

# MTF Rulebook

Effective date: 1 November 2019

## STATEMENT OF COMMITMENT TO THE FX GLOBAL CODE

LMAX Exchange Group Limited (**LMAX Group**) has reviewed the content of the FX Global Code (**the Code**) and acknowledges that the Code represents a set of principles generally recognised as good practice in the wholesale foreign exchange market (**FX Market**). LMAX Group confirms that it acts as a Market Participant as defined by the Code and is committed to conducting its FX Market activities (**Activities**) in a manner consistent with the principles of the Code. To this end, LMAX Group has taken appropriate steps, based on the size and complexity of its Activities, and the nature of its engagement in the FX Market, including reviewing this Rulebook, to align its activities with the principles of the Code.

David Mercer, CEO

LMAX Exchange Group Limited



Exchange

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## PART A: DEFINITIONS, INTERPRETATION AND APPLICATION

### 1. Definitions

In this Rulebook, the following definitions apply:

**Accounts**, in relation to Bank Members, means accounts linked to the Bank Member or its DEA Client in the name of (i) the Bank Member itself, (ii) a DEA Client or (iii) Client of the Bank Member or DEA Client or in the name of a branch, fund, sub-fund, managed account or portfolio of any of them.

**Additional Membership Criteria**, in relation to Bank Members, means the criteria in Rule 5.4 (Bank Members) and in relation to MTF Member, means the criteria in Rule 5.7 (Trading cleared CFDs) and Rule 5.8 (Trading CFDs bilaterally).

**Affiliate** means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

**Aggressive Order** means an Order submitted to an LMAX MTF Service which is not entered by a Market Maker, and which, in LMAX's opinion, will consume another Order that already exists on the order book.

**Algorithmic Trading**, in accordance with MiFID2 for LMAX MTF Services, means trading in CFD Contracts or NDF Contracts where a computer algorithm automatically determines individual parameters of Orders such as whether to initiate the Order, the timing, price or quantity of the Order or how to manage the Order after its submission, with limited or no human intervention; but does not include any system that is only used for the purpose of routing orders to LMAX MTF Services or for the processing of Orders involving no determination of any trading parameters or for the confirmation of Orders or the post-trade processing of Transactions.

**Applicable Laws** means any applicable statute, law, ordinance, regulation, rule, code (including the Global FX Code), guidance, order, published practice or concession, judgment, requirement or decision of a Governmental Authority and includes any rule or principle of common law or equity, all FCA Rules, and all applicable accounting standards and principles.

**Authorised Person** means any person authorised to use and access one or more LMAX MTF Services and the Information on behalf of a Member or its DEA Clients.

**Bank Member** means a Member satisfying the relevant Membership Criteria and admitted to trade NDFs on the LMAX MTF Services, either to deal on its own account or to execute orders on behalf of its clients.

**Business Day** means a day on which banks are open for business in London, United Kingdom.

**Capital Requirements Directive** or **CRD** means the Capital Requirements Directive 2013/36/EU.

**Capital Requirements Regulation** or **CRR** means the Capital Requirements Regulation 575/2013/EU.

**CCP** means any person appointed by LMAX to provide central counterparty clearing services in respect of particular Transactions.

**CCP Rules** means all and any rules, terms and conditions, agreements, procedures, notices, user guides, requirements and other documentation which govern the relationship between a Member and a CCP or the relationship between a Member and a clearing member of the CCP.

**Central Bank** means a member of the European System of Central Banks or a public body of a non- EEA country charged with or intervening in the management of public debt.

**CFD** means a contract for difference.

**CFD Contract** means a standard form CFD contract based on a Reference Factor incorporating LMAX's Contract Terms for the LMAX MTF Services.

**MTF Member** means a Member satisfying the relevant Membership Criteria and admitted to trade CFDs on the LMAX MTF Services, either to deal on its own account or to execute orders on behalf of its clients.

**Cleared CFD Contract** means a standard form CFD contract based on a Reference Factor incorporating LMAX's Contract Terms for the LMAX MTF Services and subject to clearing by a CCP.

**Cleared CFD Order** means an order submitted to an LMAX MTF Services to enter into a Cleared CFD Transaction.

**Client** means a person who is a client as defined in MiFID2 and to whom the Member provides brokerage and other financial services.

**CLS** means CLS Bank International and any successors and assigns thereof.

**CLS Rules** means the rules of CLS for CLS Settlements.

**CLS Settlements** means the service for settling FX provided by CLS.

**Compliance Oversight Function** means FCA-designated SMF16 senior management function, the FCA's CF10 function for approved persons or equivalent.

**Confidential Information** means any information of whatever nature (whether commercial, financial, technical or otherwise) relating to any Member or LMAX Exchange or their respective sub-contractors, Clients, clients or suppliers, including all non-public information or data relating to Clients and suppliers of any of them disclosed to or otherwise obtained by the recipient party under the LMAX Exchange Documents or in connection with LMAX MTF Services and while a Member is a Member or otherwise and which is designated as being confidential or is by its nature clearly confidential.

**Contract** means an NDF Contract, a CFD Contract or any other contract added to trading on any LMAX MTF Service in accordance with this Rulebook.

**Contract Eligibility Criteria** means such criteria for listing Contracts to be traded on LMAX MTF Services published on LMAX Exchange website from time to time.

**Contract Terms** means the terms and conditions set by LMAX for each Contract as published

on LMAX Exchange website at <https://www.lmax.com/exchange/document-library>.

**Core Membership Criteria** means the criteria in Rule 5.3 (Core Membership Criteria).

**Credit Institution** means a firm authorised as a credit institution under CRD.

**Currency Pairs** means the currency pairs listed by LMAX Exchange from time to time for trading on an LMAX MTF Service.

**Data Protection Legislation** means the General Data Protection Regulation and any related legislation or regulatory guidance.

**Data Subject** has the meaning set out in the Data Protection Legislation.

**DEA Agreement** means an agreement between a Member and a DEA Client which permits that Client to transmit Orders in the Member's name electronically to LMAX MTF Services using Direct Electronic Access subject to the requirements set out in MiFID2, and in particular RTS6.

**DEA Client** means any Client of a Member accessing LMAX MTF Services via Direct Electronic Access and who has entered into a DEA Agreement with a Member and, if required by these Rules, a User Agreement with LMAX Exchange.

**Direct Electronic Access** or **DEA** has the meaning set out in MiFID2.

**Disclosing Party** means LMAX Exchange or any Member that transfers Relevant Personal Data to a Recipient Party in connection with the provision and/or receipt of any LMAX MTF Services.

**EEA** means the European Economic Area.

**EMIR** means Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories.

**Exceptional Circumstances** means an event LMAX Exchange determines falls in RTS8 Article 3, including excess volatility, war, industrial action, civil unrest, cyber sabotage, technological issues affecting LMAX MTF Services or the Market Maker, risk management issues and short selling bans.

**FCA** means the United Kingdom's Financial Conduct Authority or any successor entities.

**FCA Rules** means all rules, requirements, directions and guidance issued by the FCA, as amended from time to time.

**Fees and/or Charges** means all the fees, charges and all other sums payable by a Member in respect of the LMAX MTF Services and Information as in LMAX's schedule of fees as posted on LMAX Exchange website at <https://www.lmax.com/exchange/members>.

**Force Majeure Event** means, in relation to either LMAX Exchange or a Member (each a party), any event or circumstances beyond the reasonable control of that party including:

- (a) any strike, lockout or other form of industrial action;
- (b) acts of God, accidents, fires, floods, storms, earthquakes, water damage, explosions;
- (c) substantial failure of equipment, machinery or communication links to the extent that such

failure is not reasonably preventable by the party (but not including any failure of equipment, machinery or communication links to the extent such failure constitutes a failure to comply with applicable Laws, including the requirement to have in place appropriate disaster recovery sites); and

- (d) war, hostilities, terrorist acts, armed conflict, civil commotion, insurrection, riots, sabotage, epidemics and diseases.

**FSMA** means the Financial Services and Markets Act 2000.

**General Data Protection Regulation** means Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

**Global FX Code** means the principles of good practice in the foreign exchange market developed by central banks in conjunction with market participants, as amended from time to time (and available here: [https://www.globalfxc.org/docs/fx\\_global.pdf](https://www.globalfxc.org/docs/fx_global.pdf)).

**Governmental Authority** means any governmental or administrative authority, regulatory or self-regulatory body or judicial or arbitral body anywhere in the world with jurisdiction over the relevant affairs of LMAX Exchange or a Member, including any person which exercises a regulatory or supervisory function or otherwise with competent jurisdiction under the Applicable Laws of any jurisdiction in relation to financial services, the financial markets, exchanges, MTFs or central counterparties.

**High-Frequency Trading** means trading conducted for the purposes of generating earnings by entering into a large number of small-size, small-profit trades, using low latency automated trading systems with limited or no human intervention.

**Holding Company** means, in relation to a person, any other person in respect of which it is a Subsidiary.

**Information** means any real time or non-real time information, provided by LMAX Exchange or its nominees, relating to an LMAX MTF Service, including bids, offers, prices, executions and volumes of Transactions on an LMAX MTF Service (excluding Member Information identifying the Member or its DEA Client) under the Information Licence.

**Information Licence** means the licence granted under the Member Agreement.

**Insolvency Event** means a person:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes, or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding

seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;

- (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:
  - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or
  - (ii) is not dismissed, discharged, stayed or restrained in each case within 10 days of the institution or presentation thereof;
- (f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 10 days thereafter; or
- (i) causes or is subject to any event with respect to it which, under the Applicable Laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above.

**International Institution** means the Bank for International Settlements, the European Financial Stability Facility, the European Stability Mechanism, multilateral development banks as defined in the Capital Requirements Regulation and any other institution in a non-EEA country which has similar powers.

**Investment Firm** means a firm authorised as an investment firm under MiFID2.

**LMAX** or **LMAX Exchange** means LMAX Limited of Yellow Building, 1A Nicholas Road, London W11 4AN.

**LMAX Documents** means the MTF Rulebook, the Member Agreement and all other terms and conditions, agreements, notices, requirements and other documentation which govern the relationship between LMAX Exchange and each of the Members of LMAX MTF.

**LMAX MTF** means the multi-lateral trading facility operated by LMAX Exchange and any successors or replacements, and hosted on servers in London.

**LMAX MTF Services** means the services provided by the LMAX MTF hosted on London servers, which a Member is entitled to use by virtue of its membership as the case may be, to (i)

enter into CFD Transactions in the case of a MTF Member and to (ii) enter into NDF Transactions in the case of a Bank Member.

**MTF Rulebook** or **Rulebook** means this rulebook.

**LMAX Rulebook** means the LMAX Exchange Rulebook and the MTF Rulebook, together the LMAX Rulebook.

**MAR** means the Market Abuse Regulation (EU) No 596/2014.

**Market Abuse** means behaviour prohibited by Article 14 and 15 of MAR and/or contrary to Principle 12 of the FX Global Code.

**Market Maker** means any Member or DEA Client who is willing, on a continuous basis, to deal on own account by entering into buy and sell Transactions on an LMAX MTF Service against proprietary capital at prices defined by that Member or DEA Client and **Market Making** has a corresponding meaning.

**Market Making Commitments** means the obligations set out in Rule 18.2 (Market Making Commitments).

**Market Making Strategy** means a market making strategy satisfying the requirements in RTS 8 Article 1.

**Material Disruption** means:

- (a) any disruption, breakdown, or malfunction of any technical system used in connection with an LMAX MTF Service;
- (b) any attempt to manipulate prices, or commit Market Abuse, in relation to any Reference Factor traded on an LMAX MTF Service;
- (c) any failure by a third party to supply services or perform obligations to LMAX that are required for the proper operation of an LMAX MTF Service;
- (d) any suspension or termination of services by a CCP, clearing member, Settlement Bank, of any settlement system used in connection with an LMAX MTF Service (including CLS) that is required for the proper operation of LMAX MTF Services and/or for the clearing and settlement of Transactions;
- (e) any emergency or extraordinary market conditions or circumstances; or
- (f) any Force Majeure Event.

**Matching Bank Member**, in respect of an Order and a Bank Member (A), means another Bank Member (B) whose Order has been matched on the LMAX MTF Service to A's Order and which Bank Member is not acting in the capacity of Settlement Bank.

**Matching Member**, in respect of an Order and a Member (A), means another Member (B) whose Order has been matched on LMAX MTF Service to A's Order.

**Member** means a MTF Member or Bank Member, as applicable, who has been admitted to trade on an LMAX MTF Service in accordance with Rule 5 (Membership) and who is listed as a MTF Member or Bank Member in relation to the relevant LMAX MTF Service on LMAX Exchange website at <https://www.lmax.com/exchange/document-library>.



**Member Agreement** means an agreement between LMAX and a Member pursuant to which that person is admitted to trade on one or more LMAX MTF Services and agrees to be bound by these Rules.

**Member Information** means all Order data, price, volume and other information regarding the Member's Transactions.

**Membership Criteria**, in relation to a Member, means the Core Membership Criteria as defined in Rule 5.2 (Membership Criteria) and the Additional Membership Criteria that apply to its category of membership.

**MiFID2** means Directive 2014/65/EC of the European Parliament and of the Council on markets in financial instruments and Regulation No 600/2014 of the European Parliament and of the Council on markets in financial instruments and any delegated regulations, technical standards, guidelines, questions and answers made under or in relation to such directive and regulation.

**MTF** means a multilateral trading facility as defined in MiFID2.

**NDF Contract** means a standard form non-deliverable forward FX contract referencing a Currency Pair incorporating LMAX's Contract Terms for the LMAX MTF Services.

**Net Open Position** means the net open position for a Member calculated, for the purposes of Transactions with Matching Bank Members, in accordance with Rule 17.2 (Calculation) and Rule 17.3 (Net Open Positions), and for the purposes of Transactions with Settlement Banks, in accordance with Rule 17.2 (Calculation) and Rule 17.3 (Net Open Positions).

**Orders** means an order submitted to an LMAX MTF Service to enter into a Transaction.

**Outstanding Net Open Position** has the meaning set out in Rule 17.3(b) (Net Open Positions).

**Proximity Services** means the proximity services provided by LMAX to a Member in accordance with the Member Agreement.

**Qualifying Master Trading Agreement** means a master agreement in a form generally accepted in the market for trading:

- (a) NDFs between Bank Members or between a Bank Member and a Settlement Bank; or
- (b) CFDs between MTF Members.

which master agreement has been notified to LMAX, satisfies the criteria in Rule 5.9 (Qualifying Master Agreements) and has not been ended, varied or amended in such a way that those Bank Members or MTF Members will not enter into the relevant Transaction with each other.

**Recipient Party** means LMAX or any Member that receives Relevant Personal Data from a Disclosing Party in connection with the provision and/or receipt of any LMAX MTF Services.

**Relevant Personal Data** means any personal data (as defined in the General Data Protection Regulation) that is transferred by the Disclosing Party to the Recipient Party in connection with the provision and/or receipt of any LMAX MTF Services.

**Relevant Settlement Bank**, in relation to two Bank Members, means a Settlement Bank which have Qualifying Master Agreements in place with each of them.

**Reference Factor** means the prices and indices listed by LMAX.

**Representative** means, in relation to a person, any of that person's directors, partners, officers, executives, employees or agents, but not including a DEA Client in relation to a Member.

**RTS6** means Commission Delegated Regulation 2017/589 specifying the organisational requirements of investment firms engaged in algorithmic trading.

**RTS8** means Commission Delegated Regulation 2017/578 specifying the requirements on market making agreements and schemes.

**Rule** means a rule of the MTF Rulebook as amended from time to time.

**Settlement Bank** means a financial institution appointed to enter into NDF Transactions with Bank Members, but who will not act as buyer to every seller and seller to every buyer

**Settlement Conditions**, in relation to a Bank Member and Transactions to be entered into with a:

- (a) Matching Bank Member resulting from using the LMAX MTF Service, means: (i) the Settlement Limit for the particular Transaction, would be neither exceeded nor further exceeded as a result of their entry into a Transaction with each other; (ii) neither of the Bank Members' membership has been terminated or suspended pursuant to these Rules; (iii) the conditions set out in Rule 15.7 (Errors) for cancelling or re-pricing Transactions are not satisfied; and (iv) the Currency Pairs are permitted by each of the two Bank Members;
- (b) Settlement Bank resulting from using the LMAX MTF Service, in relation to any Transaction Group, means (i) the Settlement Limit applying to each of the two Bank Members would be neither exceeded nor further exceeded as a result of their entry into an NDF Transaction with the Relevant Settlement Bank; (ii) neither of the Bank Members' membership has been terminated or suspended pursuant to these Rules; (iii) the conditions set out in Rule 15.7 (Errors) for cancelling or re-pricing Transactions are not satisfied; and (iv) the Currency Pairs are permitted by the Relevant Settlement Bank.

**Settlement Limits**, in relation to a Bank Member and Transactions to be entered into with a:

- (a) Matching Bank Member resulting from using an LMAX MTF Service, means a maximum amount, expressed in US Dollars, for the Net Open Position of that Member with that Matching Bank Member for that LMAX MTF Service set in accordance with Rule 17.1 (Setting the Settlement Limit); and
- (b) Settlement Bank resulting from using an LMAX MTF Service, means a maximum amount, expressed in US Dollars, for the Net Open Position of that Bank Member for the relevant Service set in accordance with Rule 17.1 (Setting the Settlement Limit) and LMAX's agreement with the Relevant Settlement Bank.

**Subsidiary** means:

- (a) a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006; and

- (b) any company which would be a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006 but for any security subsisting over the shares in that company from time to time.

**Suspend** means blocking access to one or more LMAX MTF Services, or to trading one or more Contracts.

**System** means the operation and application software and hardware and network configurations used by LMAX to provide the Services.

**Trading Day** means any day when the LMAX MTF Services are open for trading.

**Trading Hours**, in relation to an LMAX MTF Service and a Contract, means the hours on a Trading Day that an LMAX MTF Service is open for accepting Orders in those Contracts specified in the relevant Contract Terms.

**Transaction** means a transaction to buy and sell CFDs or FX on the terms of a CFD Contract, Cleared CFD Contract, or NDF Contract as the case may be, and CFD Transaction, Cleared CFD Transaction, and NDF Transaction have corresponding meanings.

**Transaction Group** means two equal and opposite NDF Transactions to buy and sell exactly the same amount of currency, each between a Bank Member and a Settlement Bank resulting from matched Orders being notified to that Settlement Bank under Rule 16 (Trade Formation).

**US Dollars** means the lawful currency of the United States of America from time to time.

**User** means a Member or a DEA Client.

**User Agreement** means an agreement in the standard form published on LMAX Exchange website at <https://lmax.com/exchange/document-library> between LMAX Exchange and a person who is a DEA Client of a Bank Member pursuant to which that DEA Client may access and use an LMAX MTF Service.

**Volatility Band** means a price or value range as determined by LMAX Exchange in its sole discretion based upon considerations of price volatility.

## 2. Interpretation

### 2.1 Interpretation. In this Rulebook:

- (a) references to the words “includes” or “including” are to be construed without limitation;
- (b) all references to time are references to time in London;
- (c) words or phrases importing the singular include the plural and vice versa;
- (d) a word or expression related to a defined term has a consistent meaning to the defined term;
- (e) references to these Rules are references to the rules in this Rulebook, as varied, supplemented or replaced from time to time;
- (f) references to any Rule or paragraph are to those contained in this Rulebook; and

- (g) a reference to any person, including a party, includes that person's successors in title and transferees (unless the transfer to the successor in title or transferee was in breach of the Member Agreement).
- 2.2 **Laws.** Any reference to a rule, an enactment or a statutory provision is a reference to it as it may have been, or may from time to time be, amended, modified, consolidated, re-enacted or replaced.
- 2.3 **Priority.** Unless a Rule or clause in the Member Agreement specifically states otherwise, in the event of any conflict or inconsistency, the following order of priority applies:
- (a) the MTF Rulebook;
  - (b) any agreement between LMAX Exchange and a Settlement Bank;
  - (c) the Member Agreement;
  - (d) any other written agreement between LMAX Exchange and a Member which forms part of these Rules; and
  - (e) any other notification, manual, requirement or procedure published by LMAX with which a Member must comply.
- 2.4 In the event of any conflict or inconsistency between any part of the LMAX Rulebook and:
- (a) any service level agreement between LMAX and a Member concerning the provision of Market Making services by the Member;
  - (b) any agreement between LMAX and a CCP for the provision of clearing services; or
  - (c) any agreement between LMAX and a Settlement Bank for the provision of NDF settlement services,
- the MTF Rulebook prevails.
- 2.5 **Governing law.** These Rules, all Transactions and any non-contractual obligations arising out of, or in connection with them, are governed by, and are to be interpreted in accordance with, the laws of England and Wales. The English courts shall have exclusive jurisdiction to settle any dispute arising out of or in connection with any Transaction (including any non-contractual obligations arising out of, or in connection with them).
- 3. Amendments**
- 3.1 **Material Disruptions.** If there is a Material Disruption, LMAX may amend any Rule with immediate effect. When the Material Disruption ends, LMAX may decide whether the amendment is then to be:
- (a) (subject to consultation in accordance with Rule 3.2 (Material amendments)) retained in the Rulebook; or
  - (b) repealed as the amendment is no longer required.
- 3.2 **Material Amendments.** If there is no Material Disruption, but the amendment is a Material Amendment, then LMAX must (i) consult Members on the proposed amendment; and (ii) give

Members a minimum period of 10 Business Days to comment on the proposed amendment. For the purposes of this Rule 3 (Amendments), a Material Amendment means an amendment which will have a material effect on the membership of a Member of LMAX in a way which will, in LMAX's reasonable view:

- (a) require significant changes to Members' equipment, operating platforms, and software (other than any software provided by LMAX Exchange) to connect to and use LMAX MTF;
- (b) affect the way Transactions arise or affect any other operational aspect of an LMAX MTF Service;
- (c) have significant implications under Applicable Laws; or
- (d) cause or may cause substantial cost to, or demand additional resources from, Members.

3.3 **Other amendments.** LMAX may, at its discretion, make any other amendment with immediate effect to any Rule at any time without consultation.

3.4 **Notice of amendments.** LMAX Exchange will notify Members of any amendment which is not a Material Amendment as soon as practicable by email and by posting a notice on its website. Members agree and acknowledge that it may not be possible to publish advance notice of Rule amendments made to deal with Material Disruptions. An amendment will come into force on the date and time LMAX specifies in such notification, taking into account any commercial or other factors involved in the amendment.

## 4. Contacting LMAX

4.1 **Communications.** Members can contact LMAX Exchange:

- (a) in writing to LMAX Exchange at:

Address: LMAX Exchange, Yellow Building, 1A Nicholas Road, London W11 4AN.

Attention: Compliance; or

- (b) by email to [Compliance@lmax.com](mailto:Compliance@lmax.com).

4.2 **Effect.** A written communication (other than email) is effective:

- (a) on delivery, if it is delivered by hand at 17:00 or earlier on a Business Day;
- (b) at 09:30 on the next Business Day if it is delivered by hand after 17:00 or on a day which is not a Business Day;
- (c) on the second Business Day after posting (for national mail) or the fifth Business Day after posting (for international mail), if it is sent by post. Proof that the notice was properly addressed, prepaid and posted is enough to show the notice has been duly served.

## PART B: MEMBERSHIP

### 5. Membership

5.1 **Classes of Members.** The classes of Members of LMAX Exchange are (a) Bank Members and (b) MTF Members.

5.2 **Membership Criteria.** All applicants must satisfy the Core Membership Criteria and the relevant Additional Membership Criteria for its category of membership to become a Member.

5.3 **Core Membership Criteria.** The Core Membership Criteria are that the Member must:

- (a) enter into a Member Agreement;
- (b) be authorised as an Investment Firm or Credit Institution or authorised under Applicable Laws except where it does not need to be authorised to carry on their trading activities on LMAX MTF Services; and
- (c) in the view of LMAX:
  - (i) be of sufficient good repute;
  - (ii) have sufficient level of trading ability, competence and experience;
  - (iii) have adequate governance and organisational arrangements to oversee its trading activities;
  - (iv) have sufficient resources for the trading activities it intends to undertake; and
  - (v) if executing Orders for Clients, have appropriate permission from its regulator to deal on own account and execute Orders on behalf of Clients.

5.4 **Additional Membership Criteria for Bank Members.** To trade NDF Contracts on an LMAX MTF Service, the Member must be a Bank Member. Other persons may access NDF trading on an LMAX MTF Service as a Client or DEA Client of a Bank Member. An applicant seeking admission as a Bank Member must:

- (a) be a Credit Institution or third country bank or any of their Affiliates, a Central Bank or International Institution; and
- (b) (except if it is a Central Bank) be a Settlement Member or Third-Party Bank Member (each as defined in the CLS Rules) of CLS Settlements; and
- (c) have a Qualifying Master Trading Agreement with the Matching Bank Member or a Settlement Bank under which it may enter into NDF Transactions resulting from using an LMAX MTF Service.

5.5 **Notification.** Bank Members must notify LMAX immediately if their arrangements for settlement of NDF Transactions change or are terminated.

5.6 **Purpose.** A Bank Member may:

- (a) enter Orders for its own account primarily for the purpose of:
  - (i) offsetting FX risk; or
  - (ii) Market Making,

- (b) provide DEA to its Clients for the purpose of:
  - (i) offsetting FX risk for its Clients or its Clients' customers; or
  - (ii) Market Making using the Bank Member's capacity.

5.7 **Trading Cleared CFDs.** To trade Cleared CFD Contracts on an LMAX MTF Service, an MTF Member must either:

- (a) be a clearing member of the CCP appointed to provide central counterparty services for Transactions in CFDs (the **Appointed CCP**); or
- (b) have a clearing services agreement with a clearing member of the Appointed CCP, which has not been ended, varied or amended in such a way that the Appointed CCP will not clear CFD Transactions.

5.8 **Trading CFDs bilaterally.** To trade CFD Contracts, which terms do not include clearing by a CCP, on an LMAX MTF Service, a MTF Member must have a Qualifying Master Trading Agreement with the Matching Member under which it may enter into CFD Transactions.

5.9 **Qualifying Master Trading Agreements.** Members will ensure that Qualifying Master Trading Agreements include:

- (a) a representation as to their classification under EMIR as a financial counterparty, non-financial counterparty above or below the clearing threshold or third country entity;
- (b) EMIR-compliant dispute resolution procedures; and
- (c) EMIR-compliant portfolio reconciliation risk mitigation techniques, and

will on LMAX's request, provide evidence that their Qualifying Master Trading Agreements include such provisions.

## 6. Direct Electronic Access

6.1 **DEA Agreement and User Agreement for NDF and CFD trading.** No Member may provide Direct Electronic Access to a Client for the purposes of transmitting Orders to the LMAX MTF Services unless that Client has entered into a DEA Agreement with the Member and a User Agreement with LMAX Exchange.

6.2 **DEA for CFD trading.** Members may not provide Direct Electronic Access to a Client unless that Member is an Investment Firm or Credit Institution.

6.3 **Suitability of DEA Clients.** Members shall ensure that each DEA Client and its Authorised Persons:

- (a) are of sufficient good repute;
- (b) have sufficient level of trading ability, competence and experience;
- (c) have adequate governance and organisational arrangements to oversee their trading activities;
- (d) have sufficient resources for the trading activities they intend to undertake; and
- (e) comply with Rule 7 (Governance), Rule 8 (Systems), Rule 9 (Access), Rule 10

(Confidentiality) and Rule 11 (Data Protection) as if all references to “Member” in those Rules refer to the DEA Client.

- 6.4 **MiFID2 compliance.** Members must ensure that DEA Clients adhere to the requirements of MiFID2 in respect of Orders submitted to, and Transactions executed on, the LMAX MTF Services.
- 6.5 **DEA Clients.** Each Member must enable LMAX to identify uniquely on an anonymous basis each of its Clients using Direct Electronic Access or a similar functionality. Each Member must apply a separate limit to each of its DEA Clients.

## 7. Governance

- 7.1 **Requests for information.** Members must (save to the extent that such disclosure is prohibited by any Applicable Laws) respond promptly to all LMAX’s enquiries and requests for information in connection with:

- (i) the Member (insofar such request is relevant to its membership of LMAX);
- (ii) its use of the LMAX MTF Services; and
- (iii) Orders and Transactions.

Such information must be in English and in such manner or format as LMAX may require.

- 7.2 **Transaction records.** Members must retain for at least five years, or such longer period as required by Applicable Laws, a record of each Transaction arising from Orders submitted by or on behalf of that Member.

## 8. Systems

Each Member must:

- (a) at its own cost and expense, obtain, operate, test and maintain all equipment, operating platforms, and software (other than any software provided by LMAX) to connect to and use LMAX MTF, as they may be updated from time to time, and to access the Information;
- (b) only interact with LMAX MTF using systems which are under the Member's control and only permit its DEA Clients to use systems which are under that Client's control, and which systems in either case, conform to and are compatible with LMAX MTF;
- (c) ensure that its systems will not be used in a manner likely to disrupt the provision of the LMAX MTF Services or to disrupt the operation of the LMAX MTF or the provision of services similar to the LMAX MTF Services to other Members and have adequate and appropriate measures in place to protect LMAX MTF against network or systems attacks;
- (d) have adequate order management systems and controls in place to avoid errors in Order submission;
- (e) not attempt to gain, and have suitable protection in place to prevent, unauthorised access to LMAX MTF Services, the server on which the LMAX MTF are stored or any server, computer or database connected to LMAX MTF (including the Information); and
- (f) immediately notify LMAX and cease trading on any LMAX MTF Service if it becomes aware of, or suspects, a technical failure, malfunction or security breach of LMAX MTF.



## 9. Access

9.1 **Qualification.** A Member must ensure that each Representative it authorises to:

- (a) use and access an LMAX MTF Service and the Information on its behalf; and
- (b) enter into Transactions on behalf of the Member,

is qualified to access and use that LMAX MTF Service and the Information.

9.2 **Member business only.** A Member must procure that each of its Representatives accesses an LMAX MTF Service and uses the Information in accordance with these Rules and Applicable Laws solely in the course of the Member's business (including trading).

9.3 **Passwords.** A Member must ensure that the unique password and username issued to the Member by LMAX (as changed from time to time) for any Authorised Person are only used:

- (a) by such Authorised Person; and
- (b) for those of the systems of the Member:
  - (i) which are under the exclusive custody and control of the Member; or
  - (ii) which have an internet protocol address which has been notified to LMAX.

9.4 **Material Disruptions – Authorised Users.** Where there is a Material Disruption or when LMAX otherwise believes it is in the best interests of the LMAX MTF to do so, LMAX may, without notice, terminate, Suspend or change the username and/or password of any Authorised Person.

9.5 **No inquiry.** LMAX is not responsible for ensuring that, and is not obliged to enquire whether, an Authorised Person and/or a person using a username and password supplied to the Member has satisfied its obligations under the Member Agreement or in the case of DEA Clients, a User Agreement.

## 10. Confidentiality

10.1 **Obligation.** Subject to Rule 10.2 (Exceptions) and Rule 10.3 (Permitted Disclosures), both the Members and LMAX (each a party for the purposes of this Rule) undertake in respect of Confidential Information of which it is the recipient:

- (a) to treat such information as confidential;
- (b) not, without the disclosing party's prior written consent, which is not to be unreasonably withheld, to communicate or disclose any part of such information to any person except to:
  - (i) those of its Representatives, DEA Clients, any CCP, any Settlement Bank or CLS and other suppliers on a need-to-know basis who are directly involved in using or providing or facilitating the provision or use of the LMAX MTF Services; or
  - (ii) the recipient's auditors, professional advisors and any other persons or bodies having a legal right or duty to have access to, or knowledge of, the Confidential Information in connection with the business of the recipient;
- (c) to ensure that all recipients mentioned in paragraph 10.1(b)(i) above are made aware,

prior to disclosure, of the confidential nature of the Confidential Information and that they owe a duty of confidence to the disclosing party and to ensure that such recipients comply with this Rule 10 (Confidentiality); and

- (d) not to use or circulate such information within its own organisation except to the extent necessary for the purposes of, and in compliance with, the restrictions in this Rule.

10.2 **Exceptions.** The obligations in Rule 10.1 (Obligations) will not apply to any Confidential Information which is:

- (a) in the recipient's possession (with full right to disclose) before receiving it;
- (b) becomes public knowledge other than by breach of this Rule 10 (Confidentiality);
- (c) independently developed by the recipient without access to or use of the Confidential Information;
- (d) lawfully received from a third party (with full right to disclose); or
- (e) trade data and which has to be disclosed to regulators under Applicable Laws.

10.3 **Permitted Disclosures.** Either LMAX or the Member may disclose any Confidential Information (including all or part of a Member Agreement) if obliged to do so in order to comply with Applicable Laws, including following the request from any competent court, regulator or similar Governmental Authority. To the extent it is legally permissible to do so, such party will promptly notify the other party in writing of such obligation on request.

## 11. Data protection

11.1 In respect of any Relevant Personal Data that is transferred from the Disclosing Party to the Recipient Party in connection with the provision and/or receipt of LMAX MTF Services:

- (a) each Member and LMAX agrees that the Disclosing Party and the Recipient Party shall each be a "controller" (as defined in the General Data Protection Regulation); and
- (b) the terms of this Rule 11 (Data protection) shall apply.

11.2 In respect of their processing of any Relevant Personal Data, LMAX and Members will comply at all times with the Data Protection Legislation at their own expense.

11.3 In respect of its processing of the Relevant Personal Data, the Recipient Party warrants, represents and undertakes that it will:

- (a) provide Data Subjects (as defined in Data Protection Legislation) with all the information, in a concise, transparent, easy to understand format using clear and plain English, required under the Data Protection Legislation to ensure that the Data Subjects understand how their personal data will be processed by the Receiving Party;
- (b) take all appropriate technical and organisational measures against unauthorised or unlawful processing of the Relevant Personal Data and against accidental loss or destruction of, or damage to the Relevant Personal Data, including (without limitation) by:
  - (i) taking reasonable steps to ensure the reliability of any staff who have access to the Relevant Personal Data;
  - (ii) ensuring a level of security appropriate to the nature of the Relevant Personal Data

and the risks that are presented by its processing;

- (iii) where appropriate and reasonably practicable, the encryption and the pseudonymisation of the Relevant Personal Data; and
  - (iv) implementing a process for periodically testing, assessing and evaluating the effectiveness of technical and organisational measures for ensuring the security of the processing of the Relevant Personal Data;
- (c) in the event of a breach of security or confidentiality of the Relevant Personal Data, immediately notify the Disclosing Party (providing all such details as the Disclosing Party may reasonably request);
- (d) promptly notify the Disclosing Party of the receipt of any request, notice or other communication from any Data Subject or regulatory body relating to the Relevant Personal Data;
- (e) provide the Disclosing Party with reasonable co-operation and assistance in connection with:
- (i) its compliance with Data Protection Legislation in relation to the Relevant Personal Data;
  - (ii) any request or other communication made in relation to Data Subject rights (including a request made in respect of the Data Subject's right of access and data portability, right to object, right to be provided with fair processing information and his/her rights to rectification and erasure of their Personal Data within the statutory response periods); and
  - (iii) any notice or other communication received from a Regulatory Body in connection with the processing of the Relevant Personal Data or the Disclosing Party's compliance with the Data Protection Legislation;
- (f) ensure that only those persons that need to have access to the Relevant Personal Data are given access to the extent reasonably necessary and that such persons are subject to appropriate confidentiality obligations; and
- (g) ensure that any third party to whom it publishes, discloses or divulges any of the Relevant Personal Data is:
- (i) subject to appropriate confidentiality and data security obligations; and
  - (ii) required to comply with Data Protection Law in respect of its processing of the Relevant Personal Data.

11.4 The Recipient Party warrants, represents and undertakes that, at the time of entering into this Agreement, it is not aware of the existence of any local laws that would have a substantial adverse effect on its ability to comply with the requirements of this [Rule 11 \(Data protection\)](#), and it will promptly inform the Disclosing Party if it becomes aware of any such laws.

## PART C: TRADING SERVICES

### 12. Trading Hours and Contracts

Subject to these Rules, LMAX Exchange will provide the LMAX MTF Services during Trading Hours on Trading Days.

### 13. Currency Pairs and Reference Factors

13.1 **Current Contracts.** LMAX Exchange website lists Contracts referencing any Currency Pairs and Reference Factors as eligible for trading on LMAX MTF Services at <https://www.lmax.com/exchange/document-library>.

13.2 **New Contracts.** LMAX may at any time add further Contracts to its list of Contracts referencing any Currency Pairs and Reference Factors as eligible for trading on any of the LMAX MTF Services, provided that those Contracts meets LMAX Exchange Contract Eligibility Criteria.

### 14. Suspending trading

14.1 **Regulation.** Without prejudice to the foregoing, LMAX may Suspend the entry of Orders in respect of any Contracts referencing a particular Currency Pair or Reference Factor at any time if it is required to do so by Applicable Laws or if requested to do so by a Governmental Authority or CCP.

14.2 **Material Disruptions - Members.** Where there is Material Disruption in the LMAX MTF Services, LMAX may take such steps as it deems necessary to restore the proper operation of, and the orderly conduct of business on, that LMAX MTF Service, including:

- (a) terminating or Suspending the operation of the LMAX MTF Service in whole or in part;
- (b) Suspending the entry of Orders in respect of any Contracts referencing a particular Currency Pair or Reference Factor;
- (c) placing restrictions on trading certain Contracts;
- (d) cancelling some or all Transactions formed during the Material Disruption; and/or
- (e) determining any price adjustment to be paid in respect of Transactions formed during the Material Disruption.

14.3 **Kill functionality.** LMAX may cancel an Order:

- (a) on the request of a Member if the Member or its DEA Client is technically unable to delete that Order;
- (b) if it duplicates another Order on any of the LMAX MTF Services in error; or
- (c) which was submitted and remained unfilled before a Suspension in accordance with these Rules.

14.4 Members must calibrate their systems used for accessing LMAX MTF in such a way that they are able to cancel unfilled Orders at any time.

14.5 **Settlement.** Following any Suspension pursuant to Rule 14.2 (Material Disruptions - Members), LMAX reserves the right to cause settlement of any outstanding Transactions by publishing a settlement price.

## 15. Orders

- 15.1 **Matching.** LMAX will match Orders on each LMAX MTF Service with Orders on the same LMAX MTF Service continuously and automatically in price time priority during Trading Hours. Subject to Applicable Laws, Members may cancel Orders before they are matched. Cancellation is not possible after a Transaction results from the Order, except in accordance with this Rulebook.
- 15.2 **Capacity of Members.** Members may enter Orders to trade as principal on their own account and on a back-to-back principal basis for the account of Clients.
- 15.3 **Rejection.** LMAX may refuse to accept an Order or cancel any Order entered into on an LMAX MTF Service if it believes:
- (a) such action is necessary to preserve the integrity, proper functioning or orderliness of that LMAX MTF Service;
  - (b) the relevant Member is in breach, or will be further in breach of the Settlement Limits then applicable to it if it were to enter into any Transaction as a result of such an Order being matched; or
  - (c) based on (A) the fact that (i) the Order is likely to cause an excessively inverted market, (ii) the Member has breached the orders per second threshold it agreed with LMAX, (iii) the Order is greater than the clip size limit set by the Member, or (iv) the Order will cause the Member to exceed any working order limit set in respect of each Contract; or (B) any other relevant information, that the Order is erroneous or invalid.
- 15.4 **Partial fills.** If an Order, rejected in accordance with Rule 15.3 (Rejection), has been partially filled, LMAX will cancel the unfilled part and send a cancellation message to the Member who placed the Order.
- 15.5 **Volatility rejections.** LMAX will reject Orders outside the Volatility Band and send a rejection message to the Member who placed the Order.
- 15.6 **Order delays.** All Aggressive Orders submitted to an LMAX MTF Service by a Bank Member (or DEA Client acting in its name) not acting in the capacity of a Market Maker may be held by the relevant LMAX MTF Service for a period of time determined by LMAX and communicated to all Members.
- 15.7 **Errors.** If LMAX reasonably believes a Transaction (provided it is not a Cleared CFD Transaction, in which case, Rule 15.9 (Cancelling Cleared CFD Transactions) applies) arose as a result of an erroneously entered Order whether as a result of being notified of the error by a Member or because of it referencing an off-market rate or otherwise, it will contact the two Members party to the trade as soon as possible.
- 15.8 **Members to agree.** Members notified by LMAX of a potential error in accordance with Rule 15.7 (Errors) shall discuss the Transaction in good faith with a view to deciding whether to confirm or re-price the Transaction to an appropriate market rate at the time of the trade. If the affected Members:
- (a) agree to confirm or re-price the Transaction, they shall notify LMAX by email of the changes; or
  - (b) cannot so agree within two Trading Hours of being notified by LMAX, LMAX may cancel the Transaction, or re-price the Transaction to an appropriate market rate at the time of the trade and LMAX will notify the relevant Members of such cancellation or re-pricing as

soon as practicable.

- 15.9 **Cancelling Cleared CFD Transactions.** Cleared CFD Transactions may only be cancelled in accordance with the applicable CCP Rules and/or the applicable clearing services agreement with a clearing member.
- 15.10 **Reporting Transactions.** LMAX will issue confirmations of Transactions to the relevant Members as soon as practicable, and in any event within two hours of the original time of execution of the Transaction. LMAX's confirmations will be final and binding on the parties to the Transaction.
- 15.11 **Transaction data.** LMAX will make available to each Member a list of all Transactions it entered into with any other Member on any Trading Day at the end of each Trading Day.

## 16. Trade formation

- 16.1 **Cleared CFDs.** Once Cleared CFD Orders are matched, a Cleared CFD Transaction arises between the Members. That Cleared CFD Transaction must be novated in accordance with, and subject to, the CCP Rules and, if applicable, the clearing services agreement with a clearing member. A Cleared CFD Transaction may arise from the matching of two Orders entered into by the same Member.
- 16.2 **Non-cleared CFDs.** Once CFD Orders are matched, if the Matching Members have a relevant Qualifying Master Trading Agreements with each other, a CFD Transaction to be governed by that relevant Qualifying Master Trading Agreement arises between the Matching Members. If the Members do not have a Qualifying Master Trading Agreement with the Matching Member, then no CFD Transaction arises.
- 16.3 **Margining and settlement.** Members must provide margin and settle Cleared CFD Transactions in accordance with the CCP Rules, and provide margin and settle CFD Transactions in accordance with the Qualifying Master Agreement between them and the Matching Member.
- 16.4 **NDFs.** As soon as Orders are matched between Bank Members, the following NDF Transactions will be formed. If the two Members:
- (a) have relevant Qualifying Master Trading Agreements with each other, then, subject to this Rule 16 (Trade Formation), an NDF Transaction to be governed by the relevant Qualifying Master Trading Agreement between them will be formed; but
  - (b) do not have relevant Qualifying Master Trading Agreements with each other, two NDF Transactions, each between a matched Bank Member and the Relevant Settlement Bank and to be governed by the relevant Qualifying Master Trading Agreement between the Bank Member and Relevant Settlement Bank will be formed on such notice,

provided in each case that the Settlement Conditions for the relevant type of Contract applying to each of the Bank Members at the time of matching are satisfied.

- 16.5 **Settlement Conditions.** The Settlement Bank may enter into NDF Transactions even if the Settlement Conditions are not satisfied but shall have no obligation to do so.
- 16.6 **Same Member Orders.** If an Order entered into by a Member is matched with an Order entered into by the same Member, then the Member shall enter into two bilateral Transactions based on a Contract: one with each of its Clients. Although no transaction shall arise between the Member in a buying, and the same Member in a selling, capacity, the Member may procure its prime

broker to enter into a Transaction in respect of either leg of the transaction which would have arisen had the Orders not been entered into by the same Member.

## 17. Settlement Limits for NDF trading on LMAX MTF Services

17.1 **Setting the Settlement Limit.** As between any two Bank Members, the Settlement Limit for NDF Transactions will be the lower of the limits specifically set by each of those two Members for the relevant Contract type. For the avoidance of doubt, if the Settlement Limit that applies between the two Matching Members would be exceeded as a result of entering into such a Transaction, no Transactions will be formed.

17.2 **Calculation.** For each Bank Member, LMAX will calculate its Net Open Position with each of its counterparties for each value date, and at the Member's request, an Outstanding Net Open Position across all value dates, whether they have been settled or not. For each Settlement Bank, LMAX will calculate its Net Open Position with each Bank Member for each value date, and at the Member's request, an Outstanding Net Open Position across all value dates, whether they have been settled or not. LMAX will include all Transactions which have not yet been settled in its calculation of the Net Open Position.

17.3 **Net Open Positions.** For NDF Transactions and each LMAX MTF Service (individually and in aggregate), LMAX will calculate:

- (a) the Net Open Position of each Member by netting short and long positions for a value date for each currency or bullion, then converting all net long and short positions into US Dollars based on the relevant LMAX MTF Service's closing prices from the previous Trading Day, and then summing all short and all long positions so converted. The Net Open Position of a Member is the higher of the aggregate long and the aggregate short position; and
- (b) the Outstanding Net Open Position of each Member that requested this calculation by netting all short and long positions across value dates for each currency or bullion, then converting all net long and short positions into US Dollars based on the relevant LMAX MTF Service's closing prices from the previous Trading Day, and then summing all short and all long positions so converted. The Outstanding Net Open Position of a Member is the higher of the aggregate long and the aggregate short position.

## 18. Market Making Strategies

18.1 **Scope of Market Making Agreement.** This Rule 18 (Market Making Strategies) applies to Market Makers pursuing a Market Making Strategy on any LMAX MTF Service and constitutes a market making agreement between each Market Maker and LMAX in relation to either or both CFD Contracts and NDF Contracts.

18.2 **Market Making Commitments.** The Market Maker must post the firm, simultaneous two-way quotes for at least 50% of daily Trading Hours on at least half the Trading Days each month. Each Market Maker must, in relation to those CFD Contracts and NDF Contracts that it performs a Market Making Strategy, ensure that the firm, simultaneous two-way quotes it posts are:

- (a) of comparable size, in that the difference between the bid and ask quote sizes are no more than 50%; and
- (b) competitively priced, in that they are within the maximum bid-offer spread defined by LMAX and notified to the Market Maker.

18.3 **Capacity.** MTF Members may, for the purposes of Market Making, enter Orders for own account only. Bank Members may, for the purposes of Market Making enter Orders for own account or

on behalf of DEA clients.

- 18.4 **Monitoring of compliance with Market Making Agreement.** LMAX will monitor the trading activity of each Market Maker for compliance with 18.2 (Market Making Commitments). Only double sided quotes will be considered.
- 18.5 **Exceptional circumstances.** The Market Making Commitments set out in Rule 18.2 (Market Making Commitments) will not apply where Exceptional Circumstances apply and on Trading Days which are bank holidays in the country where the Market Maker carries out its business.
- 18.6 **Other Market Maker Obligations.** Each Market Maker must:
- (a) inform LMAX as soon as reasonably practicable of any trading interruption due to the malfunctioning of the electronic connection;
  - (b) have adequate systems and procedures in place to effectively monitor and audit its compliance with the Market Making Commitments;
  - (c) maintain records of firm quotes and Transactions relating to its Market Making activities, which are clearly distinguished from other trading activities and must make those records available to LMAX and the FCA upon request; and
  - (d) flag firm quotes submitted to the relevant LMAX MTF Service under this market making agreement in order to distinguish those quotes from other order flows.
- 18.7 **Blocking Rule for CFD Transactions.** No CFD Order entered by a Market Maker providing liquidity is to be matched with a CFD Order submitted by another Market Maker providing liquidity.
- 18.8 **Blocking Rule for NDF Transactions.** No Order to enter into an NDF Transaction submitted by a Market Maker or DEA Client providing liquidity is to be matched with an Order to enter into an NDF Transaction submitted by another Market Maker or DEA Client providing liquidity.

## 19. Algorithmic Trading

- 19.1 **Notification of algorithms.** Members who wish to use an Algorithmic Trading technique or who have DEA Clients who wish to use an Algorithmic Trading technique must notify LMAX in advance of using any algorithm or allowing their DEA Clients to use any algorithm, to trade on LMAX MTF Services. Each algorithm should be separately notified.
- 19.2 **Testing.** Members must test each algorithm notified to LMAX in LMAX's testing environment so that in LMAX's opinion it will not result in disorderly trading conditions on any LMAX MTF Service.
- 19.3 **Restrictions.** No Member may access an LMAX MTF Service using an algorithm that does not have an ID and has neither been notified nor tested in accordance with this Rule 19 (Algorithmic Trading).

## 20. No guarantee

LMAX is not responsible for, nor guarantees the performance of, any Transaction. Each Member agrees that it has no rights against LMAX and is not to proceed against LMAX to collect or recover sums or to enforce any rights in connection with, or as a result of, any Transaction.



## 21. Reporting and taxes

Each Member is responsible for making such reports in relation to, and paying such tax on, Transactions as required by Applicable Laws.

## PART D: MARKET INTEGRITY, MONITORING AND INVESTIGATION

### 22. Market integrity

A Member must not engage in Market Abuse or commit any act or engage in any course of conduct which is likely to damage the fairness, integrity, proper functioning or orderliness of any LMAX MTF Service or bring LMAX into disrepute.

### 23. Monitoring and reporting

23.1 **Monitoring.** LMAX will monitor trading activity on the LMAX MTF Services for compliance with these Rules and MiFID2, disorderly trading and conduct that may amount to Market Abuse.

23.2 **Cooperation with the regulator.** Subject to Applicable Laws, LMAX may:

- (a) report to any Governmental Authority any Material Disruptions, any material breaches of these Rules, disorderly trading conditions and conduct that may involve Market Abuse; and
- (b) assist any Governmental Authority in any investigation of Market Abuse.

LMAX may disclose information and documents received from any Member in connection with its use of the LMAX MTF Services to any Governmental Authority where such information and documents are required in connection with an investigation, inquiry or proceedings by such authority. If permitted by Applicable Laws, LMAX shall give the affected Member at least seven days' written notice of the intended disclosure. If permitted by Applicable Laws, the Member shall co-operate with LMAX and any Governmental Authority in any investigation or enquiry in relation to LMAX.

23.3 **Audit.** To enable LMAX to comply with Applicable Laws, Members must provide LMAX with such information or means as required, on at least 10 Business Days' notice, to carry out a risk-based assessment of the Member's compliance with this Rulebook. Such audits may be conducted once a year or following a Suspension of the Member or any of its DEA Clients.

23.4 **Investigation.** LMAX may, at its own cost, initiate and carry out an investigation into any matter that may constitute a breach of these Rules. Any Member affected by such investigation must co-operate fully and in a timely manner with the LMAX senior manager carrying out the Compliance Oversight Function in such investigation. On completing an investigation under this Rule 23 (Monitoring and reporting), the LMAX senior manager carrying out the Compliance Oversight Function may:

- (a) do nothing;
- (b) issue a written warning; or
- (c) recommend that LMAX Suspends or terminates the Member's membership.

## 24. Suspension and termination of membership

24.1 **Resignation from membership.** A Member may resign its membership of any or all LMAX MTF Services by giving at least 30 days' written notice of resignation to LMAX in accordance with Rule 4 (Contacting LMAX) and its membership ends on that date.

24.2 **Conditions for Suspension and termination by LMAX.** If:

- (a) a Member fails to pay Fees and/or Charges within 30 days of the due date;
- (b) an Insolvency Event happens in relation to a Member;
- (c) a Member does not trade on a particular LMAX MTF Service for six months;
- (d) a Member does not satisfy the Membership Criteria;
- (e) LMAX reasonably believes that a Member has breached Rule 9 (Access) and/or Rule 22 (Market integrity), Rule 5.7 (Trading Cleared CFDs), Rule 5.8 (Trading CFDs bilaterally) or Rule 5.4 (Additional Membership Criteria for Bank Members);
- (f) the LMAX senior manager carrying out the Compliance Oversight Function finds that a Member has breached a Rule and recommends Suspension or termination; or
- (g) LMAX believes it is in the best interest of the relevant LMAX MTF Service(s) to do so,

LMAX may Suspend or end the Member's membership with immediate effect. Suspension is without prejudice to termination. Suspension may be for such period as LMAX deems necessary.

24.3 **Notice.** LMAX will notify a Member of a Suspension or termination, and the grounds therefore in advance of the Suspension or termination taking effect, unless it is impracticable or illegal to do so.

24.4 **Appeal.** A Member may appeal any decision by LMAX to Suspend or terminate its membership on the basis of paragraph (d) to (g) of Rule 24.2 (Conditions for Suspension and termination by LMAX) to the LMAX senior manager carrying out the Compliance Oversight Function. The appeal must be made in writing and submitted to LMAX within 10 Business Days of the effective date of LMAX's notice under Rule 24.3 (Notice). The Member will give reasons for appealing LMAX's decision and provide any information relevant to the appeal. If LMAX has decided to Suspend or end a membership and a Member appeals, its membership shall remain Suspended in accordance with LMAX's decision or ended unless and until the LMAX senior manager carrying out the Compliance Oversight Function has allowed the appeal.

24.5 **Effect of Suspension, termination and resignation.** Notwithstanding Suspension, termination or resignation, a Member remains:

- (a) subject to and bound by these Rules;
- (b) obliged to pay any and all Fees and/or Charges pursuant to these Rules;
- (c) liable for all obligations arising pursuant to Transactions it is party to, and for all other obligations whether incurred before, during or after such Suspension or termination; and
- (d) responsible and liable for its acts and omissions during its membership.

## 25. Force Majeure

- 25.1 **Exclusion of liability.** Neither LMAX nor a Member is to be liable for delayed or non-performance of obligations under the LMAX Exchange Documents if a Force Majeure Event has prevented or delayed such performance.
- 25.2 **Solution.** LMAX Exchange shall notify the Members via its website (if practicable) if an LMAX MTF Service is not available as a result of a Force Majeure Event. LMAX shall bring the Force Majeure Event to a close or find a solution to resume performance.
- 25.3 **Termination.** Where a Member or LMAX is prevented by a Force Majeure Event from performing its obligations under these Rules for a continuous period of more than 30 days, the other may end the Member Agreement immediately on the service of written notice, in which case neither the Member nor LMAX has any liability to the other except in accordance with Rule 24.5 (Effect of Suspension, termination and resignation).

## 26. Complaints

A Member may complain in writing about other Members to the LMAX Exchange senior manager carrying out the Compliance Oversight Function of LMAX Exchange who will commence an investigation in accordance with Rule 23.4 (Investigation) if he considers the complaint to be substantive. Complaints about LMAX Exchange may be made in writing to the LMAX Exchange senior manager carrying out the Compliance Oversight Function for investigation.