

**PROPOSED REVISIONS: TRANSACTIONS NOT PRESUMED TO BE
MANIPULATIVE OR PROHIBITED CONDUCT**

PROPOSED AMENDMENT TO : Rule 6 - Conduct and Ethics

Reference No. : Proposal No. 001-2017

Rationale for the Proposal : To provide certain types of market activities that on the surface may appear to be seen as prohibited conduct, but which in reality are normal and natural consequences for active participants under certain conditions

Action : FOR SEC APPROVAL

CURRENT RULE	PROPOSED AMENDMENT
<p>Rule 6.2 Prohibited Conduct under Securities Laws</p> <p>No Issuer, Trading Participant or its personnel shall commit any act or engage in any conduct likely to bring PDEX into disrepute, and in particular, shall not:</p> <ol style="list-style-type: none"> 1. Engage in any conduct prohibited under Securities Laws and these Rules, including but not limited to the following conduct: <ol style="list-style-type: none"> a. Directly or indirectly participating in making a bid or offer, or deal in a listed Security, which is intended to, or is likely to, have the effect of creating a false or misleading appearance of active trading in such Security or with respect to the market for, or price of such security b. By means of any fictitious or artificial transaction or device, maintaining, inflating, depressing, or causing fluctuations in, the price for trading in listed Securities; c. Making or publishing any statement, promise, or forecast which it knows or has reasonable grounds to believe to be misleading, false, or deceptive, or concealing material information at its disposal to induce another person to trade or refrain from trading; or d. Making statements or disseminating information which it knows, or has reasonable grounds to believe to be, false or misleading and likely to induce other persons to trade or refrain from trading, 	<p>Rule 6.2 Prohibited Conduct under Securities Laws</p> <p>No Issuer, Trading Participant or its personnel shall commit any act or engage in any conduct likely to bring PDEX into disrepute, and in particular, shall not:</p> <p>xxx</p> <p>New Provision to be numbered as 6.3</p> <p><u>6.3 Transactions not presumed to be Manipulative or Prohibited Conduct</u></p> <p><u>The following transactions shall not be presumed to be prohibited or manipulative conduct if accompanied by a legitimate commercial reason and that no pattern is established:</u></p> <ol style="list-style-type: none"> 1. <u>Anonymously Matched Transactions. Anonymously Matched Transactions are dealer to dealer transactions wherein the bid and ask orders posted do not show the parties behind the orders and occurs through either in the Order Book or through the inter-dealer broker, i.e. voice brokers. In this type of transactions, the Dealing Participants may end up being trading counterparts multiple times, at similar or identical prices, and on opposite sides, in the course of normal market making activity. Such occurrences may be purely coincidental due to pre-trade anonymity.</u>

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<p>and which has the effect of inflating, depressing, or maintaining the price for trading in listed Securities.</p> <p>2. Engage in any fraudulent or deceptive conduct and practice which would violate Securities Laws and these Rules, including but not limited to making a statement or disseminating information to PDEx which the Trading Participant knows or has reasonable grounds to believe to be false or misleading regarding:</p> <p>a. The services that the Trading Participant is capable of delivering to a customer;</p> <p>b. The qualifications and competency of the Trading Participant; or</p> <p>c. The investment performance that the Trading Participant has accomplished or can reasonably be expected to achieve for a customer.</p> <p>3. Engage in any transaction which violates restrictions on insider dealing, as defined in Securities Laws, whether for its own account or for the account of a customer.</p> <p>4. Violate prohibitions in Securities Laws against engaging in transactions in Securities of affiliated Issuers.</p> <p>6.3 Other Duties to Customer</p> <p>xxx</p>	<p><u>For anonymously matched transactions arranged through the voice brokers, the voice broker shall warrant in writing that all brokered trades are done under the environment of pre-trade anonymity.</u></p> <p>2. <u>Switch Transactions. Switch transactions are dealer to dealer trade transactions wherein two Dealing Participants (Switch Seller and Switch Buyer) course a trade transaction through another Dealing Participant (Switcher) to purchase the security from the Switch Seller and sell it to the Switch Buyer resulting in two trade transactions (between the Switch Seller-Switcher on the one hand and Switcher-Switch Buyer on the other) as the transaction between the Switch Seller and Switch Buyer cannot be done directly due to unavailable or insufficient counterparty credit lines between themselves. For these transactions to be considered as Switch Transactions, the following must be complied with:</u></p> <p>a. <u>The Switch Seller, the Switcher, and the Switch Buyer must notify PDEx in writing within the same day that they have executed switch transactions, and provide the following details:</u></p> <p><u>i. the trade numbers;</u> <u>ii. the names of the buying (Switch Buyer) and selling (Switch Seller) Trading Participant; and</u> <u>iii. name of the Switcher;</u></p> <p>b. <u>The Associated Person of each of the Switching Dealing Participants (i.e. the Switch Seller, Switcher, and the Switch Buyer) must submit a Sworn Certification stating that, for a Switcher, it has the authority to act as Switcher and for the Switch Seller and Switch Buyer, it is allowed to engage in switch transactions and that such authority shall be valid until revoked. The Associated Persons must give prior notice to PDEx in writing if such authority will be revoked; and</u></p>

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	<p data-bbox="899 287 1463 415"><u>c. In applicable cases, the voice broker shall warrant in writing that all brokered trades were done under the environment of pre-trade anonymity.</u></p> <p data-bbox="873 472 1463 590"><u>Notwithstanding the above mentioned transactions, PDEX may require the submission of additional documents or information as it may deem warranted under the circumstances.</u></p> <p data-bbox="824 625 1463 684">Note: The numbering of the provisions shall be revised to reflect the correct sequential order.</p>