

# LMAX Exchange RMO Rulebook

Effective date: November 2023

## STATEMENT OF COMMITMENT TO THE FX GLOBAL CODE

LMAX Exchange Group Limited (**LMAX Group**), including LMAX PTE Limited (**LMAX**), 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 LMAX Exchange RMO Rulebook, to align its activities with the principles of the Code.

**David Mercer, CEO**  
**LMAX Group**



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## PART 1 GENERAL RULES

### 1. General Definitions

In this LMAX Exchange RMO Rulebook, the following definitions apply:

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

**Additional Membership Criteria** means the relevant membership criteria set out in Part 3 (NDF Segment) with respect to the NDF Segment.

**Affiliate** means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

**Algorithmic Trading** means trading in LMAX 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 Exchange 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, and all applicable accounting standards and principles.

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

**Bank Member** has the meaning set out in Rule 23 (Definitions for the NDF Segment).

**Banking Institution** means a bank that is licensed under the Banking Act 1970 of Singapore or authorised as a banking institution under a third country regulation as is applicable.

**Business Day** means a day on which banks are open for business in Singapore.

**Central Bank** means an institution that manages the currency and monetary policy of a state or formal monetary union.

**Change in Law** means in respect of any LMAX Contract that (a) due to the adoption of or any change in any Applicable Law or (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent

jurisdiction of any Applicable Law or regulation (including any action taken by a taxing authority), LMAX determines in good faith that (X) it would become illegal for its Members or a significant group of Members to hold, acquire or dispose of the asset underlying a Transaction in relation to such LMAX Contract, or (Y) its Members or a significant group of them would incur a materially increased cost in performing their obligations under such Transaction (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

**Client** means a person to whom a Member provides brokerage and other financial services.

**Compliance Oversight Function** means the designated management function or equivalent overseeing the compliance of LMAX Exchange.

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

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

**Contract Terms** means the terms and conditions set by LMAX for each LMAX Contract as published on LMAX Website from time to time.

**Core Membership Criteria** means the criteria in Rule 5.2 (Core Membership Criteria).

**Currency Pairs** means a pair of fiat currencies.

**Data Protection Legislation** means the means the Personal Data Protection Act 2012 of Singapore.

**DMA Agreement** means an agreement between a Member and a DMA Client which permits that DMA Client to transmit Orders in the Member's name electronically to LMAX Exchange using Direct Market Access.

**DMA Client** means any Client of a Member accessing LMAX Exchange via Direct Market Access and who has entered into a DMA Agreement with a Member and a User Agreement with LMAX.

**DMA or Direct Market Access** means an arrangement through which a Member permits specified Clients to transmit Orders in the Member's name electronically to LMAX Exchange.

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

**Exceptional Circumstances** means an event which LMAX determines falls in or is analogous to one of the following categories:

- (a) a situation of extreme volatility triggering volatility mechanisms for the majority of financial instruments or underlyings of financial instruments traded on a trading segment within LMAX Exchange;
- (b) war, industrial action, civil unrest or cyber sabotage;
- (c) disorderly trading conditions where the maintenance of fair, orderly and transparent execution of trades is compromised, and evidence of any of the following is provided:
  - (i) the performance of LMAX Exchange being significantly affected by delays and interruptions;
  - (ii) multiple erroneous Orders or Transactions;
  - (iii) the capacity of LMAX to provide the LMAX Exchange Services becoming insufficient;
- (d) where LMAX's ability to maintain prudent risk management practices is prevented by any of the following:
  - (i) technological issues, including problems with a data feed or other system that is essential to carry out a market making strategy;
  - (ii) risk management issues in relation to regulatory capital, margining and access to clearing;
  - (iii) the inability to hedge a position due to a short selling ban.

**Fees and/or Charges** means all the fees, charges and all other sums payable by a Member in respect of its access to LMAX Exchange and related services and Information as in LMAX's schedule of fees as posted on LMAX Website from time to time.

**Force Majeure Event** means, in relation to LMAX, a Member or a DMA Client (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.

**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.globalfx.org/docs/fx\\_global.pdf](https://www.globalfx.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, a Member or a DMA Client (as applicable), including MAS and any other 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, or central counterparties.

**Information** means any real time or non-real time information, provided by LMAX or its nominees, relating to an LMAX Exchange Service, including bids, offers, prices, executions and volumes of Transactions on LMAX Exchange (excluding Member Information identifying the Member or its DMA 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) 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;
- (d) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (e) 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;
- (f) 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 ten (10) days of the institution or presentation thereof;
- (g) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (h) 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;
- (i) 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 ten (10) days thereafter; or
- (j) 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.

**Investment Firm** means a firm who is:

- (a) a holder of the capital markets services licence under the SFA to deal in capital markets products that are over-the-counter derivatives contracts (as defined under the SFA and regulations promulgated thereunder);
- (b) a firm exempt from the requirement to hold a capital markets services license to carry on business in dealing in capital markets products that are over-the-counter derivatives contracts (as defined under the SFA and regulations promulgated thereunder) under the SFA; or
- (c) a third country firm which is authorised as an investment firm by the competent national authority of the jurisdiction of its establishment,

whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis.

**Liquidity Provider** means a Member who has agreed to provide liquidity in relation to NDF Transactions to Accounts designated as Liquidity Takers.

**Liquidity Taker** means an Account which can access liquidity provided by Liquidity Providers.

**LMAX** means LMAX PTE. Ltd of 138 Market Street, #14-03 CapitaGreen, Singapore.

**LMAX Contract** means an NDF Contract or any other contract added to trading in any Segment of LMAX Exchange in accordance with this LMAX Exchange RMO Rulebook and listed on the LMAX Website from time to time.



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

**LMAX Exchange** means LMAX Limited and the organised market operated by LMAX in its capacity as a recognised market operator (**RMO**) (as defined under the SFA).

**LMAX Exchange Services** or **RMO Services** means the services provided by LMAX hosted in Singapore and London, which a Member is entitled to use by virtue of its membership, to enter into NDF Transactions or such other Transactions, governed by Part 1 and Part 2 of these Rules, as well as the Rules for the NDF Segment for NDF Transactions.

**LMAX Website** means LMAX's website at [www.lmax.com/exchange/fx-ndfs](http://www.lmax.com/exchange/fx-ndfs).

**MAS** means the Monetary Authority of Singapore.

**Market Abuse** means offences under Part 12 of the SFA and/or, in relation to NDF Transactions, contrary to Principle 12 of the FX Global Code.

**Matching Bank Member** has the meaning set out in Rule 23 (*Definitions for the NDF Segment*).

**Material Disruption** means:

- (a) any disruption, breakdown, or malfunction of any technical system used in connection with an LMAX Exchange Service;
- (b) any attempt to manipulate prices, or commit Market Abuse in relation to any LMAX Contract or engage in Prohibited Trade Practices;
- (c) any Change in Law in relation to one or more LMAX Contract listed on LMAX Exchange;
- (d) any failure by a third party to supply services or perform obligations to LMAX that are required for the proper operation of LMAX Exchange;
- (e) any suspension or termination of services by any Settlement Bank, settlement system or reference price provider used in connection with an LMAX Contract that is required for the proper operation of LMAX Exchange and/or for the clearing and settlement of Transactions;
- (f) any emergency or extraordinary market conditions or circumstances; or
- (g) any Force Majeure Event.

**Member** means a firm that has been admitted to trade on LMAX Exchange in accordance with [Rule 5 \(Membership\)](#) and who is listed as a member on LMAX Website from time to time.

**Member Agreement** means an agreement between LMAX and a Member pursuant to which that person is admitted to trade on one or more Segment(s) of LMAX Exchange 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 (Core Membership Criteria) and, for each Segment of LMAX Exchange it uses, the Additional Membership Criteria for that Segment.

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

**NDF Order** means an order submitted to an LMAX Exchange to enter into an NDF Transaction, which will not be cleared.

**NDF Segment** means Part 3 (NDF Segment) of this LMAX Exchange RMO Rulebook.

**NDF Settlement Limit** has the meaning set out in Rule 23 (Definitions for the NDF Segment).

**Order** means an order submitted to LMAX Exchange to enter into a Transaction.

**Prohibited Trade Practices** has the meaning set out in Rule 18 (*Market integrity*).

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

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

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

**Rule** means a rule of this LMAX Exchange RMO Rulebook as amended from time to time.

**Segment** means the NDF Segment, or such other additional segment as may be added to this LMAX Exchange RMO Rulebook from time to time.

**Set Crossing Time Threshold**, for each Liquidity Provider, is the time threshold agreed by LMAX with the relevant Liquidity Provider, acting reasonably, that the passive buy order price of the Liquidity Provider must remain equal to or higher than the passive sell order price of another Liquidity Provider or that its passive sell order price must remain equal to or lower than the passive buy order price of another Liquidity Provider.

**Set Pricing Tolerance** is the price threshold set by LMAX acting reasonably, where a Liquidity Provider's passive bid order price is equal to or higher than another Liquidity Provider's passive offer order price.

**SFA** means the Securities and Futures Act 2001 of Singapore.

**Suspend** or **Suspension** means blocking access to one or more Segments of LMAX Exchange, or to trading one or more LMAX Contracts.

**System** means the operation and application software and hardware and network configurations used by LMAX to provide access to LMAX Exchange and related services.

**Trading Day**, in respect of an LMAX Contract, means any day when LMAX Exchange is open for trading that LMAX Contract.

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

**Transaction** means a transaction to buy and sell NDF Contract (and NDF Transaction has the corresponding meaning) and such other transaction as may be added to this LMAX Exchange RMO Rulebook from time to time.

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

**User Agreement** means an agreement in the standard form published on LMAX Website between LMAX and a person who is a DMA Client of a Bank Member pursuant to which that DMA Client may access and use an LMAX Exchange Service.

**Volatility Band** means a price or value range as determined by LMAX in its sole discretion based upon considerations of price volatility and published on the LMAX Website from time to time.

## 2. **Interpretation**

### 2.1 **Interpretation.** In this LMAX Exchange RMO 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 Singapore;
- (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 LMAX Exchange RMO Rulebook, as varied, supplemented or replaced from time to time;

- (f) references to any Rule or paragraph are to those contained in this LMAX Exchange RMO Rulebook;
- (g) references to any legislation or provision of law is a reference to that legislation or provision of law as amended or re-enacted from time to time; and
- (h) 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, User Agreement or Applicable 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.

2.2 **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 LMAX Exchange RMO 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;
- (e) any other notification, manual, requirement or procedure published by LMAX with which a Member must comply.

2.3 **Conflict.** In the event of any conflict or inconsistency between any part of the LMAX Exchange RMO Rulebook and any agreement between LMAX and a Settlement Bank for the provision of NDF settlement services, the LMAX Exchange RMO Rulebook prevails.

2.4 **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 Singapore. The courts of Singapore 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 LMAX Exchange RMO Rulebook; or
- (b) repealed as the amendment is no longer required.

- 3.2 **Material Amendments.** If there is no Material Disruption, but the amendment to the Rule or LMAX Contract is a Material Amendment, then LMAX must (i) consult Members on the proposed amendment; and (ii) give Members a minimum period of ten (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 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) to connect to and use LMAX Exchange and/or the LMAX Exchange Services;
  - (b) affect the way Transactions arise or affect any other operational aspect of LMAX Exchange;
  - (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 will notify Members of any amendment which is not a Material Amendment (including in the event of any Material Disruption) as soon as practicable by email and by posting a notice on the LMAX Website. Members agree and acknowledge that it may not be possible to publish advance notice of Rule amendments made in the event of any Material Disruption. Except in the case of a Material Disruption, 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:
- (a) in writing at:  
  
Address: LMAX PTE LIMITED, 138 Market Street, #14-03 CapitaGreen, Singapore.  
  
Attention: Legal; or
  - (b) by email at [legal@lmax.com](mailto:legal@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.

## 5. **Membership**

5.1 **Membership Criteria.** All applicants must satisfy the Core Membership Criteria and the Additional Membership Criteria for those Segment(s) of LMAX Exchange it wishes to access to become a Member.

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

- (a) enter into a Member Agreement;
- (b) be an institutional investor, professional investor, accredited investor or expert investor as defined in the SFA if incorporated or established in Singapore;
- (c) be authorised as a Banking Institution or an Investment Firm except where it does not need to be authorised to carry on trading activities on LMAX Exchange; and
- (d) in the view of LMAX:
  - (i) be of sufficient good repute;
  - (ii) have sufficient levels of trading ability, competence and experience;
  - (iii) have adequate governance and organisational arrangements to oversee its trading activities and to ensure compliance with these Rules and Applicable Laws;
  - (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 trade on own account and execute Orders on behalf of Clients.

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

- (b) dispute resolution procedures; and
- (c) portfolio reconciliation risk mitigation techniques, and

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

## 6. **Direct Market Access**

6.1 **DMA Agreement and User Agreement.** No Member may provide Direct Market Access to a Client for the purposes of transmitting Orders to LMAX Exchange unless that Client has entered into a DMA Agreement with the Bank Member and a User Agreement with LMAX.

6.2 **Suitability of DMA Clients.** Members shall ensure that each DMA Client must:

- (a) Be an institutional investor, professional investor, accredited investor or expert investor as defined in the SFA if incorporated or established in Singapore;
- (b) Be of sufficient good repute;
- (c) have sufficient levels of trading ability, competence and experience;
- (d) have adequate governance and organisational arrangements to oversee their trading activities;
- (e) have sufficient resources for the trading activities they intend to undertake; and
- (f) comply with Rule 7 (*Governance*), Rule 8 (*Systems*), Rule 9 (*Access*), Rule 10 (*Confidentiality*), Rule 11 (*Data Protection*), Rule 15 (*Algorithmic Trading*), Rule 17 (*Reporting and Taxes*), Rule 18 (*Market Integrity*) and such other Rules compliance with which by them, the relevant Member is responsible.

6.3 **DMA Compliance.** Members must ensure that DMA Clients adhere to these Rules in respect of Orders submitted to, and Transactions executed on, LMAX Exchange (including as expressly provided in these Rules).

6.4 **DMA Clients.** Each Member must enable LMAX to identify uniquely on an anonymous basis each of its Clients using Direct Market Access or a similar functionality. Each Member must apply a separate limit to each of its DMA Clients.

## 7. **Governance**

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

- (a) the Member (insofar such request is relevant to the Member's membership);
- (b) its or (if applicable) any of its Client's use of an LMAX Exchange Service; and
- (c) any 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 (5) 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 or by or on behalf of a DMA Client in the Member's name. DMA Clients must retain for at least five (5) years, or such longer period as required by Applicable Laws, a record of each Transaction arising from Orders submitted on behalf of it in a Member's name.

## 8. **Systems**

Each Member and each DMA Client respectively 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 access LMAX Exchange to trade LMAX Contracts, as they may be updated from time to time, and to access the Information;
- (b) only interact with LMAX Exchange using systems which are under the Member's or DMA Client's (as applicable) control (and in the case of the Member, it must only permit its DMA Clients to use systems which are under that Client's control), and which systems, conform to and are compatible with LMAX Exchange;
- (c) ensure that its systems will not be used in a manner likely to disrupt the provision of services by LMAX to any Member or to disrupt the operation of the LMAX Exchange or the provision of services similar to those provided by LMAX to any Member and have adequate and appropriate measures in place to protect LMAX Exchange 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 Exchange, the server on which the LMAX Exchange are stored or any server, computer or database connected to LMAX Exchange (including the Information); and
- (f) immediately notify LMAX and cease trading on LMAX Exchange if it becomes aware of, or suspects, a technical failure, malfunction or security breach of LMAX Exchange.

## 9. **Access**

9.1 **Qualification.** A Member and a DMA Client respectively must ensure that each Representative it authorises to:

- (a) use and access LMAX Exchange to enter into Transactions on behalf of the Member or DMA Client (as applicable);
- (b) use and access Information on its behalf;

is qualified to access and use LMAX Exchange and the Information.



- 9.2 **Member and DMA Client business only.** A Member and a DMA Client respectively must procure that each of its Authorised Persons accesses LMAX Exchange and uses the Information in accordance with these Rules and Applicable Laws solely in the course of the Member's or the DMA Client's (as applicable) business (including trading).
- 9.3 **Passwords.** Each Member and each DMA Client must ensure that the unique password and username issued to the Member or the DMA Client as the case may be by LMAX (as changed from time to time) for any of its Authorised Person are only used:
- (a) by such Authorised Person; and
  - (b) for those systems of the Member or DMA Client (as applicable):
    - (i) which are under the exclusive custody and control of the Member or DMA Client (as applicable); 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 Exchange 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 or the DMA Client as the case may be has satisfied its obligations under the Member Agreement or in the case of DMA Clients, a User Agreement.
- 9.6 **No retail customer access.** LMAX contracts listed on LMAX Exchange Services are not suitable for trading by retail customers. LMAX does not permit access to, and no Member or User may facilitate access to LMAX Exchange Services by any person who is not an institutional investor, professional investor, accredited investor or expert investor and who would otherwise be deemed a retail customer, whether directly or indirectly.
10. **Confidentiality**
- 10.1 **Obligations.** Subject to Rule 10.2 (Exceptions) and Rule 10.3 (Permitted Disclosures), each of the Members, DMA Clients 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, DMA Clients (if applicable), 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 Exchange 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;
- (iii) 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
- (iv) 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.** LMAX, the Member or the DMA Client may disclose any Confidential Information (including all or part of a Member Agreement (in the case of the Member or LMAX)) if obliged to do so in order to comply with Applicable Laws, including following the request from any competent court, regulator or 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, except LMAX will only be required to notify the Member.

## 11. Data Protection

11.1 **Relevant Personal Data.** 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 services by LMAX Exchange this Rule 11 (Data Protection) shall apply.

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

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

- (a) 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;
- (b) 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); promptly notify the Disclosing Party of the receipt of any request, notice or other communication from any affected individual or regulatory body (including but not limited to the Commissioner (as defined under the Data Protection Legislation)) relating to the Relevant Personal Data; provide the Disclosing Party with reasonable co-operation and assistance in connection with:
  - (i) its compliance with the Data Protection Legislation in relation to the Relevant Personal Data;

- (ii) any request or other communication made pursuant to rights under the Data Protection Legislation; 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;
  - (c) 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
  - (d) 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 the Data Protection Legislation in respect of its processing of the Relevant Personal Data.
- 11.4 **Local laws.** The Member and the DMA Client warrants, represents and undertakes that, at the time of entering into the Member Agreement or the User Agreement (as applicable), 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 LMAX if it becomes aware of any such laws.
12. **Trading Hours and LMAX Contracts**
- Subject to these Rules, LMAX Exchange will be open for trading by Members during Trading Hours on Trading Days.
13. **Suspending trading**
- 13.1 **Regulation.** LMAX may Suspend the entry of Orders in respect of any LMAX Contract at any time if:
- (a) required to do so by Applicable Laws; or
  - (b) requested to do so by a Governmental Authority; or
  - (c) LMAX reasonably believes that the Member or the DMA Client has breached a Rule.
- 13.2 **Material Disruptions.** LMAX may at any time in the event of a Material Disruption, or otherwise where it considers it reasonably necessary to maintain the stability or integrity of, and fair and orderly trading on, LMAX Exchange; or if required by Applicable Law or upon a request of a Governmental Authority,:
- (a) terminate or Suspend the operation of one or more LMAX Exchange Services;
  - (b) Suspend the entry of Orders in respect of any LMAX Contract;

- (c) place restrictions on trading certain LMAX Contracts;
- (d) cancel some or all Transactions;
- (e) determine any price adjustment to be paid in respect of Transactions; and/or
- (f) take such other steps as it deems necessary to restore the proper operation of, and the orderly conduct of business on LMAX Exchange.

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

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

**13.4 Calibration.** Members and DMA Clients must (and in the case of the Members, Members must also require their DMA Clients to), calibrate their systems used for accessing LMAX Exchange in such a way that they are able to cancel unfilled Orders at any time.

**13.5 Settlement.** Following any Suspension pursuant to Rule 13.2 (Material Disruptions – Members), LMAX reserves the right to cause settlement of any outstanding Transactions by publishing a settlement price on the LMAX Website.

**14. Orders**

**14.1 Matching.** LMAX will match Orders submitted to a particular Segment of LMAX Exchange with Orders on the same Segment of LMAX Exchange continuously and automatically in price time priority during Trading Hours. Subject to Applicable Laws and these Rules, Members and DMA Clients may cancel Orders entered by them before they are matched. Cancellation is not possible after a Transaction results from the Order, except in accordance with this LMAX Exchange RMO Rulebook.

**14.2 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.

**14.3 Rejection.** LMAX may refuse to accept an Order or cancel any Order submitted to LMAX Exchange if it believes:

- (a) such action is necessary to preserve the integrity, proper functioning or orderliness of LMAX Exchange; or
- (a) the relevant Member is in breach or will be further in breach of the NDF Settlement Limits then applicable to it if it were to enter into any Transaction as a result of such an Order being matched.

- 14.4 **Partial fills.** If an Order, rejected in accordance with Rule 14.3 (Rejection), has been partially filled, LMAX will cancel the unfilled part and send a cancellation message to the Member who placed the Order.
- 14.5 **Volatility rejections.** LMAX will reject Orders outside the Volatility Band and send a rejection message to the Member who placed the Order.
- 14.6 **Errors.** If LMAX reasonably believes a Transaction arose as a result of an erroneously submitted 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 Transaction as soon as possible.
- 14.7 **Members to agree.** Members notified by LMAX of a potential error in accordance with Rule 14.6 (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.
- 14.8 **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.
- 14.9 **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.

15. **Algorithmic Trading**

- 15.1 **Notification of algorithms.** Members and DMA Clients who wish to use an Algorithmic Trading technique (and Members who have DMA Clients who wish to use an Algorithmic Trading technique) must notify LMAX in advance of using any algorithm (or allowing their DMA Clients to use any algorithm), to trade on LMAX Exchange. Each algorithm should be separately notified.
- 15.2 **Testing.** Members and DMA Clients 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 Exchange Service.
- 15.3 **Restrictions.** No Member or DMA Client may access an LMAX Exchange using an algorithm that does not have an identifier and has neither been notified nor tested in accordance with this Rule 15 15 (Algorithmic Trading).

16. **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.

17. **Reporting and Taxes**

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



## PART 2 MARKET INTEGRITY, MONITORING AND INVESTIGATION

### 18. **Market integrity**

#### 18.1 **Prohibition against Market Abuse.** Members and DMA Clients must not:

- (a) engage in Market Abuse; or
- (b) enter into or engage in wash trades, front running and disruptive trading practices (together **Prohibited Trade Practices**); or
- (c) commit any act or engage in any course of conduct which is likely to damage the fairness, integrity, proper functioning or orderliness of LMAX Exchange or the provision of any LMAX Exchange Service; or
- (d) bring LMAX into disrepute.

#### 18.2 **Acknowledgement.** Each Member and DMA Client acknowledges and agrees that Market Abuse and Prohibited Trade Practices are strictly prohibited on LMAX Exchange.

### 19. **Monitoring and reporting**

#### 19.1 **Monitoring.** LMAX will monitor trading activity on LMAX Exchange for compliance with these Rules and Applicable Laws (including the SFA), disorderly trading and conduct that may amount to Market Abuse, Prohibited Trade Practices and/or breach or non-compliance with these Rules or Applicable Laws.

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

- (a) report to any Governmental Authority any Material Disruptions, any Prohibited Trade Practices, any material breaches of these Rules, disorderly trading conditions and conduct that may involve Market Abuse or breach or non-compliance with Applicable Laws; and
- (b) assist any Governmental Authority in any investigation of Market Abuse, any Prohibited Trade Practices or breach or non-compliance with Applicable Laws.

LMAX may disclose information and documents received from any Member or DMA Client in connection with its use of the LMAX Exchange 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 or DMA Client at least seven (7) days' written notice of the intended disclosure. To the fullest extent permitted by Applicable Laws, the Member or DMA Client shall co-operate with LMAX and any Governmental Authority in any investigation, proceeding or enquiry in relation to LMAX and/or the LMAX Exchange Services.



- 19.3 **Audit.** Members must provide LMAX with such information or means as required, on at least ten (10) Business Days' notice, to carry out a risk-based assessment of the Member's and its DMA Clients' compliance with this LMAX Exchange RMO Rulebook. Such audits may be conducted once a year or following a Suspension of the Member or any of its DMA Clients.
- 19.4 **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 or DMA Client 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 19 (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;
  - (d) Suspend or terminate the Member's ability to provide Direct Market Access to any DMA Client.
20. **Suspension and termination of membership**
- 20.1 **Resignation from membership.** A Member may resign its membership of any or all LMAX Exchange Services by giving at least thirty (30) days' written notice of resignation to LMAX in accordance with Rule 4 (Contacting LMAX) and its membership ends on that date.
- 20.2 **Conditions for Suspension and termination by LMAX.** Without prejudice to any other Rule, 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 Exchange Service for six months;
  - (d) a Member does not satisfy the Membership Criteria;
  - (e) LMAX reasonably believes that a Member has breached these Rules;
  - (f) the LMAX senior manager carrying out the Compliance Oversight Function finds that a Member has breached a Rule and recommends Suspension or termination;
  - (g) LMAX believes it is in the best interest of the relevant LMAX Exchange Service to do so;

- (h) a Member is an entity licensed or authorised by the MAS, where its licence or authorisation is revoked by the MAS; or
- (i) required upon the direction of the MAS,

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.

20.3 **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.

20.4 **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 20.2 (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 ten (10) Business Days of the effective date of LMAX's notice under Rule 20.3 (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.

20.5 **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.

## 21. **Force Majeure**

- 21.1 **Exclusion of liability.** Neither LMAX nor a Member is to be liable for delayed or non-performance of any obligations under the LMAX Documents if a Force Majeure Event has prevented or delayed such performance.
- 21.2 **Solution.** LMAX shall notify the Members via LMAX Website (if practicable) if an LMAX Exchange Service is not available as a result of a Force Majeure Event in respect of LMAX. LMAX shall bring the Force Majeure Event to a close or find a solution to resume performance.
- 21.3 **Termination.** Where a Member (including its DMA Client) or LMAX is prevented by a Force Majeure Event from performing its obligations under these Rules for a continuous period of more than thirty (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 20.5 (Effect of Suspension, termination and resignation).

## 22. **Complaints**

A Member may complain in writing about other Members to the LMAX senior manager carrying out the Compliance Oversight Function of LMAX who will commence an investigation in accordance with Rule 19.4 (Investigation) if he considers the complaint to be substantive. Complaints about LMAX may be made in writing to the LMAX senior manager carrying out the Compliance Oversight Function for investigation.

## PART 3 NDF SEGMENT

### 23. Definitions for the NDF Segment

In this NDF Segment of the LMAX Exchange RMO Rulebook, the following definitions apply in addition to those in Rule 1 (General Definitions):

**Bank Member** means a Member who satisfies the Core Membership Criteria and the Additional Membership Criteria in Rule 24 (Additional Membership Criteria for trading NDFs) below and who is admitted to trade NDF Contracts on LMAX Exchange, either to trade on its own account or to execute orders on behalf of its Clients.

**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.

**International Institution** means the Bank for International Settlements, the European Financial Stability Facility, the European Stability Mechanism and any other similar type multilateral agencies, organisations or entities.

**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 Exchange Service to A's Order and which Bank Member is not acting in the capacity of Settlement Bank.

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

- (a) Matching Bank Member resulting from use of the LMAX Exchange Service for NDFs, means a maximum amount, expressed in US Dollars, for the Net Open Position of that Member with that Matching Bank Member for that LMAX Exchange Service set in accordance with Rule 27.1 (Setting the NDF Settlement Limit); and
- (b) Settlement Bank resulting from use of the LMAX Exchange Service for NDFs, means a maximum amount, expressed in US Dollars, for the Net Open Position of that Bank Member for that LMAX Exchange Service set in accordance with Rule 27.1 (Setting the NDF Settlement Limit) and LMAX's agreement with the Relevant Settlement Bank.

**Net Open Position** means the net open position for a Member calculated, for the purposes of NDF Transactions with Matching Bank Members, and for the purposes of Transactions with Settlement Banks, in accordance with Rule 27.2 (Calculation) and Rule 27.3 (Net Open Positions).

**Outstanding Net Open Position** has the meaning set out in Rule 27.3 (Net Open Positions).

**Qualifying Master Trading Agreement** means a master agreement in a form generally accepted in the market for trading NDFs between Bank Members or between a Bank Member and a Settlement Bank, which master agreement has been notified to

LMAX, and has not been ended, varied or amended in such a way that those Bank Members or Settlement Bank will not enter into the relevant Transaction with each other.

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

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

- (a) Matching Bank Member resulting from use of the LMAX Exchange Service for NDFs, means: (i) the NDF Settlement Limit, would be neither exceeded nor further exceeded as a result of their entry into an NDF 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 14.6 (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 use of the LMAX Exchange Service for NDFs, in relation to any Transaction Group, means (i) the NDF 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 14.6 (*Errors*) for cancelling or re-pricing Transactions are not satisfied; and (iv) the Currency Pairs are permitted by the Relevant Settlement Bank.

**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 26.2 (NDFs).

## 24. **Additional Membership Criteria for trading NDFs**

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

- (a) be a Banking 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 use of the LMAX Exchange Service for NDFs.

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

24.3 **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 DMA to its Clients for the purpose of:
  - (i) offsetting their own or their clients' FX risk; or
  - (ii) market making using the Bank Member's capacity.

## 25. **Currency Pairs**

25.1 **Current LMAX Contracts.** LMAX Website lists the LMAX Contracts referencing any Currency Pairs eligible for trading on LMAX Exchange.

25.2 **New LMAX Contracts.** LMAX may at any time add further contracts to its list of LMAX Contracts that are eligible for trading on the NDF Segment, provided that those contracts meet LMAX's Contract Eligibility Criteria.

## 26. **Trade formation**

26.1 **Rejection of NDF Orders.** LMAX may refuse to accept a NDF Order or cancel any NDF Order submitted to the LMAX Exchange if *Rule 14.3 (Rejection)* applies or based on (A) the fact that (i) in the determination of LMAX, the NDF Order is likely to cause an excessively inverted market, (ii) the Member (whether by as a result of trading by the Member or by one of its DMA Clients) has breached the orders per second threshold which is agreed with LMAX from time to time, (iii) the NDF Order is greater than the clip size limit [set by LMAX] from time to time, or (iv) the NDF Order will cause the Member to exceed any working order limit set for it by LMAX from time to time in respect of the relevant LMAX Contract; or (B) any other relevant information, that the NDF Order is erroneous or invalid.

26.2 **NDFs.** Once NDF Orders are matched between Bank Members, the following NDF Transactions will be formed. If the two Bank Members:

- (a) have relevant Qualifying Master Trading Agreements with each other, then, provided that the relevant NDF Settlement Limit would not be exceeded as a result of entering into the NDF Transaction, an NDF Transaction to be governed by the relevant Qualifying Master Trading Agreement between them will be formed;
- (b) do not have relevant Qualifying Master Trading Agreements with each other, then, provided that the relevant NDF Settlement Limit would not be exceeded as a result of entering into an NDF Transaction, 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 LMAX Contract applying to each of the Bank Members at the time of matching are satisfied.

26.3 **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.

27. **NDF Settlement Limits for NDF trading on LMAX Exchange**

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

27.2 **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 Bank Member's request, an Outstanding Net Open Position across all value dates, whether they have been settled or not. LMAX will include all NDF Transactions which have not yet been settled in its calculation of the Net Open Position.

27.3 **Net Open Positions.** LMAX will calculate:

- (a) the Net Open Position of each Bank Member by netting short and long positions for a value date for each currency, then converting all net long and short positions into US Dollars based on the relevant LMAX Exchange 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 Bank Member that requested this calculation by netting all short and long positions across value dates for each currency, then converting all net long and short positions into US Dollars based on the relevant LMAX Exchange 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 Bank Member is the higher of the aggregate long and the aggregate short position.

28. **Liquidity Protection Rule for LMAX Exchange Services**

28.1 **Liquidity Protection Rule.** An Order to enter into an NDF Transaction submitted by a Liquidity Provider will only be matched with an Order to enter into an NDF Transaction submitted by another Liquidity Provider if both the buy and sell Orders have matched or exceeded for the Set Crossing Time Threshold and are within the Set Pricing

Tolerance. When a match between Liquidity Providers occurs under this Rule, any price improvement will be passed to the Liquidity Provider whose order first exists in the order book.

- 28.2 **Liquidity Pools for NDF Transactions.** LMAX may suspend the matching of Orders between Liquidity Providers as permitted by Rule 28.1 from time to time, acting reasonably and with advance notice either in writing by email or by publication on our website.