



MEMORANDUM

CN - No. 2020-0044

THE PHILIPPINE STOCK EXCHANGE, INC.

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TO : INVESTING PUBLIC AND TRADING PARTICIPANTS

SUBJECT : AMENDMENT OF CIRCUIT BREAKER RULES

DATE : April 29, 2020

The Philippine Stock Exchange, Inc. ("PSE") will be implementing rule amendments regarding the PSE Trading Rules on the market-wide circuit breaker which, at present, is automatically triggered when the benchmark index, PSEi, declines by at least 10% resulting in a 15-minute trading halt of the entire market. The current circuit breaker system, an offshoot of the 2008 global financial crisis, will be replaced by a three-phase circuit breaker system **effective Monday, May 4, 2020**.

Last March 20, 2020, the Securities and Exchange Commission ("SEC") duly approved the proposed rule amendments to effect the new circuit breaker system by way of emergency volatility-control mechanisms in light of the COVID19 pandemic affecting markets globally. The new system will have multiple circuit breaker triggers for declines in the benchmark index, PSEi, of at least 10%, 15% and 20%, resulting in a market-wide trading halt lasting 15 minutes, 30 minutes and 60 minutes, respectively.

Please note that as contained in PSE Memorandum CN – No. 2020-0028, the SEC likewise approved the adjustment of the lower static threshold or pricing band from 50% to 30% as another tool to contain the expected high volatility in capital markets, while the upper threshold of 50% remains unchanged.

To implement the revisions to the PSE Trading Rules pertaining to circuit breakers, the pertinent provisions of the PSE Trading Rules and Implementing Guidelines of the Trading Rules are amended, as follows:

A. PSE Trading Rules Article VIII, Section 1 (Circuit Breaker):

Section 1. Circuit Breaker

- a. Trading in the market will be temporarily halted in case the percentage decrease in PSEi from its previous closing level reaches any of the Circuit Breaker levels set in the Implementing Guidelines of these Rules;

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- b. The duration of market halt shall vary for each level of Circuit Breaker;
- c. Market Halt due to breach of the Circuit Breaker shall be implemented only once in a Trading Day for each level; and
- d. Each level of Circuit Breaker will not be triggered at a specific time prior to the pre-close of market.

B. New Section XXI of the Implementing Guidelines of the PSE Trading Rules :

CIRCUIT BREAKER:

1. Three (3) levels of Circuit Breaker will be implemented in the PSE trading system, as follows:

LEVEL	CIRCUIT BREAKER	DURATION OF HALT
1	10%	15 Minutes
2	15%	30 Minutes
3	20%	60 Minutes

- a. Level 1 decline means the PSEi decreases by at least ten percent (10%) compared to its previous day's closing level. In such case, trading will be halted for 15 minutes. Under the whole day trading schedule where pre-close starts at 3:15 p.m., Level 1 Circuit Breaker shall be triggered only up to 2:55 p.m.
- b. Level 2 decline means the PSEi decreases by at least fifteen percent (15%) compared to its previous day's closing level. In such case, trading will be halted for 30 minutes. Under the whole day trading schedule where pre-close starts at 3:15 p.m., Level 2 Circuit Breaker shall be triggered only up to 2:40 p.m.
- c. Level 3 decline means the PSEi decreases by at least twenty percent (20%) compared to its previous day's closing level. In such case, trading will be halted for 60 minutes. Under the whole day trading schedule where pre-close starts at 3:15 p.m., Level 3 Circuit Breaker shall be triggered up to 2:10 p.m. only.

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2. Each level of the Circuit Breaker shall be triggered only once in any given day.

Example:

At 10:00 a.m., PSEI drops by 11% from the previous day's closing index level. Level 1 Circuit Breaker will be triggered and trading will be halted for 15 minutes.

At 10:15 a.m., trading resumes.

At 10:20 a.m., PSEi drops again by 10.28% from the previous day's closing index level. Trading will not be halted again for subsequent breach of Level 1 Circuit Breaker.

3. In the event that the percentage decline in PSEi breaches the higher level of Circuit Breaker, the duration of trading halt corresponding to that higher level shall be observed.

Example:

Upon market open at 9:30am, PSEi value drops by 15% from the previous day's closing index level. Trading in the market will be halted for 30 minutes.

4. In the event that the higher Circuit Breaker level is breached in the PSEi calculation update, the lower level shall no longer be triggered on that given day.

Example:

Upon market open at 9:30 a.m., PSEi value drops by 15.10% from the previous closing day's index level. Trading in the market will be halted for 30 minutes.

Market resumes at 10:00 a.m.

At 10:30 a.m., PSEi value drops by 10.02% from the previous closing index level. Trading in the market will no longer be halted.

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5. In the event that any of the Circuit Breaker levels is breached before Market Recess, market shall be halted for the corresponding halt duration period, which shall include the Market Recess period.

Subsequent sections of the Implementing Guidelines shall be re-numbered accordingly.

Under the current shortened trading schedule where pre-close starts at 12:45 p.m., Level 1 Circuit Breaker shall be triggered up to 12:25 p.m. only. Level 2 Circuit Breaker shall be triggered up to 12:10 p.m. and Level 3 shall be triggered up to 11:40 a.m. only.

Should you have any questions on the foregoing, please feel free to contact us at helpdesk@pse.com.ph or through the following mobile numbers: 0998-9675684, 0998-9675692 or 0998-9675699.

Please be guided accordingly.

RAMON S. MONZON
President and CEO

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