



NOTICE

Subject: PROPOSED SEC RULES ON MARKET MAKING

The public is advised that the Commission En Banc, in its meeting held on 11 June 2026 resolved to expose the draft Memorandum Circular on the *PROPOSED SEC RULES ON MARKET MAKING*.

The Commission hereby requests for comments, suggestions and/or inputs from all concerned on the proposed draft Memorandum Circular by submitting written comments on or before **07 July 2026** through email at ipsd_msrd@sec.gov.ph with our proposed subject of **"COMMENTS ON THE PROPOSED SEC RULES ON MARKET MAKING."**

Issued on 11 June 2026 in Makati City, Philippines.

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

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 — GENERAL PROVISIONS

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

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 security approved by an Exchange for market making activities.

- (d) **Designated Specialist** – Refers to a 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 broker-dealer accredited by an Exchange to provide continuous two-way quotes in designated securities 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.
- (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 number of shares required per quote.

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. 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 of at least One Hundred Million Pesos (Php 100,000,000.00), or such higher amount as the Commission may prescribe;
- (b) Has shown such operational capacity and track record, or its equivalent, 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; 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 by the relevant Exchange, subject to the oversight of the Commission. The pertinent Exchange shall periodically notify the Commission of all its accredited Market Makers, and shall promptly furnish the Commission with notice of any new accreditation, suspension, revocation, or termination of accreditation.

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 the 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, taking into consideration, among others, the level of liquidity of the security, public float, trading activity, and market development objectives.

The relevant Exchange shall establish and maintain criteria, methodology, and procedures for designating securities eligible for market making, 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.

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. The relevant Exchange shall approve the Market Making Agreement 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

Section 1. Continuous Quotation

Market Makers shall maintain firm two-sided quotes during trading hours for a period prescribed by the relevant Exchange.

Section 2. Spread and Volume Requirements

Market Makers shall maintain Bid-Ask Spreads within prescribed maximum thresholds and provide Minimum Quote Sizes as determined by the relevant Exchange.

Section 3. Firm Quotes

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

Section 4. Inventory Obligations

Market Makers shall maintain sufficient inventory, liquidity resources, or access to securities borrowing arrangements necessary to support the continuous and orderly provision of liquidity in Designated Securities, consistent with their market making obligations and prevailing market conditions.

Inventory positions shall be monitored on a real-time basis, and Market Makers shall take reasonable measures to avoid excessive concentration, disorderly trading, or market disruption arising from inventory management activities.

Section 5. 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 X of this Circular; and
- (e) Undertake such other activities as may be permitted under relevant Exchange rules and applicable laws.

Section 6. 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, 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; (c) the misuse of material non-public or privileged information obtained by reason of their role as Market Maker; and (d) collusion with issuers or other market participants for the purpose of manipulating the price or trading activity of any security.

RULE VII — 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, and access to enhanced trading facilities. Any incentive program or arrangement established by the Exchange for Market Makers shall be subject to the prior review and approval of the Commission.

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 VIII — 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;
- (d) The commencement, termination, suspension, or material amendment of any market making arrangements; and
- (e) Such other information may be required to promote transparency and informed investor decision making.

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 periodically submit to the Commission 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;
- (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, 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 IX — 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 may reasonably be expected to affect its ability to perform 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 X — STABILIZATION ACTIVITIES

Section 1. Stabilizing Transactions

Market Makers may engage in price stabilization in connection with public offerings, subject to:

- (a) Full disclosure to the market;
- (b) Time-bound stabilization periods; and
- (c) Compliance with applicable SRC provisions and implementing rules.

RULE XI — SURVEILLANCE AND ENFORCEMENT

Section 1. Monitoring

The relevant Exchange shall establish and maintain adequate surveillance systems and procedures 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;
- (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 matter that may affect market integrity, investor protection, or the orderly operation of the market.

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, suspension; or
- (g) Such other circumstances may be approved by 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.

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

RULE XII — IMPLEMENTING GUIDELINES

An Exchange shall formulate and issue, subject to approval by Commission, such implementing guidelines to ensure the effective, fair, orderly, and transparent implementation of the Market Making Framework.

An Exchange shall periodically review its implementing guidelines and submit any proposed amendments to the Commission for approval prior to implementation.

RULE XIII — SEPARABILITY CLAUSE

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

RULE XIV— 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, Philippines.

For the Commission: