

FX Global Code Tagging Policy

Effective date: 04 January 2021

1. Introduction

LMAX Group operates multiple execution venues for FX and crypto currency trading, including an FCA regulated multilateral trading facility (an **MTF**) and a non-regulated spot FX market, using similar technology as the MTF operated by LMAX Exchange (**LMAX**).

A long-standing opponent of last look in FX markets, LMAX Group was the first industry participant to commit to the FX Global Code in May 2017 (the **FX Code**). The original statement of commitment can be found [here](#) and is set out on the cover of the LMAX Exchange Rulebook. The Global Foreign Exchange Committee published a new version of the FX Code in July 2021. The latest version can be found [here](#). The purpose of the FX Code is to promote a robust, fair, liquid, open, and appropriately transparent market in which a diverse set of market participants, supported by resilient infrastructure, are able to confidently and effectively transact at competitive prices that reflect available market information and in a manner that conforms to acceptable standards of behaviour. The 2021 version of the FX Code is aimed at strengthening guidance on anonymous trading, algorithmic trading and transaction cost analysis, disclosures and settlement risk. In November 2021, the UK Financial Conduct Authority (**FCA**) published a statement, accessible [here](#), confirming that it is recognising the revised FX Global Code under its code recognition scheme.

As an operator of FCA regulated entities, LMAX Group and its senior managers as well as certification staff must meet requirements under the FCA rules and principles as well as the LMAX Group policies and procedures. Behaviour that is in line with an FCA recognised code such as the FX Code will tend to indicate that the firm and its staff is meeting their obligation to observe "proper standards of market conduct" in relation to unregulated markets. The FCA expects firms and individuals to consider both the spirit and letter of code provisions.

2. FX Code Requirements for Tagging Policy

Under the FX Code, LMAX qualifies as a "market participant operating an FX E-Trading Platform." An **FX E-Trading Platform** is broadly defined in the FX Code as "any system that allows Market Participants to execute trades electronically in the FX Market". Therefore LMAX, having adhered to the FX Code, must implement its requirements.

Principle 9 of the Code is that "Market Participants should handle orders fairly and with transparency in line with the capacities in which they act". The 2021 version requires operators of anonymous FX E-Trading Platforms that feature unique identifiers (**tags**) to disclose to all users of the Platform:

- › what specific counterparty information is provided for tags, and to whom this information is provided;
- › have appropriate disclosure to all users indicating at what point in a transaction a user tag is provided to their counterparty;
- › have disclosure documents (including rulebooks, guidelines, etc.) that contain clear policies related to how tags are assigned and managed, including policies related to re-tagging; and

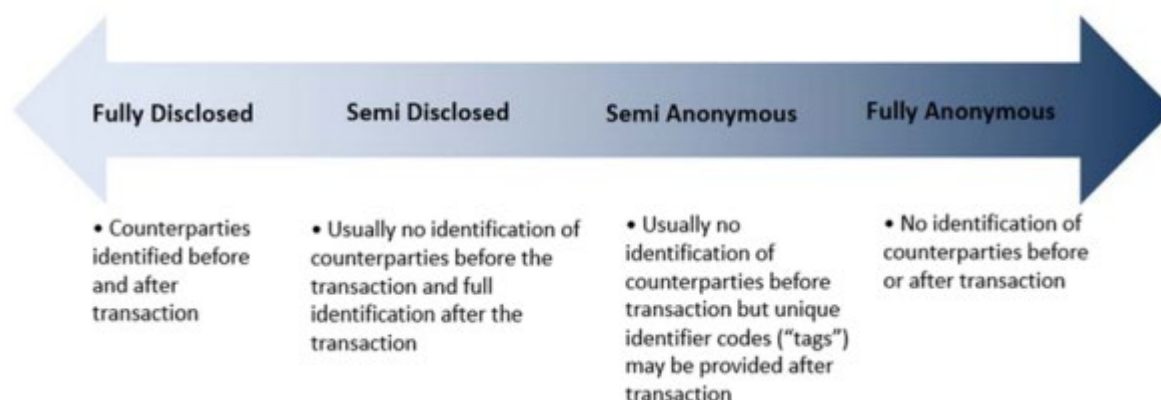
- › maintain audit trails for all tag assignments and re-tags.

This Tagging Policy (the **Policy**) describes the policies and procedures that LMAX has adopted to comply with the FX Code requirements on tagging. Terms that are not defined in this Policy are defined in our Rulebook.

3. Regulation

The Global Foreign Exchange Committee distinguishes between four types of trading platforms:

Figure 1: Spectrum of E-Trading Platforms



LMAX is a semi anonymous E-Trading Platform. LMAX will not identify counterparties to an FX Transaction to each other before matching the Orders, with the exception of a situation where there may have been an Error, for example where LMAX notices that the potential trade would be referencing an off-market rate or where it has been notified by the Members to the trade.

However, post-trade, LMAX may disclose the following to those Members and Users who are designated Liquidity Providers in relation to one or more Spot FX Transactions. This right is set out in LMAX Exchange Rulebook at Rule 27.4. Members are subject to the LMAX Rulebook by virtue of their Member Agreement and their DMA Clients are subject to the LMAX Rulebook by virtue of the User Agreement.

An identifier in relation to the Liquidity Taker who is counterparty to the trade with the Liquidity Provider. The identifier is a system generated and unique numeric value that is assigned to the Liquidity Taker account upon creation. The value is anonymous and cannot be used to determine the identity of the Liquidity Taker.

The purpose of the tagging process is to help maintain a balance of trading activity in the LMAX Central Limit Order Book.

LMAX does not disclose the name of the Liquidity Taker. Only the Liquidity Provider who is counterparty to the potential trade will see the alphanumeric code.

LMAX will make the disclosure no later than the end of the Trading Day on which the Transaction is concluded but may provide the alphanumeric code immediately after the Orders are matched.

LMAX will not re-tag a trade: once Orders are matched, they are either accepted or, in the event of an Error, re-priced or cancelled in accordance with Rule 27.4 or Rule 32.3.

LMAX will keep a record of all tagged trades and disclosures to Liquidity Providers. This record is available for inspection by our own auditors and the FCA.

4. Staff training

LMAX must ensure that trades formed on the LMAX execution venues are tagged in accordance with this policy.

5. Governance

The Policy forms an integral part of the LMAX Group product governance process which is subject to the overall control of the Board.

The Compliance team is responsible for the day-to-day oversight and the development and periodic review of product governance arrangements and will review this Policy on an annual basis, or more frequently as required. The Compliance team must alert the Board promptly of any risks of failure to comply with this Tagging Policy.

The Compliance team will provide annual reports to the Board on the LMAX compliance with the FX Code, including this Tagging Policy.