MEMORANDUM – 2026-017

TO : **THE TRADING PARTICIPANTS AND THE INVESTING PUBLIC**

SUBJECT : **REQUEST FOR COMMENTS ON THE PROPOSED SEC RULES ON MARKET MAKING**

DATE : **18 AUGUST 2026**

The Securities and Exchange Commission En Banc, in its meeting held on 13 August 2026, resolved to expose the attached draft Memorandum Circular on the **Proposed SEC Rules on Market Making**.

Thus, the Commission is requesting comments, suggestions, and/or inputs from all concerned on the proposed draft Memorandum Circular. The written comments, suggestions, and/or inputs may be submitted on or before 28 August 2026 through email at ipsd_msrd@sec.gov.ph with the proposed subject of "COMMENTS ON THE PROPOSED SEC RULES ON MARKET MAKING."

Thank you.

(original signed)
GERARD B. SANVICTORES
President

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SEC MEMORANDUM CIRCULAR NO. ___
Series of 2026

TO : ALL CONCERNED

SUBJECT : SEC RULES ON MARKET MAKING

WHEREAS, Section 2 of the Securities Regulation Code (SRC) declares it a policy of the State to promote the development of the capital market, protect investors, encourage the widest participation of ownership in enterprises, prevent market manipulation and abusive practices, and strengthen investor confidence in the Philippine capital market;

WHEREAS, Section 5 of the SRC vests upon the Securities and Exchange Commission (SEC) the authority to regulate the securities market to ensure investor protection and the maintenance of fair, efficient, and orderly markets;

WHEREAS, Sections 24, 25, and 26 of the SRC prohibit fraudulent and manipulative practices, including transactions that create a false or misleading appearance of active trading or artificial prices;

WHEREAS, Section 33 of the SRC grants the SEC authority to supervise and regulate trading markets and participants, including broker-dealers;

WHEREAS, the development of market making mechanisms is recognized globally as a means to enhance liquidity, improve price discovery, and support capital formation, and such mechanisms differ in operation between equity and fixed income markets by reason of their distinct market structures, trading conventions, and liquidity characteristics; and

WHEREAS, there is a need to establish a regulatory framework for market making in the Philippines, consistent with the mandates of the SRC and international best practices;

NOW, THEREFORE, the Commission hereby adopts the following Rules:

RULE I — TITLE AND SCOPE

Section 1. Title. These Rules shall be known as the "SEC Rules on Market Making."

Section 2. Scope. These Rules shall apply to market making activities in equity securities and fixed income securities listed, traded and enrolled on an Exchange under the jurisdiction of the Commission. The specific quoting and operational obligations applicable to each asset class are set out in Rule VII (Equity Market Making Obligations) and Rule VIII (Fixed Income Market Making Obligations), respectively, which form integral parts of these Rules.

Section 3. Government Securities. These Rules, including Rule VIII, shall not apply to market making

activities in Government Securities governed by the Primary Dealer/Government Securities Eligible Dealer (GSED) framework administered by the Bureau of the Treasury (BTr), unless and until the Commission, in coordination with the BTr, expressly extends the application of these Rules, in whole or in part, to such activities. Nothing in these Rules shall be construed to supersede or duplicate existing Exchange rules on market making for corporate securities, to the extent such rules remain consistent with, and are approved by the Commission as implementing guidelines under, Rule XIV.

RULE II — DEFINITION OF TERMS

For purposes of these Rules:

(a) ***Commission*** – Refers to the Securities and Exchange Commission (SEC).

(b) ***Bid-Ask Spread*** – The difference between the highest bid and the lowest offer.

(c) ***Designated Security*** – Refers to a listed or enrolled security, whether equity or fixed income, designated by an Exchange as eligible for market making activities under Rule IV without prejudice to any market making, dealership, or similar arrangement under other applicable regulatory frameworks (including the BTr Primary Dealer/GSED framework for Government Securities, where applicable).

(d) ***Designated Specialist*** – Refers to a registered broker/trader or licensed Salesman employed by a Market Maker and accredited by an Exchange to perform market making obligations.

(e) ***Exchange*** – Refers to an organized marketplace or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.

(f) ***Inventory Position*** – Holdings of a Market Maker in a Designated Security.

(g) ***Liquidity Parameters*** – The prescribed thresholds for spread, volume, and quoting time.

(h) ***Market Maker*** – A registered Trading Participant accredited or recognized by an Exchange or other appropriate authority, to provide continuous two-way quotes in designated securities, taking into account the market structure, type and characteristics of the security, trading mechanisms, prevailing market conditions, among others**,** for the purpose of ensuring liquidity and maintaining a fair and orderly trading market.

(i) ***Market Making*** – Refers to the continuous provision of liquidity by the Market Maker through the simultaneous posting of two-way quotes, executed in compliance with the relevant Exchange rules and applicable regulatory requirements, taking into account market structure, the type and characteristics of the security, trading mechanisms, prevailing market conditions, among others.

(j) ***Market Making Agreement*** – Refers to a written agreement governing market making activities in accordance with relevant Exchange rules.

(k) ***Minimum Quote Size*** – The minimum quantity required per quote, expressed in the unit of measure appropriate to the relevant security.

(l) ***Trading Participant*** - Any broker dealer who has the right pursuant to the rules of the Exchange or any organized market, to trade in that Exchange or organized market.

RULE III — ACCREDITATION OF MARKET MAKERS

Section 1. Eligibility

Only Trading Participants of an Exchange that is duly licensed by the Commission may act as a Market Maker. Market Makers shall be accredited by the relevant Exchange, subject to the oversight of the Commission, in accordance with this Rule, regardless of whether they will conduct market making in equity securities, fixed income securities, or both. All Market Makers shall continuously satisfy the eligibility requirements prescribed under these Rules and relevant Exchange rules.

Section 2. Qualification Requirements

To be eligible for accreditation as a Market Maker, an applicant must demonstrate the following:

(a) Maintain an unimpaired paid-up capital in accordance with the risk-based capitalization framework to be adopted by the Commission; provided that such capital shall in no case be less than One Hundred Fifty Million Pesos (Php 150,000,000.00), or such higher amount as the Commission may prescribe, which the relevant Exchange may calibrate, subject to the Commission's approval, having regard to the asset class, liquidity profile and scale of the applicant's intended market making activity;

(b) Has shown such operational capacity and track record, or its equivalent, such as a minimum period of continuous operation as a Trading Participant, or designated key personnel with relevant trading experience, satisfactory to the relevant Exchange;

(c) Has not been found to have violated any securities or commodities law or regulation, within the two (2) years immediately preceding the application, by the Commission or its foreign counterparts, any domestic or foreign exchange or self-regulatory organization, or any domestic or foreign court of competent jurisdiction, taking into account the nature, gravity, and currency of the violation, and whether the same has already been fully resolved; and

(d) Has not been subject to any administrative or judicial order that permanently restrains, prohibits, suspends, or otherwise restricts its participation in any securities -or commodities-related business or activity.

Section 3. Accreditation

Market Makers shall be accredited and/or recognized by the relevant Exchange, subject to the oversight of the Commission. The Exchange shall remain accountable for all Market Makers so accredited or recognized. Accreditation or recognition under this Rule does not require a separate or additional Commission-level process. The relevant Exchange's own accreditation, recognition, or admission process shall satisfy this requirement, provided such process confirms compliance with the qualification requirements under Section 2.

The relevant Exchange shall notify the Commission of all its accredited and/or recognized Market Makers not later than three (3) business days from the date of accreditation, and shall likewise notify

the Commission of any new accreditation, suspension, revocation, or termination of accreditation, as applicable. The Exchange shall, in addition, submit periodic reports on accredited Market Makers to the Commission at least quarterly, or at such other frequency as the Commission may require.

Section 4. Designated Specialist

Each Market Maker shall designate at least one (1) qualified individual responsible for the performance of market making obligations. Such Designated Specialist shall possess at least five (5) years of relevant experience in securities trading or market making, and such other qualifications, training, and accreditation requirements prescribed by the relevant Exchange and approved by the Commission. The acts and omissions of the Designated Specialist in their performance of market making activities shall be deemed acts and omissions of the Market Maker.

RULE IV — DESIGNATION OF SECURITIES

Section 1. Eligible Securities

The relevant Exchange shall designate securities eligible for market making, whether equity or fixed income, taking into consideration, among others, the level of liquidity of the security, public float or outstanding amount (as applicable), trading activity, and market development objectives. The relevant Exchange shall establish and maintain transparent and objective criteria, methodology, and procedures for designating eligible securities, appropriate to the relevant asset class, including any amendments thereto, subject to prior approval by the Commission.

Section 2. Multiple Market Makers

The Issuer and/or the relevant Exchange may appoint more than one Market Maker for a Designated Security. Where multiple Market Makers are appointed for the same Designated Security, the relevant Exchange's implementing rules shall address the coordination and allocation of market making obligations among them.

RULE V — MARKET MAKING AGREEMENTS

No Market Maker shall undertake market making activities in a Designated Security, unless a valid Market Making Agreement exists between the Market Maker and the Issuer, the relevant Exchange, or such other party as may be approved by such Exchange. A Market Making Agreement may take the form of a bilateral agreement, a participation letter, a standardized Exchange form, or such other written instrument approved by the Exchange. The relevant Exchange shall prescribe, subject to Commission approval, the minimum contents of a Market Making Agreement and the process for its amendment, renewal, suspension, or termination. The relevant Exchange shall approve the Market Making Agreement, and any material amendment, renewal, suspension, or termination thereof, in accordance with its rules and procedures and shall notify the Commission of such fact no later than three (3) business days following the date of the approval.

RULE VI — OBLIGATIONS OF MARKET MAKERS - GENERAL PRINCIPLES

Section 1. General Principles

A Market Maker shall perform its market making functions in a manner that ensures liquidity and maintains a fair and orderly trading market, consistent with the specific obligations set out in Rule VII or Rule VIII, as applicable.

Section 2. Asset-Class-Specific Obligations. The specific quoting obligations, spread and quote size requirements, firm quote standards and inventory obligations applicable to Market Makers shall be as set out in:

(a) Rule VII, for Designated Securities that are equity securities; and
(b) Rule VIII, for Designated Securities that are fixed income securities.

Section 3. Exchange Calibration

Within the parameters set out in Rule VII or Rule VIII, as applicable, the relevant Exchange may further calibrate quoting obligations, spread thresholds, minimum quote sizes, and related parameters by security, tenor, liquidity tier, or product segment, through implementing guidelines submitted for Commission approval under Rule XIV.

Section 4. Permissible Acts

Market Makers may:

(a) Trade for their own account in Designated Securities;
(b) Engage in *bona fide* hedging transactions;
(c) Participate in block trades and other liquidity-enhancing mechanisms;
(d) Perform stabilization functions, subject to Rule XII of this Circular; and
(e) Undertake such other activities directly related to, or reasonably necessary for, the performance of its market making functions, as may be permitted under relevant Exchange rules and applicable laws.

Section 5. Prohibited Acts

In all cases, the Market Maker shall ensure that it does not engage, participate in, facilitate, or become a party to any act or practice that constitutes market manipulation, fraud, insider trading or other prohibited conduct under Title VII of the 2015 Implementing Rules and Regulations of the SRC, as amended, including, but not limited to:

(a) wash sales, matched orders or fictitious transactions;
(b) the creation of artificial prices or misleading market activity, including pump-and-dump schemes;
(c) the misuse of material non-public or privileged information obtained by reason of their role as Market Maker;
(d) collusion with issuers or other market participants for the purpose of manipulating the price or trading activity of any security; and
(e) the dissemination of false or misleading information intended to influence the price of a Designated Security.

RULE VII — EQUITY MARKET MAKING OBLIGATIONS

Section 1. Continuous Quotation

A Market Maker shall post and maintain firm two-sided quotes for a minimum prescribed duration of the trading session, as determined by the relevant Exchange for the specific Designated Security, and shall ensure active presence and required market participation during such period, as monitored by the relevant Exchange under Rule XIII, Section 1.

Section 2. Spread and Volume Requirements

A Market Maker shall maintain Bid-Ask Spreads, expressed in price terms, within maximum thresholds, and shall provide Minimum Quote Sizes, as prescribed by the relevant Exchange. Such thresholds and quote sizes shall be risk-sensitive and differentiated by the liquidity profile, public float, and trading activity of the relevant Designated Security.

Section 3. Firm Quotes

Quotes posted by a Market Maker shall be firm and executable, except in cases of system failure, market-wide disruption, force majeure, or such other circumstances recognized under the relevant Exchange rules.

Section 4. Inventory Obligations

A Market Maker shall maintain, or have reasonable access to, sufficient inventory, liquidity resources, or securities borrowing arrangements necessary to support the continuous and orderly provision of liquidity in its Designated Securities, consistent with prevailing market conditions, and is not required to hold inventory at all times. Inventory positions shall be monitored on a real-time or near real-time basis, as prescribed by the relevant Exchange, and a Market Maker shall take reasonable measures to avoid excessive concentration, disorderly trading, or market disruption arising from inventory management activities. Where a Market Maker relies on securities borrowing arrangements to meet this obligation, compliance with applicable securities borrowing and lending rules is a precondition to market making on the borrowed securities.

RULE VIII — FIXED INCOME MARKET MAKING OBLIGATIONS

Section 1. Continuous Quotation

The relevant Exchange shall prescribe, for each Designated Security, whether a Market Maker's two-way quotes shall be firm, or indicative or best-efforts, and the minimum duration such quotes must be maintained during the trading session, taking into account the market structure, type and characteristics of the security, trading mechanisms, and prevailing market conditions.

Section 2. Quoting Parameters

The relevant Exchange shall establish quoting parameters or other requirements to promote liquidity in fixed income Designated Securities, taking into account the market structure, type and characteristics of the security, trading mechanisms, prevailing market conditions, and the relative liquidity of the Designated Security.

Section 3. Inventory Obligations

A Market Maker shall maintain, or have reasonable access to, sufficient inventory, liquidity resources, or securities borrowing/repo arrangements, as defined and calibrated by the relevant Exchange's implementing guidelines, necessary to support the continuous and orderly provision of liquidity in its Designated Securities, consistent with prevailing market conditions, and the prudential requirements applicable to it, and is not required to hold inventory at all times. Inventory positions shall be monitored on a real-time or near real-time basis, as prescribed by the relevant Exchange. Where the securities borrowing or repo market for the relevant Designated Security is not available or not yet fully developed, the Market Maker's obligation under this Section shall be on a best-efforts basis. Where a Market Maker relies on securities borrowing or repo arrangements to meet this obligation, compliance with applicable securities borrowing and lending rules is a precondition to market making on the securities so borrowed.

Section 4. Interaction with Existing Frameworks

Where a fixed income Designated Security is also subject to an existing Exchange market making framework in place before these Rules, the relevant Exchange shall harmonize its implementing guidelines with this Rule, subject to Commission approval, and shall avoid imposing duplicative accreditation, reporting, or compliance requirements on Market Makers already subject to such existing framework.

RULE IX — INCENTIVES

Section 1. Exchange Incentives

The relevant Exchange shall grant incentives to Market Makers to encourage the provision of liquidity and the effective performance of market making functions. Such incentives may include, but are not limited to, reduced transaction fees, liquidity rebates, simplified onboarding, and access to enhanced trading facilities, and may be differentiated by asset class or product segment. Incentive programs shall be designed so that they reward quoting performance and liquidity provision consistent with the applicable obligations under Rule VII or Rule VIII, shall not undermine prudent risk management or market integrity, and shall guard against unintended behaviors such as excessive order cancellations, artificial trading activity, or excessive inventory accumulation. Any incentive program or arrangement established by the Exchange for Market Makers shall be subject to the prior review and approval of the Commission, and shall be periodically reviewed by the Exchange against market making performance data.

Section 2. Limitation

Incentives shall not be structured in a manner that encourages, directly or indirectly, manipulation, abusive practices, or distortions in fair pricing.

Section 3. Disclosure of Incentives

The relevant Exchange shall disclose the general nature of incentive programs applicable to Market Makers in a manner sufficient to promote transparency and market confidence.

RULE X — DISCLOSURE, RECORDING AND REPORTING

Section 1. Exchange Disclosure and Reporting

An Exchange shall maintain and publish on its official website the following information:

(a) Names of accredited Market Makers and the securities for which they are authorized to act as Market Makers;
(b) The list of Designated Securities;
(c) Applicable market making obligations, parameters, and performance standards prescribed by such Exchange under Rule VII or Rule VIII, as applicable;
(d) The commencement, termination, suspension, or material amendment of any market making arrangements;
(e) Any relationships between a Market Maker and the relevant Issuer that are relevant to the market making arrangement; and
(f) Such other information as may be required to promote transparency and informed investor decision making, which may include aggregate market quality indicators such as average quoted spreads, quote presence, traded volume, and market depth.

Such Exchange shall update the foregoing disclosures no later than one (1) business day following the occurrence of the relevant event.

To facilitate regulatory oversight, the Exchange shall submit to the Commission, at least quarterly or at such other frequency as the Commission may require, reports relating to Market Maker performance and compliance, disciplinary actions and enforcement measures, utilization of incentive programs, liquidity metrics and market quality indicators, and such other information as the Commission may require.

Section 2. Recordkeeping of Market Makers

Market Makers shall maintain records of:

(a) Orders and trades;
(b) Quotes submitted, which may be sourced from any system used to submit such quotes, including third-party trading platforms;
(c) Inventory positions; and
(d) Such other records as may be required by the relevant Exchange and the Commission.

All records shall be retained for a period of not less than five (5) years from the date the relevant record was created or the transaction or quote occurred, or such longer period as may be allowed by the Commission, and shall be made available for inspection by the relevant Exchange and/or the Commission. Records may be maintained by electronic form, provided that they are secure, readily retrievable, and capable of being reproduced in a legible format.

RULE XI — RISK MANAGEMENT AND CAPITAL ADEQUACY

Section 1. Establishment of Risk Management Framework

Market Makers shall establish and maintain a sound risk management framework commensurate

with the nature, scale, and complexity of their market making activities. In this regard, a Market Maker shall:

(a) Comply at all times with applicable capital adequacy, net capital, and financial resource requirements;
(b) Maintain sufficient financial resources and liquidity to support their market making obligations under normal and stressed market conditions;
(c) Establish, implement, and periodically review written policies, procedures, and internal controls for the identification, measurement, monitoring, management, and reporting of risks arising from market making activities;
(d) Establish internal risk limits and controls;
(e) Maintain systems for real-time monitoring of exposures;
(f) Maintain business continuity and operational resilience measures; and
(g) Comply with such other requirements as may be reasonably required by the relevant Exchange and approved by the Commission.

Section 2. Notification of Material Risk Events

A Market Maker shall promptly notify the Exchange, and where required the Commission, of any event that materially affects, or is reasonably expected to materially affect, its ability to perform its market making obligations, including:

(a) Breaches of applicable capital adequacy or financial resource requirements;
(b) Significant losses arising from market making activities;
(c) Breaches of internal risk limits;
(d) Material operational disruptions or system failures;
(e) Cybersecurity incidents;
(f) Business continuity events; and
(g) Any other event determined by the Exchange or the Commission to be material.

Such notification shall be made as soon as practicable and no later than one (1) business day after discovery of the event.

RULE XII — STABILIZATION ACTIVITIES

Section 1. Stabilizing Transactions

Market Makers may engage in price stabilization in connection with public offerings, distinct from their ordinary market making activities under Rule VII or Rule VIII, subject to:

(a) Full disclosure to the market;
(b) Time-bound stabilization periods;
(c) Price limits as determined by the relevant Exchange; and
(d) Compliance with applicable SRC provisions and implementing rules on stabilization, including the anti-manipulation provisions of Rule VI, Section 5 as well as Rule VII and Rule VIII, as applicable.

RULE XIII — SURVEILLANCE AND ENFORCEMENT

Section 1. Monitoring

The relevant Exchange shall establish and maintain adequate surveillance systems and procedures, appropriate to the market structure of the relevant asset class, for real-time and post-trade monitoring of market making activities to ensure compliance by Market Makers with all applicable rules and regulations.

An Exchange shall monitor, among others:

(a) Compliance with quoting obligations, spread requirements, minimum quote sizes, and market presence requirements applicable under Rule VII or Rule VIII;
(b) Trading patterns and inventory positions of Market Makers;
(c) Potential market abuse, including manipulation, spoofing, layering, wash trades, marking the close, and other prohibited activities;
(d) Operational disruptions and system-related incidents affecting market making activities;
(e) Conflicts of interest and related-party transactions; and
(f) Such other matters that may affect market integrity, investor protection, or the orderly operation of the market.

Surveillance outputs shall be integrated with the Exchange's risk management escalation and enforcement protocols. An Exchange shall maintain records of surveillance activities, investigations, findings, and enforcement actions and shall make such records available to the Commission upon request.

Section 2. Temporary Suspension of Market Making Obligations

An Exchange may authorize the temporary suspension of market making obligations in the event of:

(a) System failures;
(b) Force majeure events;
(c) Extraordinary market volatility;
(d) Cybersecurity incidents;
(e) Significant operational risks affecting the ability of a Market Maker to perform its obligations;
(f) Regulatory trading halts or suspension;
(g) Lack of inventory despite reasonable efforts, unavailability of securities lending, settlement disruption, or corporate action/record date restrictions affecting the Designated Security; or
(h) Such other circumstances as may be approved by the Commission.

The relevant Exchange's implementing guidelines shall define objective indicators for extraordinary volatility, significant operational risk, and market-wide disruption, and shall set out the process for temporary suspension, including the distinction between Exchange approval and reporting to the Commission.

Any temporary suspension, modification, or exemption granted under this Section shall be reported to the Commission no later than one (1) business day from approval and shall be publicly disclosed by the Exchange as soon as practicable.

Section 3. Sanctions

Without prejudice to other penalties under the SRC and all other applicable laws, the relevant Exchange may impose one or more of the following measures upon a Market Maker found to have violated applicable requirements:

(a) Suspension or revocation of accreditation;
(b) Administrative fines and penalties; or
(c) Referral for civil or criminal prosecution.

An Exchange may impose sanctions on a Market Maker for breach of these Rules or its implementing guidelines, only after notice and opportunity to be heard, and proportionate to the severity, frequency, materiality, and cause of the breach.

The Exchange shall promptly notify the Commission of material violations, enforcement actions, and sanctions imposed under this Rule.

RULE XIV — IMPLEMENTING GUIDELINES

An Exchange shall formulate and issue, subject to approval by the Commission, such implementing guidelines, including any asset-class-specific guidelines under Rule VII or Rule VIII as are necessary, to ensure the effective, fair, orderly, and transparent implementation of the Market Making Framework. The requirements under these Rules shall be implemented by each Exchange in a manner appropriate to the characteristics of the relevant market and asset class. In prescribing market making obligations and standards, due consideration shall be given to differences in market structure, trading mechanisms, liquidity characteristics, and the regulatory frameworks applicable to market participants. An Exchange shall periodically review its implementing guidelines and submit any proposed amendments to the Commission for approval prior to implementation.

RULE XV — SEPARABILITY CLAUSE

If any provision of these Circular is declared invalid, the remaining provisions shall remain in full force and effect.

RULE XVI — EFFECTIVITY

This Circular shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) newspapers of national circulation in the Philippines.

Adopted this____day of _____2026 in Makati City, Philippines.