

13.2.2 FX Connect MTF and Currenex MTF – Application for Exemption from Recognition as an Exchange – Notice and Request for Comment

NOTICE AND REQUEST FOR COMMENT

APPLICATION FOR EXEMPTION FROM RECOGNITION AS AN EXCHANGE FOR FX CONNECT MTF AND CURRENEX MTF

A. Introduction

This notice requests comment on:

- (i) the applications filed by State Street Global Markets International Limited (**SSGMIL**, or the **Applicant**), as operator of FX Connect MTF (**FX Connect**) and Currenex MTF (**Currenex**), under section 147 of the *Securities Act* (Ontario) (**Act**) for an exemption from the requirement to be recognized as an exchange in section 21 of the Act (**Recognition Requirement**) to operate FX Connect and Currenex; and
- (ii) the draft order exempting SSGMIL from the Recognition Requirement.

FX Connect and Currenex are multilateral trading facilities (**MTF**) operated by SSGMIL. SSGMIL is authorized by the Financial Conduct Authority (**FCA**) in the United Kingdom to act as their operator. Each MTF is a Request for Quote (**RFQ**) trading system that facilitates the trading of the following foreign exchange (**FX**) derivatives: deliverable and non-deliverable forwards and swaps.

The Applicant offers direct access to FX Connect and Currenex to participants in Ontario (**Ontario Participants**). Since the Applicant, through the MTFs, is carrying on business in Ontario, the Applicant, as their operator, is required either to be recognized as an exchange under the Act or to apply for an exemption from the Recognition Requirement. The Applicant is currently exempt from recognition as an exchange to operate FX Connect and Currenex pursuant to interim orders issued by the Commission on May 10, 2019 and June 21, 2019, respectively.¹ Both orders will expire in 2020. The Applicant has applied for an exemption from the Recognition Requirement to operate FX Connect and Currenex on the basis that it is already subject to regulatory oversight by the FCA.

B. Background

On January 3, 2018, the Markets in Financial Instruments Directive 2014/65/EU of the European Parliament and of the Council (**MiFID II**) was implemented. Under Article 28(1) of the Markets in Financial Instruments Regulation (Regulation (EU) No. 600/2014) (**MiFIR**), the regulation that accompanies MiFID II, certain European counterparties must trade certain derivatives on a trading venue and not bilaterally. As a result, Canadian banks and other institutions wishing to enter into transactions in these derivatives with EU counterparties must do so on a trading venue, namely a regulated market, an organised trading facility, an MTF or a third-country trading venue that the European Commission has determined has an equivalent system for regulating trading venues. The Applicant has indicated that Canadian banks and other institutions trade on FX Connect and Currenex.

An MTF provides a facility for bringing together orders from multiple buyers and sellers for types of over-the-counter derivatives and other securities and use established non-discretionary methods under which the orders interact with each other. An MTF meets the definition of “marketplace.”

An MTF has a responsibility to regulate the conduct of its participants with respect to trading on the MTF and to set rules governing trading on the system. Because of these self-regulatory responsibilities, under the Act an MTF would be considered an exchange.

C. Application and Draft Exemption Order

In the applications for exemption from recognition as exchanges, the Applicant has outlined how the Applicant, FX Connect and Currenex meet the criteria for exemption from the Recognition Requirement. The specific criteria can be found in Appendix 1 of the draft exemption order. Subject to comments received, Staff intend to recommend that the Commission grant an exemption order with terms and conditions based on the draft exemption order. The applications can be found on our website at www.osc.gov.on.ca and the draft exemption order is attached to this Notice.

D. Comment Process

The Commission is publishing for public comment the applications and the draft exemption order. We are seeking comment on all aspects of the applications and draft exemption order.

¹ The interim order for FX Connect is available at: https://www.osc.gov.on.ca/en/SecuritiesLaw_ord_20190516_222_fx-connect.htm The interim order for Currenex is available at: https://www.osc.gov.on.ca/en/SecuritiesLaw_ord_20190725_221_currenex-multilateral-trading.htm

Please provide your comments in writing, via e-mail, on or before April 6, 2020, to the attention of:

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8

Email: comments@osc.gov.on.ca

The confidentiality of submissions cannot be maintained as the comment letters and a summary of written comments received during the comment period will be published.

Questions may be referred to:

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Keir Wilmut
Legal Counsel, Market Regulation
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IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED

- and -

IN THE MATTER OF
STATE STREET GLOBAL MARKETS INTERNATIONAL LIMITED
ORDER
(Section 147 of the Act)

WHEREAS State Street Global Markets International Limited ("**Applicant**") has filed an application dated August 12, 2019 ("**Application**") with the Ontario Securities Commission ("**Commission**") to request an order pursuant to section 147 of the Act exempting it from the requirement to be recognized as an exchange under subsection 21(1) of the Act in order to operate FX Connect Multilateral Trading Facility ("**FX Connect**") in Ontario;

AND WHEREAS the Applicant has filed an application dated September 26, 2019 with the Commission to request an order pursuant to section 147 of the Act exempting it from the requirement to be reconized as an exchange under subsection 21(1) of the Act in order to operate Currenex Multilateral Trading Facility ("**Currenex**" and, together with FX Connect, "**State Street MTFs**") in Ontario;

AND WHEREAS the Applicant has not requested as part of the Application that any other marketplace or trading platform operated by the Applicant, or the provision of access by any such marketplace or trading platform to prospective participants in Ontario, be exempted from any provision of Ontario securities law;

AND WHEREAS on May 10, 2019 the Commission issued an interim order under section 147 of the Act exempting the Applicant on an interim basis from the requirement in subsection 21(1) to be recognized as an exchange in order to operate FX Connect ("**FX Connect Interim Order**"), terminating on the earlier of (i) May 11, 2020 and (ii) the effective date of a subsequent order exempting the Applicant from the requirement to be recognized as an exchange;

AND WHEREAS on June 21, 2019 the Commission issued an interim order under section 147 of the Act exempting the Applicant on an interim basis from the requirement in subsection 21(1) to be recognized as an exchange to operate Currenex ("**Currenex Interim Order**" and, together with the FX Connect Interim Order, "**Interim Orders**"), terminating on the earlier of (i) June 30, 2020 and (ii) the effective date of a subsequent order exempting the Applicant from the requirement to be recognized as an exchange;

AND WHEREAS the Interim Orders will therefore terminate upon the issuance of this order;

AND WHEREAS the Applicant has represented to the Commission that:

- 1.1 The Applicant is authorized by the Financial Conduct Authority ("**FCA**") in the United Kingdom to act as the operator of each of the State Street MTFs, both multilateral trading facilities ("**MTF**");
- 1.2 The State Street MTFs are registered with the FCA as MTFs operated by the Applicant;
- 1.3 The State Street MTFs offer request for quote ("**RFQ**") trading in certain instruments related to foreign currencies (spot, deliverable and non- deliverable forwards and swaps) and related trade support services to their subscribers ("**Members**"). It is understood that, as of the date of the application, exchange relief is not required in respect of foreign currencies spot;
- 1.4 All State Street MTF Members, including Members in Ontario ("**Ontario Members**") must qualify as an "eligible counterparty" or "professional client" under the Markets in Financial Instruments Directive 2014/65/EU ("**MiFID II**") and the Markets in Financial Instruments Regulation (EU) No 600/2014 ("**MiFIR**"), both as amended;
- 1.5 As required by the FCA Handbook, the Applicant has implemented a trade surveillance program for the State Street MTFs. As part of the program, the Applicant conducts real-time monitoring of trading activity on the State Street MTFs;
- 1.6 As MTFs, the State Street MTFs are required under the FCA Handbook to have requirements governing the conduct of their Members, to monitor compliance with those requirements and to discipline their Members, including by means other than exclusion from the State Street MTF trading platforms;

- 1.7 Because the Applicant regulates the conduct of the Members, it is considered by the Commission to be an exchange;
- 1.8 Because the State Street MTFs have Members located in Ontario, the Applicant would be considered by the Commission to be carrying on business as an exchange in Ontario with respect to the State Street MTFs and would be required to be recognized as such or exempted from recognition pursuant to section 21 of the Act to operate the State Street MTFs;
- 1.9 The State Street MTFs do not list or trade derivative instruments that are required to be cleared;
- 1.10 The Applicant and the State Street MTFs have no physical presence in Ontario and do not otherwise carry on business in Ontario except as described above; and

AND WHEREAS the products traded on the State Street MTFs are not commodity futures contracts as defined in the *Commodity Futures Act* (Ontario) and the Applicant is not considered to be carrying on business as a commodity futures exchange in Ontario with respect to the State Street MTFs;

AND WHEREAS the Commission will monitor developments in international and domestic capital markets and the Applicant's activities on an ongoing basis to determine whether it is appropriate for the Exchange Relief to continue to be granted subject to the terms and conditions set out in Schedule "A" to this order;

AND WHEREAS the Applicant has acknowledged to the Commission that the scope of the Exchange Relief and the terms and conditions imposed by the Commission set out in Schedule "A" to this order may change as a result of the Commission's monitoring of developments in international and domestic capital markets or the activities of the Applicant or the State Street MTFs, or as a result of any changes to the laws in Ontario affecting trading in derivatives or securities;

AND WHEREAS based on the Application, together with the representations made by and acknowledgements of the Applicant to the Commission with respect to the State Street MTFs, the Commission has determined that the granting of the Exchange Relief would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that, pursuant to section 147 of the Act, the Applicant is exempt from recognition as an exchange under subsection 21(1) of the Act in order to operate the State Street MTFs,

PROVIDED THAT the Applicant, in respect of the State Street MTFs, complies with the terms and conditions contained in Schedule "A".

DATED , 2020.

SCHEDULE "A"

TERMS AND CONDITIONS

Meeting Criteria for Exemption

1. The Applicant will continue to meet and will cause the State Street MTFs to continue to meet the criteria for exemption included in Appendix 1 to this Schedule.

Regulation and Oversight of the Applicant

2. The Applicant will maintain its permission to operate the State Street MTFs as MTFs with the FCA in the United Kingdom and will continue to be subject to the regulatory oversight of the FCA.
3. The Applicant will continue to comply with the ongoing requirements applicable to it as the operator of an MTF registered with the FCA.
4. The Applicant will promptly notify the Commission if its authorization to operate FX Connect or Currenex has been revoked, suspended, or amended by the FCA, or the basis on which its authorization to operate FX Connect or Currenex has been granted has significantly changed.
5. The Applicant will only operate the State Street MTFs in Ontario.
6. The Applicant, as operator of the State Street MTFs, must do everything within its control to ensure that, in respect of FX Connect and Currenex, it carries out activities as an exchange exempted from recognition under subsection 21(1) of the Act in compliance with Ontario securities law.

Access

7. The Applicant will not provide direct access to an Ontario Member to FX Connect or Currenex unless the Ontario Member is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements and qualifies as an "eligible counterparty" under MiFID II and MiFIR, both as amended.
8. For each Ontario Member provided direct access to FX Connect and Currenex, the Applicant will require, as part of its application documentation or continued access to FX Connect and Currenex, the Ontario Member to represent that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.
9. The Applicant may reasonably rely on a written representation from the Ontario Member that specifies either that it is appropriately registered as applicable under Ontario securities laws or is exempted from or not subject to those requirements provided the Applicant notifies such Ontario Member that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote or otherwise uses FX Connect or Currenex.
10. The Applicant will require Ontario Members to notify the Applicant if their registration as applicable under Ontario securities laws has been revoked, suspended, or amended by the Commission or if they are no longer exempt from or become subject to those requirements and, following notice from the Ontario Member and subject to applicable laws, the Applicant will promptly restrict the Ontario Member's access to FX Connect and Currenex if the Ontario Member is no longer appropriately registered or exempt from those requirements.
11. The Applicant must make available to Ontario Members appropriate training for each person who has access to trade on FX Connect and Currenex.

Trading by Ontario Members

12. The Applicant, as operator of the State Street MTFs, will not provide access to an Ontario Member to trade in products other than swaps and security-based swaps, as defined in section 1a(47) of the United States Commodity Exchange Act, as amended, without prior Commission approval.

Submission to Jurisdiction and Agent for Service

13. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Applicant in Ontario, the Applicant will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.

14. The Applicant will file with the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of or relating to or, concerning the Commission's regulation and oversight of the Applicant's activities in Ontario.

Disclosure

15. The Applicant will provide to the Ontario Members disclosure that:
- (a) rights and remedies against the Applicant may only be governed by the laws of the United Kingdom, rather than the laws of Ontario and may be required to be pursued in the United Kingdom rather than in Ontario;
 - (b) the rules applicable to trading on the State Street MTFs may be governed by the laws of the United Kingdom rather than the laws of Ontario; and
 - (c) the Applicant is regulated by the FCA, rather than the Commission.

Prompt Reporting

16. The Applicant will promptly notify staff of the Commission of any of the following:
- (a) any material change to its business or operations or the information provided in the Applications, including, but not limited to material changes to:
 - (i) the regulatory oversight by the FCA;
 - (ii) the corporate governance structure of the Applicant;
 - (iii) the access model, including eligibility criteria, for Ontario Members;
 - (iv) systems and technology; and
 - (v) the clearing and settlement arrangements for FX Connect and Currenex;
 - (b) any change in the regulations applicable to FX Connect and Currenex or the laws, rules and regulations in the United Kingdom relevant to the financial instruments available for trading on FX Connect and Currenex where such change may materially affect its ability to meet the criteria set out in Appendix 1 to this Schedule;
 - (c) any condition or change in circumstances whereby the Applicant is unable or anticipates it will not be able to continue to meet any of the rules or regulations of the FCA that are relevant to FX Connect and Currenex, as set forth in the FCA Handbook;
 - (d) any known investigations of, or disciplinary action against the Applicant by the FCA or any other regulatory authority to which it is subject;
 - (e) any matter known to the Applicant that may materially affect its financial or operational viability, including, but not limited to, any significant system failure or interruption;
 - (f) any default, insolvency, or bankruptcy of a Member known to the Applicant or its representatives that may have a material, adverse impact upon FX Connect, Currenex or any Ontario Member; and
 - (g) any material systems outage, malfunction or delay with respect to FX Connect and Currenex;
17. The Applicant will promptly provide staff of the Commission with the following information to the extent it is required to provide to or file such information with the FCA:
- (a) details of any material legal proceeding instituted against the Applicant;
 - (b) notification that the Applicant has instituted a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the Applicant or has a proceeding for any such petition instituted against it; and
 - (c) the appointment of a receiver or the making of any voluntary arrangement with creditors.

Quarterly Reporting

18. The Applicant will maintain the following updated information in reference to FX Connect and Currenex and submit such information for each of FX Connect and Currenex in a manner and form acceptable to the Commission on a quarterly basis (within 30 days of the end of each calendar quarter), and at any time promptly upon the request of staff of the Commission:
- (a) a current list of all Ontario Members and whether the Ontario Member is registered under Ontario securities laws or is exempt or not subject to registration and, to the extent known to the Applicant, of other persons or companies located in Ontario trading on FX Connect and Currenex as customers of participants (“**Other Ontario Participants**”);
 - (b) the legal entity identifier assigned to each Ontario Member and, to the extent known by the Applicant, to Other Ontario Participants, in accordance with the standards set by the Global Legal Entity Identifier System;
 - (c) a list of all Ontario Members against whom disciplinary action has been taken in the last quarter by the Applicant or, to the best of the Applicant’s knowledge, by the FCA with respect to such Ontario Members’ activities on FX Connect and Currenex and the aggregate number of all Members referred to the FCA in the last quarter by the Applicant;
 - (d) a list of all active investigations by the Applicant relating to Ontario Members and the aggregate number of active investigations during the quarter relating to all Members;
 - (e) a list of all Ontario applicants for status as a Member who were denied such status or access to FX Connect or Currenex during the quarter, together with the reasons for each such denial;
 - (f) a list of all products available for trading during the quarter, identifying any additions, deletions, or changes since the prior quarter;
 - (g) for each product, in the required format, and for each of FX Connect and Currenex:
 - (i) the total trading volume and value originating from Ontario Members and, to the extent known by the Applicant, from Other Ontario Participants presented on a per Ontario Member or a per Other Ontario Participant basis,
 - (ii) the proportion of worldwide trading volume and value conducted by Ontario Members and, to the extent known by the Applicant, by Other Ontario Participants presented in the aggregate for such Ontario Members and Other Ontario Participants, and
 - (iii) the proportion of worldwide trading volume and value conducted by Ontario Members and, to the extent known by the Applicant, by Other Ontario Participants, presented in the aggregate for such Ontario Members and Other Ontario Participants; and
 - (h) a list outlining each material incident of a security breach, systems failure, malfunction or delay (including cyber security breaches, systems failures, malfunctions or delays reported under section 15(g) of this Schedule) that occurred at any time during the quarter for any system relating to trading activity, including trading, routing or data of FX Connect or Currenex, specifically identifying the date, duration and reason for the failure, malfunction or delay, and noting any corrective action taken.

Annual Reporting

19. The Applicant will file with the Commission any annual financial report or financial statements (audited or unaudited) of the Applicant provided to or filed with the FCA promptly after filing with the FCA.

Information Sharing

20. The Applicant, in reference to the State Street MTFs, will provide such information as may be requested from time to time by, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

APPENDIX 1

CRITERIA FOR EXEMPTION OF A FOREIGN EXCHANGE TRADING OTC DERIVATIVES FROM RECOGNITION AS AN EXCHANGE

PART 1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).

1.2 Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

PART 2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

- (a) effective oversight of the exchange,
- (b) that business and regulatory decisions are in keeping with its public interest mandate,
- (c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:
 - (i) appropriate representation of independent directors, and
 - (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,
- (d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and
- (e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

PART 3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.2 Product Specifications

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

3.3 Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange that may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.

PART 4 ACCESS

4.1 Fair Access

- (a) The exchange has established appropriate written standards for access to its services including requirements to ensure
 - (i) participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,
 - (ii) the competence, integrity and authority of systems users, and
 - (iii) systems users are adequately supervised.
- (b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.
- (c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.
- (d) The exchange does not
 - (i) permit unreasonable discrimination among participants, or
 - (ii) impose any burden on competition that is not reasonably necessary and appropriate.
- (e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

PART 6 RULEMAKING

6.1 Purpose of Rules

- (a) The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.
- (b) The Rules are not contrary to the public interest and are designed to:
 - (i) ensure compliance with applicable legislation,
 - (ii) prevent fraudulent and manipulative acts and practices,
 - (iii) promote just and equitable principles of trade,
 - (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,
 - (v) provide a framework for disciplinary and enforcement actions, and
 - (vi) ensure a fair and orderly market.

PART 7 DUE PROCESS

7.1 Due Process

For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

- (a) parties are given an opportunity to be heard or make representations, and
- (b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

PART 8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

The exchange has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house.

8.2 Risk Management of Clearing House

The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

PART 9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

Each of the exchange's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

- (a) order entry;
- (b) order routing;
- (c) execution;
- (d) trade reporting;
- (e) trade comparison;
- (f) data feeds;
- (g) market surveillance;
- (h) trade clearing; and
- (i) financial reporting

9.2 System Capability/Scalability

- (a) Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:
- (b) makes reasonable current and future capacity estimates;
- (c) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
- (d) reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;
- (e) ensures that safeguards that protect a system against unauthorised access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;
- (f) ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;
- (g) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and
- (h) maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and

internal controls.

9.3 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.

PART 10 FINANCIAL VIABILITY

10.1 Financial Viability

The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

PART 11 TRADING PRACTICES

11.1 Trading Practices

Trading practices are fair, properly supervised and not contrary to the public interest.

11.2 Orders

Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.

11.3 Transparency

The exchange has adequate arrangements to record and publish accurate and timely information as required by applicable law or the Foreign Regulator. This information is also provided to all participants on an equitable basis.

PART 12 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

12.2 Member and Market Regulation

The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

12.3 Record Keeping

The exchange maintains adequate provisions for keeping books and records, including operations of the exchange, audit trail information on all trades and compliance and/or violations of exchange requirements and applicable legislation.

12.4 Availability of Information to Regulators

The exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the Commission, on a timely basis.

PART 13 RECORD KEEPING

13.1 Record Keeping

The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

PART 14 OUTSOURCING

14.1 Outsourcing

Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

PART 15 FEES

15.1 Fees

- (a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.
- (b) The process for setting fees is fair and appropriate, and the fee model is transparent.

PART 16 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, self-regulatory organisations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

16.2 Oversight Arrangements

Satisfactory information sharing and oversight agreements exist between the Commission and the Foreign Regulator.

PART 17 IOSCO PRINCIPLES

17.1 IOSCO Principles

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organisation of Securities Commissions (IOSCO) including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets" (2011).

August 12, 2019

Via Air Courier and E-mail (http://www.osc.gov.on.ca/en/SecuritiesLaw_forms_index.htm)

Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, ON M5H 3S8

Re: FX Connect MTF – Application for Exemption from Recognition as an Exchange

Dear Sirs and Mesdames,

This application (the “**Application**”) is being submitted by State Street Global Markets International Limited as operator of FX Connect MTF (“**FX Connect MTF**”) to the Ontario Securities Commission (“**Commission**”) for a decision under section 147 of the Securities Act (Ontario) (“**Act**”) exempting FX Connect MTF from the requirement to be recognized as an exchange under subsection 21(1) of the Act.

Exemption Criteria

Commission staff have prescribed criteria that it will apply when considering applications by foreign-based electronic trading facilities for recognition (or exemption from recognition) as an exchange under Section 21(1) of the Act. These criteria are prescribed in the OSC Staff Notice 21-702 *Regulatory Approach for Foreign Based Stock Exchanges* in relation to applications for recognition (or exemption from recognition) by foreign exchanges under section 21 of the Act. OSC Staff Notice 21-711 *Multilateral Trading Facilities – Exemption from Requirement to be Recognized as an Exchange* indicates that multilateral trading facilities (“**MTF**”) are considered exchanges and, if they provide access to participants in Ontario, must also be recognized or exempt from recognition as an exchange.

For convenience, the Application is divided into the following Parts I to V, Part III of which describes how FX Connect MTF satisfies the Commission Staff’s criteria for exemption as an exchange.

- Part I Introduction
 - 1. FX Connect MTF Services to Ontario Residents
 - 2. Background to the Application
- Part II Background with Respect to FX Connect MTF
 - 1. Ownership of FX Connect MTF
 - 2. Products Traded on the Exchange
 - 3. FX Connect MTF Members
- Part III Application of Recognition Criteria to FX Connect MTF
 - 1. Regulation of the Exchange
 - 2. Corporate Governance
 - 3. Regulation of Products
 - 4. Access
 - 5. Regulation of Members on the Exchange
 - 6. Rulemaking
 - 7. Due Process
 - 8. Clearing and Settlement
 - 9. Systems and Technology
 - 10. Financial Viability
 - 11. Trading Practices
 - 12. Compliance, Surveillance and Enforcement
 - 13. Record Keeping
 - 14. Outsourcing
 - 15. Fees
 - 16. Information Sharing and Oversight Arrangements
 - 17. IOSCO Principles
- Part IV Submissions by FX Connect MTF
 - 1. Submissions Concerning the Requested Relief
- Part V Other Matters
 - 1. Enclosure
 - 2. Consent to Publication

INTRODUCTION

1. FX Connect MTF Services to Ontario Residents

- 1.1 State Street Global Markets International Limited (“**SSGMIL**”) is registered with, and regulated by, the Financial Conduct Authority (“**FCA**”) in the United Kingdom as a multi-lateral trading facility operator in respect of two electronic trading platforms which it operates, which allow users in the European Economic Area (“**EEA**”) and certain foreign jurisdictions to trade certain foreign exchange instruments.
- 1.2 SSGMIL has offered the two electronic trading platforms branded as FX Connect MTF and Currenex MTF since they ‘went live’ in December 2017 in anticipation of the implementation of the Revised Markets in Financial Instruments Directive (“**MiFID II**”) on 3 January 2018. This Application only focusses on the platform known as **FX Connect MTF** and it is the FX Connect MTF platform that is seeking a decision under section 147 of the Securities Act (Ontario) (“**Act**”) exempting FX Connect MTF from the requirement to be recognized as an exchange under subsection 21(1) of the Act
- 1.3 SSGMIL does not have and does not intend to have any offices or maintain other physical installations in Ontario or any other Canadian province or territory.
- 1.4 SSGMIL offers access to FX Connect MTF to users located in Ontario (“**Ontario Users**”). To obtain access to the FX Connect MTF, an Ontario User must be a firm that is eligible to join FX Connect MTF, has successfully completed all on-boarding requirements and has executed the FX Connect MTF member agreement (at which point it will be a “**Member**”). Members and their personnel authorised to access the platform on behalf of the Member (being either Authorised Traders or Authorised Users) are referred to collectively herein as “**FX Connect MTF Users**”. (The terms “**Member**”, “**Authorised Trader**” and “**Authorised User**” are defined in the FX Connect MTF Rulebook.)
- 1.5 SSGMIL obtains a representation from each Ontario User seeking access to FX Connect MTF that they are appropriately registered under Ontario securities laws to use FX Connect MTF or are exempt from or not subject to such registration requirements with respect to its use of FX Connect MTF and such representation is deemed repeated each time the Ontario User makes use of FX Connect MTF.

2. Background to the Application

- 2.1 On December 11, 2018, SSGMIL in its capacity as operator of FX Connect MTF submitted an application to the Ontario Securities Commission (the “**Commission**”) for temporary exemption from the requirement to be recognised as an exchange under section 21(1) of the Securities Act (Ontario) (the “**Act**”). The Commission granted the order (the “**Interim Order**”) effective May 10, 2019 with a termination date on the earlier of (i) May 11, 2020 and (ii) the effective date of a subsequent order exempting FX Connect MTF from the requirement to be recognised as an exchange pursuant to section 147 of the Act. FX Connect MTF currently carries on business in Ontario pursuant to the Interim Order.

PART II BACKGROUND WITH RESPECT TO FX CONNECT MTF

1. Ownership of FX Connect MTF

- 1.1 FX Connect MTF services are offered by SSGMIL, a private company limited by shares organised under the laws of England and Wales. SSGMIL is a wholly-owned direct subsidiary of State Street Europe Limited (“**SSEL**”), a private company limited by shares organised under the laws of England and Wales. SSEL operates as a subsidiary of State Street International Holdings (“**SSIH**”). SSIH is an Edge Act Corporation whose role within the State Street group is as an intermediate holding company that does not act as a profit generating entity in its own right. SSIH is a subsidiary of State Street Bank and Trust Company (“**SSBTC**”).
- 1.2 SSBTC is a Massachusetts chartered trust company and a bank listed in Schedule III of the Bank Act (Canada). SSBTC is the primary financial services provider and the material entity within the State Street group, offering asset management and advisory services (including custody, banking and trust services) as well as other services which may be specific to custody clients, or available to non-custody clients. It is also the employing entity of most of the State Street group employees worldwide. SSBTC is a subsidiary of State Street Corporation (“**SSC**”). SSC is a bank holding company headquartered in the United States, Boston, Massachusetts and is subject to the supervision of the U.S. Federal Reserve Board. SSC’s stock is traded publicly on the New York Stock Exchange (**NYSE:STT**).
- 1.3 SSGMIL has a registered office at 20 Churchill Place, London, England, E14 5HJ.
- 1.4 State Street’s electronic trading division is known as **GlobalLink**. GlobalLink operates through a number of State Street affiliated entities (including SSGMIL) and includes FX Connect MTF, Currenex MTF, unregulated versions of both platforms and Fund Connect (not part of this Application).

2. Products Traded on the Exchange

- 2.1 FX Connect MTF currently supports the execution of spot, deliverable forwards, non-deliverable forwards and swap transactions in certain currency pairs (listed in an Annex 1 of the FX Connect MTF Rulebook).
- 2.2 FX Connect MTF offer the following types of request for quote (“RFQ”) trading models for each of the instruments above, each described in detail in the FX Connect MTF Rulebook:
- a) The request for stream RFQ trading model for a single value date;
 - b) The request for stream RFQ trading model for a multiple value date;
 - c) The portfolio RFQ trading model;
 - d) The competitive trading RFQ model for a single value date;
 - e) The competitive trading RFQ model for a multiple value date;
 - f) The basket competitive trading RFQ model;
 - g) The benchmark RFQ trading model;
 - h) The competitive benchmark RFQ trading model;
 - i) The slice RFQ trading model; and
 - j) The algo RFQ trading model.

3. FX Connect MTF Members

- 3.1 SSGMIL offers FX Connect MTF to Members in multiple jurisdictions including, the European Economic Area, Australia, provinces of Canada, Japan, Singapore, Switzerland, and the United States. All Members of FX Connect MTF, including Ontario-based Members are large banks and other well-capitalised financial institutions as well as by large and sophisticated commercial entities, who are required to meet the criteria of ‘Professional Client’ or ‘Eligible Counterparty’ (as those terms are defined by FCA’s Handbook (which contains the UK’s transposition of MIFID II)), and meet any equivalent local standards and requirements for investment sophistication in their own local jurisdictions. FX Connect MTF is not made available to retail investors.
- 3.2 Canadian Members, including Ontario Users, will also sign a specific Canadian addendum to confirm the basis on which they meet the criteria of a ‘Permitted Client’¹, ‘Accredited Investor’² and (if applicable) an ‘Accredited Counterparty’³.

PART III APPLICATION OF EXEMPTION CRITERIA TO FX CONNECT MTF

The following is a discussion of how FX Connect MTF meets the relevant criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange under subsection 21(1) of the Act.

1. Regulation of the Exchange

- 1.1 Regulation of the Exchange – The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).**
- 1.1.1 In the United Kingdom, investment firms (and operators of multilateral trading facilities) are regulated by the FCA under the Financial Services and Markets Act 2000 (“FSMA”).
- 1.1.2 Section 19 of FSMA generally prohibits any entity from providing regulated activities (section 22 FSMA) unless they are authorised to do so under section 55A. Permission to carry on regulated activities is granted to an entity under section 55E. SSGMIL, as the operator of FX Connect MTF, is authorised and regulated by the FCA under reference number 194525.
- 1.1.3 FX Connect MTF is subject to regulatory supervision by the FCA and is required to comply with the FCA’s regulatory framework set out in the FCA Handbook, which includes, among other things, rules on (i) the conduct of business

¹ As defined in Section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

² As defined in Section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*.

³ As defined in the *Derivatives Act* (Québec).

(including rules regarding client categorisation, communication with clients and other investor protections and client agreements), (ii) market conduct (including rules applicable to firms operating a multi-lateral trading facility, “MTF”), and (iii) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest). The FCA also requires SSGMIL to comply at all times with a set of threshold conditions for authorisation, including requirements that it is ‘fit and proper’ to be authorised and that it has appropriate resources for the activities it carries on (collectively, the “FCA rules”).

1.1.4 Under the market conduct rules (“FCA MAR”), the FCA specifically mandate that all firms operating MTFs must, at a minimum be compliant with the following key provisions of MIFID II; (i) transparent rules and procedures for fair and orderly trading, (ii) objective criteria for the efficient execution of orders which are established and implemented in non-discretionary rules, (iii) sound management of the technical operations of the facility, (iv) transparent rules regarding the criteria for determining the financial instruments traded on MTF, (v) non-discriminatory rules, based on objective criteria, governing access to its facility, (vi) the provision of sufficient publicly available information to enable its users to form an investment judgement, (vii) arrangements to identify clearly and to manage any conflict with adverse consequences for the operation of the trading venue for the members and participants or users; or the members and participants or users otherwise.

1.2 Authority of the Foreign Regulator – The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

1.2.1 FSMA was substantially revised by the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and 2017. The FCA has been charged with administering and enforcing the provisions contained within FSMA, read in conjunction with guidance within the FCA Handbook and Market Abuse Regulations. Accordingly, the FCA is the United Kingdom’s competent authority that has direct regulatory and oversight responsibility over MTFs as regulated entities providing regulated activities.

1.2.2 As an FCA authorised operator of FX Connect MTF, SSGMIL is subject to regulatory supervision by the FCA. The FCA’s threshold conditions dictate that a regulated firm must be capable of being effectively supervised by the FCA having regard to all the circumstances. The FCA has the jurisdiction to perform reviews and assess and enforce FX Connect MTF’s adherence to the FCA Handbook and the rules contained therein on an ongoing basis via the designated Supervisor of State Street, the Markets Oversight Department and its Enforcement Division.

1.2.3 As an operator of MTFs, SSGMIL is obliged under the FCA Handbook to have requirements governing the conduct of Members, to monitor compliance with those requirements and report to the FCA (a) significant breaches of FX Connect MTF’s Rules, (b) disorderly trading conditions, and (c) conduct that may involve market abuse. SSGMIL may also notify the FCA when a FX Connect MTF Member’s access is terminated, temporarily suspended or subject to condition(s). As required by the FCA Handbook, SSGMIL has implemented a surveillance program to monitor trading activity on FX Connect MTF. As part of the program, SSGMIL conducts real-time market monitoring of trading activity on the FX Connect MTF platform to identify disorderly trading and daily T+1 market abuse monitoring. The market surveillance program is designed to maintain a fair and orderly market for all FX Connect MTF Members.

1.2.4 The FCA’s criteria for the operation of an MTF include demonstrating that the operator has the ability to prevent market manipulation; can ensure fair and equitable trading; has the capacity to detect, investigate and discipline any person that violates its rules; can ensure the financial integrity of transactions entered into through its facilities; and has the authority to obtain any necessary information to perform its regulatory functions, including the capacity to carry out international information-sharing agreements.

1.2.5 SSGMIL is obliged under the FCA Handbook to establish and maintain effective arrangements and procedures including the necessary resources for the ongoing monitoring of the compliance by members or participants with the FX Connect MTF Rules. FX Connect MTF is also required under the FCA Handbook to provide the FCA, without delay, information relating to any (a) significant breaches of the firm’s rules; (b) disorderly trading conditions; (c) conduct that may involve market abuse; and (d) system disruptions in relation to a financial instrument. FX Connect MTF must also provide full assistance to the FCA, and any other competent authority or regulatory body, for the investigation and prosecution of market abuse, in its investigation and prosecution of market abuse occurring on or through the firm’s systems.

2. Corporate Governance

2.1 Fair Representation – The governance structure and arrangements of the Exchange ensure:

(a) Effective oversight of the exchange

2.1.1 FX Connect MTF activity is subject to the ultimate oversight and supervision of the board of directors of SSGMIL (“Board”). The SSGMIL Board members are currently all registered with the FCA as ‘Approved Persons’ as defined

under section 59 of the Financial Services and Markets Act (approval for particular arrangements), and from December 2019 will be subject to the Senior Managers and Certification Regime. All the Board directors are elected via State Street Nomination Committee.

- 2.1.2 The SSGMIL Board terms of reference confirms the principal role of the Board to provide leadership of SSGMIL, within a framework of prudent and effective controls and to exercise its duties and responsibilities and oversee the management of the business of the entity in accordance with the UK Companies Act 2006, its articles of association and any other statutory duties. The SSGMIL Board must ensure that its obligations under State Street's Legal Entity Governance Policy and Legal Entity Governance Standards ("**LEGS**") are understood and met. LEGS is comprehensive guidance for all State Street group entities, setting out among other things, requirements and expectations regarding (i) Board composition, (ii) responsibilities of key personnel and the Board as a whole, including additional responsibilities for 'enhanced' governance entities, like SSGMIL, in respect of management information, controls and compliance (iii) group policies which apply and must be adopted by each State Street group entity.
- 2.1.3 The Board delegates the management and oversight of the FX Connect MTF and Currenex MTF platforms (the "**MTF Platforms**") to the MTF Oversight Committee (the "**MTF Oversight Committee**"). The purpose of the MTF Oversight Committee is to manage and oversee the operation of MTF Platforms in accordance with applicable regulatory requirements and State Street corporate policies and compliance principles.
- 2.1.4 The responsibilities and authority of the MTF Oversight Committee include, but are not limited to:
- a) reviewing and resolving incidents or issues arising from the MTF Platform operations (including deciding on recommendations from business representatives);
 - b) senior oversight of the MTF Platforms regulatory programme (including the monitoring of compliance with MTF Platforms rules) reviewing/imposing appropriate disciplinary measures/sanctions (pursuant to the applicable MTF Rulebook) and submitting reports of suspicious transactions to the FCA;
 - c) oversight of the MTF Platforms market abuse team and market surveillance team; and
 - d) escalation to the Board of items which require determination/approval by the Board.
- 2.1.5 The MTF Oversight Committee is supported by:
- a) a charter to set out, among other things, the purpose, membership, responsibilities and authority of the MTF Oversight Committee and to reflect FCA regulatory requirements; and
 - b) defined MTF procedures and incident escalation processes, regular and meaningful management information, minutes of meetings, including any details of reporting required to the Board or the committee and any resolution of issues identified.
- (b) that business and regulatory decisions are in keeping with its public interest mandate,**
- 2.1.6 FX Connect MTF operates on a basis consistent with applicable laws and regulations, and industry best practice, and its rules, policies and activities are designed to ensure continuous fair treatment of clients.
- 2.1.7 As a regulated trading venue FX Connect MTF has, and must maintain processes and procedures that provide for fair and equal access to its systems and information.
- (c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:**
- (i) appropriate representation of independent directors, and**
 - (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,**
- 2.1.8 In accordance with State Street's LEGS, the Board maintains a proper balance among the interests of different persons or companies by (1) having a nominating committee to consider this balance in nominating board members and (2) including an independent director who is experienced in the industry but not actively using the services serve on both the Board and the standing Board-level committees. Additionally, the current members serving on the Board provide a diverse array of professional experiences to the Board.
- 2.1.9 The SSGMIL Board currently includes one independent director who is the Chairman of the Board.

2.1.10 Based on the above, there is a clear basis for concluding that there is fair, balanced, meaningful and diverse representation on the Board and each of its standing Board-level committees.

(d) The exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees of the exchange,

2.1.11 In order to ensure that the SSGMIL Board effectively avoids or minimises conflicts of interests and quickly resolves any that arise, the Board has adopted a conflicts of interest policy as part of its Board code of ethics. The conflict of interest policy identifies and sets out processes for each State Street business to evaluate, manage and record their organizational and personal conflicts with clients in connection with services provided. In addition, SSGMIL officers and directors are subject to the broader State Street standard of conduct, which provides broad guidance, principles and rules to follow in respect of all aspects of State Street employees' roles, and which functions as a code of ethics ("**Code of Conduct**").

2.1.12 The Board's code of ethics sets out standards for identifying conflicts of interest and describes procedures and processes for the disclosure, evaluation and resolution of actual, apparent or potential conflicts of interest.

2.1.13 In accordance with these policies, members of the Board are required to act honestly, in good faith and in the best interests of the organisation, disclose any potential for the director to receive any private benefit in connection with a matter being presented to the Board, not use their positions for their personal benefit and preserve the confidentiality of information provided to them.

2.1.14 The State Street Code of Conduct applies to all personnel, including the executive management supporting FX Connect MTF. The provisions of the State Street Code of Conduct address potential and actual conflicts of interest and on an annual basis, all personnel are required to certify that they have received and agree to abide by the provisions of the State Street Code of Conduct.

2.1.15 A voting member of the MTF Oversight Committee (including the sanctions matters subcommittee ("**MTF OC-SM**")) who has a material conflict of interest (as described in FX Connect Description of Services and Conflicts of Interest Disclosure Document) would normally be prohibited from participating in deliberations and voting on the matter that is the source of the conflict.

2.1.16 The chief compliance officer (the "**CCO**") would normally draw attention to any apparent conflicts of interest, and make recommendations to prevent them from taking place. In the event that the Board does not accept or otherwise adopt the CCO's recommendation(s) on a matter involving a potential conflict of interest, the CCO will provide formal written notification of this divergence in a report to the MTF Oversight Committee and will similarly document this outcome in the CCO's next annual report to the FCA.

2.1.17 SSGMIL, through its Board code of ethics and conflicts of interest policies, the State Street Code of Conduct, the exercise of oversight by its CCO and MTF Oversight Committee and its compliance with the FCA rules, has established a robust set of safeguards designed to ensure directors, officers and personnel fulfill their duties free from conflicts of interest or inappropriate influence as described above. The FCA also conducts its own surveillance of the markets and market participants and actively enforces compliance with the relevant regulations.

(e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.1.18 Please refer to Sections 2.1.1-2.1.3 and 2.2 of Part III of this Application for information regarding the qualifications of directors and officers of SSGMIL.

2.1.19 Only the independent director receives any remuneration from SSGMIL for serving in the role of director.

2.1.20 Officers and personnel of SSGMIL are employed and compensated by SSBTC. At present, there are no personnel employed directly by FX Connect MTF or SSGMIL. Instead, the services of SSBTC staff are made available to support FX Connect MTF under inter-company service agreements.

2.1.21 SSBTC employees who provide compliance services to FX Connect MTF are, with respect to any matters regarding the MTF operations, (i) required to report to the CCO or, in the case of the CCO to the chief executive officer of SSGMIL and (ii) subject to the oversight of the Board and the MTF Oversight Committee in accordance with the organisational documents, rules and policies and procedures of FX Connect MTF.

2.1.22 None of its directors or officers will be liable to SSGMIL or any of its owners for any act performed by such director or officer within the scope of authority conferred on such officer or director, except in the event of such director's or officer's gross negligence, fraud, bad faith or a material breach of applicable duties.

2.1.23 SSGMIL is required, to the fullest extent permitted under English law, to indemnify and hold harmless its directors and officers from and against any losses suffered or sustained by a director or officer as a result of their acts or omissions on behalf of SSGMIL or in furtherance of the interests of SSGMIL or by reason of the fact that the person was a director or officer of SSGMIL, unless the acts or omissions were a result of the director's or officer's gross negligence or were performed or omitted fraudulently or in bad faith or constituted a material breach of applicable duties.

2.2 Fitness – The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

2.2.1 As noted above, SSGMIL director appointments are subject to the Nomination Committee which recommends candidates for election after consideration of each candidate's credentials, including, without limitation, the candidate's experience, perspective, skills and knowledge, both as an absolute matter and relative to the experience and skill of other directors. Any change to the composition of the SSGMIL Board would be subject to registration and approval from the FCA. This is currently regulated by the Approved Persons Regime but will change to the Senior Managers and Certification Regime in December 2019.

2.2.2 SSGMIL governance standards, in line with the Approved Persons Regime, prohibits any person from acting as an officer or director if they meet certain disqualifying criteria, including, without limitation, if they have committed certain criminal or disciplinary offenses, is subject to certain restrictions on registration with the FCA or has had such registration suspended or revoked or is subject to certain statutory disqualifications under FSMA.

2.2.3 In addition, each existing director of SSGMIL must, on an annual basis, and each nominee for director must, prior to serving on the Board, complete a questionnaire which includes questions relating to potential related party transactions and eligibility requirements. Each Board member of SSGMIL must, on an annual basis, and each potential candidate for executive office must, prior to taking an executive office position, complete a certification that such person will inform the CCO with respect to certain conflict of interest and if such person meets any of the disqualification criteria.

3. Regulation of Products

3.1 Review and Approval of Products – The products traded on the exchange and any changes thereto are reviewed by the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.1.1 In accordance with FCA MAR 5.3, FX Connect MTF has adopted transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems. Article 4 of the Market Abuse Regulation (EU) No 596/2014 of the European Parliament and of the Council also requires SSGMIL to notify the FCA, as its competent authority, of any financial instrument for which a request for admission to trading on FX Connect MTF. The European Securities and Markets Authority have also published technical standards to assist in the standardised reporting of transactions of financial instruments. In addition, FCA MAR 5.5 requires an operator of an MTF to establish and maintain effective arrangements; systems and procedures aimed at preventing and detecting market manipulation and attempted market manipulation.

3.1.2 Section 313CA of FSMA⁴ addresses the suspension and removal of financial instruments. FX Connect MTF will suspend or remove from trading a financial instrument only if it does not cause significant damage to the interest of investors or the orderly functioning of the MTF. SSGMIL will notify the public and the FCA of any such suspensions or removals on FX Connect MTF.

3.2 Product Specifications – The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

3.2.1 As outlined in the FX Connect MTF Rulebook, Rule 6 (*Instrument Eligibility Criteria*), SSGMIL will determine in its absolute discretion which MiFID Instruments and Spot Contracts are eligible for trading on FX Connect MTF. FX Connect MTF services are provided with the FX Global Code (the "**Global Code**") in mind. FX Connect MTF is committed to conducting its FX market activities in a manner consistent with the principles of the Global Code. Among other things, the Global Code provides that operators of FX electronic trading platforms should (i) have rules that are transparent to users; (ii) make clear any restrictions or other requirements that may apply to the use of the electronic quotations; (iii) establish clarity regarding the point at which market risk may transfer; and (iv) have appropriate disclosure about subscription services being offered and any associated benefits, including market data.

⁴ As amended by 2017 No. 701 *The Financial Services and Markets Act 2000 (Markets in Financial Instruments) regulations*, 22 June 2017.

- 3.2.2 Additionally, Rule 6 (*Instrument Eligibility Criteria*) of the FX Connect MTF Rulebook explains that the list of instruments which may be traded on FX Connect MTF (“**Eligible Instruments**”) may be amended from time to time and such amendment shall be notified to Members in accordance with the standard notification process in Rule 4.1 and SSGMIL may suspend a particular Eligible Instrument from trading on FX Connect MTF if it deems this necessary in order to maintain a fair and orderly market on FX Connect MTF, to comply with any Applicable Law or in response to a request from a Relevant Regulator, or for any other reason in its sole discretion. Among other things, the requirement that new products comply with the FCA Handbook means that they underwent an analysis of the related underlying market.
- 3.2.3 Also, in preparation for MIFID II, during the product development process, the MTF Oversight Committee reviewed the terms of existing products currently trading in other forums so that the terms and conditions of FX Connect MTF services would be in conformity with the usual commercial customs and practices.
- 3.2.4 In some instances, existing commercial terms have been incorporated by reference into FX Connect MTF’s product terms. As an example, for a Non-Deliverable Foreign Exchange Forward Contract, FX Connect MTF has incorporated by reference in its product terms certain of the template terms of the relevant Emerging Markets Trade Association template in the currency pair that is the subject of the relevant contract.
- 3.3 Risks Associated with Trading Products – The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange including, but not limited to, daily trading limits, price limits, position limits, and internal controls.**
- 3.3.1 5.3A.9 of FCA MAR requires MTF operators to have in place effective systems procedures and arrangements in order to establish appropriate risk controls for trading where users are permitted to access their trading facility.
- 3.3.2 The risks related to direct electronic access are avoided, as SSGMIL does not permit its Members to provide arrangements or in any way enable any person to utilise FX Connect MTF by way of ‘direct electronic access’ (as defined in Article 4(1)(41) of MiFID II), whether such access be by way of ‘direct market access’ or ‘sponsored access’ (each as defined in Article 4(1)(41) of MiFID II) or by any other method whatsoever. This ensures that SSGMIL has direct relationships and oversight over all FX Connect MTF Users.
- 3.3.3 FX Connect MTF also has in place various internal system controls to manage and mitigate the risks associated with trading products on the platform. In addition to real-time monitoring of trading activity, in order to prevent disorderly trading, the following mechanisms have been put in place:
- a) order price and volume limits;
 - b) maximum number of log-in attempts per second;
 - c) maximum number of messages per second;
 - d) timely confirmations of quotes;
 - e) quote filtering;
 - f) cancellations and amendments of transactions;
 - g) circuit breakers; and
 - h) trading halts
- Please refer to Section 9.3.1 of Part III of this Application for a discussion of internal system control utilised by FX Connect MTF to manage order messaging activity and a quantity check that may be utilised by FX Connect MTF Users. In addition, to mitigate the risks associated with trading products on the platform, users have the ability to set (or alternatively to turn off) permissioning for various transaction types.
- 3.3.4 FCA MAR 5.3.A.2 requires SSGMIL to ensure that Members algorithmic trading systems cannot create or contribute to disorderly trading conditions, and FX Connect MTF has imposed Rule 2.2.2 (*Eligibility Criteria*) which requires Members to certify that the algorithms they deploy that are used in connection with FX Connect MTF have been tested to avoid contributing to or creating disorderly trading conditions prior to the deployment or substantial update of a trading algorithm or trading strategy and explain the means used for that testing.

4. Access

4.1 Fair Access

- (a) The exchange has established appropriate written standards for access to its services including requirements to ensure**
 - (i) participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,**
 - (ii) the competence, integrity and authority of systems users, and**
 - (iii) systems users are adequately supervised.**
- (b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.**
- (c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.**
- (d) The exchange does not**
 - (i) permit unreasonable discrimination among Members, or**
 - (ii) impose any burden on competition that is not reasonably necessary and appropriate.**
- (e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.**

4.1.1 FCA MAR 5.3.1 requires MTF operators to have transparent and non-discriminatory rules, based on objective criteria, governing access to its facility and provide that its members or participants are investment firms, CRD credit institutions⁵ or other persons who meet certain eligibility criteria. FX Connect MTF has implemented transparent and non-discriminatory rules based on objective criteria governing eligibility for Membership as described in the FX Connect MTF Rule 2.2 (*Eligibility Criteria*) for all Members. The FX Connect MTF Rulebook and any amendments thereto are publicly available on the FX Connect MTF website. To apply to become a Member, an applicant must complete a Member agreement, eligibility questionnaire and submit the required 'know your customer documentation and onboarding information to FX Connect MTF. FX Connect MTF will deny an application for admission if the applicant is not able to satisfy the eligibility criteria to become or remain a Member.

4.1.2 In addition to conformance with the FX Connect MTF Member eligibility obligations, SSGMIL requires each Ontario User to execute an addendum to the FX Connect MTF Member agreement which requires such Ontario User to represent that it is, with respect to its use of FX Connect MTF in Ontario, appropriately registered as applicable under Ontario securities laws or is exempt from, or not subject to, such registration requirements.

4.1.3 FX Connect MTF Rule 2.2 (*Eligibility Criteria*) provides that that an applicant to become a Member must demonstrate to the satisfaction of SSGMIL that it:

- a) is carrying on business from an establishment maintained in a jurisdiction in which FX Connect MTF are permitted to carry on cross-border business, or from an establishment maintained in a jurisdiction which does not prohibit the provision of cross-border services by FX Connect MTF;
- b) is an entity that (a) has adequate pre-trade controls on price, volume and value of orders and usage of the system and post-trade controls, (b) employs staff with adequate qualifications in key positions, (c) is able to successfully undertake technical and functional conformance testing, (d) has a demonstrable policy governing the use of any kill functionality, (e) is fit and proper to become a Member, (f) has a sufficient level of trading ability and competence, (g) has adequate organisational requirements, and (h) has sufficient resources for the role they are to perform;
- c) in possession of all registrations, authorisations, approvals and/or consents required by applicable law in connection with trading the Eligible Instruments through FX Connect MTF and, where applicable the use of other technology Services, from time to time; and

⁵ An undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account and that has its registered office in an EEA state, excluding an institution to which Capital Requirements Directive ("CRD") does not apply under Article 2 of CRD. CRD IV is made up of the: (i) Capital Requirements Directive (2013/36/EU) and (ii) Capital Requirements Regulation (575/2013) ("CRR").

- d) able to certify that the algorithms they deploy that are used in connection with the FX Connect MTF business have been tested to avoid contributing to or creating disorderly trading conditions prior to the deployment or substantial update of a trading algorithm or trading strategy and explain the means used for that testing. A Member who signs a Member agreement is deemed to give the certification contemplated in Rule 2.2.2 (*Eligibility Criteria*) prior to the deployment or substantial update of the relevant trading algorithm or trading strategy is an eligible contract participant, and, if applicable, is in compliance with relevant FCA rule.
- 4.1.4 SSGMIL requires that each FX Connect MTF Member continues to meet its eligibility requirements while a member. Additionally, each MTF Member is responsible for conducting adequate supervision of its designated Authorised Traders and Authorised Users. Members are responsible for confirming that each Authorised Users and each Authorised Trader has sufficient experience, knowledge and competence to use the FX Connect MTF platform. All FX Connect MTF Members are subject to periodic membership assessment by SSGMIL.
- 4.1.5 FX Connect MTF is an electronic trading platform operated as a multilateral trading facility registered with the Financial Conduct Authority in the United Kingdom. As required by the FCA MAR 5, an MTF operator must establish non-discretionary rules and non-discriminatory access to its trading facility. FX Connect MTF rules, policies and procedures are designed to ensure impartial access consistent with the requirements contained in relevant FCA provisions which are set out in FCA MAR 5. Access rules that are unreasonably discriminatory or access and fee rules that unreasonably discriminate among participant classes would not meet the MTF Core Principles. SSGMIL cannot make material changes to the FX Connect MTF Rules, fee schedules or any other membership documentation unless such changes apply to all similarly-situated Members. FX Connect MTF is required to provide notice to Members, Authorised Traders and Authorised Users of any amendment to the FX Connect MTF Rules in accordance with Rule 4 (*Notices and Notifications*).
- 4.1.6 While FX Connect MTF does not have specific rules stating that they will not impose any burden on competition that is not reasonably necessary and appropriate, all rules implemented by FX Connect MTF are subject to FCA regulatory requirements. As such, FX Connect MTF does not implement rules that would impose any burden on competition that is not reasonably necessary and appropriate because such rules would not meet MTF regulatory obligations.
- 4.1.7 FX Connect MTF maintains records of its Member applications and any denial or limitation of access for any FX Connect MTF User, including reasons for granting, denying or limiting access. Complete records are maintained for each FX Connect MTF User in accordance with the FCA recordkeeping requirements.

5. Regulation of Members on the Exchange

- 5.1 Regulation – The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its Members, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.**
- 5.1.1 As an FCA registered MTF, FX Connect MTF has both the regulatory authority and obligation to establish rules governing conduct of its Members, to monitor their conduct in order to detect and to deter rule violations and to appropriately discipline its market participants for violations of FX Connect MTF rules.
- 5.1.2 The MTF Oversight Committee is responsible for, among other things, overseeing the monitoring the adherence of FX Connect MTF with all relevant regulations (including FCA rules), establishing and administering FX Connect MTF sanctions procedures, administering disciplinary proceedings and monitoring trading.
- 5.1.3 In order for the MTF Oversight Committee to accomplish its mission, FX Connect MTF expends considerable human, technological and financial resources that are focused on the maintenance of fair, efficient, competitive and transparent markets, and the protection of all FX Connect MTF Users from fraud, manipulation and other abusive trading practices.
- 5.1.4 To fulfill its mandate to effectively monitor and enforce the FX Connect MTF Rules, a designated MTF Surveillance team conducts real time monitoring, a Market Abuse Monitoring team conducts daily (T+1) and long-term surveillance (where specific cases require it) of trading on FX Connect MTF. **'Market Abuse'** is defined as any behaviour in relation to the business of the MTF Platforms that constitutes market abuse, market manipulation or insider trading pursuant to the Market Abuse Regulation or any other similar or analogous behaviour prohibited by the FX Global Code, or subject to sanctions or penalties under MAR or the FX Global Code, and SSGMIL use a designated **'Market Abuse Monitoring'** team to fulfil the obligation to monitor the use of the platform and to ensure the Market Abuse detective controls are effective. **'Market Surveillance'** is defined as the activities necessary to meet the requirements that trading platforms should, whenever the trading platform is in operation, monitor their markets as close to real time as possible for possible signs of disorderly trading.

- 5.1.5 The MTF Surveillance and Market Abuse Monitoring team's efforts are focused on identifying and remediating market anomalies, trading abuses and other actions that have the potential to undermine the fair and orderly operation of FX Connect MTF.
- 5.1.6 The MTF Surveillance team strives to make compliance with the FX Connect MTF Rules as straightforward as possible. The MTF Surveillance team make themselves available to field questions about the FX Connect MTF Rules, and where permissible, are available and willing to field calls and emails concerning activity in FX Connect MTF, or requests for guidance on the application of the FX Connect MTF Rules.
- 5.1.7 Investigating and enforcing rule violations are necessary components of the FX Connect MTF regulatory safeguards. When the MTF Surveillance and Market Abuse Monitoring teams suspects or determines that there has been activity in FX Connect MTF markets that appears to violate the FX Global Code or MAR rules, the Market Abuse Monitoring team work to ensure that the matter is thoroughly investigated. The investigative process includes the analysis of transaction data and other trading related documents, and may, as appropriate, be accompanied by a market replay. If, after a thorough investigation, the Market Abuse Monitoring team has reason to believe that a FX Connect MTF Rule has been breached, the matter is addressed in accordance with FX Connect MTF disciplinary processes and procedures.
- 5.1.8 The MTF Surveillance and Market Abuse Monitoring teams are dedicated to safeguarding the integrity of FX Connect MTF, to identify manipulation and other abusive practices. These efforts are a necessary component of efficiently working markets. FX Connect MTF is committed to ensuring that its markets are open and transparent.
- 5.1.9 In addition, the MTF Surveillance team conduct routine and annual audits of Members to verify compliance with FX Connect MTF audit trail and recordkeeping requirements. FX Connect MTF may sanction, in accordance with the procedures set forth in Chapter 7 (*Trading Rules*) of the FX Connect MTF Rules, any Member in connection with any deficiencies identified in these reviews. Moreover, under FX Connect MTF Rule 11.6 (*Sanctions*), the MTF Oversight Committee if practicable, summarily suspend, revoke, limit, condition, restrict or qualify a Member's ability to access FX Connect MTF, and may take other summary action against a FX Connect MTF User or their underlying clients in accordance with the FX Connect MTF Rules if the Committee reasonably believes that immediate action is necessary to protect the best interests of the public or FX Connect MTF.
- 5.1.10 When conducting an investigation, the Market abuse monitoring team will review details relating to the transaction and any relevant electronic communication. The Market abuse monitoring team have the authority to request any account documentation and any related documents from the relevant department within SSGMIL or the wider GlobalLink business that can assist in the investigation.

When required the Market abuse Team will call a meeting containing the relevant parties and the relevant regional compliance officers. The Market abuse monitoring team will present the case to the meeting and decisions will then be made regarding further investigation or notification to any relevant regulatory bodies.
- 5.1.11 With reference to technology to support compliance and regulatory obligations, FX Connect MTF undertakes periodic reviews to establish whether there are sufficient resources in this area. Additional resources to accommodate growing levels of activity are addressed in system planning to ensure that FX Connect MTF regulatory and market protection capabilities anticipate and evolve with the changing dynamics of the marketplace.

6. Rulemaking

6.1 Purpose of Rules

- (a) **The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of Members and do not permit unreasonable discrimination among Members or impose any burden on competition that is not reasonably necessary or appropriate.**

6.1.1 Pursuant to its obligations under the FCA rules, FX Connect MTF has implemented rules and policies that govern the operations and activities of its FX Connect MTF Users. The FX Connect MTF Rules are covered in the FX Connect MTF Rulebook which is publically available on FX Connect MTF website.

6.1.2 As discussed in Section 4 of Part III of this Application, FX Connect MTF is not permitted to implement rules that would impose any burden on competition unless they are reasonably necessary and appropriate because such rules would not meet MTF regulatory requirements.

- (b) **The Rules are not contrary to the public interest and are designed to**

- (i) **ensure compliance with applicable legislation,**

- (ii) prevent fraudulent and manipulative acts and practices,
- (iii) promote just and equitable principles of trade,
- (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,
- (v) provide a framework for disciplinary and enforcement actions, and
- (vi) ensure a fair and orderly market.

6.1.3 FX Connect MTF is obligated to comply with the FCA rules. FCA MAR 5.3.1 of the FCA Handbook requires that FX Connect MTF has transparent rules and procedures for fair and orderly trading, objective criteria for the efficient execution of orders which are established and implemented in non-discretionary rules, arrangements for the sound management of the technical operations of the facility, including the establishment of effective contingency arrangements to cope with the risks of systems disruption, and transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems.

6.1.4 Accordingly, the laws and regulations promulgated by the FCA have been determined by the FCA to be consistent with and not contrary to that public interest. These laws and regulations require MTFs to implement rules that require compliance with the FCA rules by their market participants. FX Connect MTF Rules are recorded in the FX Connect MTF Rulebook, which has been reviewed by the FCA for FX Connect MTF registration to ensure compliance with the relevant FCA rules. Changes to the FX Connect MTF Rulebook must be made available to all the MTF members prior to coming in to force.

6.1.5 Rule 5 (*Responsibility of Members*) of the FX Connect MTF Rulebook includes important provisions to prevent misleading acts, conduct, and prohibited, including but not limited to prohibitions on:

- a) engage in any conduct which creates, or is likely to create, a false or misleading impression of the market or the price or value of, any Eligible Instrument;
- b) cause or enter into any artificial transaction,
- c) submit a request or quote with a fictitious quantity or price onto the system,
- d) commit any act or engage in any course of conduct which causes, or contributes to, a breach of these Rules or the FX Connect MTF user guidance by another Member;
- e) engage in any other conduct which constitutes Market Abuse in relation to FX Connect MTF, and
- f) misuse 'Last Look' (a process by which sell-side Members confirm transactions), including by committing or engaging in any course of conduct listed in Rule 8.1.3 (*Trading Models*).

Thus, the FX Connect MTF Rules are clearly designed to prevent fraudulent and manipulative acts and practices.

6.1.6 Under FCA MAR 5.6.1, FX Connect MTF must share information with the FCA in relation to (a) significant breaches of the FX Connect MTF rules; (b) disorderly trading conditions; (c) conduct that may involve market abuse; and (d) system disruptions in relation to a financial instrument. FX Connect MTF is not bound by Rule 2.9 (Confidentiality) of the Rulebook when making regulatory disclosures.

6.1.7 FX Connect MTF Rulebook provides a framework for FX Connect MTF to take disciplinary and enforcement actions. For more information on FX Connect MTF powers in this regard, refer to Rule 11.6 (*Sanctions*).

6.1.8 Rule 2.3 of the FX Connect MTF Rules is designed to ensure that all trading on FX Connect MTF is conducted in a fair and orderly fashion. See Sections 6.1.3, 6.1.4 and 6.1.5 of Part III of this Application (above) discussing fair and orderly market requirements and bans on prohibited activity.

6.1.9 FCA MAR 5.5.1 requires MTFs to monitor trading to prevent disruption of the market. FX Connect MTF conducts real time monitoring of trading activity and T+1 monitoring and surveillance of market activity in order to detect anomalies and to ensure the operation of an orderly market.

7. Due Process

7.1 Due Process – For any decision made by the exchange that affects a Member, or an applicant to be a Member, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

- (a) parties are given an opportunity to be heard or make representations, and
- (b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

Sanctions and Disciplinary Actions

7.1.1 In accordance with the FCA MAR 5 guidelines for systems and controls and for monitoring compliance with the rules of the MTF, the FXC Connect MTF has implemented a sanctions and disciplinary actions policy which relates to breaches of the rules outlined in the MTF Rulebooks. Events that may lead to disorderly trading, or cases of market abuse, are only covered by the sanctions and disciplinary actions policy where they do not lead to the filing of a suspicious trade and order report (“**STOR**”).

7.1.2 The sanctions policy is stated under Rule 11.6 (*Sanctions*) of the FX Connect MTF Rulebook. It states that in the interests of maintaining a fair and orderly market, SSGMIL will have absolute discretion in using any/all of the following sanctions for breach of the Rules in relation to a Member or a former Member who is still bound by the Rules in accordance with Rules 2.7 (*Effect of Termination*) and 2.10 (*Resignation*) and will notify a Member of any decision to apply any such sanction:

- a) written warning;
- b) temporary suspension;
- c) publication of details of the offender and rule infringement; or
- d) termination of participation.

7.1.3 All sanctions-related decisions are made by the MTF OC-SM. For disciplinary cases, the MTF OC-SM determines the sanction according to the severity and frequency of the Rule breach, based on the case information provided to them by the Market Abuse Monitoring team and/or Compliance. Ahead of making a final decision, the MTF OC-SM might decide to communicate with the Member to gather additional information if there is no potential for a STOR to be filed in connection with the event giving rise to a potential sanction. Events that may warrant the imposition of a sanction are brought to the MTF OC-SM by the Market Abuse Monitoring team when they have determined that sufficient evidence is available and that filing a STOR would not be appropriate.

7.1.4 Any sanctions related complaints and appeals are handled in a separate complaints Policy. The State Street complaints policy sets out the appropriate approach with respect to the receipt, recording, acknowledgement, research, escalation, investigation, resolution and reporting of complaints received from, or on behalf of, existing or past customers.

8. Clearing and Settlement

8.1 Clearing Arrangements – The exchange has appropriate arrangements for the clearing and settlement of transactions through a clearing house.

8.1.1 FX Connect MTF does not list any financial instruments products that are subject to mandatory clearing requirements.

8.2 Risk Management of Clearing House – The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

8.2.1 As stated above, FX Connect MTF does not list products that are required to be cleared and as such, does not facilitate any product clearing.

9. Systems and Technology

9.1 Systems and Technology – Each of the exchange’s critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

- (a) order entry,
- (b) order routing,
- (c) execution,
- (d) trade reporting,
- (e) trade comparison,
- (f) data feeds,
- (g) market surveillance,
- (h) trade clearing, and
- (i) financial reporting.

9.1.1 FX Connect MTF strives to provide the most flexible architecture in terms of bringing new technology, innovations and solutions to the market. The FX Connect MTF electronic trading platform is accessible twenty-four (24) hours a day throughout the trading week from Sunday 5pm ET to Friday 5pm ET. Each of FX Connect MTF’s critical systems has appropriate internal controls designed to ensure completeness, accuracy, integrity and security of information, and, in addition, has appropriate capacity and business continuity and disaster recovery (“BCDR”) plans to enable FX Connect MTF to properly carry on its business. Moreover, FX Connect MTF provides a highly scalable and robust system.

9.1.2 The audit trail file (“**Audit Trail**”) contains a number of messages and fields that contain message information regarding orders, trades, instruments and other pertinent information. The Audit Trail maintains a complete electronic record of all orders entered and transactions executed, including all messages entered into the system, the terms of each order, all order modifications, all matched trades, and the time of each message. This record is stored in a non-rewritable (write once read many or “**WORM**”) storage, and enables FX Connect MTF to reconstruct electronic trading efficiently and effectively.

9.1.3 At the system level, the Audit Trail matches every customer generated (inbound) message with corresponding match engine generated acknowledgement (outbound) message. The matched inbound and outbound messages are then consolidated into one message; the trade message is retained as is. The consolidated messages are then formatted as per customer need. This Application runs daily as a batch process after the end of each FX Connect MTF trading day.

9.1.4 The primary focus at FX Connect MTF for incidents is rapid service restoration. Critical incidents are required to be documented.

Recovery Procedures

9.1.5 All critical applications are tested at a minimum once per year.

- a) Electronic Trading: The recovery time objectives for the FX Connect MTF platform is close to two (2) hours⁶ or less if there is a disruption in the datacenter where FX Connect MTF production facilities are housed.
- b) All Other Business Processes: The recovery time objectives for recovering all other business processes are determined as part of the process and are incorporated into the Resumption and Recovery component of the BCDR plan.

9.1.6 FX Connect MTF currently has extensive monitoring on hardware, applications and software for anomalies and alert notification to prompt a failover to backup or automatic failover for minimal disruption to business and customers. Alerts are recorded and appropriate escalation and recovery is addressed to the team that is the central point for crisis management of all technology issues and recordation in addition to follow up for incident reviews (lessons learned) from customer impacting events.

⁶ Per Article 15(2) of regulatory technical standard 7 supplementing MiFID II Article 48(1).

- 9.1.7 The FX Connect MTF platform has various security features in place to protect trade data from disclosure, disruption, spoofing, non-repudiation, and denial of service prevention.
- 9.1.8 The FX Connect MTF platform uses passwords to limit access to systems. To log onto any environment, FX Connect MTF Users are required to enter their user ID and the associated password. Passwords must be a minimum length and complexity and expire periodically. User IDs are disabled after a set number of failed log in attempts. In addition to the user ID and associated password, all Authorised Users of the FX Connect MTF are required to have a digital certificate installed on their machine in order to access FX Connect MTF.
- 9.1.9 To protect against accidental or deliberate disclosure, customer data is isolated to that specific customer using network and application controls.
- 9.1.10 To prevent disruption of service, the FX Connect MTF application programming interface (“API”) and the trading engine validate all data to ensure it complies with the Financial Information Exchange Protocol and message format. The host operating systems of all FX Connect MTF servers are updated as necessary in an effort to prevent openings for viruses and other malware.
- 9.1.11 The State Street global continuity program overview and the FX Connect MTF specific business continuity plan overview cover the wider business continuity plans (“BCPs”). The BCPs are not specific to any entity, and apply to FX Connect MTF without amendment. The FX Connect MTF BCPs include the following systems and back-up arrangements:
- a) each of the databases for the FX Connect MTF has a local standby which is a near real-time copy;
 - b) each such database also has an offsite BCDR database which is also a near real-time copy;
 - c) there are full database back-ups in the primary site;
 - d) a full back-up set of data for FX Connect MTF gets backed-up into a disk drive, which is held independently to the main database server, and is kept for two weeks; and
 - e) trade data is kept in the WORM data storage device.
- 9.2 System Capability/Scalability – Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:**
- (a) makes reasonable current and future capacity estimates;**
- 9.2.1 The current capacity of FX Connect MTF’s systems is sufficient for present levels of trading activity, and under MiFID II requirements, FX Connect MTF is required to demonstrate capacity for 100% over its greatest trading capacity over the last five (5) years. The system is scalable and on a continual basis the FX Connect MTF business team makes periodic assessments of current and future capacity needs.
- (b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;**
- 9.2.2 SSGMIL conducts routine, periodic stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner. Staff may also conduct stress tests on occasion in the context of quality assurance reviews related to system or product changes. For example, for major releases, FX Connect MTF conduct a stress test designed to ensure that every major release is able to cope with simulated production volume. Moreover, in terms of ongoing monitoring, all servers are monitored individually for capacity (cpu, memory and disk) on a real time basis. In addition, staff track capacity trends over time and will add capacity on an as-needed basis.
- (c) reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;**
- 9.2.3 The State Street corporate information security (“CIS”) team create security control requirements for State Street applications based on its internal risk assessment process. With that process, State Street has a standardised, automated approach for managing information security for business applications, with risk management processes that identify, qualify and mitigate security exposures.
- 9.2.4 State Street’s application security management program also provides a defined set of services and tools that State Street software developers, quality assurance staff, application owners and information security officers can use to identify risks within State Street’s internally developed applications. Factors like application criticality ratings, internet accessibility and client requests are considered to establish priority.

- (d) **ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;**
- 9.2.5 Access to State Street's physical space is controlled and secured by the State Street global security group, who protect State Street's worldwide locations with multiple layers of security, from security guards to card access readers and biometric technology.
- 9.2.6 Many of State Street's facilities and high-level security areas use positive control entry devices like turnstiles, revolving doors and security access portals. Access to State Street buildings and high-security areas are monitored and recorded on video systems. State Street operate a state-of-the-art security control center and has on-site security personnel to respond to local incidents.
- 9.2.7 State Street engages third parties to periodically test its network. The results of these tests are reviewed, and State Street develop and use remediation plans and re-testing strategies. Penetration tests, which are more limited in scope and focus on secure implementation of application code, are also used to assess key applications.
- 9.2.8 FX Connect MTF maintains and regularly updates its BCDR plans, may participate in industry-wide BCDR exercises and submits information relating to material changes to its automated systems to the FCA Division of Market Oversight. Each MTF Member is expected, to have written BCDR procedures in place to ensure it is able to operate in the event of a significant internal or external interruption to its operations.
- (e) **ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;**
- (f) **maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and**
- (g) **maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.**
- 9.2.9 FX Connect MTF policies and procedures related to information technology, including system safeguards, form part of a wider program of risk analysis and oversight in place at State Street, which follows generally accepted standards and best practices with respect to the development, operation, reliability, security and capacity of automated systems. State Street's CIS program adapts to changing security needs by identifying, monitoring, managing and mitigating the risks associated with information assets. The CIS program and underlying controls cover every aspect of State Street's information risk environment, including architecture, networks, information systems, data, organisational structure, risk mitigation, communications and training. This program follows the ISO 27001/27002 controls framework: an internationally recognized standard for security program design and operation.
- (h) **conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;**
- 9.2.10 Please see responses in Section 9.1.6-9.1.10; 9.2.1 and 9.2.12 of Part III of this Application.
- (i) **maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and**
- 9.2.11 Controls are continually reviewed and modified in response to evolving security threats and regulations. These controls are considered minimum requirements; high-risk situations may require that State Street implement additional controls.
- (j) **maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.**
- 9.2.12 Please also see responses in Sections 9.1.5-9.1.10 of Part III of this application.
- 9.3 Information Technology Risk Management Procedures – The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and circuit breakers.**
- 9.3.1 In order to effectively manage the risks to which FX Connect MTF is exposed, SSGMIL has implemented certain Market Surveillance safeguards which provide wide-ranging market integrity controls to ensure fair and efficient markets. In furtherance of preventing trading errors, FX Connect MTF has established order price and volume limits for trades that its FX Connect MTF Users place on the MTF Platform. Additionally, FX Connect MTF has implemented a

predetermined maximum number of log-in attempts per second, and a maximum number of messages per second which can be requested and submitted by its FX Connect MTF Users. For relevant sessions the time period for execution of trades where a quote which has been accepted must be confirmed is limited to one second. Furthermore, to ensure that quotes are within fair market value, FX Connect MTF has implemented a quote filtering mechanism by which a BID/ASK rate⁷ is compared to the quote received or submitted, and if it is outside the appropriate tolerance percentage for the currency group, the quote is automatically blocked and cannot be executed.

- 9.3.2 FX Connect MTF has the authority to review (either upon a request from an FX Connect MTF User or upon FX Connect MTF independent analysis of market activity) any trade executed on its platform and to adjust or cancel certain trades that are outside of predetermined tolerance levels. FX Connect MTF also has authority to adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market-disrupting events caused by the improper or erroneous use of FX Connect MTF.
- 9.3.3 FX Connect MTF circuit breakers are applied to automatically halt trading in a financial instrument when a certain pre-set threshold in that financial instrument is breached. Furthermore, in order to prevent disorderly markets, FX Connect MTF has ability to halt trading in a specific financial instruments or suspend select MTF Members. Finally, FX Connect MTF has broad authority to take action when necessary address any occurrences or circumstance which, in the opinion of the Board or the MTF Oversight Committee may have a severe, adverse effect upon the functions and facilities of FX Connect MTF and require immediate action. Accordingly, under sufficiently severe market circumstances, FX Connect MTF potentially could declare a temporarily trading halt on its entire trading facility.

10. Financial Viability

10.1 Financial Viability – The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

- 10.1.1 FX Connect MTF has adequate financial and staff resources to carry on its activities in compliance with its regulatory requirements set out by FSMA. The UK FCA General Prudential Sourcebook (“**GENPRU**”) and Prudential Sourcebook for Investment Firms (“**IFPRU**”) implements, in part, the EU CRD and certain national discretions afforded to the FCA as competent authority under EU CRR. CRD EU text was formally published in the Official Journal of the EU on 27 June 2013 (note that the Regulation has also been subject to a subsequent update). The bulk of the rules contained in the legislation are applicable from 1 January 2014. CRD IV is made up of the: (i) Capital Requirements Directive (2013/36/EU) (CRD) which must be implemented through national law and (ii) Capital Requirements Regulation (575/2013) (“**CRR**”), which is directly applicable to firms across the EU.
- 10.1.2 Pursuant to the above regulatory requirements the minimum capital requirement to operate an MTF is set to EUR 730,000 (approximately CAD 1.01million) with any additional capital deemed required to maintain adequate financial resources at all times. Under FCA Rules, an MTF will be considered to maintain adequate financial resources if the value of the financial resources exceeds the total amount that would enable the MTF to cover the operating costs of the MTF for a one-year period, as calculated on a rolling basis. FCA rules additionally provides that the financial resources allocated by the MTF to meet the requirements shall include unencumbered, liquid financial assets (i.e., cash and/or highly liquid securities) equal to at least six (6) months’ operating costs. FX Connect MTF is in compliance with these requirements and such requirements are taken into consideration as part of the budgeting process.

11. Trading Practices

11.1 Trading Practices – Trading practices are fair, properly supervised and not contrary to the public interest.

- 11.1.1 As detailed more fully in the response to Section 6 of Part III of this Application, trading practices at FX Connect MTF are fair, properly supervised and not contrary to the public interest. The FX Connect MTF rules establish prohibitions on abusive or other improper trading practices. Upon launching the FX Connect MTF, these rules have been filed with the FCA along with a certification by FX Connect MTF that the rules are in compliance with the FCA rules, which are affected in accordance with a public interest.
- 11.2 Orders – Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of order is fair, equitable and transparent.**
- 11.2.1 Rule 8 of the FX Connect MTF Rulebook sets forth the functionality of the FX Connect MTF trading protocols, and the Rule 9 describes the trading services and other technology services. These trading protocols and services are available to all FX Connect MTF Users. Trading on the FX Connect MTF is conducted on a fully disclosed basis, such

⁷ Prices provided by liquidity providers for RFQ's are normally two way, known typically as the BID/ASK spread where the BID is the price set by the price maker to purchase or buy the underlying security priced and ASK is where the price maker is willing to offer or sell the security being priced.

that the Members disclose to each other who they are when transmitting requests for quotes or entering into transactions with each other. Once a transaction is concluded on the FX Connect MTF, transaction information is sent to both Members.

11.2.2 As described in the Rule 8 (*Trading Protocols*) of the FX Connect MTF Rulebook, FX Connect MTF currently operates an RFQ trading model, and multiple session types as are listed in Section 2.2 of Part II of this Application (all of which are sessions where a quote or quotes are provided in response to a request by a buy-side Member) for matching requests with quotes within FX Connect MTF.

11.2.3 Under the RFQ Trading Model, FX Connect MTF facilitates transactions between Members who have notified FX Connect MTF that they have a pre-existing underlying trading relationship for the purpose of executing transactions with one another. Additionally, there are clearly defined rules for those sell-side Members who use Last Look shall:

- a) be transparent regarding their Last Look practices in order for the buy-side Member to understand and be able to make an informed decision as to the manner in which Last Look is applied to their trading, and shall disclose directly to the buy-side Member, at a minimum, explanations regarding whether, and if so how, changes to price in either direction may impact the decision to confirm acceptance of the quote that the buy-side selects (a "**Selected Quote**"), the expected or typical period of time for making that decision, and more broadly the purpose for using Last Look; and
- b) only use Last Look as a risk control mechanism to verify price and validity of the Selected Quote. The validity check should be intended to confirm that the transaction details contained in the Selected Quote are appropriate from an operational perspective and there is sufficient available credit to enter into the transaction contemplated by the Selected Quote, while the price request should be intended to confirm whether the price at which the Selected Quote was made remains consistent with the current price that would be available to the buy-side Member.

11.2.4 Rules 8.2.4 and 8.2.5 (*RFQ Trading Model Sessions*) set down the basis for a trade being concluded in FX Connect MTF for all offered session types.

11.2.5 The rules governing the Responsibilities of Members are set forth in Rule 5 of the FX Connect MTF Rulebook and are enforced on an impartial basis with respect to all FX Connect MTF Users.

11.3 Transparency – The exchange has adequate arrangements to record and publish accurate and timely information as required by applicable law or a Foreign Regulator. This information is also provided to all participants on an equitable basis.

11.3.1 As described in the FX Connect MTF Rulebook Rule 2.13 (*Transaction Reporting Obligations*) and 2.14 (*Trade Transparency*):

- a) Members must be aware of, and are responsible for fulfilling, their own transaction reporting obligations under MiFID II and MiFIR, as applicable;
- b) SSGMIL in turn shall submit transaction reports in accordance with Article 26 MiFIR to the FCA in respect of transactions entered into by Members that are not MiFID II Investment Firms;
- c) Members agree to provide, in accordance with FX Connect MTF Rule 11.4.2 (*Information*) all information that SSGMIL may reasonably require to comply with its own reporting obligations under Applicable Law, including but not limited to the identity of decision makers, the trading capacity of the Member and the Client on whose behalf the Member submitted the Request or Quotes to FX Connect MTF no later than by 5:30pm ET on the day of submission;
- d) Where required under Applicable Law, SSGMIL will make public, on a continuous basis during a Trading Day, details of transactions, including Requests or Quotes and the depth of trading interest at such prices which are advertised through a Market Segment ("**Pre-Trade Data**"). SSGMIL may obtain and apply a transparency waiver from publication of all or part of the Pre-Trade Data. Where SSGMIL has been granted such a waiver, SSGMIL will be exempted from the requirements to publish Pre-Trade Data to the extent provided for by the applicable transparency waiver; and
- e) Where required under Applicable Law, SSGMIL will make public, as close to real-time as technically possible, the price, volume and time of Trades executed on FX Connect MTF ("**Post-Trade Data**") on its website (<https://www.fxconnectmtf.com/reporting>) where the FX Connect MTF Rulebooks and schedule of fees are also available.

12. Compliance, Surveillance and Enforcement

12.1 Jurisdiction – The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

12.1.1 The FX Connect MTF Rule 1.3 (*Compliance with the Documentation*) required each Member to comply with all Rules. Equally, each Member must execute the FX Connect MTF Membership Agreement, which requires each Member, while accessing the FX connect MTF, to be subject to the FX Connect MTF Rules.

12.1.2 Under the FX Connect MTF Rule 2.7 (*Effect of Termination*), a member whose access to the FX connect MTF has been suspended or terminated remains subject to the FX connect MTF Rules in respect of any outstanding obligations under these rules and until such obligations are satisfied. Suspended or terminated Members will continue to be liable for their acts or omissions in relation to MTF Business that occurred at any time before they ceased to be a Member.

12.1.3 The FX Connect MTF Rule 2.3 (*Continuing Obligations*) enforces obligations on all Members at all times that they are a Member or are using FX Connect MTF, including:

- a) All FX Connect MTF Users must comply at all times with the requirements of these Rules, user guidance, the Member agreement and any notices from SSGMIL;
- b) Members must have and maintain adequate internal procedures and controls to prevent the submission of erroneous transactions to FX Connect MTF and to ensure its continuing compliance with these Rules, user guidance, the Member agreement and any notices from SSGMIL;
- c) Members must have and maintain adequate execution, order management and settlement systems in place;
- d) Members must ensure that any persons, who submit requests or quotes to FX Connect MTF on behalf of the Member are sufficiently trained, are adequately supervised, and have adequate sophistication, expertise and knowledge to ensure fair and orderly trading on FX Connect MTF;
- e) Members must continue to meet the eligibility criteria at all times while a Member.
- f) Members must co-operate with SSGMIL and the FCA (or any other competent authority) in any investigation conducted in relation to trading on FX Connect MTF.
- g) Members must ensure that FX Connect MTF Users authenticators to access FX Connect MTF given to each Member by SSGMIL are kept confidential to such individuals and not disclosed to any other person;
- h) Members must, at their own cost and expense, provide all equipment, operating platforms, and software to use FX Connect MTF, and meet such technical and systems requirements necessary for use of FX Connect MTF and to comply with the Rules and the user guidance as may be prescribed by SSGMIL from time to time, including, without limitation, in relation to its risk management procedures and systems and the security of its technical system as set out in the FX Connect MTF user guidance;
- i) Members must undertake conformance testing prior to the deployment or a substantial update of the Member's trading system, trading algorithm or trading strategy and to ensure that the algorithms they deploy avoid contributing to or creating disorderly trading conditions;
- j) Members must not provide arrangements or in any way enable any person to utilise FX Connect MTF by way of 'direct electronic access' (as defined in Article 4(1)(41) of MiFID II), whether such access be by way of 'direct market access' or 'sponsored access' (each as defined in Article 4(1)(41) of MiFID II) or by any other method whatsoever; and
- k) Members will be assessed for their compliance with the continuing obligations set out in this Rule 2.3 (*Continuing Obligations*) on a yearly basis and, in the sole discretion of SSGMIL, additional assessments may be undertaken as deemed necessary.

12.2 Member and Market Regulation – The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

12.2.1 Please see the responses to Sections 5 and 7 of Part III of this Application. Rule 11 (*Monitoring, Information and Investigation*) of the FX Connect MTF Rulebook, requires FX Connect MTF to have systems in place to monitor compliance by Members with view to identify any breaches of the Rules, eligibility criteria and misleading acts, conduct and prohibited practices.

12.3 Availability of Information to Regulators – The exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the Commission on a timely basis.

12.3.1 The FX Connect MTF Rules ensure that FX Connect MTF is able to obtain all information necessary to perform its regulatory obligations. As explained above, under FX Connect MTF Rule 2.3 (*Continuing Obligations*), each Member is obligated to provide FX Connect MTF with information supporting its compliance with the eligibility criteria of FX Connect MTF. Under FX Connect MTF Rule 4.2 (*Notification by Members of certain events*), each FX Connect MTF User is required to notify FX Connect MTF upon the occurrence of certain events that may have a material effect on such FX Connect MTF Users' ability to continue to meet FX Connect MTF eligibility criteria.

12.3.2 As described in Rule 6 (*Instrument Eligibility Criteria*) of the Rulebook the FX Connect MTF Rulebook provides a framework for FX Connect MTF to take disciplinary and enforcement actions. For more information on FX Connect MTF powers in this regard, refer to Rule 11.6 (*Sanctions*). FX Connect MTF has the right to share information regarding FX Connect MTF Users with any government agency or foreign regulatory authority, including the Commission, to the extent requested or legally required to do so and to share information pursuant to information-sharing agreements. Furthermore, under FX Connect MTF Rule 2.3 (*Continuing Obligations*), each FX Connect MTF User agrees to assist FX Connect MTF in complying with FX Connect MTF legal and regulatory obligations, to cooperate with FX Connect MTF in any inquiry, investigation, audit, examination or proceeding and to authorize FX Connect MTF to provide information regarding such FX Connect MTF User to regulators to the extent necessary or appropriate where FX Connect MTF is exercising a legal or regulatory function.

13. Record Keeping

13.1 Record Keeping – The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of requirements.

13.1.1 FX Connect MTF collects data on a daily basis related to its regulated activity in compliance with the FCA Recordkeeping and Reporting requirements. FX Connect MTF is required to maintain records of all activities relating to its business as an MTF, including data related to order messaging, order execution, and pricing in a WORM storage. FX Connect MTF maintains a precise and complete data history, referred to as the audit trail, for every order and RFQ that is entered into the system and for every transaction executed. Audit trail information for each transaction includes the order/ RFQ instructions, entry time, modification time, execution time, price, quantity, account identifier and parties to the transaction. Detailed information on all order and RFQ trade activity on FX Connect MTF is precisely timed. FX Connect MTF maintains a computerised trade reconstruction system. All electronic order and cleared trade information is archived to non-rewritable media, and copies are stored at multiple locations to ensure redundancy and critical safeguarding of the data.

13.1.2 Under FX Connect MTF Rule 5.1 (*Transaction Records*), FX Connect MTF requires FX Connect MTF Users to maintain, audit trail data in the form and manner required by the FCA. The FCA requires firms to maintain all audit trail data for a transaction for a minimum of five (5) years.

14. Outsourcing

14.1 Outsourcing – Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

14.1.1 SSGMIL is required by the FCA Outsourcing rules when relying on a third party for the performance of operational functions which are critical for the performance of regulated activities to ensure that it takes reasonable steps to avoid undue additional operational risk. SSGMIL outsource the provision of the platform that performs the matching and execution of FX transactions, market abuse system and receive related IT support for the provision of FX Connect MTF platform to its affiliate FX Connect, LLC, a Delaware corporation who offers the non-regulated form of the FX Connect platform and owns the intellectual property of the FX Connect platform (including FX Connect MTF). The relationship between SSGMIL and its suppliers (including FX Connect, LLC and SSBTC, the primary suppliers to SSGMIL in respect of FX Connect MTF) is governed by inter-company service agreements (with specific service levels and key performance indicators built in) for the provision of services. SSGMIL acknowledges that the primary responsibility to comply with its regulatory obligations remains with SSGMIL as the operator of FX Connect MTF and as the delegating or outsourcing entity.

14.1.2 While management and oversight of FX Connect MTF is being performed in the United Kingdom and the FX Connect MTF is operated by SSGMIL, some operational functions are being outsourced to affiliates of SSGMIL to allow for the most efficient utilisation of resources for State Street globally in line with the State Street Outsourcing policy.

- 14.1.3 Globallink has been structured so that the business unit has IT resources dedicated to it at the business unit level which meet the standards set by State Street globally. SSGMIL has the authority to request that additional resources are assigned to FX Connect MTF should SSGMIL find them inadequate. From a controls perspective, the technology developed or purchased for the purposes of operating FX Connect MTF is subject to all the policies and requirements from State Street, including audits.
- 14.1.4 The intercompany outsourcing arrangements are subject to rigorous State Street internal outsourcing assessment, and are periodically reviewed to ensure compliance with the FCA rules on outsourcing governed by the Senior Managers and Certification Regime and the Systems and Controls section of the FCA Handbook. Any external outsourcing arrangements are subject to the State Street's corporate Third Party Risk Management ("TPRM") policies. State Street's TPRM policies provide a process and framework to be followed for assessing and managing risks associated with the use of third party vendors throughout the engagement lifecycle in a manner consistent with compliance and regulatory requirements.
- 14.1.5 Copies of the respective intercompany outsourcing agreements can be made available upon request.

15. Fees

15.1 Fees –

- (a) **All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants in the services offered by the exchange.**
- (b) **The process for setting the fees is fair and appropriate, and the fee model is transparent.**

- 15.1.1 FCA MAR 5.3.1 concerns non-discriminatory access to an MTF by MTF Members and market participants and FCA MAR 5.3A.11 provides that an MTF must maintain comparable fee structures for eligible participants receiving comparable access to, or services from, the MTF. The FCA has further clarified that an MTF may establish different categories of market participants seeking access to, or services from, the MTF, but may not discriminate with respect to fees within a particular category.
- 15.1.2 FX Connect MTF currently charges transaction-based fees and connection fees for access to FX Connect MTF which are publically available at <https://www.fxconnectmtf.com/content/disclosures/fx-connect-mtf-member-fees.pdf>. The fees vary depending on the method of execution. FX Connect MTF may amend its fee schedule from time to time on notice to Members, but it will remain subject to the requirements of FCA MAR 5.3.1.
- 15.1.3 Prior to finalising any amendment of the FX Connect MTF fee schedule, the fee amendments would be reviewed by FX Connect MTF Oversight Committee, (including legal and compliance representatives) to ensure that the fee schedule as amended is consistent with applicable regulatory requirements. As a result, the process for setting the fees is fair and appropriate, and the fee model is transparent to the regulator as well as to FX Connect MTF Members.
- 15.1.4 Under the terms of its Member agreement, FX Connect MTF must provide prior notice to Members of any amendment or modification of the fees charged to such Member.

16. Information Sharing and Oversight Arrangements

- 16.1 Information Sharing and Regulatory Cooperation – The exchange has mechanisms in place to enable it to share information and otherwise cooperate with the Commission, self-regulatory organisations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.**
- 16.1.1 One of the core principles of business promulgated by the FCA is Principle 11 (*Relations with regulators*) requiring all firms regulated by the FCA to deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.
- 16.1.2 The FX Connect MTF Rulebook also specifically requires Members to co-operate with SSGMIL and any applicable regulator/competent authority of FX Connect MTF in any investigation conducted in relation to trading on FX Connect MTF and SSGMIL to disclose information collected as part of offering FX Connect MTF to the extent necessary to comply with any law, regulation, or regulatory investigation.

16.2 Oversight Arrangements – Satisfactory information sharing and oversight agreements exist between the Ontario Securities Commission and the Foreign Regulator.

16.2.1 The FCA has entered into memorandum of understanding (“MOU”⁸) arrangements for co-operative enforcements with foreign regulatory authorities in numerous jurisdictions. The MOUs typically provide for access to non-public documents and information already in the possession of the regulatory authorities, and often include undertakings to obtain documents and to take testimony of, or statements from, witnesses on behalf of a requesting regulatory authority. The FCA and the Commission entered into a memorandum of understanding for cooperative enforcement on 1 June 2013.

17. IOSCO Principles

17.1 IOSCO Principles – To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Securities Commissions (IOSCO) including those set out in the “Principles for the Regulation and Supervision of Commodity Derivatives Markets” (2011).

17.1.1 MiFID II and the FCA rules set down in the FCA Handbook are consistent with the standards set by the International Organisation of Securities Commissions (“IOSCO”), such as “Objective and Principles of Securities Regulation” (1998 and 2002) and “Report on Co-operation between Market Authorities and Default Procedures” as well as the “Standards for Regulated Markets” published by the Forum of European Securities Commissions in December 1999.

17.1.2 FX Connect MTF adheres to the standards of IOSCO in that it must comply with the MiFID II and the FCA rules set down in the FCA Handbook, which reflect the IOSCO standards.

PART IV SUBMISSIONS BY FX CONNECT MTF

1. Submissions Concerning the Requested Relief

1.1 Commission Staff Notice 21-711 Multilateral Trading Facility –Exemption from Requirement to be Recognized as an Exchange states:

“Because MTFs have self-regulatory responsibilities, they are considered ‘exchanges’ under Ontario securities law. If an MTF provides access to participants in Ontario, it is considered to be doing business in Ontario and must be recognized as an exchange or obtain an exemption from recognition.”

FX Connect MTF seeks to provide Ontario market participants with direct access to trading in foreign exchange instruments listed on FX Connect MTF and, accordingly, is seeking an exemption from the requirement to be recognized as an exchange under the Act.

1.2 The products traded on FX Connect MTF include “derivatives” as defined in the Act to be “an option, swap, futures contract, forward contract or other financial or commodity contract or instrument whose market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest”, except as excluded.

1.3 FX Connect MTF satisfies the criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, as set out by Commission Staff, as described under Part III of this Application. Ontario market participants that trade in foreign exchange instruments would benefit from the ability to trade on FX Connect MTF as they would have access to a range of exchange-traded products and clients seeking to trade those products that may not be otherwise available in Ontario. FX Connect MTF offers a transparent, efficient and liquid market for Ontario market participants to trade in NDFs. Stringent FCA oversight of FX Connect MTF as well as the sophisticated information systems, regulations and compliance functions that have been adopted by FX Connect MTF will ensure that Ontario Users of FX Connect MTF are adequately protected in accordance with international standards set by IOSCO. SSGMIL therefore submits that it would be in the public interest to grant the Requested Relief.

1.4 State Street submits that the relief requested from the requirement to be recognized as an exchange under the Act is appropriate because FX Connect MTF is registered as a MTF with the FCA, the regulator in its home jurisdiction. Commission staff acknowledges in Commission Staff Notice 21-711 Regulatory Approach for Foreign-Based Stock Exchanges that, in the case of foreign exchanges, “[f]ull regulation, similar to that applied to domestic exchanges, may be duplicative and inefficient when imposed in addition to the regulation of the home or another jurisdiction.” If the Commission were to recognise FX Connect MTF as an exchange under the Act instead of exempting it from recognition, this type of duplication and inefficiency would occur because FX Connect MTF would then be subject to oversight by the Commission similar to the Commission’s oversight of domestic exchanges. Oversight of FX Connect MTF by the FCA as well as the sophisticated information systems, regulations and compliance functions that have been adopted by FX Connect MTF, will ensure that users of FX Connect MTF in Ontario are adequately protected in

⁸ https://www.osc.gov.on.ca/en/About_mou_20130711_nmou-osc-asc-bcsc-uk-fca.htm

accordance with international standards as reflected in the IOSCO principles. State Street therefore submits that it would not be prejudicial to the public interest to grant the relief requested from the requirement to be recognised under the Act.

PART V OTHER MATTERS

1. Enclosure

A copy of the proposed order is enclosed with this Application.

2. Consent to Publication

FX Connect MTF consents to the publication of this Application for public comment.

September 26, 2019

Via Air Courier and E-mail (http://www.osc.gov.on.ca/en/SecuritiesLaw_forms_index.htm)

Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

Re: Currenex MTF – Application for Exemption from Recognition as an Exchange

Dear Sirs and Mesdames,

This application (the “**Application**”) is being submitted by State Street Global Markets International Limited as operator of Currenex MTF (“**Currenex MTF**”) to the Ontario Securities Commission (“**Commission**”) for a decision under section 147 of the Securities Act (Ontario) (“**Act**”) exempting Currenex MTF from the requirement to be recognized as an exchange under subsection 21(1) of the Act.

Commission staff have prescribed criteria that it will apply when considering applications by foreign-based electronic trading facilities for registration (or exemption from registration) under Section 21(1) of the Act. These criteria are prescribed in the Commission Staff Notice 21-702 *Regulatory Approach for Foreign Based Stock Exchanges*, as updated, (“**Staff Notice 21-711**”¹) in relation to applications for recognition (or exemption from recognition) by foreign exchanges under section 21 of the Act.

For convenience, the Application is divided into the following Parts I to V, Part III of which describes how Currenex MTF satisfies the Commission Staff’s criteria for exemption as a foreign exchange trading over the counter (“**OTC**”) derivatives from recognition as an exchange under subsection 21(1) of the Act consistent with the criteria in Staff Notice 21-711:

- Part I Introduction
 - 1. Currenex MTF Services to Ontario Residents
 - 2. Background to the Application
- Part II Background with Respect to Currenex MTF
 - 1. Ownership of Currenex MTF
 - 2. Products Traded on the Exchange
 - 3. Currenex MTF Members
- Part III Application of Approval Criteria to Currenex MTF
 - 1. Regulation of the Exchange
 - 2. Corporate Governance
 - 3. Regulation of Products
 - 4. Access
 - 5. Regulation of Members on the Exchange
 - 6. Rulemaking
 - 7. Due Process
 - 8. Clearing and Settlement
 - 9. Systems and Technology
 - 10. Financial Viability
 - 11. Trading Practices
 - 12. Compliance, Surveillance and Enforcement
 - 13. Record Keeping
 - 14. Outsourcing
 - 15. Fees
 - 16. Information Sharing and Oversight Arrangements
 - 17. IOSCO Principles
- Part IV Submissions by Currenex MTF
 - 1. Submissions Concerning the Requested Relief
- Part V Other Matters
 - 1. Enclosure
 - 2. Consent to Publication

¹ https://www.osc.gov.on.ca/en/SecuritiesLaw_20180104_21-711_multilateral-trading-facilities.htm

Questions regarding the Application and the related enclosure should be directed to the attention of Dario Lovelli, Currenex MTF's Chief Compliance Officer, at DLovelli@StateStreet.com or at +44 203395 1413.

Sincerely,

"Dario Lovelli"
Chief Compliance Officer

Encl. (Application, with Appendix; Draft Form of Order)

Yusuf Nurbhai []

Sophie McDonald []

Currenex MTF

INTRODUCTION

1. Currenex MTF Services to Ontario Residents

- 1.1 State Street Global Markets International Limited (“**SSGMIL**”) is registered with, and regulated by, the Financial Conduct Authority (“**FCA**”) in the United Kingdom as a multi-lateral trading facility operator in respect of two electronic trading platforms which it operates, which allow users in the European Economic Area (“**EEA**”) and certain foreign jurisdictions to trade certain foreign exchange instruments.
- 1.2 SSGMIL has offered the two electronic trading platforms branded as FX Connect MTF and Currenex MTF since they ‘went live’ in December 2017 in anticipation of the implementation of the Revised Markets in Financial Instruments Directive (“**MiFID II**”) on 3 January 2018. This Application only focuses on the platform known as **Currenex MTF** and it is the Currenex MTF platform that is seeking a decision under section 147 of the Securities Act (Ontario) (“**Act**”) exempting Currenex MTF from the requirement to be recognized as an exchange under subsection 21(1) or the Act.
- 1.3 SSGMIL does not have and does not intend to have any offices or maintain other physical installations in Ontario or any other Canadian province or territory.
- 1.4 SSGMIL offers access to Currenex MTF to users located in Ontario (“**Ontario Users**”). To obtain access to the Currenex MTF, an Ontario User must be a firm that is eligible to join Currenex MTF, has successfully completed all onboarding requirements and has executed the Currenex MTF member agreement (at which point it will be a “**Member**”). Members and their personnel authorised to access the platform on behalf of the Member (being either Authorised Traders or Authorised Users) are referred to collectively herein as “**Currenex MTF Users**”. (The terms “**Member**”, “**Authorised Trader**” and “**Authorised User**” are defined in the Currenex MTF Rulebook.)
- 1.5 SSGMIL obtains a representation from each Ontario User seeking access to Currenex MTF that they are appropriately registered under Ontario securities laws to use Currenex MTF or are exempt from or not subject to such registration requirements with respect to its use of Currenex MTF and such representation is deemed repeated each time the Ontario User makes use of Currenex MTF.

2. Background to the Application

- 2.1 On June 21st, 2019, SSGMIL in its capacity as operator of Currenex MTF submitted an application to the Ontario Securities Commission (the “**Commission**”) for temporary exemption from the requirement to be recognised as an exchange under section 21(1) of the Securities Act (Ontario) (the “**Act**”). The Commission granted the order (the “**Interim Order**”) effective June 21, 2019 with a termination date on the earlier of (i) June 21, 2020 and (ii) the effective date of a subsequent order exempting Currenex MTF from the requirement to be recognised as an exchange pursuant to section 147 of the Act. Currenex MTF currently carries on business in Ontario pursuant to the Interim Order.

PART II BACKGROUND WITH RESPECT TO CURRENEX MTF

1. Ownership of Currenex MTF

- 1.1 Currenex MTF services are offered by SSGMIL, a private company limited by shares organised under the laws of England and Wales. SSGMIL is a wholly-owned direct subsidiary of State Street Europe Limited (“**SSEL**”), a private company limited by shares organised under the laws of England and Wales. SSEL operates as a subsidiary of State Street International Holdings (“**SSIH**”). SSIH is an Edge Act Corporation whose role within the State Street group is as an intermediate holding company that does not act as a profit generating entity in its own right. SSIH is a subsidiary of State Street Bank and Trust Company (“**SSBTC**”).
- 1.2 SSBTC is a Massachusetts chartered trust company and a bank listed in Schedule III of the Bank Act (Canada). SSBTC is the primary financial services provider and the material entity within the State Street group, offering asset management and advisory services (including custody, banking and trust services) as well as other services which may be specific to custody clients, or available to non-custody clients. It is also the employing entity of most of the State Street group employees worldwide. SSBTC is a subsidiary of State Street Corporation (“**SSC**”). SSC is a bank holding company headquartered in the United States, Boston, Massachusetts and is subject to the supervision of the U.S. Federal Reserve Board. SSC’s stock is traded publicly on the New York Stock Exchange (**NYSE:STT**).
- 1.3 SSGMIL has a registered office at 20 Churchill Place, London, England, E14 5HJ.
- 1.4 State Street’s electronic trading division is known as **GlobalLink**. GlobalLink operates through a number of State Street affiliated entities (including SSGMIL) and includes FX Connect MTF, Currenex MTF, unregulated versions of both platforms and Fund Connect (not part of this Application).

2. Products Traded on the Exchange

2.1 Currenex MTF currently supports the request for quote (“RFQ”) trading for execution of spot, deliverable forwards, non-deliverable forwards and swap transactions in certain currency pairs (listed in an Annex 1 of the Currenex MTF Rulebook).

3. Currenex MTF Members

3.1 SSGMIL offers Currenex MTF to Members in multiple jurisdictions including, the European Economic Area, Australia, provinces of Canada, Japan, Singapore, Switzerland, and the United States. All Members of Currenex MTF, including Ontario-based Members are large banks and other well-capitalised financial institutions as well as by large and sophisticated commercial entities, who are required to meet the criteria of ‘Professional Client’ or ‘Eligible Counterparty’ (as those terms are defined by FCA’s Handbook (which contains the UK’s transposition of MIFID II)), and meet any equivalent local standards and requirements for investment sophistication in their own local jurisdictions. Currenex MTF is not made available to retail investors.

3.2 Canadian Members, including Ontario Users, will also sign a specific Canadian addendum to confirm the basis on which they meet the criteria of a ‘Permitted Client’², ‘Accredited Investor’³ and (if applicable) an ‘Accredited Counterparty’⁴.

PART III APPLICATION OF EXEMPTION CRITERIA TO CURRENEX MTF

The following is a discussion of how Currenex MTF meets the relevant criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange under subsection 21(1) of the Act.

1. Regulation of the Exchange

1.1 Regulation of the Exchange – The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).

1.1.1 In the United Kingdom, investment firms (and operators of multilateral trading facilities) are regulated by the FCA under the Financial Services and Markets Act 2000 (“FSMA”).

1.1.2 Section 19 of FSMA generally prohibits any entity from providing regulated activities (section 22 FSMA) unless they are authorised to do so under section 55A. Permission to carry on regulated activities is granted to an entity under section 55E. SSGMIL, as the operator of Currenex MTF, is authorised and regulated by the FCA under reference number 194525.

1.1.3 Currenex MTF is subject to regulatory supervision by the FCA and is required to comply with the FCA’s regulatory framework set out in the FCA Handbook, which includes, among other things, rules on (i) the conduct of business (including rules regarding client categorisation, communication with clients and other investor protections and client agreements), (ii) market conduct (including rules applicable to firms operating a multi-lateral trading facility, “MTF”), and (iii) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest). The FCA also requires SSGMIL to comply at all times with a set of threshold conditions for authorisation, including requirements that it is ‘fit and proper’ to be authorised and that it has appropriate resources for the activities it carries on (collectively, the “FCA rules”).

1.1.4 Under the market conduct rules (“FCA MAR”), the FCA specifically mandate that all firms operating MTFs must, at a minimum be compliant with the following key provisions of MiFID II; (i) transparent rules and procedures for fair and orderly trading, (ii) objective criteria for the efficient execution of orders which are established and implemented in non-discretionary rules, (iii) sound management of the technical operations of the facility, (iv) transparent rules regarding the criteria for determining the financial instruments traded on an MTF, (v) non-discriminatory rules, based on objective criteria, governing access to its facility, (vi) the provision of sufficient publicly available information to enable its users to form an investment judgement, (vii) arrangements to identify clearly and to manage any conflict with adverse consequences for the operation of the trading venue for the members and participants or users; or the members and participants or users otherwise.

² As defined in Section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

³ As defined in Section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*.

⁴ As defined in the *Derivatives Act* (Québec).

1.2 Authority of the Foreign Regulator – The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

- 1.2.1 FSMA was substantially revised by the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and 2017. The FCA has been charged with administering and enforcing the provisions contained within FSMA, read in conjunction with guidance within the FCA Handbook and Market Abuse Regulations. Accordingly, the FCA is the United Kingdom's competent authority that has direct regulatory and oversight responsibility over MTFs as regulated entities providing regulated activities.
- 1.2.2 As an FCA authorised operator of Currenex MTF, SSGMIL is subject to regulatory supervision by the FCA. The FCA's threshold conditions dictate that a regulated firm must be capable of being effectively supervised by the FCA having regard to all the circumstances. The FCA has the jurisdiction to perform reviews and assess and enforce Currenex MTF's adherence to the FCA Handbook and the rules contained therein on an ongoing basis via the designated Supervisor of State Street, the Markets Oversight Department and its Enforcement Division.
- 1.2.3 As an operator of MTFs, SSGMIL is obliged under the FCA Handbook to have requirements governing the conduct of Members, to monitor compliance with those requirements and report to the FCA (a) significant breaches of Currenex MTF's Rules, (b) disorderly trading conditions, and (c) conduct that may involve market abuse. SSGMIL may also notify the FCA when a Currenex MTF Member's access is terminated, temporarily suspended or subject to condition(s). As required by the FCA Handbook, SSGMIL has implemented a surveillance program to monitor trading activity on Currenex MTF. As part of the program, SSGMIL conducts real-time market monitoring of trading activity on the Currenex MTF platform to identify disorderly trading and daily [T+1] market abuse monitoring. The market surveillance program is designed to maintain a fair and orderly market for all Currenex MTF Members.
- 1.2.4 The FCA's criteria for the operation of an MTF include demonstrating that the operator has the ability to prevent market manipulation; can ensure fair and equitable trading; has the capacity to detect, investigate and discipline any person that violates its rules; can ensure the financial integrity of transactions entered into through its facilities; and has the authority to obtain any necessary information to perform its regulatory functions, including the capacity to carry out international information-sharing agreements.
- 1.2.5 SSGMIL is obliged under the FCA Handbook to establish and maintain effective arrangements and procedures including the necessary resources for the ongoing monitoring of the compliance by members or participants with the Currenex MTF Rules. Currenex MTF is also required under the FCA Handbook to provide the FCA, without delay, information relating to any (a) significant breaches of the firm's rules; (b) disorderly trading conditions; (c) conduct that may involve market abuse; and (d) system disruptions in relation to a financial instrument. Currenex MTF must also provide full assistance to the FCA, and any other competent authority or regulatory body, for the investigation and prosecution of market abuse, in its investigation and prosecution of market abuse occurring on or through the firm's systems.

2. Corporate Governance**2.1 Fair Representation – The governance structure and arrangements of the Exchange ensure:****(a) Effective oversight of the exchange**

- 2.1.1 Currenex MTF activity is subject to the ultimate oversight and supervision of the board of directors of SSGMIL ("**Board**"). The SSGMIL Board members are currently all registered with the FCA as 'Approved Persons' as defined under section 59 of the Financial Services and Markets Act (approval for particular arrangements), and from December 2019 will be subject to the Senior Managers and Certification Regime. All the Board directors are elected via SSEL Nomination Committee.
- 2.1.2 The SSGMIL Board terms of reference confirms the principal role of the Board to provide leadership of SSGMIL, within a framework of prudent and effective controls and to exercise its duties and responsibilities and oversee the management of the business of the entity in accordance with the UK Companies Act 2006, its articles of association and any other statutory duties. The SSGMIL Board must ensure that its obligations under State Street's Legal Entity Governance Policy and Legal Entity Governance Standards ("**LEGS**") are understood and met. LEGS is comprehensive guidance for all State Street group entities, setting out among other things, requirements and expectations regarding (i) Board composition, (ii) responsibilities of key personnel and the Board as a whole, including additional responsibilities for 'enhanced' governance entities, like SSGMIL, in respect of management information, controls and compliance (iii) group policies which apply and must be adopted by each State Street group entity.
- 2.1.3 The Board delegates the management and oversight of the Currenex MTF and Currenex MTF platforms (the "**MTF Platforms**") to the MTF Oversight Committee (the "**MTF Oversight Committee**"). The purpose of the MTF Oversight

Committee is to manage and oversee the operation of MTF Platforms in accordance with applicable regulatory requirements and State Street corporate policies and compliance principles.

- 2.1.4 The responsibilities and authority of the MTF Oversight Committee include, but are not limited to:
- a) reviewing and resolving incidents or issues arising from the MTF Platform operations (including deciding on recommendations from business representatives);
 - b) senior oversight of the MTF Platforms regulatory programme (including the monitoring of compliance with MTF Platforms rules) reviewing/imposing appropriate disciplinary measures/sanctions (pursuant to the applicable MTF Rulebook) and submitting reports of suspicious transactions to the FCA;
 - c) oversight of the MTF Platforms market abuse team and market surveillance team; and
 - d) escalation to the Board of items which require determination/approval by the Board.
- 2.1.5 The MTF Oversight Committee is supported by:
- a) a charter to set out, among other things, the purpose, membership, responsibilities and authority of the MTF Oversight Committee and to reflect FCA regulatory requirements; and
 - b) defined MTF procedures and incident escalation processes, regular and meaningful management information, minutes of meetings, including any details of reporting required to the Board or the committee and any resolution of issues identified.
- (b) that business and regulatory decisions are in keeping with its public interest mandate,**
- 2.1.6 Currenex MTF operates on a basis consistent with applicable laws and regulations, and industry best practice, and its rules, policies and activities are designed to ensure continuous fair treatment of clients.
- 2.1.7 As a regulated trading venue Currenex MTF has, and must maintain processes and procedures that provide for fair and equal access to its systems and information.
- (c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:**
- (i) appropriate representation of independent directors, and**
 - (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,**
- 2.1.8 In accordance with State Street's LEGS, the Board maintains a proper balance among the interests of different persons or companies by (1) having a Nominating Committee to consider this balance in nominating board members and (2) including an independent director who is experienced in the industry but not actively using the services serve on both the Board and the standing Board-level committees. Additionally, the current members serving on the Board provide a diverse array of professional experiences to the Board.
- 2.1.9 The SSGMIL Board currently includes one independent director who is the Chairman of the Board.
- 2.1.10 Based on the above, there is a clear basis for concluding that there is fair, balanced, meaningful and diverse representation on the Board and each of its standing Board-level committees.
- (d) The exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees of the exchange,**
- 2.1.11 In order to ensure that the SSGMIL Board effectively avoids or minimises conflicts of interests and quickly resolves any that arise, the Board has adopted a conflicts of interest policy as part of its Board code of ethics. The conflict of interest policy identifies and sets out processes for each State Street business to evaluate, manage and record their organizational and personal conflicts with clients in connection with services provided. In addition, SSGMIL officers and directors are subject to the broader State Street standard of conduct, which provides broad guidance, principles and rules to follow in respect of all aspects of State Street employees roles, and which functions as a code of ethics ("**Code of Conduct**").
- 2.1.12 The Board's code of ethics sets out standards for identifying conflicts of interest and describes procedures and processes for the disclosure, evaluation and resolution of actual, apparent or potential conflicts of interest.

- 2.1.13 In accordance with these policies, members of the Board are required to act honestly, in good faith and in the best interests of the organisation, disclose any potential for the director to receive any private benefit in connection with a matter being presented to the Board, not use their positions for their personal benefit and preserve the confidentiality of information provided to them.
- 2.1.14 The State Street Code of Conduct applies to all personnel, including the executive management supporting Currenex MTF. The provisions of the State Street Code of Conduct address potential and actual conflicts of interest and on an annual basis, all personnel are required to certify that they have received and agree to abide by the provisions of the State Street Code of Conduct.
- 2.1.15 A voting member of the MTF Oversight Committee (including the sanctions matters subcommittee (“**MTF OC-SM**”)) who has a material conflict of interest (as described in Currenex Description of Services and Conflicts of Interest Disclosure Document) would normally be prohibited from participating in deliberations and voting on the matter that is the source of the conflict.
- 2.1.16 The chief compliance officer (the “**CCO**”) would normally draw attention to any apparent conflicts of interest, and make recommendations to prevent them from taking place. In the event that the Board does not accept or otherwise adopt the CCO’s recommendation(s) on a matter involving a potential conflict of interest, the CCO will provide formal written notification of this divergence in a report to the MTF Oversight Committee and will similarly document this outcome in the CCO’s next annual report to the FCA.
- 2.1.17 SSGMIL, through its Board code of ethics and conflicts of interest policies, the State Street Code of Conduct, the exercise of oversight by its CCO and MTF Oversight Committee and its compliance with the FCA rules, has established a robust set of safeguards designed to ensure directors, officers and personnel fulfill their duties free from conflicts of interest or inappropriate influence as described above. The FCA also conducts its own surveillance of the markets and market participants and actively enforces compliance with the relevant regulations.
- (e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.**
- 2.1.18 Please refer to Sections 2.1.1-2.1.3 and 2.2 of Part III of this Application for information regarding the qualifications of directors and officers of SSGMIL.
- 2.1.19 Only the independent director receives any remuneration from SSGMIL for serving in the role of director.
- 2.1.20 Officers and personnel of SSGMIL are employed and compensated by SSBTC and Trust company. At present, there are no personnel employed directly by Currenex MTF or SSGMIL. Instead, the services of SSBTC staff are made available to support Currenex MTF under inter-company service agreements.
- 2.1.21 SSBTC employees who provide compliance services to Currenex MTF are, with respect to any matters regarding the MTF operations, (i) required to report to the CCO or, in the case of the CCO to the chief executive officer of SSGMIL and (ii) subject to the oversight of the Board and the MTF Oversight Committee in accordance with the organisational documents, rules and policies and procedures of Currenex MTF.
- 2.1.22 None of its directors or officers will be liable to SSGMIL or any of its owners for any act performed by such director or officer within the scope of authority conferred on such officer or director, except in the event of such director’s or officer’s gross negligence, fraud, bad faith or a material breach of applicable duties.
- 2.1.23 SSGMIL is required, to the fullest extent permitted under English law, to indemnify and hold harmless its directors and officers from and against any losses suffered or sustained by a director or officer as a result of their acts or omissions on behalf of SSGMIL or in furtherance of the interests of SSGMIL or by reason of the fact that the person was a director or officer of SSGMIL, unless the acts or omissions were a result of the director’s or officer’s gross negligence or were performed or omitted fraudulently or in bad faith or constituted a material breach of applicable duties.
- 2.2 Fitness – The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.**
- 2.2.1 As noted above, SSGMIL director appointments are subject to the Nomination Committee which recommends candidates for election after consideration of each candidate’s credentials, including, without limitation, the candidate’s experience, perspective, skills and knowledge, both as an absolute matter and relative to the experience and skill of other directors. Any change to the composition of the SSGMIL Board would be subject to registration and approval from the FCA. This is currently regulated by the Approved Persons Regime but will change to the Senior Managers and Certification Regime in December 2019.

2.2.2 SSGMIL governance standards, in line with the Approved Persons Regime, prohibits any person from acting as an officer or director if they meet certain disqualifying criteria, including, without limitation, if they have committed certain criminal or disciplinary offenses, is subject to certain restrictions on registration with the FCA or has had such registration suspended or revoked or is subject to certain statutory disqualifications under FSMA.

2.2.3 In addition, each existing director of SSGMIL must, on an annual basis, and each nominee for director must, prior to serving on the Board, complete a questionnaire which includes questions relating to potential related party transactions and eligibility requirements. Each Board member of SSGMIL must, on an annual basis, and each potential candidate for executive office must, prior to taking an executive office position, complete a certification that such person will inform the CCO with respect to certain conflict of interest and if such person meets any of the disqualification criteria.

3. Regulation of Products

3.1 Review and Approval of Products – The products traded on the exchange and any changes thereto are reviewed by the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.1.1 In accordance with FCA MAR 5.3, Currenex MTF has adopted transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems. Article 4 of the Market Abuse Regulation (EU) No 596/2014 of the European Parliament and of the Council also requires SSGMIL to notify the FCA, as its competent authority, of any financial instrument for which a request for admission to trading on Currenex MTF. The European Securities and Markets Authority have also published technical standards to assist in the standardised reporting of transactions of financial instruments. In addition, FCA MAR 5.5 requires an operator of an MTF to establish and maintain effective arrangements; systems and procedures aimed at preventing and detecting market manipulation and attempted market manipulation.

3.1.2 Section 313CA of FSMA⁵ addresses the suspension and removal of financial instruments. Currenex MTF will suspend or remove from trading a financial instrument only if it does not cause significant damage to the interest of investors or the orderly functioning of the MTF. SSGMIL will notify the public and the FCA of any such suspensions or removals on Currenex MTF.

3.2 Product Specifications – The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

3.2.1 As outlined in the Currenex MTF Rulebook, Rule 6 (*Instrument Eligibility Criteria*), SSGMIL will determine in its absolute discretion which MiFID Instruments and Spot Contracts are eligible for trading on Currenex MTF. Currenex MTF services are provided with the FX Global Code (the “**Global Code**”) in mind. Currenex MTF is committed to conducting its FX market activities in a manner consistent with the principles of the Global Code. Among other things, the Global Code provides that operators of FX electronic trading platforms should (i) have rules that are transparent to users; (ii) make clear any restrictions or other requirements that may apply to the use of the electronic quotations; (iii) establish clarity regarding the point at which market risk may transfer; and (iv) have appropriate disclosure about subscription services being offered and any associated benefits, including market data.

3.2.2 Additionally, Rule 6 (*Instrument Eligibility Criteria*) of the Currenex MTF Rulebook explains that the list of instruments which may be traded on Currenex MTF (“**Eligible Instruments**”) may be amended from time to time and such amendment shall be notified to Members in accordance with the standard notification process in Rule 4.1 and SSGMIL may suspend a particular Eligible Instrument from trading on Currenex MTF if it deems this necessary in order to maintain a fair and orderly market on Currenex MTF, to comply with any Applicable Law or in response to a request from a Relevant Regulator, or for any other reason in its sole discretion. Among other things, the requirement that new products comply with the FCA Handbook means that they underwent an analysis of the related underlying market.

3.2.3 Also, in preparation for MIFID II, during the product development process, the MTF Oversight Committee reviewed the terms of existing products currently trading in other forums so that the terms and conditions of Currenex MTF services would be in conformity with the usual commercial customs and practices.

3.2.4 In some instances, existing commercial terms have been incorporated by reference into Currenex MTF’s product terms. As an example, for a Non-Deliverable Foreign Exchange Forward Contract, Currenex MTF has incorporated by reference in its product terms certain of the template terms of the relevant Emerging Markets Trade Association template in the currency pair that is the subject of the relevant contract.

⁵ As amended by 2017 No. 701 *The Financial Services and Markets Act 2000 (Markets in Financial Instruments) regulations*, 22 June 2017

3.3 Risks Associated with Trading Products – The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange including, but not limited to, daily trading limits, price limits, position limits, and internal controls.

3.3.1 5.3A.9 of FCA MAR requires MTF operators to have in place effective systems procedures and arrangements in order to establish appropriate risk controls for trading where users are permitted to access their trading facility.

3.3.2 The risks related to direct electronic access are avoided, as SSGMIL does not permit its Members to provide arrangements or in any way enable any person to utilise Currenex MTF by way of 'direct electronic access' (as defined in Article 4(1)(41) of MiFID II), whether such access be by way of 'direct market access' or 'sponsored access' (each as defined in Article 4(1)(41) of MiFID II) or by any other method whatsoever. This ensures that SSGMIL has direct relationships and oversight over all Currenex MTF Users.

3.3.3 Currenex MTF also has in place various internal system controls to manage and mitigate the risks associated with trading products on the platform. In addition to real-time monitoring of trading activity, in order to prevent disorderly trading, the following mechanisms have been put in place:

- a) order price and volume limits;
- b) maximum number of log-in attempts per second;
- c) maximum number of messages per second;
- d) timely confirmations of quotes;
- e) quote filtering;
- f) cancellations and amendments of transactions;
- g) circuit breakers; and
- h) trading halts.

Please refer to Section 9.3.1 of Part III of this Application for a discussion of internal system control utilised by Currenex MTF to manage order messaging activity and a quantity check that may be utilised by Currenex MTF Users. In addition, to mitigate the risks associated with trading products on the platform, users have the ability to set (or alternatively to turn off) permissioning for various transaction types.

3.3.4 FCA MAR 5.3.A.2 requires SSGMIL to ensure that Members algorithmic trading systems cannot create or contribute to disorderly trading conditions, and Currenex MTF has imposed Rule 2.2.2 (*Eligibility Criteria*) which requires Members to certify that the algorithms they deploy that are used in connection with Currenex MTF have been tested to avoid contributing to or creating disorderly trading conditions prior to the deployment or substantial update of a trading algorithm or trading strategy and explain the means used for that testing.

4. Access

4.1 Fair Access

- (a) **The exchange has established appropriate written standards for access to its services including requirements to ensure**
 - (i) **participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,**
 - (ii) **the competence, integrity and authority of systems users, and**
 - (iii) **systems users are adequately supervised.**
- (b) **The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.**
- (c) **The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.**
- (d) **The exchange does not**

- (i) permit unreasonable discrimination among Members, or
 - (ii) impose any burden on competition that is not reasonably necessary and appropriate.
- (e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

- 4.1.1 FCA MAR 5.3.1 requires MTF operators to have transparent and non-discriminatory rules, based on objective criteria, governing access to its facility and provide that its members or participants are investment firms, CRD credit institutions⁶ or other persons who meet certain eligibility criteria. Currenex MTF has implemented transparent and non-discriminatory rules based on objective criteria governing eligibility for Membership as described in the Currenex MTF Rule 2.2 (*Eligibility Criteria*) for all Members. The Currenex MTF Rulebook and any amendments thereto are publicly available on the Currenex MTF website. To apply to become a Member, an applicant must complete a Member agreement, eligibility questionnaire and submit the required 'know your customer documentation and onboarding information to Currenex MTF. Currenex MTF will deny an application for admission if the applicant is not able to satisfy the eligibility criteria to become or remain a Member.
- 4.1.2 In addition to conformance with the Currenex MTF Member eligibility obligations, SSGMIL requires each Ontario User to execute an addendum to the Currenex MTF Member agreement which requires such Ontario User to represent that it is, with respect to its use of Currenex MTF in Ontario, appropriately registered as applicable under Ontario securities laws or is exempt from, or not subject to, such registration requirements.
- 4.1.3 Currenex MTF Rule 2.2 (*Eligibility Criteria*) provides that for an applicant to become a Member must demonstrate to the satisfaction of SSGMIL that it:
- a) is carrying on business from an establishment maintained in a jurisdiction in which Currenex MTF are permitted to carry on cross-border business, or from an establishment maintained in a jurisdiction which does not prohibit the provision of cross-border services by Currenex MTF;
 - b) is an entity that (a) has adequate pre-trade controls on price, volume and value of orders and usage of the system and post-trade controls, (b) employs staff with adequate qualifications in key positions, (c) is able to successfully undertake technical and functional conformance testing, (d) has a demonstrable policy governing the use of any kill functionality, (e) is fit and proper to become a Member, (f) has a sufficient level of trading ability and competence, (g) has adequate organisational requirements, and (h) has sufficient resources for the role they are to perform;
 - c) in possession of all registrations, authorisations, approvals and/or consents required by applicable law in connection with trading the Eligible Instruments through Currenex MTF and, where applicable the use of other technology Services, from time to time; and
 - d) able to certify that the algorithms they deploy that are used in connection with the Currenex MTF business have been tested to avoid contributing to or creating disorderly trading conditions prior to the deployment or substantial update of a trading algorithm or trading strategy and explain the means used for that testing. A Member who signs a Member agreement is deemed to give the certification contemplated in Rule 2.2.2 (*Eligibility Criteria*) prior to the deployment or substantial update of the relevant trading algorithm or trading strategy is an eligible contract participant, and, if applicable, is in compliance with relevant FCA rule.
- 4.1.4 SSGMIL requires that each Currenex MTF Member continues to meet its eligibility requirements while a member. Additionally, each MTF Member is responsible for conducting adequate supervision of its designated Authorised Traders and Authorised Users. Members are responsible for confirming that each Authorised Users and each Authorised Trader has sufficient experience, knowledge and competence to use the Currenex MTF platform. All Currenex MTF Members are subject to periodic membership assessment by SSGMIL.
- 4.1.5 Currenex MTF is an electronic trading platform operated as a multilateral trading facility registered with the Financial Conduct Authority in the United Kingdom. As required by the FCA MAR 5, an MTF operator must establish non-discretionary rules and non-discriminatory access to its trading facility. Currenex MTF rules, policies and procedures are designed to ensure impartial access consistent with the requirements contained in relevant FCA provisions which are set out in FCA MAR 5. Access rules that are unreasonably discriminatory or access and fee rules that unreasonably discriminate among participant classes would not meet the MTF Core Principles. SSGMIL cannot make material changes to the Currenex MTF Rules, fee schedules or any other membership documentation unless such

⁶ An undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account and that has its registered office in an EEA state, excluding an institution to which Capital Requirements Directive ("CRD") does not apply under Article 2 of CRD. CRD IV is made up of the: (i) Capital Requirements Directive (2013/36/EU) and (ii) Capital Requirements Regulation (575/2013) ("CRR").

changes apply to all similarly-situated Members. Currenex MTF is required to provide notice to Members, Authorised Traders and Authorised Users of any amendment to the Currenex MTF Rules in accordance with Rule 4 (*Notices and Notifications*).

- 4.1.6 While Currenex MTF does not have specific rules stating that they will not impose any burden on competition that is not reasonably necessary and appropriate, all rules implemented by Currenex MTF are subject to FCA regulatory requirements. As such, Currenex MTF does not implement rules that would impose any burden on competition that is not reasonably necessary and appropriate because such rules would not meet MTF regulatory obligations.
- 4.1.7 Currenex MTF maintains records of its Member applications and any denial or limitation of access for any Currenex MTF User, including reasons for granting, denying or limiting access. Complete records are maintained for each Currenex MTF User in accordance with the FCA recordkeeping requirements.

5. Regulation of Members on the Exchange

5.1 Regulation – The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its Members, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

- 5.1.1 As an FCA registered MTF, Currenex MTF has both the regulatory authority and obligation to establish rules governing conduct of its Members, to monitor their conduct in order to detect and to deter rule violations and to appropriately discipline its market participants for violations of Currenex MTF rules.
- 5.1.2 The MTF Oversight Committee is responsible for, among other things, overseeing the monitoring the adherence of Currenex MTF with all relevant regulations (including FCA rules), establishing and administering Currenex MTF sanctions procedures, administering disciplinary proceedings and monitoring trading.
- 5.1.3 In order for the MTF Oversight Committee to accomplish its mission, Currenex MTF expends considerable human, technological and financial resources that are focused on the maintenance of fair, efficient, competitive and transparent markets, and the protection of all Currenex MTF Users from fraud, manipulation and other abusive trading practices.
- 5.1.4 To fulfill its mandate to effectively monitor and enforce the Currenex MTF Rules, a designated MTF Surveillance team conducts real time monitoring, a Market Abuse Monitoring team conducts daily (T+1) and long-term surveillance (where specific cases require it) of trading on Currenex MTF. 'Market Abuse' is defined as any behaviour in relation to the business of the MTF Platforms that constitutes market abuse, market manipulation or insider trading pursuant to the Market Abuse Regulation or any other similar or analogous behaviour prohibited by the FX Global Code, or subject to sanctions or penalties under MAR or the FX Global Code, and SSGMIL use a designated 'Market Abuse Monitoring' team to fulfil the obligation to monitor the use of the platform and to ensure the Market Abuse detective controls are effective. 'Market Surveillance' is defined as the activities necessary to meet the requirements that trading platforms should, whenever the trading platform is in operation, monitor their markets as close to real time as possible for possible signs of disorderly trading.
- 5.1.5 The MTF Surveillance and Market Abuse Monitoring team's efforts are focused on identifying and remediating market anomalies, trading abuses and other actions that have the potential to undermine the fair and orderly operation of Currenex MTF.
- 5.1.6 The MTF Surveillance team strives to make compliance with the Currenex MTF Rules as straightforward as possible. The MTF Surveillance team make themselves available to field questions about the Currenex MTF Rules, and where permissible, are available and willing to field calls and emails concerning activity in Currenex MTF, or requests for guidance on the application of the Currenex MTF Rules.
- 5.1.7 Investigating and enforcing rule violations are necessary components of the Currenex MTF regulatory safeguards. When the MTF Surveillance and Market Abuse Monitoring teams suspects or determines that there has been activity in Currenex MTF markets that appears to violate the FX Global Code or MAR rules, the Market Abuse Monitoring team work to ensure that the matter is thoroughly investigated. The investigative process includes the analysis of transaction data and other trading related documents, and may, as appropriate, be accompanied by a market replay. If, after a thorough investigation, the Market Abuse Monitoring team has reason to believe that a Currenex MTF Rule has been breached, the matter is addressed in accordance with Currenex MTF disciplinary processes and procedures.
- 5.1.8 The MTF Surveillance and Market Abuse Monitoring teams are dedicated to safeguarding the integrity of Currenex MTF, to identify manipulation and other abusive practices. These efforts are a necessary component of efficiently working markets. Currenex MTF is committed to ensuring that its markets are open and transparent.

5.1.9 In addition, the MTF Surveillance team conduct routine and annual audits of Members to verify compliance with Currenex MTF audit trail and recordkeeping requirements. Currenex MTF may sanction, in accordance with the procedures set forth in Chapter 7 (*Trading Rules*) of the Currenex MTF Rules, any Member in connection with any deficiencies identified in these reviews. Moreover, under Currenex MTF Rule 11.6 (*Sanctions*), the MTF Oversight Committee if practicable, summarily suspend, revoke, limit, condition, restrict or qualify a Member's ability to access Currenex MTF, and may take other summary action against a Currenex MTF User or their underlying clients in accordance with the Currenex MTF Rules if the Committee reasonably believes that immediate action is necessary to protect the best interests of the public or Currenex MTF.

5.1.10 When conducting an investigation, the Market Abuse Monitoring team will review details relating to the transaction and any relevant electronic communication. The Market abuse monitoring team have the authority to request any account documentation and any related documents from the relevant department within SSGMIL or the wider GlobalLink business that can assist in the investigation.

When required, the Market Abuse Team will call a meeting containing the relevant parties and the relevant regional compliance officers. The Market Abuse Monitoring team will present the case to the meeting and decisions will then be made regarding further investigation or notification to any relevant regulatory bodies

5.1.11 With reference to technology to support compliance and regulatory obligations, Currenex MTF undertakes periodic reviews to establish whether there are sufficient in this area. Additional resources to accommodate growing levels of activity are addressed in system planning to ensure that Currenex MTF regulatory and market protection capabilities anticipate and evolve with the changing dynamics of the marketplace.

6. Rulemaking

6.1 Purpose of Rules

(a) The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of Members and do not permit unreasonable discrimination among Members or impose any burden on competition that is not reasonably necessary or appropriate.

6.1.1 Pursuant to its obligations under the FCA rules, Currenex MTF has implemented rules and policies that govern the operations and activities of its Currenex MTF Users. The Currenex MTF Rules are covered in the Currenex MTF Rulebook which is publically available on Currenex MTF website.

6.1.2 As discussed in Section 4 of Part III of this Application, Currenex MTF is not permitted to implement rules that would impose any burden on competition unless they are reasonably necessary and appropriate because such rules would not meet MTF regulatory requirements.

(b) The Rules are not contrary to the public interest and are designed to

(i) ensure compliance with applicable legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

(iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,

(v) provide a framework for disciplinary and enforcement actions, and

(vi) ensure a fair and orderly market.

6.1.3 Currenex MTF is obligated to comply with the FCA rules. FCA MAR 5.3.1 of the FCA Handbook requires that Currenex MTF has transparent rules and procedures for fair and orderly trading, objective criteria for the efficient execution of orders which are established and implemented in non-discretionary rules, arrangements for the sound management of the technical operations of the facility, including the establishment of effective contingency arrangements to cope with the risks of systems disruption, and transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems.

6.1.4 Accordingly, the laws and regulations promulgated by the FCA have been determined by the FCA to be consistent with and not contrary to that public interest. These laws and regulations require MTFs to implement rules that require compliance with the FCA rules by their market participants. Currenex MTF Rules are recorded in the Currenex MTF

Rulebook, which has been reviewed by the FCA for Currenex MTF registration to ensure compliance with the relevant FCA rules. Changes to the Currenex MTF Rulebook must be made available to all the MTF members prior to coming in to force.

6.1.5 Rule 5 (*Responsibility of Members*) of the Currenex MTF Rulebook includes important provisions to prevent misleading acts, conduct, and prohibited, including but not limited to prohibitions on:

- a) engage in any conduct which creates, or is likely to create, a false or misleading impression of the market or the price or value of, any Eligible Instrument;
- b) cause or enter into any artificial transaction,
- c) submit a request or quote with a fictitious quantity or price onto the system,
- d) commit any act or engage in any course of conduct which causes, or contributes to, a breach of these Rules or the Currenex MTF user guidance by another Member;
- e) engage in any other conduct which constitutes Market Abuse in relation to Currenex MTF, and
- f) misuse 'Last Look' (a process by which sell-side Members confirm transactions), including by committing or engaging in any course of conduct listed in Rule 8.1.3 (*Trading Models*).

Thus, the Currenex MTF Rules are clearly designed to prevent fraudulent and manipulative acts and practices.

6.1.6 Under FCA MAR 5.6.1, Currenex MTF must share information with the FCA in relation to (a) significant breaches of the Currenex MTF rules; (b) disorderly trading conditions; (c) conduct that may involve market abuse; and (d) system disruptions in relation to a financial instrument. Currenex MTF is not bound by Rule 2.9 (Confidentiality) of the Rulebook when making regulatory disclosures.

6.1.7 Currenex MTF Rulebook provides a framework for Currenex MTF to take disciplinary and enforcement actions. For more information on Currenex MTF powers in this regard, refer to Rule 11.6 (*Sanctions*).

6.1.8 Rule 2.3 of the Currenex MTF Rules is designed to ensure that all trading on Currenex MTF is conducted in a fair and orderly fashion. See Sections 6.1.3, 6.1.4 and 6.1.5 of Part III of this Application (above) discussing fair and orderly market requirements and bans on prohibited activity.

6.1.9 FCA MAR 5.5.1 requires MTFs to monitor trading to prevent disruption of the market. Currenex MTF conducts real time monitoring of trading activity and T+1 monitoring and surveillance of market activity in order to detect anomalies and to ensure the operation of an orderly market.

7. Due Process

7.1 Due Process – For any decision made by the exchange that affects a Member, or an applicant to be a Member, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

- (a) parties are given an opportunity to be heard or make representations, and**
- (b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.**

Sanctions and Disciplinary Actions

7.1.1 In accordance with the FCA MAR 5 guidelines for systems and controls and for monitoring compliance with the rules of the MTF, the Currenex MTF has implemented a sanctions and disciplinary actions policy which relates to breaches of the rules outlined in the MTF Rulebooks. Events that may lead to disorderly trading, or cases of market abuse, are only covered by the sanctions and disciplinary actions policy where they do not lead to the filing of a suspicious trade and order report ("**STOR**").

7.1.2 The sanctions policy is stated under Rule 11.6 (*Sanctions*) of the Currenex MTF Rulebook. It states that in the interests of maintaining a fair and orderly market, SSGMIL will have absolute discretion in using any/all of the following sanctions for breach of the Rules in relation to a Member or a former Member who is still bound by the Rules in accordance with Rules 2.5 (*Effect of Termination*) and 2.8 (*Resignation*) and will notify a Member of any decision to apply any such sanction:

- a) written warning;
- b) temporary suspension;

- c) publication of details of the offender and rule infringement; or
- d) termination of participation.

7.1.3 All sanctions-related decisions are made by the MTF OC-SM. For disciplinary cases, the MTF OC-SM determines the sanction according to the severity and frequency of the Rule breach, based on the case information provided to them by the Market Abuse Monitoring team and/or Compliance. Ahead of making a final decision, the MTF OC-SM might decide to communicate with the Member to gather additional information if there is no potential for a STOR to be filed in connection with the event giving rise to a potential sanction. Events that may warrant the imposition of a sanction are brought to the MTF OC-SM by the Market Abuse Monitoring team when they have determined that sufficient evidence is available and that filing a STOR would not be appropriate.

7.1.4 Any sanctions related complaints and appeals are handled in a separate Complaints Policy. The State Street complaints policy sets out the appropriate approach with respect to the receipt, recording, acknowledgement, research, escalation, investigation, resolution and reporting of complaints received from, or on behalf of, existing or past customers.

8. Clearing and Settlement

8.1 Clearing Arrangements – The exchange has appropriate arrangements for the clearing and settlement of transactions through a clearing house.

8.1.1 Currenex MTF does not list any financial instruments products that are subject to mandatory clearing requirements.

8.2 Risk Management of Clearing House – The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

8.2.1 As stated above, Currenex MTF does not list products that are required to be cleared and as such, does not facilitate any product clearing.

9. Systems and Technology

9.1 Systems and Technology – Each of the exchange’s critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

- (a) order entry,
- (b) order routing,
- (c) execution,
- (d) trade reporting,
- (e) trade comparison,
- (f) data feeds,
- (g) market surveillance,
- (h) trade clearing, and
- (i) financial reporting.

9.1.1 Currenex MTF strives to provide the most flexible architecture in terms of bringing new technology, innovations and solutions to the market. The Currenex MTF electronic trading platform is accessible twenty-four (24) hours a day throughout the trading week from Sunday 5pm ET to Friday 5pm ET. Each of Currenex MTF’s critical systems has appropriate internal controls designed to ensure completeness, accuracy, integrity and security of information, and, in addition, has appropriate capacity and business continuity and disaster recovery (“BCDR”) plans to enable Currenex MTF to properly carry on its business. Moreover, Currenex MTF provides a highly scalable and robust system.

9.1.2 The audit trail file (“**Audit Trail**”) contains a number of messages and fields that contain message information regarding orders, trades, instruments and other pertinent information. The Audit Trail maintains a complete electronic record of all orders entered and transactions executed, including all messages entered into the system, the terms of each order, all

order modifications, all matched trades, and the time of each message. This record is stored in a non-rewritable (write once read many or “**WORM**”) storage, and enables Currenex MTF to reconstruct electronic trading efficiently and effectively.

- 9.1.3 At the system level, the Audit Trail matches every customer generated (inbound) message with corresponding match engine generated acknowledgement (outbound) message. The matched inbound and outbound messages are then consolidated into one message; the trade message is retained as is. The consolidated messages are then formatted as per customer need. This Application runs daily as a batch process after the end of each Currenex MTF trading day.
- 9.1.4 The primary focus at Currenex MTF for incidents is rapid service restoration. Critical incidents are required to be documented.

Recovery Procedures

- 9.1.5 All critical applications are tested at a minimum once per year.
- a) Electronic Trading: The recovery time objectives for the Currenex MTF platform is close to two (2) hours⁷ or less if there is a disruption in the datacenter where Currenex MTF production facilities are housed.
 - b) All Other Business Processes: The recovery time objectives for recovering all other business processes are determined as part of the process and are incorporated into the Resumption and Recovery component of the BCDR plan.
- 9.1.6 Currenex MTF currently has extensive monitoring on hardware, applications and software for anomalies and alert notification to prompt a failover to backup or automatic failover for minimal disruption to business and customers. Alerts are recorded and appropriate escalation and recovery is addressed to the team that is the central point for crisis management of all technology issues and recordation in addition to follow up for incident reviews (lessons learned) from customer impacting events.
- 9.1.7 The Currenex MTF platform has various security features in place to protect trade data from disclosure, disruption, spoofing, non-repudiation, and denial of service prevention.
- 9.1.8 The Currenex MTF platform uses passwords to limit access to systems. To log onto any environment, Currenex MTF Users are required to enter their user ID and the associated password. Passwords must be a minimum length and complexity and expire periodically. User IDs are disabled after a set number of failed log in attempts. In addition to the user ID and associated password, all Authorised Users of the Currenex MTF are required to have a digital certificate installed on their machine in order to access Currenex MTF.
- 9.1.9 To protect against accidental or deliberate disclosure, customer data is isolated to that specific customer using network and application controls.
- 9.1.10 To prevent disruption of service, the Currenex MTF application programming interface (“**API**”) and the trading engine validate all data to ensure it complies with the Financial Information Exchange Protocol and message format. The host operating systems of all Currenex MTF servers are updated as necessary in an effort to prevent openings for viruses and other malware.
- 9.1.11 The State Street global continuity program overview and the Currenex MTF specific business continuity plan overview cover the wider business continuity plans (“**BCPs**”). The BCPs are not specific to any entity, and apply to Currenex MTF without amendment. The Currenex MTF BCPs include the following systems and back-up arrangements:
- a) each of the databases for the Currenex MTF has a local standby which is a near real-time copy;
 - b) each such database also has an offsite BCDR database which is also a near real-time copy;
 - c) there are full database back-ups in the primary site;
 - d) a full back-up set of data for Currenex MTF gets backed-up into a disk drive, which is held independently to the main database server, and is kept for two weeks; and
 - e) trade data is kept in the WORM data storage device.

⁷ Per Article 15(2) of regulatory technical standard 7 supplementing MiFID II Article 48(1).

9.2 System Capability/Scalability – Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:

(a) makes reasonable current and future capacity estimates;

9.2.1 The current capacity of Currenex MTF's systems is sufficient for present levels of trading activity, and under MiFID II requirements, Currenex MTF is required to demonstrate capacity for 100% over its greatest trading capacity over the last five (5) years. The system is scalable and on a continual basis the Currenex MTF business team makes periodic assessments of current and future capacity needs.

(b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

9.2.2 SSGMIL conducts routine, periodic stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner. Staff may also conduct stress tests on occasion in the context of quality assurance reviews related to system or product changes. For example, for major releases, Currenex MTF conduct a stress test designed to ensure that every major release is able to cope with simulated production volume. Moreover, in terms of ongoing monitoring, all servers are monitored individually for capacity (cpu, memory and disk) on a real time basis. In addition, staff track capacity trends over time and will add capacity on an as-needed basis.

(c) reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;

9.2.3 The State Street corporate information security ("CIS") team create security control requirements for State Street applications based on its internal risk assessment process. With that process, State Street has a standardised, automated approach for managing information security for business applications, with risk management processes that identify, qualify and mitigate security exposures.

9.2.4 State Street's application security management program also provides a defined set of services and tools that State Street software developers, quality assurance staff, application owners and information security officers can use to identify risks within State Street's internally developed applications. Factors like application criticality ratings, internet accessibility and client requests are considered to establish priority.

(d) ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;

9.2.5 Access to State Street's physical space is controlled and secured by the State Street global security group, who protect State Street's worldwide locations with multiple layers of security, from security guards to card access readers and biometric technology.

9.2.6 Many of State Street's facilities and high-level security areas use positive control entry devices like turnstiles, revolving doors and security access portals. Access to State Street buildings and high-security areas are monitored and recorded on video systems. State Street operate a state-of-the-art security control center and has on-site security personnel to respond to local incidents.

9.2.7 State Street engages third parties to periodically test its network. The results of these tests are reviewed, and State Street develop and use remediation plans and re-testing strategies. Penetration tests, which are more limited in scope and focus on secure implementation of application code, are also used to assess key applications.

9.2.8 Currenex MTF maintains and regularly updates its BCDR plans, may participate in industry-wide BCDR exercises and submits information relating to material changes to its automated systems to the FCA Division of Market Oversight. Each MTF Member is expected, to have written BCDR procedures in place to ensure it is able to operate in the event of a significant internal or external interruption to its operations.

(e) ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;

(f) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and

- (g) **maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.**

9.2.9 Currenex MTF policies and procedures related to information technology, including system safeguards, form part of a wider program of risk analysis and oversight in place at State Street, which follows generally accepted standards and best practices with respect to the development, operation, reliability, security and capacity of automated systems. State Street's CIS program adapts to changing security needs by identifying, monitoring, managing and mitigating the risks associated with information assets. The CIS program and underlying controls cover every aspect of State Street's information risk environment, including architecture, networks, information systems, data, organisational structure, risk mitigation, communications and training. This program follows the ISO 27001/27002 controls framework: an internationally recognized standard for security program design and operation.

- (h) **conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;**

9.2.10 Please see responses in Section 9.1.6-9.1.10; 9.2.1 and 9.2.12 of Part III of this Application.

- (i) **maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and**

9.2.11 Controls are continually reviewed and modified in response to evolving security threats and regulations. These controls are considered minimum requirements; high-risk situations may require that State Street implement additional controls.

- (j) **maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.**

9.2.12 Please also see responses in Sections 9.1.5-9.1.10 of Part III of this application.

9.3 Information Technology Risk Management Procedures – The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and circuit breakers.

9.3.1 In order to effectively manage the risks to which Currenex MTF is exposed, SSGMIL has implemented certain Market Surveillance safeguards which provide wide-ranging market integrity controls to ensure fair and efficient markets. In furtherance of preventing trading errors, Currenex MTF has established order price and volume limits for trades that its Currenex MTF Users place on the MTF Platform. Additionally, Currenex MTF has implemented a predetermined maximum number of log-in attempts per second, and a maximum number of messages per second which can be requested and submitted by its Currenex MTF Users. For relevant sessions the time period for execution of trades where a quote which has been accepted must be confirmed is limited to one second. Furthermore, to ensure that quotes are within fair market value Currenex MTF has implemented a quote filtering mechanism by which a BID/ASK rate⁸ is compared to the quote received or submitted, and if it is outside the appropriate tolerance percentage for the currency group, the quote is automatically blocked and cannot be executed.

9.3.2 Currenex MTF has the authority to review (either upon a request from a Currenex MTF User or upon Currenex MTF independent analysis of market activity) any trade executed on its platform and to adjust or cancel certain trades that are outside of predetermined tolerance levels. Currenex MTF also has authority to adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market-disrupting events caused by the improper or erroneous use of Currenex MTF.

9.3.3 Currenex MTF circuit breakers are applied to automatically halt trading in a financial instrument when a certain pre-set threshold in that financial instrument is breached. Furthermore, in order to prevent disorderly markets, Currenex MTF has ability to halt trading in a specific financial instruments or suspend select MTF Members. Finally, Currenex MTF has broad authority to take action when necessary address any occurrences or circumstance which, in the opinion of the Board or the MTF Oversight Committee may have a severe, adverse effect upon the functions and facilities of Currenex MTF and require immediate action. Accordingly, under sufficiently severe market circumstances, Currenex MTF potentially could declare a temporarily trading halt on its entire trading facility.

⁸ Prices provided by liquidity providers for RFQ's are normally two way, known typically as the BID/ASK spread where the BID is the price set by the price maker to purchase or buy the underlying security priced and ASK is where the price maker is willing to offer or sell the security being priced.

10. Financial Viability

10.1 Financial Viability – The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

10.1.1 Currenex MTF has adequate financial and staff resources to carry on its activities in compliance with its regulatory requirements set out by FSMA. The UK FCA General Prudential Sourcebook (“**GENPRU**”) and Prudential Sourcebook for Investment Firms (“**IFPRU**”) implements, in part, the EU CRD and certain national discretions afforded to the FCA as competent authority under EU CRR. CRD EU text was formally published in the Official Journal of the EU on 27 June 2013 (note that the Regulation has also been subject to a subsequent update). The bulk of the rules contained in the legislation are applicable from 1 January 2014. CRD IV is made up of the: (i) Capital Requirements Directive (2013/36/EU) (CRD) which must be implemented through national law and (ii) Capital Requirements Regulation (575/2013) (“**CRR**”), which is directly applicable to firms across the EU.

10.1.2 Pursuant to the above regulatory requirements the minimum capital requirement to operate an MTF is set to EUR 730,000 (approximately CAD 1.01million) with any additional capital deemed required to maintain adequate financial resources at all times. Under FCA Rules, an MTF will be considered to maintain adequate financial resources if the value of the financial resources exceeds the total amount that would enable the MTF to cover the operating costs of the MTF for a one-year period, as calculated on a rolling basis. FCA rules additionally provides that the financial resources allocated by the MTF to meet the requirements shall include unencumbered, liquid financial assets (i.e., cash and/or highly liquid securities) equal to at least six (6) months’ operating costs. Currenex MTF is in compliance with these requirements and such requirements are taken into consideration as part of the budgeting process.

11. Trading Practices

11.1 Trading Practices – Trading practices are fair, properly supervised and not contrary to the public interest.

11.1.1 As detailed more fully in the response to Section 6 of Part III of this Application, trading practices at Currenex MTF are fair, properly supervised and not contrary to the public interest. The Currenex MTF rules establish prohibitions on abusive or other improper trading practices. Upon launching the Currenex MTF, these rules have been filed with the FCA along with a certification by Currenex MTF that the rules are in compliance with the FCA rules, which are affected in accordance with a public interest.

11.2 Orders – Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of order is fair, equitable and transparent.

11.2.1 Rule 8 of the Currenex MTF Rulebook sets forth the functionality of the Currenex MTF trading protocols, and the Rule 9 describes the trading services and other technology services. These trading protocols and services are available to all Currenex MTF Users. Trading on the Currenex MTF is conducted on a fully disclosed basis, such that the Members disclose to each other who they are when transmitting requests for quotes or entering into transactions with each other. Once a transaction is concluded on the Currenex MTF, transaction information is sent to both Members.

11.2.2 As described in the Rule 8 (*Trading Protocols*) of the Currenex MTF Rulebook, Currenex MTF currently operates an RFQ trading model, and multiple session types as are listed in Section 2.2 of Part II of this Application (all of which are sessions where a quote or quotes are provided in response to a request by a buy-side Member) for matching requests with quotes within Currenex MTF.

11.2.3 Under the RFQ Trading Model, Currenex MTF facilitates transactions between Members who have notified Currenex MTF that they have a pre-existing underlying trading relationship for the purpose of executing transactions with one another. Additionally, there are clearly defined rules for those sell-side Members who use Last Look shall:

- a) be transparent regarding their Last Look practices in order for the buy-side Member to understand and be able to make an informed decision as to the manner in which Last Look is applied to their trading, and shall disclose directly to the buy-side Member, at a minimum, explanations regarding whether, and if so how, changes to price in either direction may impact the decision to confirm acceptance of the quote that the buy-side selects (a “**Selected Quote**”), the expected or typical period of time for making that decision, and more broadly the purpose for using Last Look; and
- b) only use Last Look as a risk control mechanism to verify price and validity of the Selected Quote. The validity check should be intended to confirm that the transaction details contained in the Selected Quote are appropriate from an operational perspective and there is sufficient available credit to enter into the transaction contemplated by the Selected Quote, while the price request should be intended to confirm whether the price at which the Selected Quote was made remains consistent with the current price that would be available to the buy-side Member.

- 11.2.4 Rules 8.2.4 and 8.2.5 (*RFQ Trading Model Sessions*) set down the basis for a trade being concluded in Currenex MTF for all offered session types.
- 11.2.5 The rules governing the Responsibilities of Members are set forth in Rule 5 of the Currenex MTF Rulebook and are enforced on an impartial basis with respect to all Currenex MTF Users.
- 11.3 Transparency – The exchange has adequate arrangements to record and publish accurate and timely information as required by applicable law or a Foreign Regulator. This information is also provided to all participants on an equitable basis.**
- 11.3.1 As described in the Currenex MTF Rulebook Rule 2.1 (*Transaction Reporting Obligations*) and 2.13 (*Trade Transparency*):
- a) Members must be aware of, and are responsible for fulfilling, their own transaction reporting obligations under MiFID II and MiFIR, as applicable;
 - b) SSGMIL in turn shall submit transaction reports in accordance with Article 26 MiFIR to the FCA in respect of transactions entered into by Members that are not MiFID II Investment Firms;
 - c) Members agree to provide, in accordance with Currenex MTF Rule 11.4. (*Information*) all information that SSGMIL may reasonably require to comply with its own reporting obligations under Applicable Law, including but not limited to the identity of decision makers, the trading capacity of the Member and the Client on whose behalf the Member submitted the Request or Quotes to Currenex MTF no later than by 5:30pm ET on the day of submission;
 - d) Where required under Applicable Law, SSGMIL will make public, on a continuous basis during a Trading Day, details of transactions, including Requests or Quotes and the depth of trading interest at such prices which are advertised though a Market Segment (“**Pre-Trade Data**”). SSGMIL may obtain and apply a transparency waiver from publication of all or part of the Pre-Trade Data. Where SSGMIL has been granted such a waiver, SSGMIL will be exempted from the requirements to publish Pre-Trade Data to the extent provided for by the applicable transparency waiver; and
 - e) Where required under Applicable Law, SSGMIL will make public, as close to real-time as technically possible, the price, volume and time of Trades executed on Currenex MTF (“**Post-Trade Data**”) on its website (<https://www.currenexmtf.com/reporting>) where the Currenex MTF Rulebooks and schedule of fees are also available.

12. Compliance, Surveillance and Enforcement

- 12.1 Jurisdiction – The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.**
- 12.1.1 The Currenex MTF Rule 1.3 (*Compliance with the Documentation*) required each Member to comply with all Rules. Equally, each Member must execute the Currenex MTF Membership Agreement, which requires each Member, while accessing the Currenex MTF, to be subject to the Currenex MTF Rules.
- 12.1.2 Under the Currenex MTF Rule 2.7 (*Effect of Termination*), a member whose access to the Currenex MTF has been suspended or terminated remains subject to the Currenex MTF Rules in respect of any outstanding obligations under these rules and until such obligations are satisfied. Suspended or terminated Members will continue to be liable for their acts or omissions in relation to MTF Business that occurred at any time before they ceased to be a Member.
- 12.1.3 The Currenex MTF Rule 2.3 (*Continuing Obligations*) enforces obligations on all Members at all times that they are a Member or are using Currenex MTF, including:
- a) All Currenex MTF Users must comply at all times with the requirements of these Rules, user guidance, the Member agreement and any notices from SSGMIL;
 - b) Members must have and maintain adequate internal procedures and controls to prevent the submission of erroneous transactions to Currenex MTF and to ensure its continuing compliance with these Rules, user guidance, the Member agreement and any notices from SSGMIL;
 - c) Members must have and maintain adequate execution, order management and settlement systems in place;

- d) Members must ensure that any persons, who submit requests or quotes to Currenex MTF on behalf of the Member are sufficiently trained, are adequately supervised, and have adequate sophistication, expertise and knowledge to ensure fair and orderly trading on Currenex MTF;
- e) Members must continue to meet the eligibility criteria at all times while a Member.
- f) Members must co-operate with SSGMIL and the FCA (or any other competent authority) in any investigation conducted in relation to trading on Currenex MTF.
- g) Members must ensure that Currenex MTF Users authenticators to access Currenex MTF given to each Member by SSGMIL are kept confidential to such individuals and not disclosed to any other person;
- h) Members must, at their own cost and expense, provide all equipment, operating platforms, and software to use Currenex MTF, and meet such technical and systems requirements necessary for use of Currenex MTF and to comply with the Rules and the user guidance as may be prescribed by SSGMIL from time to time, including, without limitation, in relation to its risk management procedures and systems and the security of its technical system as set out in the Currenex MTF user guidance;
- i) Members must undertake conformance testing prior to the deployment or a substantial update of the Member's trading system, trading algorithm or trading strategy and to ensure that the algorithms they deploy avoid contributing to or creating disorderly trading conditions;
- j) Members must not provide arrangements or in any way enable any person to utilise Currenex MTF by way of 'direct electronic access' (as defined in Article 4(1)(41) of MiFID II), whether such access be by way of 'direct market access' or 'sponsored access' (each as defined in Article 4(1)(41) of MiFID II) or by any other method whatsoever; and
- k) Members will be assessed for their compliance with the continuing obligations set out in this Rule 2.3 (*Continuing Obligations*) on a yearly basis and, in the sole discretion of SSGMIL, additional assessments may be undertaken as deemed necessary.

12.2 Member and Market Regulation – The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

12.2.1 Please see the responses to Sections 5 and 7 of Part III of this Application. Rule 11 (*Monitoring, Information and Investigation*) of the Currenex MTF Rulebook, requires Currenex MTF to have systems in place to monitor compliance by Members with view to identify any breaches of the Rules, eligibility criteria and misleading acts, conduct and prohibited practices.

12.3 Availability of Information to Regulators – The exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the Commission on a timely basis.

12.3.1 The Currenex MTF Rules ensure that Currenex MTF is able to obtain all information necessary to perform its regulatory obligations. As explained above, under Currenex MTF Rule 2.3 (*Continuing Obligations*), each Member is obligated to provide Currenex MTF with information supporting its compliance with the eligibility criteria of Currenex MTF. Under Currenex MTF Rule 4.2 (*Notification by Members of certain events*), each Currenex MTF Users is required to notify Currenex MTF upon the occurrence of certain events that may have a material effect on such Currenex MTF Users' ability to continue to meet Currenex MTF eligibility criteria.

12.3.2 As described in Rule 6 (*Instrument Eligibility Criteria*) of the Rulebook the Currenex MTF Rulebook provides a framework for Currenex MTF to take disciplinary and enforcement actions. For more information on Currenex MTF powers in this regard, refer to Rule 11.6 (*Sanctions*). Currenex MTF has the right to share information regarding Currenex MTF Users with any government agency or foreign regulatory authority, including the Commission, to the extent requested or legally required to do so and to share information pursuant to information-sharing agreements. Furthermore, under Currenex MTF Rule 2.3 (*Continuing Obligations*), each Currenex MTF User agrees to assist Currenex MTF in complying with Currenex MTF legal and regulatory obligations, to cooperate with Currenex MTF in any inquiry, investigation, audit, examination or proceeding and to authorize Currenex MTF to provide information regarding such Currenex MTF User to regulators to the extent necessary or appropriate where Currenex MTF is exercising a legal or regulatory function.

13. Record Keeping

13.1 Record Keeping – The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of requirements.

- 13.1.1 Currenex MTF collects data on a daily basis related to its regulated activity in compliance with the FCA Recordkeeping and Reporting requirements. Currenex MTF is required to maintain records of all activities relating to its business as an MTF, including data related to order messaging, order execution, and pricing in a WORM storage. Currenex MTF maintains a precise and complete data history, referred to as the audit trail, for every order and RFQ that is entered into the system and for every transaction executed. Audit trail information for each transaction includes the order/ RFQ instructions, entry time, modification time, execution time, price, quantity, account identifier and parties to the transaction. Detailed information on all order and RFQ trade activity on Currenex MTF is precisely timed. Currenex MTF maintains a computerised trade reconstruction system. All electronic order and cleared trade information is archived to non-rewritable media, and copies are stored at multiple locations to ensure redundancy and critical safeguarding of the data.
- 13.1.2 Under Currenex MTF Rule 5.1 (*Transaction Records*), Currenex MTF requires Currenex MTF Users to maintain, audit trail data in the form and manner required by the FCA. The FCA requires firms to maintain all audit trail data for a transaction for a minimum of five (5) years.

14. Outsourcing

14.1 Outsourcing – Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

- 14.1.1 SSGMIL is required by the FCA Outsourcing rules when relying on a third party for the performance of operational functions which are critical for the performance of regulated activities to ensure that it takes reasonable steps to avoid undue additional operational risk. SSGMIL outsource the provision of the platform that performs the matching and execution of FX transactions, market abuse system and receive related IT support for the provision of Currenex MTF platform to its affiliate Currenex, LLC a Delaware corporation who offers the non-regulated form of the Currenex platform and owns the intellectual property of the Currenex platform (including Currenex MTF). The relationship between SSGMIL and its suppliers (including Currenex, LLC and SSBTC, the primary suppliers to SSGMIL in respect of Currenex MTF) is governed by inter-company service agreements (with specific service levels and key performance indicators built in) for the provision of services. SSGMIL acknowledges that the primary responsibility to comply with its regulatory obligations remains with SSGMIL as the operator of Currenex MTF and as the delegating or outsourcing entity.
- 14.1.2 While management and oversight of Currenex MTF is being performed in the United Kingdom and the Currenex MTF is operated by SSGMIL, some operational functions are being outsourced to affiliates of SSGMIL to allow for the most efficient utilisation of resources for State Street globally in line with the State Street Outsourcing policy.
- 14.1.3 GlobalLink has been structured so that the business unit has IT resources dedicated to it at the business unit level which meet the standards set by State Street globally. SSGMIL has the authority to request that additional resources are assigned to Currenex MTF should SSGMIL find them inadequate. From a controls perspective, the technology developed or purchased for the purposes of operating Currenex MTF is subject to all the policies and requirements from State Street, including audits.
- 14.1.4 The intercompany outsourcing arrangements are subject to rigorous State Street internal outsourcing assessment, and are periodically reviewed to ensure compliance with the FCA rules on outsourcing governed by the Senior Managers and Certification Regime and the Systems and Controls section of the FCA Handbook. Any external outsourcing arrangements are subject to the State Street's corporate Third Party Risk Management policies ("TPRM"). State Street's TPRM policies provide a process and framework to be followed for assessing and managing risks associated with the use of third party vendors throughout the engagement lifecycle in a manner consistent with compliance and regulatory requirements.
- 14.1.5 Copies of the respective intercompany outsourcing agreements can be made available upon request.

15. Fees

15.1 Fees –

- (a) **All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants in the services offered by the exchange.**
- (b) **The process for setting the fees is fair and appropriate, and the fee model is transparent.**

15.1.1 FCA MAR 5.3.1 concerns non-discriminatory access to an MTF by MTF Members and market participants and FCA MAR 5.3A.11 provides that an MTF must maintain comparable fee structures for eligible participants receiving comparable access to, or services from, the MTF. The FCA has further clarified that an MTF may establish different categories of market participants seeking access to, or services from, the MTF, but may not discriminate with respect to fees within a particular category.

15.1.2 Currenex MTF currently charges transaction-based fees and connection fees for access to Currenex MTF which are publicly available at <https://www.currenexmtf.com/content/disclosures/currenex-mtf-member-fees.pdf>. The fees vary depending on the method of execution. Currenex MTF may amend its fee schedule from time to time on notice to Members, but it will remain subject to the requirements of FCA MAR 5.3.1.

15.1.3 Prior to finalising any amendment of the Currenex MTF fee schedule, the fee amendments would be reviewed by Currenex MTF Oversight Committee, (including legal and compliance representatives) to ensure that the fee schedule as amended is consistent with applicable regulatory requirements. As a result, the process for setting the fees is fair and appropriate, and the fee model is transparent to the regulator as well as to Currenex MTF Members.

15.1.4 Under the terms of its Member agreement, Currenex MTF must provide prior notice to Members of any amendment or modification of the fees charged to such Member.

16. Information Sharing and Oversight Arrangements

16.1 Information Sharing and Regulatory Cooperation – The exchange has mechanisms in place to enable it to share information and otherwise cooperate with the Commission, self-regulatory organisations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

16.1.1 One of the core principles of business promulgated by the FCA is Principle 11 (*Relations with regulators*) requiring all firms regulated by the FCA to deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

16.1.2 The Currenex MTF Rulebook also specifically requires Members to co-operate with SSGMIL and any applicable regulator/competent authority of Currenex MTF in any investigation conducted in relation to trading on Currenex MTF and SSGMIL to disclose information collected as part of offering Currenex MTF to the extent necessary to comply with any law, regulation, or regulatory investigation.

16.2 Oversight Arrangements – Satisfactory information sharing and oversight agreements exist between the Ontario Securities Commission and the Foreign Regulator.

16.2.1 The FCA has entered into memorandum of understanding (“MOU”⁹) arrangements for co-operative enforcements with foreign regulatory authorities in numerous jurisdictions. The MOUs typically provide for access to non-public documents and information already in the possession of the regulatory authorities, and often include undertakings to obtain documents and to take testimony of, or statements from, witnesses on behalf of a requesting regulatory authority. The FCA and the Commission entered into a memorandum of understanding for cooperative enforcement on 1 June 2013.

17. IOSCO Principles

17.1 IOSCO Principles – To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Securities Commissions (IOSCO) including those set out in the “Principles for the Regulation and Supervision of Commodity Derivatives Markets” (2011).

17.1.1 MiFID II and the FCA rules set down in the FCA Handbook are consistent with the standards set by the International Organisation of Securities Commissions (“IOSCO”), such as “Objective and Principles of Securities Regulation” (1998 and 2002) and “Report on Co-operation between Market Authorities and Default Procedures” as well as the “Standards for Regulated Markets” published by the Forum of European Securities Commissions in December 1999.

⁹ https://www.osc.gov.on.ca/en/About_mou_20130711_nmou-osc-asc-bcsc-uk-fca.htm

- 17.1.2 Currenex MTF adheres to the standards of IOSCO in that it must comply with the MiFID II and the FCA rules set down in the FCA Handbook, which reflect the IOSCO standards.

PART IV SUBMISSIONS BY CURRENEX MTF

1. Submissions Concerning the Requested Relief

- 1.1 Commission Staff Notice 21-711 Multilateral Trading Facility –Exemption from Requirement to be Recognized as an Exchange states:

“Because MTFs have self-regulatory responsibilities, they are considered ‘exchanges’ under Ontario securities law. If an MTF provides access to participants in Ontario, it is considered to be doing business in Ontario and must be recognized as an exchange or obtain an exemption from recognition.”

Currenex MTF seeks to provide Ontario market participants with direct access to trading in foreign exchange instruments listed on Currenex MTF and, accordingly, is seeking an exemption from the requirement to be recognized as an exchange under the Act.

- 1.2 The products traded on Currenex MTF include “derivatives” as defined in the Act to be “an option, swap, futures contract, forward contract or other financial or commodity contract or instrument whose market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest”, except as excluded.
- 1.3 Currenex MTF satisfies the criteria for exemption of a foreign exchange trading OTC derivatives from recognition as an exchange, as set out by Commission Staff, as described under Part III of this Application. Ontario market participants that trade in foreign exchange instruments would benefit from the ability to trade on Currenex MTF as they would have access to a range of exchange-traded products and clients seeking to trade those products that may not be otherwise available in Ontario. Currenex MTF offers a transparent, efficient and liquid market for Ontario market participants to trade in NDFs. Stringent FCA oversight of Currenex MTF as well as the sophisticated information systems, regulations and compliance functions that have been adopted by Currenex MTF will ensure that Ontario Users of Currenex MTF are adequately protected in accordance with international standards set by IOSCO. SSGMIL therefore submits that it would be in the public interest to grant the Requested Relief.
- 1.4 State Street submits that the relief requested from the requirement to be recognized as an exchange under the Act is appropriate because Currenex MTF is registered as an MTF with the FCA, the regulator in its home jurisdiction. Commission staff acknowledges in Commission Staff Notice 21-711 Regulatory Approach for Foreign-Based Stock Exchanges that, in the case of foreign exchanges, “[f]ull regulation, similar to that applied to domestic exchanges, may be duplicative and inefficient when imposed in addition to the regulation of the home or another jurisdiction.” If the Commission were to recognise Currenex MTF as an exchange under the Act instead of exempting it from recognition, this type of duplication and inefficiency would occur because Currenex MTF would then be subject to oversight by the Commission similar to the Commission’s oversight of domestic exchanges. Oversight of Currenex MTF by the FCA as well as the sophisticated information systems, regulations and compliance functions that have been adopted by Currenex MTF, will ensure that users of Currenex MTF in Ontario are adequately protected in accordance with international standards as reflected in the IOSCO principles. State Street therefore submits that it would not be prejudicial to the public interest to grant the relief requested from the requirement to be recognised under the Act.

PART V OTHER MATTERS

1. Enclosure

A copy of the proposed order is enclosed with this Application.

2. Consent to Publication

Currenex MTF consents to the publication of this Application for public comment.