall, at the minimum, put in place the following types of risk filters according to the risks that are being managed:

(i) **Trade exposure** – parameter for identifying the exposure in which a DMA Client can trade. The parameter shall be based on:

1. Gross buying/selling transactions; or
2. Net buying/selling transactions.

(ii) **Order size** – parameter for identifying the maximum of each DMA Order which a DMA Client can enter. The parameter shall be based on:

1. value in Peso (PhP); or
2. volume (number of shares); or
3. a combination of any of the above.

(iii) **Price limit** – parameter for identifying the maximum price of the DMA Order which a DMA Client can enter. The parameter shall be based on:

1. percentage (%) away from the last traded price; or
2. percentage (%) away from the last adjusted closing price; or
3. ticks (bid/offer) away from the last traded price; or
4. ticks (bid/offer) away from the last adjusted closing price; or
5. a combination of any of the above.

c. The DMA Trading Participant shall have internal policies and procedures in place for setting the risk parameters, review the same on a daily basis, and adjust the risk parameter values as it may deem necessary, and ensure that all changes to the values are immediately updated and logged. The DMA Trading Participant shall ensure that the risk parameters are set up only by persons authorized by the DMA Trading Participant.

d. In respect of margin accounts, the DMA Trading Participant shall comply with the pertinent rules and regulations on margin trading.

Section 12. System Log

a. The DMA Trading Participant shall maintain a system log which includes, without limitation, the following details:

 (i) Trading Account, user ID and IP address of the DMA Client responsible for the DMA Order;

 (ii) Unique code to identify DMA Orders and trades;

 (iii) Date and time-stamp of all system logs including confirmations/acknowledgments of PSE*trade*;

 (iv) DMA Client log-in and log-out and how the DMA Client was logged out of the system (*i.e.,* manual or automated);

 (v) Result of risk parameter check (*i.e.,* accept or reject and risk parameters that triggered rejection); and

 (vi) All instructions related to the DMA Order made by the DMA Client (*i.e.*, order posting, modification, and cancellation).

b. The DMA Trading Participant shall maintain a copy of all system logs for at least five (5) years and make the same available for inspection by the Exchange and/or CMIC upon demand.

Section 13. Termination of DMA Services

a. The DMA Trading Participant shall notify the Exchange of the termination of DMA Services no less than thirty (30) days prior to the effective date of the end of service.

b. The DMA Trading Participant shall notify its DMA Clients in writing, no less than thirty (30) days before the effective date of end of service, of the termination of its provision of DMA Services. The notification shall include the following:

 (i) Contact information of the Trading Participant; and
 (ii) The DMA Service end date.

Section 14. Suspension or Revocation of DMA Services

a. The Exchange may, without prior notice, take any of the actions enumerated below:

 (i) Immediately disconnect the DMA Facility if such facility or any component thereof causes any problem to the PSE*trade*;

 (ii) Upon the recommendation of the SCCP, CMIC or SEC, suspend or revoke the authorization of a DMA Trading Participant to offer DMA Services; or

(iii) Upon the recommendation of SEC, direct a DMA Trading Participant to suspend or terminate the provision of DMA Services to any one or more of its DMA Clients.

b. The Exchange shall not be liable to the DMA Trading Participant, its DMA Clients, or any other party in the event of disconnection.

c. The DMA Trading Participant may, upon its own determination or upon the recommendation of the SEC or the CMIC, suspend or terminate the provision of DMA Services to one or more clients in the event of any violation of the Securities Regulation Code, its implementing rules and regulations, and other pertinent rules and regulations of the SEC and the Exchange.

Section 15. Suspension or Revocation for Breach

The Exchange shall suspend or revoke the authorization of a DMA Trading Participant to offer DMA Services where there is breach of any of the rules of the Exchange, or upon the instructions of CMIC or SCCP, or the order of the SEC.

Section 16. Reinstatement or Lifting of Suspension of DMA Services

The Exchange shall lift the suspension imposed pursuant to the preceding section and reinstate the DMA Services if the reason or cause of the suspension has been resolved to the satisfaction of the Exchange, or upon the instruction of CMIC or SCCP, or the order of the SEC, as may be applicable.

Section 17. Limitation of Liability

The Exchange, its Board of Directors, officers and employees shall not be liable for damages arising from the use of DMA Services.

Section 18. Non-Waiver

No failure or delay by the Exchange in enforcing any of the provisions of these Rules shall prejudice and/or restrict the rights of the Exchange to require compliance with said provision and it shall not operate as a waiver for any subsequent breach.

Section 19. Applicability of the Revised Trading Rules

The PSE Revised Trading Rules, including the classification of violations and penal sanctions, shall apply to the buying and selling of Securities *via* the DMA Facility insofar as they are not inconsistent with these Rules.

Section 20. Precedence of DMA Rules

These Rules shall take precedence over Article XXII of the Implementing Guidelines of the Revised Trading Rules ("Common Customer Gateway Guidelines").

Section 21. Applicability of the Securities Regulation Code

The applicable provisions of the Securities Regulation Code, its implementing rules and regulations and other laws, rules and regulations shall continue to be in full force and effect and the DMA Trading Participant shall continue to be bound by the same. If any provision of these Rules shall be held to be contrary to any provision of the securities laws or any law, the remaining provisions shall continue to be in force and effect.

Section 22. Transitory Provision

PSE Trading Participants that have an existing DMA facility and that presently offer DMA Services shall be required to comply with, and shall henceforth be bound by, these Rules. Such PSE Trading Participants shall have a period of six (6) months upon effectivity of these Rules within which to comply with the requirements under Section 4, failing which they shall be disallowed from offering DMA Services.