

# Rulebook

January 2018

## STATEMENT OF COMMITMENT TO THE FX GLOBAL CODE

LMAX 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 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 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 Limited



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## MODULE I – Definitions and interpretation

### 1. Definitions

In this 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**, in relation to Bank Members, means the criteria in Rule 6.4 (Bank Members); and in relation to Broker Members, means the criteria in Rule 6.7 (Broker Members).

**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** is an Order submitted to an LMAX Exchange Service or LMAX MTF Service which is not entered by a General Member, 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 Services and the Information on behalf of a Member or its DMA Clients.

**Bank Member** means a Member satisfying the relevant Membership Criteria and admitted to trade on the LMAX InterBank Service, one or more LMAX Exchange Services and/or LMAX MTF Services and who is listed as a Bank Member in relation to the relevant LMAX Service on LMAX's website at <https://mtf.lmax.com/membership/document-library>.

**Broker Member** means a Member satisfying the relevant Membership Criteria and admitted to trade CFDs on the LMAX MTF Services.

**Bullion** means gold, silver or any other precious metal the subject of a Spot Bullion Contract.

**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 governs 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.

**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 Service to enter into a Cleared CFD Transaction.

**Client** is 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 and Regulatory Committee** means an ad hoc committee to whom certain matters may be referred by LMAX under these Rules.

**Compliance Oversight Function** means 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 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 Documents or in connection with LMAX 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 a Spot FX Contract, NDF Contract, CFD Contract or a Spot Bullion Contract and any other contract added to trading on any LMAX 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's website from time to time.

**Contract Terms** means the terms and conditions set by LMAX for each Contract as published on LMAX's website at <https://mtf.lmax.com/membership/document-library>.

**Core Rules** means Module I – *Definitions and interpretation* and Module II – *Core Rules that apply to all LMAX Services* of this Rulebook.

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

**CRD** means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

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

**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 RTS 6.

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

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

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

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

**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 determines falls in RTS 8 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 Services and Information as in LMAX's schedule of fees as posted on LMAX's website at <https://mtf.lmax.com/membership/document-library>.

**Force Majeure Event** means, in relation to either LMAX 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.

**FX Contract** means a contract for buying and selling currencies.

**General Member** means:

- (a) a Member admitted to trade CFDs or NDFs on an LMAX MTF Service on its own account and providing liquidity subject to Rule 35 (Blocking Rule for LMAX MTF Services); and
- (b) a Bank Member admitted to trade Spot FX Contracts and/or Spot Bullion Contracts and providing liquidity, on an LMAX Exchange Service subject to Rule 40 (Blocking Rule for LMAX Exchange Services).

**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 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 or its nominees, relating to a LMAX Service, including bids, offers, prices, executions and volumes of Transactions on a LMAX Service (excluding Member Information identifying the Member or its DMA Client or 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.

**Liquidity Provider** means a Tier 1 Liquidity Provider and a Tier 2 Liquidity Provider.

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

**LMAX Documents** means the LMAX 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 its Members.

**LMAX Exchange Services** means LMAX London Exchange Service, LMAX New York Exchange Service and LMAX Tokyo Exchange Service.

**LMAX InterBank Service** means the LMAX Matching Facilities available to Bank Members subject to this Rulebook to enter into certain Spot FX Transactions and Spot Bullion Transactions with a Settlement Bank.

**LMAX London Exchange Service** means the all-to-all LMAX Matching Facilities hosted on London servers made available to Bank Members to enter into certain Spot FX and Spot Bullion Transactions with other Bank Member or Settlement Banks.

**LMAX Matching Facilities** means each of the matching facilities known as LMAX and any successors or replacements hosted on servers in London, New York and Tokyo.

**LMAX MTF Services** means the all-to-all LMAX Matching Facilities hosted on London and Tokyo servers made available to (i) Broker Members and General Members to enter into CFD Transactions with other Members and to (ii) Bank Members to enter into NDF Transactions with other Bank Members.

**LMAX New York Exchange Service** means the all-to-all LMAX Matching Facilities hosted on New York servers made available to Bank Members to enter into certain Spot FX and Spot Bullion Transactions with other Bank Members or Settlement Banks.

**LMAX Private Room** means the all-to-all matching facilities provided by LMAX to enable two or more Bank Members to trade FX, bullion, non-deliverable forwards or any other instruments with each other.

**LMAX Private Room Agreement** means an agreement between LMAX and two or more Bank Members pursuant to which LMAX provides a Private Room to those Bank Members and they agree to be bound by Module VI – *LMAX Private Rooms* of the Rulebook.

**LMAX Rulebook or Rulebook** means this rulebook.

**LMAX Services** means the services provided for in this Rulebook which a General Member, a Broker Member or a Bank Member, as the case may be, is entitled to use by virtue of its membership, being one or more LMAX Exchange Services, the LMAX MTF Services, the LMAX InterBank Service and, if applicable, the Proximity Services.

**LMAX Tokyo Exchange Service** means the all-to-all LMAX Matching Facilities hosted on Tokyo servers made available to Bank Members to enter into certain Spot FX and Spot Bullion Transactions with other Bank Members or Settlement Banks.

**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, DMA Client 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 Service against proprietary capital at prices defined by that Member, DMA Client or DEA Client and **Market Making** has a corresponding meaning.

**Market Making Commitments** means the obligations set out in Rule 31.2 (*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 Service;
- (b) any attempt to manipulate prices, or commit Market Abuse, in relation to any Reference Factor traded on an LMAX 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 Service;

- (d) any suspension or termination of services by a CCP, clearing member, Settlement Bank, Prime Broker, any settlement system used in connection with an LMAX Service (including CLS) that is required for the proper operation of LMAX 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 an LMAX Exchange Service or LMAX MTF Service to A's Order and which Bank Member is not acting in the capacity of Settlement Bank.

**Member** means a General Member, Broker Member or Bank Member, as applicable, who has been admitted to trade on an LMAX Service in accordance with Rule 6 (Membership).

**Member Agreement** means an agreement between LMAX and a Member pursuant to which that person is admitted to trade on one or more LMAX 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 6.2 (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 16.3 (Calculation) and Rule 16.4 (Net Open Positions), and for the purposes of Transactions with Settlement Banks, in accordance with Rule 46.2 (Calculation) and Rule 46.3 (Net Open Positions).

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

**Outstanding Net Open Position** has the meaning set out in Rule 16.4(b) (*Net Open Positions*).

**Prime Broker** means Credit Institution or Investment Firm meeting the criteria in [Rule 6.3\(b\)](#) and [6.3\(c\)](#) (*Core Membership Criteria*).

**Prime Brokerage Agreement** means any and all agreements between a Member and its Prime Broker for the Prime Broker to clear and settle CFD Transactions resulting from Orders submitted by that Member.

**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 Spot FX, Spot Bullion or NDFs (as the case may be) 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 will not enter into the relevant Spot FX, Spot Bullion or NDF Transaction with each other.

**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 DMA Client or 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 LMAX Rulebook as amended from time to time.

**Settlement Bank** means a financial institution appointed to enter into Spot FX Transactions or Spot Bullion Transactions with Bank Members.

**Settlement Conditions**, 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 or LMAX Exchange 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 Bank Members' membership has been terminated or suspended pursuant to these Rules; (iii) the conditions set out in [Rule 30.3 \(Errors\)](#) or [Rule 38.3 \(Errors\)](#) (as applicable) for cancelling or re-pricing Transactions are not satisfied; and (iv) the Currency Pairs or Bullion (as the case may be) are permitted by each of the two Bank Members;
- (b) Settlement Bank resulting from using an LMAX Exchange Service or the LMAX InterBank 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 a Spot FX Transaction [or Spot Bullion

Transaction] with the relevant Settlement Bank; (ii) neither of Bank Members' membership has been terminated or suspended pursuant to these Rules; (iii) the conditions set out in Rule 44.2 (Errors) for cancelling or re-pricing Transactions are not satisfied; and (iv) the Currency Pairs or Bullion (as the case may be) are permitted by the relevant Settlement Bank for the two Members.

**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 Exchange Service or 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 Service set in accordance with Rule 16.2 (Setting the Settlement Limit); and
- (b) Settlement Bank resulting from using an LMAX Exchange Service or the LMAX InterBank 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 46.1 (Setting the Settlement Limit) and LMAX's agreement with the relevant Settlement Bank.

**Spot Bullion Contract** means a Bullion Contract referencing Bullion incorporating LMAX's Contract Terms for an LMAX Exchange Service for settlement on an unallocated basis or where both parties agree allocated basis within two days of the trade date or fewer.

**Spot FX Contract** means a FX Contract referencing a Currency Pair incorporating LMAX's Contract Terms for the relevant LMAX Exchange Service or the LMAX InterBank Service for settlement within two days of the trade date or fewer.

**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 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.

**Tier 1 Liquidity Provider**, in relation to Spot FX Contracts, means a General Member or DMA Client who has agreed to provide liquidity to an LMAX Exchange Service to Accounts designated as Tier 1 Liquidity Takers.

**Tier 1 Liquidity Taker**, in relation to Spot FX Contracts, means an Account designated as such by LMAX and who can access liquidity provided by Tier 1 and Tier 2 Liquidity Providers.

**Tier 2 Liquidity Provider**, in relation to Spot FX Contracts, means a General Member or a DMA Client who has agreed to provide liquidity to an LMAX Exchange Service to Accounts designated as Tier 1 or Tier 2 Liquidity Takers.

**Tier 2 Liquidity Taker** in relation to Spot FX Contracts means an Account designated as such by LMAX and who can only access liquidity provided by Tier 2 Liquidity Providers.

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

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

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

**Transaction Group** means two equal and opposite Spot FX Transactions or Spot Bullion Transactions to buy and sell exactly the same amount of currency or bullion, each between a Bank Member and a Settlement Bank resulting from matched Orders being notified to that Settlement Bank under Rule 45 (Trade Formation).

**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's website at <https://mtf.lmax.com/membership/document-library> between LMAX and a person who is a DMA Client or DEA Client of a Bank Member pursuant to which that DMA Client or DEA Client may access and use an LMAX Service.

**Volatility Band** means a price or value range as determined by LMAX 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 LMAX Rulebook;
  - (b) any agreement between LMAX and a Settlement Bank;
  - (c) the Member Agreement;
  - (d) any other written agreement between LMAX 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 FX and Bullion settlement services,
- the LMAX 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).



## MODULE II – Core Rules that apply to all LMAX Services

### PART A: APPLICATION, AMENDMENTS, NOTICES AND GOVERNING LAW

#### 3. Application

The Core Rules apply to all Members and all LMAX Services, but not to Private Rooms.

#### 4. Amendments

4.1 **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 4.2 (Material amendments)) retained in the Rulebook; or
- (b) repealed as the amendment is no longer required.

4.2 **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 4, 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) to connect to and use LMAX Matching Facilities;
- (b) affect the way Transactions arise or affect any other operational aspect of an LMAX Service;
- (c) have significant implications under Applicable Laws; or
- (d) cause or may cause substantial cost to, or demand additional resources from, Members.

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

4.4 **Notice of amendments.** LMAX 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.

#### 5. Contacting LMAX

5.1 **Communications.** Members can contact LMAX:

LMAX Exchange is a trading name of LMAX Limited. LMAX Limited operates a multilateral trading facility, authorised and regulated by the Financial Conduct Authority (firm registration number 509778) and is a company registered in England and Wales (number 6505809). Our registered address is Yellow Building, 1A Nicholas Road, London, W11 4AN

- (a) in writing to LMAX at:  
Address: LMAX, Yellow Building, 1A Nicholas Road, London W11 4AN.  
Attention: Compliance; or
- (b) by email to Compliance@lmax.com.

5.2 **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

### 6. **Membership**

- 6.1 **Classes of Members.** The classes of Members of LMAX are (a) General Members, (b) Broker Members and (c) Bank Members.
- 6.2 **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.
- 6.3 **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 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 their trading activities; and
- (iv) have sufficient resources for the trading activities they intend to undertake.

6.4 **Additional Membership Criteria for Bank Members.** An applicant seeking admission as a Bank Member must: be

- (a) 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) a Settlement Member or Third Party Bank Member (each as defined in the CLS Rules) of CLS Settlements.

6.5 **Capacity of Bank Member.** Bank 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 provided that, in the case of the LMAX InterBank Service, they comply with Rule 43 (Conditions to Bank Members using the LMAX InterBank Service). Bank Members that provide liquidity usually also be registered as General Members.

6.6 **General Members and Broker Members.** Members may be registered as both General Members and Broker Members if they or their DMA Clients or DEA Clients both provide and take liquidity.

6.7 **Broker Members executing Orders for Clients.** An applicant seeking admission as a Broker Member must have appropriate permission from its regulator to deal on own account and execute Orders on behalf of 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 Services ; and (iii) Orders and Transactions and provide such information in English within such reasonable time 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 Matching Facilities, as they may be updated from time to time, and to access the Information;

- (b) only interact with LMAX Matching Facilities using systems which are under the Member's control and only permit their DMA Clients and 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 Matching Facilities;
- (c) ensure that its systems will not be used in a manner likely to disrupt the provision of the LMAX Services or to disrupt the operation of the LMAX Matching Facilities or the provision of services similar to the LMAX Services to other Members and have adequate and appropriate measures in place to protect LMAX Matching Facilities 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 Services, the server on which the LMAX Matching Facilities are stored or any server, computer or database connected to LMAX Matching Facilities (including the Information); and
- (f) immediately notify LMAX and cease trading on any LMAX Service if it becomes aware of, or suspects, a technical failure, malfunction or security breach of LMAX Matching Facilities.

## 9. Access

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

- (a) use and access an LMAX 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 Service and the Information.

9.2 **Member business only.** A Member must procure that each of its Representatives, accesses an LMAX Service and uses the Information solely for the Member's use and 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 LMAX Services and LMAX Matching Facilities 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 DMA Clients or DEA Clients, a User Agreement.
- 10. Confidentiality**
- 10.1 **Obligation.** Subject to Rule 10.2 to 10.3 below, 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, DMA Clients or DEA Clients, any Prime Broker, 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 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 (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; 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 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;
  - (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 EMIR.

10.3 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 **Data controller.** For the purposes of the Data Protection Act 1998, LMAX is a data controller for the purpose of providing the LMAX Services. For the purposes of this [Rule 11](#), data controller, and personal data have the meanings in the Data Protection Act 1998.

11.2 **Consents.** LMAX and the Members agree that they will comply at all times with any legislation (including the Data Protection Act 1998) which directly affects the processing and transmission of data in connection with the use of an LMAX Service. Each Member warrants that all information given to LMAX relating to any Authorised Person has been given with the consent of each individual and in compliance with all relevant data protection and privacy laws.

11.3 **Transfer of data.** The data that LMAX collects from the Members may, following a notice to this effect by LMAX on its website, be transferred to, stored at and processed at a destination outside the EEA. By submitting personal data following the date of the notice and allowing any Authorised Person to submit personal data, each Member agrees to this transfer, storing or processing. LMAX will take all steps reasonably necessary to ensure that such data is treated securely.

11.4 **Outsourcing.** LMAX does not outsource its data processing requirements to third parties but undertakes to inform Members prior to doing so on the basis that LMAX is to be liable for the acts and omissions of such third parties and must, in so far as is relevant to the Members, take reasonable steps to ensure that such third parties comply with the Data Protection Act 1998.

## PART C: TRADING SERVICES

### 12. Trading Hours and Contracts

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

### 13. Currency Pairs and Reference Factors

**Current Contracts.** LMAX's website lists Contracts referencing any Currency Pairs and Reference Factors as eligible for trading on LMAX Exchange Services and LMAX MTF Services and the Currency Pairs eligible for trading on the LMAX InterBank Service. See <https://mtf.lmax.com/membership/document-library>.

## 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 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 Service, including:
- (a) terminating or Suspending the operation of the LMAX Matching Facilities or of one or more of the LMAX Services 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 DMA Client or DEA Client is technically unable to delete that Order;
  - (b) if it duplicates another Order on any of the LMAX Matching Facilities in error; and
  - (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 Matching Facilities 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 Service with Orders on the same LMAX 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.** Members trade as, and enter Orders as, the principal, and any client trading has to be conducted on a riskless principal basis.

- 15.3 **Rejection.** LMAX may refuse to accept an Order or cancel any Order entered into an LMAX Service if it believes:
- (a) such action is necessary to preserve the integrity, proper functioning or orderliness of that LMAX Service; or
  - (b) 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, or (iii) the Order is greater than the clip size limit set by the Member, or (B) any 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.
- 16. Settlement Limits for NDF, Spot FX and Spot Bullion trading on LMAX MTF Services and LMAX Exchange Services**
- 16.1 **Application.** This Rule 16 applies to Bank Members and NDF, Spot FX and Spot Bullion Transactions on LMAX MTF and LMAX Exchanges Services only. It does not apply to LMAX InterBank Services.
- 16.2 **Setting the Settlement Limit.** As between any two Bank Members, the Settlement Limit for Spot FX, Spot Bullion and 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 matched Members would be exceeded as a result of entering into such a Transaction, no Transactions will be formed.
- 16.3 **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.
- 16.4 **Net Open Positions.** For NDF, Spot FX and Spot Bullion Transactions and each LMAX MTF Service and each LMAX Exchange 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 Service 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 Service 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.

**17. 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.

**18. Reporting and taxes**

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

**PART D: MARKET INTEGRITY, MONITORING AND INVESTIGATION**

**19. 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 Service or bring LMAX into disrepute.

**20. Monitoring and reporting**

**20.1 Monitoring.** LMAX will monitor trading activity on each LMAX Service for compliance with these Rules, disorderly trading and conduct that may amount to Market Abuse.

**20.2 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 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 7 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.

**20.3 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 20 (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 Suspend or terminates the Member's membership.

## 21. Compliance and Regulatory Committee

- 21.1 **Constitution.** LMAX may convene a Compliance and Regulatory Committee to deal with disciplinary and other issues. The committee will consist of at least three members. One member will be independent (including a non-executive LMAX board member), the second will be the LMAX senior manager carrying out the Compliance Oversight Function (or his delegate) and the third an LMAX board member or senior employee who is not responsible for compliance or risk management.
- 21.2 **Governance.** The Compliance and Regulatory Committee may adopt any decision or take any action pursuant to this Rulebook by simple majority vote of its members and in accordance with the terms of reference published on LMAX's website from time to time.
- 21.3 **Procedures.** The Compliance and Regulatory Committee will consider any LMAX decision which is the subject of the appeal taking into account any representations of the affected Member, the recommendation of the LMAX senior manager carrying out the Compliance Oversight Function and any previous warnings issued to the Member. The Compliance and Regulatory Committee may uphold, overturn or amend the LMAX decision which is the subject of the appeal and will notify the relevant Member within 10 Business Days of any decision reached in relation to the appeal. In exercising its powers and functions under this Rule, the Compliance and Regulatory Committee must have regard to the need to maintain the integrity, orderliness and proper functioning of each LMAX Service. The decision of the Compliance and Regulatory Committee is final.

## 22. Suspension and termination of membership

- 22.1 **Resignation from membership.** A Member may resign its membership of any or all LMAX Services by giving at least 30 days' written notice of resignation to LMAX in accordance with Rule 5 (Contacting LMAX) and its membership ends on that date.
- 22.2 **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 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 19 (Market integrity), Rule 26 (Conditions to trading CFD Contracts), Rule 27 (Conditions to trading NDF Contracts), Rule 37 (Conditions to trading Spot FX and Spot Bullion Contracts) or Rule 43 (Conditions to Bank Members using the LMAX InterBank Service);

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- (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 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.

- 22.3 **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.
- 22.4 **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 22.2 (Conditions for Suspension and termination by LMAX) to the Compliance and Regulatory Committee. 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 22.3 (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 Compliance and Regulatory Committee has allowed the appeal.
- 22.5 **Effect of Suspension and termination.** Notwithstanding Suspension or termination, 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.

## 23. Force Majeure

- 23.1 **Exclusion of liability.** Neither LMAX nor a Member is to be liable for delayed or non-performance of obligations under the LMAX Documents if a Force Majeure Event has prevented or delayed such performance.
- 23.2 **Solution.** LMAX shall notify the Members via its website (if practicable) if an LMAX 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.
- 23.3 **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 22.5 (Effect of Suspension and termination).

## 24. **Complaints**

A Member may complain in writing about other Members to the LMAX senior manager carrying out the Compliance Oversight Function of LMAX Exchange who will commence an investigation in accordance with Rule 20.3 (*Investigation*) if he considers the complaint to be substantive. Complaints about LMAX may be made in writing to the Compliance and Regulatory Committee for investigation.

## MODULE III – LMAX MTF Services

### PART A: MEMBERSHIP

#### 25. Application

This MODULE III – LMAX MTF Services applies to Broker Members and General Members in relation to CFD Contracts and Bank Members in relation to NDF Contracts and an LMAX MTF Service.

#### 26. Conditions to trading CFD Contracts

- 26.1 **Trading Cleared CFDs.** To trade Cleared CFD Contracts on an LMAX MTF Service, a 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.
- 26.2 **CFD settlement.** To trade CFD Contracts, which terms do not include clearing by a CCP, on an LMAX MTF Service, a Member must have a Prime Brokerage Agreement with a Prime Broker, which agreement has not been ended, varied or amended in such a way that the Prime Broker will not accept CFD Transactions.
- 26.3 **Direct Electronic Access provided by Members.** Members may provide Clients Direct Electronic Access to CFD trading on LMAX MTF Services. Members may not provide Direct Electronic Access to a Client unless that Member is an Investment Firm or Credit Institution.
- 26.4 **Prime Brokers.** Prime Brokers must have in place appropriate agreements and arrangements with the other Members or their Prime Brokers for settling any Transactions they intend to enter into (other than Cleared CFD Transactions).
- 26.5 **Clearing obligations.** Each Member must:
- (a) post margin to, and settle Cleared CFD Transactions with, the CCP or its clearing member; and
  - (b) post margin to, and settle CFD Transactions (other than Cleared CFD Transactions) with, its Prime Broker, or, if it does not have a Prime Broker, directly to or with the Member that is a counterparty or the Prime Broker of that Member.
- 26.6 **Notification.** Members will notify LMAX immediately if their arrangements for clearing and settlement of CFDs change or are terminated.
- 26.7 **Prime Brokerage Agreements.** Members will ensure that agreements with Prime Brokers 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 Prime Brokerage Agreements include such provisions.

26.8 **Purpose.** A General Member may enter Orders for its own account primarily for the purpose of Market Making and may provide DEA to its Clients for the purpose of Market Making.

26.9 A Broker Member may enter Orders for Clients and may provide DEA to its Clients. primarily for the purposes of offsetting FX risk.

## 27. **Conditions to trading NDF Contracts**

27.1 **Capacity.** Only Bank Members may trade NDF Contracts on an LMAX MTF Services. Members who are not Bank Members of an LMAX MTF Service may access NDF trading on an LMAX MTF Service as a Client or DEA Client of a Bank Member.

27.2 **Direct Electronic Access provided by Bank Members.** Bank Members may not provide Direct Electronic Access to a Client unless that Client has entered into User Agreement with LMAX.

27.3 **NDF Settlement.** To trade NDF Contracts on an LMAX MTF Service, a Bank Member must have a Qualifying Master Agreement with the Matching Bank Member under which it may enter into NDF Transactions resulting from using an LMAX MTF Service.

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

27.5 **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 in its capacity as a General Member;
- (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 as a General Member.

## 28. **Future LMAX MTF Services 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 Service, provided that those Contracts meets LMAX's Contract Eligibility Criteria.

## 29. **Direct Electronic Access**

29.1 **DEA Agreement.** 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.

29.2 **Suitability of DEA Clients.** Broker Members and Bank 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.

29.3 **MiFID2 compliance.** Broker Members and Bank 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.

## PART B: TRADING ON LMAX MTF SERVICES

### 30. **Orders**

30.1 **Rejection of Orders.** LMAX may refuse to accept an Order or cancel any Order entered into an LMAX MTF Service if it believes that 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.

30.2 **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 General Member may be held by the relevant LMAX MTF Service for a time period determined by LMAX and communicated to all Members.

30.3 **Errors.** If LMAX reasonably believes a Transaction (provided it is not a Cleared CFD Transaction, in which case, Rule 30.5 (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.

- 30.4 **Members to agree.** Members notified by LMAX of a potential error in accordance with Rule 30.3 (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.
- 30.5 **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.
- 30.6 **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.
- 30.7 **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.
- 31. Market Making Strategies**
- 31.1 **Scope of Market Making Agreement.** This Rule 31 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.
- 31.2 **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%] [the percentage notified by LMAX from time to time]; and
  - (b) competitively priced, in that they are within the maximum bid-offer spread defined by LMAX and notified to the Market Maker.
- 31.3 **Monitoring of compliance with Market Making Agreement.** LMAX will monitor the trading activity of each Market Maker for compliance with Rule 31.2 (Market Making Commitments). Only double sided quotes will be considered.
- 31.4 **Exceptional circumstances.** The Market Making Commitments set out in Rule 31.2 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.



31.5 **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 their compliance with the Market Making Commitments;
- (c) maintain records of firm quotes and Transactions relating to their 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.

**32. Algorithmic trading**

- 32.1 **Consent.** 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 the algorithm or allowing their DEA Clients to use the algorithm, to trade on LMAX MTF Services.
- 32.2 **Testing.** Members must test each algorithm notified to LMAX in its testing environment so that in LMAX's opinion it will not result in disorderly trading conditions on any LMAX MTF Service.
- 32.3 **Restrictions.** No Member may access an LMAX MTF Service using an algorithm that does not have an ID and had neither been notified nor tested in accordance with this Rule 32 (Algorithmic trading).

**33. Monitoring.**

- 33.1 **Trading activity.** LMAX will monitor trading activity on LMAX MTF Services for compliance with MiFID2.
- 33.2 **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.

**34. Trade formation**

- 34.1 **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 by the same Member.
- 34.2 **Other CFDs.** Once CFD Orders are matched, a CFD Transaction arises between the relevant Members. Each Member may give that CFD Transaction up to its Prime Broker in accordance with, and subject to, its Prime Brokerage Agreement.

- 34.3 **Settlement of CFDs.** Each Member must ensure settlement of CFD Transactions (other than Cleared CFD Transactions) to which it is a party either bilaterally with its counterparty (or the counterparty's Prime Broker) and/or with its Client or in accordance with the Prime Brokerage Agreement between the Member and its Prime Broker.
- 34.4 **NDFs.** As soon as Orders are matched between Bank Members, and if they have relevant Qualifying Master Trading Agreements with each other, then, subject to this Rule 31 (Trade Formation), an NDF Transaction to be governed by the relevant Qualifying Master Trading Agreement between them, will be formed, provided that the Settlement Conditions for the relevant type of Contract applying to each of the Bank Members at the time of matching are satisfied.
- 34.5 **DEA Clients.** Each Bank Member must enable LMAX to identify uniquely on an anonymous basis each of its Clients using Direct Electronic Access or a similar functionality. Each Bank Member must apply a separate limit to each of their DEA Clients.
- 34.6 **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 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.

**35. Blocking Rule for LMAX MTF Services**

- 35.1 **CFD Transactions.** No CFD Order entered by a General Member is to be matched with a CFD Order entered by another General Member. CFD Orders that are entered by General Members may only be matched with CFD Orders entered by Broker Members.
- 35.2 **NDF Transactions.** No Order to enter into an NDF Transaction submitted by a General Member or DEA Client providing liquidity is to be matched with an Order to enter into a NDF Transaction submitted by another General Member or DEA Client providing liquidity.

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## MODULE IV –LMAX Exchange Services

### PART A: MEMBERSHIP

#### 36. Application

This MODULE IV – LMAX Exchange Services applies to Bank Members in relation to Spot FX Contracts and Spot Bullion Contracts and an LMAX Exchange Service.

#### 37. Conditions to trading Spot FX and Spot Bullion Contracts

- 37.1 **Capacity.** Only Bank Members may trade Spot FX Contracts and Spot Bullion Contracts on an LMAX Exchange Service. Members who are not Bank Members of an LMAX Exchange Service may access Spot FX and Spot Bullion trading on an LMAX Exchange Service as a Client or DMA Client of a Bank Member.
- 37.2 **Direct Market Access provided by Bank Members.** Bank Members may not provide Direct Market Access to a Client unless that Client has entered into User Agreement with LMAX.
- 37.3 **Spot FX Settlement.** To trade Spot FX Contracts on an LMAX Exchange Service, a Bank Member must either:
- (a) have a Qualifying Master Agreement with the Matching Bank Member under which it may enter into Spot FX Transactions resulting from using the relevant LMAX Exchange Service; or
  - (b) where it does not have such a Qualifying Master Trading Agreement in place with the Matching Bank Member, settle Spot FX Transactions with a Settlement Bank in accordance with Rule 42.1 (Spot FX Settlement).
- 37.4 **Spot Bullion Settlement.** To trade Spot Bullion Contracts on an LMAX Exchange Service, a Bank Member must either:
- (a) have a Qualifying Master Agreement with the Matching Bank Member under which it may enter into Spot Bullion Transactions resulting from using the relevant LMAX Exchange Service; or
  - (b) where it does not have such a Qualifying Master Trading Agreement in place with the Matching Bank Member, settle Spot Bullion Transactions with a Settlement Bank in accordance with Rule 42.2 (Spot Bullion Settlement).
- 37.5 **Notification.** Bank Members will notify LMAX immediately if their arrangements for settlement of Spot FX or Spot Bullion change or are terminated.
- 37.6 **Purpose.** A Bank Member may:
- (a) enter Orders for its own account primarily for the purpose of:
    - (i) offsetting FX or Bullion risk; or
    - (ii) Market Making in its capacity as a General Member;
  - (b) provide DMA to its Clients for the purpose of:
    - (i) offsetting FX or Bullion risk of its Clients or those of its Clients' customers; or

- (ii) Market Making using the Bank Member's capacity as a General Member.

## PART B: TRADING ON LMAX EXCHANGE SERVICES

### 38. Orders

- 38.1 **Rejection of Orders.** LMAX may refuse to accept an Order or cancel any Order entered into an LMAX Exchange Service if it believes that 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.
- 38.2 **Order delays.** All Aggressive Orders submitted to an LMAX Exchange Service by a Bank Member (or Client acting in its name) not acting in the capacity of a General Member may be held by the relevant LMAX Exchange Service for a time period determined by LMAX and communicated to all Members.
- 38.3 **Errors.** If LMAX reasonably believes a Transaction 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.
- 38.4 **Members to agree.** Members notified by LMAX of a potential error in accordance with Rule 38.3 (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.
- 38.5 **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.
- 38.6 **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.

### 39. Trade formation

- 39.1 **FX and Bullion.** As soon as Orders are matched between Bank Members, and if:
- (a) they have relevant Qualifying Master Trading Agreements with each other, then, subject to this Rule 39 (Trade Formation), a Spot FX Transaction or Spot Bullion Transaction, to be governed by the relevant Qualifying Master Trading Agreement between them, will be formed, provided that the Settlement Conditions for the relevant type of Contract applying to each of the Bank Members at the time of matching are satisfied;
  - (b) they do not have relevant Qualifying Master Trading Agreements with each other, then Rule 45 (Trade Formation) will apply.

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

**40. Blocking Rule for LMAX Exchange Services**

40.1 **Spot Bullion Transactions.** On all LMAX Exchange Services, no Order to enter into a Spot Bullion Transaction submitted by a General Member or DMA Client providing liquidity is to be matched with an Order to enter into a Spot Bullion Transaction submitted by another General Member or DMA Client providing liquidity.

40.2 **Liquidity Pools for Spot FX Transactions.** On all LMAX Exchange Services, no Order to enter into a Spot FX Transaction submitted by a Tier 2 Liquidity Taker is to be matched with an Order to enter into a Spot FX Transaction submitted by a Tier 1 Liquidity Provider. Orders to enter into a Spot FX Transaction submitted by a Tier 1 Liquidity Taker may be matched with Orders entered by any Liquidity Providers.

## MODULE V - LMAX InterBank Service

### PART A: MEMBERSHIP

#### 41. Application

MODULE V – *LMAX InterBank Service* applies to Bank Members and the LMAX InterBank Service.

#### 42. Additional Membership Criteria

42.1 **Spot FX Settlement.** To trade Spot FX Contracts on the LMAX InterBank Service, an applicant must:

- (a) be able to settle Spot FX Transactions through CLS Settlement; and
- (b) have a Qualifying Master Trading Agreement with a Settlement Bank under which it may enter into Spot FX Transactions resulting from using the LMAX InterBank Service.

42.2 **Spot Bullion Settlement.** To trade Spot Bullion Contracts on the LMAX InterBank Service, an applicant must:

- (a) be able to settle Spot Bullion Transactions through a Settlement Bank; and
- (b) have a Qualifying Master Trading Agreement with a Settlement Bank under which it may enter into Spot Bullion Transactions resulting from using the LMAX InterBank Service.

#### 43. Conditions to Bank Members using the LMAX InterBank Service

A Bank Member may:

- (a) enter Orders primarily for the purpose of:
  - (i) offsetting risk in the FX books based on FX trades entered into with its Clients; or
  - (ii) inter-bank Market Making;
- (b) provide DMA to its Clients, but not if the Client engages in High-Frequency Trading; and
- (c) not access the LMAX InterBank Service for the primary purpose of High-Frequency Trading.

43.2 **Direct Market Access provided by Bank Members.** Bank Members may not provide Direct Market Access to a Client unless that Client has entered into User Agreement with LMAX.

### PART B: TRADING ON LMAX INTERBANK SERVICE

#### 44. Orders

44.1 **Rejection of Orders.** LMAX may refuse to accept an Order or cancel any Order entered into on LMAX Interbank Service if it believes that the relevant Bank 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 Spot FX Transaction or Spot Bullion Transaction as a result of such an Order being matched.

44.2 **Errors.** If LMAX reasonably believes that Orders were matched as a result of an erroneously entered Order, whether as a result of being notified of the error by a Bank Member or because of a

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Transaction Group referencing an off-market rate or otherwise, it will contact the two Bank Members as soon as possible.

- 44.3 **Members to agree.** Members notified by LMAX of a potential error in accordance with Rule 44.2 (Errors) shall discuss the proposed Transaction Group in good faith with a view to deciding whether to confirm or re-price the Transaction Group to an appropriate market rate at the time of the trade. If the affected Bank Members:
- (a) agree to confirm or re-price the Transaction Group, 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 both Spot FX Transactions or Spot Bullion Transactions forming part of the Transaction Group, or re-price the Transaction Group to an appropriate market rate at the time of the trade. LMAX will notify the relevant Bank Members of such cancellation or re-pricing as soon as practicable.
- 44.4 **Reporting Transactions.** LMAX will issue confirmations of Spot FX Transactions and Spot Bullion Transactions to the relevant Bank Members as soon as practicable, and in any event within two Trading Hours of the original time of execution of the Transaction Group. LMAX's confirmations will be final and binding on the parties to each Spot FX Transaction or Spot Bullion Transaction.
- 44.5 **Transaction data.** LMAX will make available to each Bank Member a list of all Spot FX Transactions and Spot Bullion Transactions it entered into with any Settlement Bank on any Trading Day at the end of each Trading Day.

## 45. Trade formation

- 45.1 **Formation.** Subject to this Rule 45 (Trade formation), as soon as Orders are matched between Bank Members, the proposed Transaction Group will be notified to the relevant Settlement Bank. Provided the Settlement Conditions applying to each of the Bank Members at the time of notification are satisfied, two Spot FX Transactions or Spot Bullion Transactions, each between a matched Bank Member and a Settlement Bank and to be governed by the relevant Qualifying Master Trading Agreement between them, will be formed on such notice. A Settlement Bank may enter into equal and opposite Spot FX Transactions or Spot Bullion Transactions as the case may be where matched Orders are entered into by the same Bank Member.
- 45.2 **Settlement Conditions.** The Settlement Bank may enter into a Spot FX Transaction or Spot Bullion Transaction forming part of a Transaction Group even if the Settlement Conditions are not satisfied, but shall have no obligation to do so.
- 45.3 **DMA Clients.** Each Bank Member must enable LMAX to identify uniquely on an anonymous basis each of its Clients using Direct Market Access or a similar functionality.

## 46. Settlement Limits

- 46.1 **Setting the Settlement Limit.** The Settlement Limits will be the lower of the limits set by the Settlement Bank and the Bank Member. The Settlement Bank will only be able to increase a Bank Member's Settlement Limit with that Bank Member's agreement.
- 46.2 **Calculation.** For each Settlement Bank, LMAX will calculate each Bank Member's Net Open Position for each value date. LMAX will include all Transactions which have not yet been settled.
- 46.3 **Net Open Positions.** LMAX will calculate each Bank Member's Net Open Position by netting short and long positions for each currency, then converting all net long and short positions into US Dollars

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based on the LMAX InterBank Service closing prices from the previous Trading Day, and then summing all short and all long positions so converted. The Bank Member's Net Open Position is the higher of the aggregate long and the aggregate short position.

## **MODULE VI – LMAX Private Rooms**

### **47. Application**

This MODULE VI – *LMAX Private Rooms* applies to Bank Members and LMAX Private Rooms.

### **48. Bank Member status and Agreements**

- 48.1 **Private Rooms.** Two or more Bank Members may agree with LMAX to use matching facilities provided by LMAX for trading among themselves on their own account and/or for the account of DMA Clients or DEA Clients on the terms of an LMAX Private Room Agreement. A Bank Member may be a party to one or more LMAX Private Room Agreements.
- 48.2 **Qualifying Master Trading Agreements.** To enter into Transactions with other Bank Members in an LMAX Private Room, a Bank Member must have a Qualifying Master Trading Agreement with the Matching Bank Member under which it may enter into Transactions resulting from entering Orders in the relevant LMAX Private Room.