

# LMAX Exchange Rulebook

Effective date: December 2023

## STATEMENT OF COMMITMENT TO THE FX GLOBAL CODE

LMAX Exchange Group Limited (**LMAX Group**) has reviewed the content of the FX Global Code (the **Code**) and acknowledges that the Code represents a set of principles generally recognised as good practice in the wholesale foreign exchange market (**FX Market**). LMAX 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 Exchange Group Limited



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## 1. Definitions

1.1 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.

**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 which, in LMAX's opinion, will consume another Order that already exists on the order book.

**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 bank satisfying the Membership Criteria and admitted to trade on one or more LMAX Exchange Services and who is listed as a Bank Member on the LMAX Website from time to time.

**Bullion** means gold, silver or any other precious metal that is 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.

**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 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 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 who is a client as defined in the FCA Rules and to whom a Member provides brokerage and other financial services.

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

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

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

**Compliance Oversight Function** means the designated management function or equivalent overseeing the compliance of the 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), 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 Services or otherwise, and which is designated as being confidential or is by its nature clearly confidential.

**Contract** means a Spot FX Contract or a Spot Bullion Contract and any other contract added to trading on any LMAX Service in accordance with this Rulebook.

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

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

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

**Data Protection Legislation** means the UK GDPR and any related legislation or regulatory guidance.

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

**Dark Order** is an order which does not appear in any LMAX Exchange Market Data.

**Designated Investment Firm** means an Investment Firm regulated by the PRA.

**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.

**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 Services.

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

**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 the 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 (whether provided by LMAX, the Member or a third party service provider of either of them) 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 Bank Member admitted to trade Spot FX Contracts and/or Spot Bullion Contracts and providing liquidity on an LMAX Exchange Service subject to Rule 29 (*Liquidity Protection 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, a Member or a DMA Client (as applicable), 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.

**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 an LMAX Exchange Service, including bids, offers, prices, executions and volumes of Transactions on an LMAX Exchange Service (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) 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 ten (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 ten (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 UK CRR and any other institution which has similar powers.

**Investment Firm** means a firm as defined in the FCA Rules.

**Liquidity Provider** means a Member or DMA Client who has agreed to provide liquidity in relation to Spot FX Transactions and Spot Bullion Transactions to Accounts designated as Liquidity Takers



**Liquidity Taker** means any Member or DMA Client who is not a Liquidity Provider.

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

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

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

**LMAX Exchange London 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 Members or Settlement Banks.

**LMAX Exchange New York 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 Exchange Service** means each of LMAX Exchange London Service, LMAX Exchange New York Service, LMAX Exchange Singapore Service and LMAX Exchange Tokyo Service, as the case may be.

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

**LMAX Exchange Tokyo 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.

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

**LMAX Private Room** means the all-to-all LMAX 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 Part VI – LMAX Private Rooms of this Rulebook.

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

**LMAX Services** means the services provided for in this Rulebook which 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 InterBank Service and an LMAX Private Room.

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



**Market Abuse** means behaviour prohibited by Article 14 and 15 of UK MAR and/or contrary to Principle 12 and/or Principle 17 of the FX Global Code.

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

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

**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 Contract listed on an LMAX Service, or any associated Reference Factor, or to engage in Prohibited Trade Practices;
- (c) any Change in Law in relation to one or more Contracts listed on an LMAX Service or any associated Reference Factor;
- (d) 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;
- (e) any suspension or termination of services by a Settlement Bank, CLS, any other 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;
- (f) any emergency or extraordinary market conditions or circumstances; or
- (g) any Force Majeure Event.

**Maximum Hold Time** in relation to a Quote Driven Liquidity Provider, such period as agreed between that Quote Driven Liquidity Provider with LMAX as being the maximum time within which such Liquidity Provider can confirm a matched Order.

**Member** means a Bank Member and a General Member.

**Member Agreement** means an agreement between LMAX and the 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 criteria set out in Rule 6.1 (*Membership Criteria*).

**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 16.2 (*Calculation*).

and Rule 16.3 (*Net Open Positions*), and for the purposes of Transactions with Settlement Banks, in accordance with Rule 17.2 (*Calculation*) and Rule 17.3 (*Net Open Positions*).

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

**Order Driven Liquidity Provider** is a Liquidity Provider who provides order driven liquidity in relation to Spot FX Transactions and Spot Bullion Transactions on an LMAX Service.

**Outstanding Net Open Position** has the meaning set out in Rule 16.3(b) (*Net Open Positions*).

**PRA** means the United Kingdom's Prudential Regulation Authority or any successor bodies.

**Prohibited Trade Practices** has the meaning set out in Rule 20.1 (*Prohibition Against Market Abuse*).

**Qualifying Master Trading Agreement**, means a master agreement in a form generally accepted in the market for trading Spot FX or Spot Bullion 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 to cover settlement of Transactions and has not been ended, varied or amended in such a way that such Bank Members or a Bank Member and Settlement Bank will not enter into the relevant Transaction with each other.

**Quote Driven Liquidity Provider** means a Liquidity Provider who provides quote driven liquidity in relation to Spot FX Transactions and Spot Bullion Transactions on an LMAX Exchange Service or in an LMAX Private Room.

**Quotes** means a price quote provided by Quote Driven Liquidity Provider to execute a Transaction on an LMAX Exchange Service or in an LMAX Private Room.

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

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

**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 in relation to a Member.

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

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

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

**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 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) Settlement Limits as between Matching Bank Members 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 27.3 (*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, 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 16.1 (*Settlement Limits between Matching Bank Members*); 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 17.1 (*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 or Suspension** 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 and Spot Bullion Contracts, means a Bank 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 and Spot Bullion Contracts, means an Account who can access liquidity provided by Tier 1, Tier 2 and Tier 3 Liquidity Providers.

**Tier 2 Liquidity Provider**, in relation to Spot FX and Spot Bullion Contracts, means a Bank 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 and Spot Bullion means an Account who can only access liquidity provided by Tier 2 and Tier 3 Liquidity Providers.

**Tier 3 Liquidity Provider**, in relation to Spot FX and Spot Bullion Contracts, means a Bank Member or a DMA Client who has agreed to provide liquidity to an LMAX Exchange Service to Accounts designated as Tier 1, Tier 2 or Tier 3 Liquidity Takers.

**Tier 3 Liquidity Taker**, in relation to Spot FX Contracts and Spot Bullion means an Account who can only access liquidity provided by Tier 3 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 FX or Bullion on the terms of a Spot FX Contract, or Spot Bullion Contract, as the case may be (and Spot FX 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 34 (*Trade formation*).

**UK CRR** means the UK's retained EU law version of Regulation 575/2013/EU on prudential requirements for credit institutions and investment firms.

**UK EMIR** means the UK's retained EU law version of Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories.

**UK GDPR** means Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data as it forms part

of the laws of the United Kingdom by virtue of section 3 of the European Union (Withdrawal) Act 2018.

**UK MAR** means the UK's retained EU law version of Regulation (EU) No 596/2014 on market abuse.

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

**User** means a DMA client.

**User Agreement** means an agreement 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 Rulebook:

- (a) references to the words includes or including are to be construed without limitation;
- (b) all references to time are references to the 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 with 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, User Agreement or Applicable Laws).

### **2.2 Laws.** Any reference to any legislation, provision or law, enactment or 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) these Rules;
- (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 these Rules; and:

- (a) the Member Agreement or
- (b) any agreement between LMAX and a Settlement Bank for the provision of FX and Bullion settlement services,

these Rules prevail.

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).



## PART A: GENERAL PROVISIONS

### 3. Application

The General Provisions 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 ten (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 (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.

### 5. Contacting LMAX

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

- (a) in writing to LMAX Exchange at:



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

Attention: Legal; or

- (b) by email to legal@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.

## 6. **Membership**

6.1 **Membership Criteria.** Bank Members must:

- (a) enter into a Member Agreement;
- (b) be authorised as, or be an Affiliate of, a Credit Institution or Designated Investment Firm (or the equivalent under Applicable Laws) or a Central Bank or International Institution; and
- (c) in the view of LMAX:
  - (i) be of sufficiently good repute;
  - (ii) have a sufficient level of trading ability, competence and experience;
  - (iii) have adequate governance and organisational arrangements to oversee their trading activities and to ensure compliance with these Rules and Applicable Laws; and
  - (iv) have sufficient resources for the trading activities they intend to undertake; and
- (d) be (except if it is a Central Bank) a Settlement Member or Third-Party Member (each as defined in the CLS Rules) of CLS Settlements.

6.2 **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 in the case of an LMAX Exchange Service.

6.3 **Members executing Orders for Clients.** Members executing Orders for Clients 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 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 (i) the Member (insofar such request is relevant to the its membership of LMAX); (ii) its or (if applicable) and of its Client's use of the LMAX Services; and (iii) any 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 (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 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 or DMA Client's (as applicable) control (and in the case of the Member, it must only permit their DMA Clients to use systems which are under that Client's control), and which systems, 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 any Member 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.** Bank Members and DMA Clients respectively must ensure that each Representative it authorises to:

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

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

9.2 **Member and DMA Client business only.** Bank Members and DMA Clients respectively must procure that each of its Authorised Persons 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.** Each Bank Member and each DMA Client must ensure that the unique password and username issued to the Member by LMAX (as changed from time to time) for any of its Authorised Persons 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 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 Bank Member has satisfied its obligations under the Member Agreement or in the case of DMA Clients, a User Agreement.

## 10. Confidentiality

10.1 **Obligation.** Subject to Rule 10.2 to Rule 10.3 below, each of the Bank 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 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 UK EMIR.

10.3 Either LMAX, the Bank 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 Bank Member.

## 11. Data Protection

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

- (a) each of the Bank Members, DMA Clients and LMAX agrees that the Disclosing Party and the Recipient Party shall each be a “controller” (as defined in UK GDPR); and
- (b) the terms of this Rule 11 shall apply.

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

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

- (a) provide Data Subjects with all the information, in a concise, transparent, easy to understand format using clear and plain English, required under the Data Protection Legislation to ensure that the Data Subjects understand how their personal data will be processed by the Receiving Party;
- (b) take all appropriate technical and organisational measures against unauthorised or unlawful processing of the Relevant Personal Data and against accidental loss or destruction of, or damage to the Relevant Personal Data, including (without limitation) by:

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

11.4 The Recipient Party warrants, represents and undertakes that, at the time of entering into the Member Agreement or User Agreement and executing any Transaction on an LMAX Service, 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, and it will promptly inform the Disclosing Party if it becomes aware of any such laws.

## 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

The LMAX Website lists Contracts referencing any Currency Pairs and Reference Factors as eligible for trading on LMAX Services.

## 14. Suspending Trading

**14.1 Regulation.** LMAX may Suspend the entry of Orders in respect of any Contracts referencing a particular Currency Pair or Reference Factor 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; or
- (d) LMAX believes the situation warrants it.

**14.2 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, the LMAX Services, or if required by Applicable Law or upon a request of a Governmental Authority:

- (a) terminate or Suspend the operation of the LMAX Matching Facilities or of one or more of the LMAX Services in whole or in part;
- (b) Suspend the entry of Orders in respect of any Contract(s),
- (c) place restrictions on trading certain Contracts;
- (d) cancel some or all Transactions formed during the Material Disruption; and/or
- (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 the LMAX Services.

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

- (a) on the request of a Bank Member if the Bank Member or its DMA 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) if that Order was submitted and remained unfilled before a Suspension in accordance with these Rules.



14.4 Bank Members and DMA Clients must (and in the case of Bank Members, Bank Members must also require their DMA Clients to), 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 - Bank Members*), LMAX reserves the right to cause settlement of any outstanding Transactions by publishing a settlement price on the LMAX Website.

## 15. Orders and Quotes

15.1 **Transparency.** All Orders and Quotes will be displayed in the relevant LMAX Matching Service unless the Member has indicated that they should be dark.

15.2 **Order Matching.** LMAX will match Orders on each LMAX Service with Orders on the same LMAX Service continuously and automatically in price lit time priority during Trading Hours.

15.3 **Cancellation of Orders.** Subject to Applicable Laws, Bank Members may cancel Orders entered by the Member or a DMA Client acting in its name before they are matched. Cancellation is not possible after a Transaction results from the Order, except in accordance with this Rulebook.

15.4 **Quote Matching.** LMAX will match Quotes on each LMAX Service with Orders on the same LMAX Service continuously and automatically during Trading Hours. A Quote which is matched with an Order will be rejected if the relevant Quote Driven Liquidity Provider does not confirm the potential transaction within the Maximum Hold Time, as set out in Rule 30 (*Hold Time Rule*).

15.5 **Capacity.** Bank Members trade as, and enter Orders and Quotes as, the principal, and any client trading has to be conducted on a riskless principal basis.

15.6 **Rejection.** LMAX may refuse to accept an Order or cancel any Order submitted to 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 Bank Member has breached the orders per second threshold it agreed with LMAX, (iii) the Order is greater than the clip size limit set by the Bank Member, or (iv) the Order will cause the Bank Member to exceed any working order limit set in respect of each Contract; or (v) the Order is outside the set order update limit for the relevant Contract (B) any other relevant information, that the Order is erroneous or invalid.

15.7 **Partial Fills.** If an Order rejected in accordance with Rule 15.6 (*Rejection*) has been partially filled, LMAX will cancel the unfilled part and send a cancellation message to the Bank Member who placed the Order.

15.8 **Volatility Rejections.** LMAX will reject Orders and Quotes outside the Volatility Band and send a rejection message to the Bank Member who placed the Order.



## 16. Settlement Limits as between Matching Bank Members

- 16.1 **Settlement Limits between Matching Bank Members.** As between any two Bank Members, the Settlement Limit for Spot FX and Spot Bullion 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.
- 16.2 **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.
- 16.3 **Net Open Positions.** For Spot FX and Spot Bullion Transactions 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. Settlement Limits as between Bank Members and Settlement Banks

- 17.1 **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.
- 17.2 **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.
- 17.3 **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 based on the closing prices of the LMAX Exchange Service or LMAX InterBank Service as is applicable 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.

## 18. No Guarantee

LMAX is not responsible for, nor guarantees the performance of, any Transaction. Each Bank 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.

## 19. Reporting and Taxes

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

## 20. Market Integrity

20.1 **Prohibition against Market Abuse.** Bank 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 or the provision of any LMAX Service; or
- (d) bring LMAX into disrepute.

20.2 **Acknowledgement:** Each Bank Member acknowledges and agrees, and will procure that each of its DMA Clients acknowledges and agrees, that Market Abuse and Prohibited Trade Practices are strictly prohibited on the LMAX Exchange.

## 21. Monitoring and Reporting

21.1 **Monitoring.** LMAX will monitor trading activity on each LMAX Service for compliance with these Rules and Applicable Laws, 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.

21.2 **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.

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

21.4 **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 Bank 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 21 (*Monitoring and reporting*), the LMAX senior manager carrying out the Compliance Oversight Function may:

- (a) do nothing;
- (b) issue a written warning (which will not be published); or
- (c) recommend that LMAX Suspend or terminates the Bank Member's membership; or
- (d) Suspend or terminate the Bank Member's ability to provide Direct Market Access to one or more DMA Clients.

## **22. Suspension and Termination of Membership**

**22.1 Resignation from Membership.** A Bank Member may resign its membership of any or all LMAX Services by giving at least thirty (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 Bank Member fails to pay Fees and/or Charges within 30 days of the due date;
- (b) an Insolvency Event happens in relation to a Bank Member;
- (c) a Bank Member does not trade on a particular LMAX Service for six months;
- (d) a Bank Member does not satisfy the Membership Criteria;
- (e) LMAX reasonably believes that a Bank Member or its DMA Client has breached these Rules;
- (f) the LMAX senior manager carrying out the Compliance Oversight Function finds that a Bank Member or its DMA Client 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 Bank 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 Bank 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 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 any obligations under the LMAX Documents if a Force Majeure Event has prevented or delayed such performance.
- 23.2 **Solution.** LMAX shall notify the Bank Members via the LMAX Website (if practicable) if an LMAX 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.
- 23.3 **Termination.** Where a Bank 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 Bank Member nor LMAX has any liability to the other except in accordance with Rule 22.4 (*Effect of Suspension and Termination*).

## **24. Complaints**

A Bank Member may complain in writing about other Bank Members to the LMAX senior manager carrying out the Compliance Oversight Function of LMAX Exchange who will commence an investigation in accordance with Rule 21.4 (*Investigation*) if he considers the complaint to be substantive.

## PART B: LMAX EXCHANGE SERVICES

### 25. Application

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

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

- 26.1 **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.
- 26.2 **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 and agreed to be bound by these Rules.
- 26.3 **Spot FX Settlement.** To trade Spot FX Contracts on an LMAX Exchange Service, a Bank Member must either:
- (a) have a Qualifying Master Trading 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 32.1 (*Spot FX Settlement*).
- 26.4 **Spot Bullion Settlement.** To trade Spot Bullion Contracts on an LMAX Exchange Service, a Bank Member must either:
- (a) have a Qualifying Master Trading 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 32.2 (*Spot Bullion Settlement*).
- 26.5 **Notification.** Bank Members will notify LMAX immediately if their arrangements for settlement of Spot FX or Spot Bullion change or are terminated.
- 26.6 **Purpose.** A Bank Member may:
- (a) enter Orders or Quotes 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.

## 27. Orders and Quotes

- 27.1 **Rejection of Orders or Quotes.** LMAX may refuse to accept an Order or Quote or cancel any Order or Quote 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 or Quote being matched with another Order.
- 27.2 **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.
- 27.3 **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.
- 27.4 **Members to agree.** Members notified by LMAX of a potential error in accordance with Rule 27.3 (*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.
- 27.5 **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.
- 27.6 **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.
- 27.7 **Tagging.** Other than in the case of errors, where Rule 27.3 (*Errors*) will apply or if requested by a Governmental Authority, LMAX will not disclose the identity of the two Members to a potential trade to each other before the Transaction is formed regardless of whether an Order was matched with another Order or a Quote, but post-trade, LMAX may provide unique identifier codes in respect of Transactions entered by Liquidity Providers to those Liquidity Providers at the end of the Trading Day.

## 28. Trade Formation

- 28.1 **FX and Bullion.** As soon as two Orders are matched, or an Order is matched to a Quote and then confirmed by the relevant Quote Driven Liquidity Provider, and if:



- (a) the relevant Bank Members have relevant Qualifying Master Trading Agreements with each other, then, subject to this Rule 28 (*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; or
- (b) they do not have relevant Qualifying Master Trading Agreements with each other, then Rule 28 (*Trade Formation*) will apply.

28.2 **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.

## 29. Liquidity Protection Rule for LMAX Exchange Services

29.1 **Liquidity Protection Rule.** On all LMAX Exchange Services, an Order to enter into a Spot FX or Spot Bullion Transaction submitted by an Order Driven Liquidity Provider will only be matched with an Order to enter into a Spot FX or Spot Bullion Transaction submitted by another Order Driven 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 Order Driven Liquidity Providers occurs under this Rule, any price improvement will be passed to the Liquidity Provider whose order first exists in the Orderbook.

29.2 **Liquidity Tiers for Spot FX Transactions.** On all LMAX Exchange Services, no Order to enter into a Spot FX Transaction submitted by a higher tier Liquidity Taker is to be matched with an Order to enter into a Spot FX Transaction submitted by a lower tier Liquidity Provider. Orders to enter into a Spot FX Transaction submitted by a Liquidity Taker may be matched with Orders entered by any Liquidity Providers in an equivalent or a higher tier.

29.3 **Rule Suspension.** LMAX may suspend the matching of Orders between Liquidity Providers as permitted by Rule 29.1 from time to time, acting reasonably and with advance notice either in writing by email or by publication on our website.

## 30. Hold Time Rule for Quote Driven Liquidity.

30.1 **Risk assessment.** LMAX Exchange Services will notify Quote Driven Liquidity Providers of all Orders matched to their Quotes, and during the relevant Maximum Hold Time, the Quote Driven Liquidity Provider should consider whether proposed transactions fall within their risk controls.

30.2 **Rejection.** A Quote to enter into a Spot FX or Spot Bullion Transaction entered into an LMAX Exchange Service by a Quote Driven Liquidity Provider will be rejected if not confirmed by the same Liquidity Provider within the Maximum Hold Time.



## PART C: LMAX INTERBANK SERVICE

### 31. Application

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

### 32. Additional Membership Criteria

32.1 **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.

32.2 **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.

### 33. Orders

33.1 **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.

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

33.3 **Members to agree.** Members notified by LMAX of a potential error in accordance with Rule 33.2 (*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.

- 33.4 **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.
- 33.5 **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.

#### **34. Trade Formation**

- 34.1 **Formation.** Subject to this Rule 34 (*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.
- 34.2 **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.

## PART D: LMAX PRIVATE ROOMS

### 35. Application

This Part D: LMAX Private Rooms applies to Bank Members and LMAX Private Rooms.

### 36. Bank Member Status and Agreements

- 36.1 **Private Rooms.** Two or more Bank Members may agree with LMAX to use provided by LMAX for trading among themselves on their own account and/or for the account of DMA Clients in accordance with this Rulebook, and if applicable, on the terms of an LMAX Private Room Agreement and/or Rules of Engagement entered into by the Members. A Bank Member may be a participant in one or more LMAX Private Rooms.
- 36.2 **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.
- 36.3 **Orders and Quotes.** Bank Members may agree to permit Orders or Quotes in their LMAX Private Room.