

# B.11

## CIRO, Marketplaces, Clearing Agencies and Trade Repositories

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### B.11.2 Marketplaces

#### B.11.2.1 360 Trading Networks UK Limited – Application for Exemption from Recognition as Exchange – Notice and Request for Comment

#### NOTICE AND REQUEST FOR COMMENT

#### APPLICATION BY 360T UK FOR EXEMPTION FROM RECOGNITION AS EXCHANGE

#### A. Background

360 Trading Networks UK Limited (**360T UK**) has applied to the Commission for an exemption from the requirement to be recognized as an exchange pursuant to subsection 21(1) of the *Securities Act* (Ontario) (**OSA**).

On December 22, 2023, 360T UK was granted an interim order exempting it from the requirement to be recognized as an exchange (**Interim Exemption Order**). The Interim Exemption Order terminates on the earlier of (i) June 30, 2024 and (ii) the effective date of a subsequent exemption order.

360T UK is a marketplace for trading FX derivatives that are regulated by the U.K. Financial Conduct Authority (**FCA**).

360T UK intends to provide direct access to trading on its marketplace to eligible participants located in Ontario and therefore is considered to be carrying on business in Ontario.

As 360T UK will be carrying on business in Ontario, it is required to be recognized as an exchange under the OSA or apply for an exemption from this requirement. 360T UK has applied for an exemption from the recognition requirement on the basis that it is already subject to regulatory oversight by the FCA.

#### B. Application and Draft Exemption Order

In the application, 360T UK has outlined how it meets the criteria for exemption from recognition. The specific criteria can be found in Appendix I of the draft exemption order. Subject to comments received, Staff intends to recommend that the Commission grant an exemption order with terms and conditions based on the draft exemption order. The application and draft exemption order are available on our website at [www.osc.ca](http://www.osc.ca).

#### C. Comment Process

The Commission is publishing for public comment the 360T UK application and the draft exemption order. We are seeking comment on all aspects of the application and draft exemption order.

Please provide your comments in writing, via e-mail, on or before April 8, 2024, to the attention of:

Ontario Securities Commission  
20 Queen Street West  
22nd Floor  
Toronto, Ontario M5H 3S8  
Fax: 416-593-2318  
Email: [comments@osc.gov.on.ca](mailto: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:

Niels Bouwman  
Trading Specialist, Market Regulation  
Email: [nbouwman@osc.gov.on.ca](mailto:nbouwman@osc.gov.on.ca)

Mark Delloro  
Senior Accountant, Market Regulation  
Email: [mdelloro@osc.gov.on.ca](mailto:mdelloro@osc.gov.on.ca)

23 November, 2023

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

Dear Sirs and Mesdames:

360 Trading Networks UK Limited – Application

360 Trading Networks UK Limited (the “**Applicant**” or “**360T UK**”) hereby applies to the Ontario Securities Commission (the “**OSC**” or the “**Commission**”) for an order granting the following relief (collectively, the “**Requested Relief**”) relating to the operation by 360T UK of a marketplace (the “360T UK MTF”) for trading FX derivative instruments which is regulated by the U.K. Financial Conduct Authority (the “**FCA**”) - in the Province of Ontario:

- (i) Exempting the Applicant from the requirement to be recognized under subsection 21(1) of the Securities Act (Ontario) (the “**Act**”) pursuant to Section 147 of the Act; and
- (ii) Exempting the Applicant from the requirements in National Instrument 21-101 Marketplace Operation (“NI 21-101”) pursuant to section 15.1(1) of NI 21-101, the requirements of National Instrument 23-101 Trading Rules (“NI 23-101”) pursuant to section 12.1 of NI 23-101, and the requirements of National Instrument 23-103 Electronic Trading and Direct Electronic Access to Marketplaces (“NI 23-103”) pursuant to section 10 of NI 23-103.

The Applicant is currently offered to participate in Ontario pursuant to an Interim Order dated December 22, 2023 (the “**Interim Order**”).

#### Exemption Criteria

OSC Staff has prescribed criteria that it will apply when considering applications for exemption of a foreign platform that facilitates the trading of OTC derivatives from recognition as an exchange. These criteria are substantially similar to those prescribed in OSC Staff Notice 21-702 Regulatory Approach for Foreign Based Stock Exchanges in relation to applications for recognition (or exemption from recognition) by foreign stock exchanges by the Ontario Securities Commission.

For convenience, this Application is divided into the following Parts:

#### Part I Application for Exemption from Recognition as an Exchange

1. Regulation of the Exchange
2. Governance
3. Regulation of Products
4. Access
5. Regulation of Participants 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

**B.11: CIRO, Marketplaces, Clearing Agencies and Trade Repositories**

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- 15. Fees
- 16. Information Sharing and Oversight Arrangements
- 17. IOSCO Principles

Part II Submission by 360T UK

Part III Verification Certificate

Part IV List of Annexures

Part I – Application for Exemption from Recognition as an Exchange

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

**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).**

360T UK, as an operator of an Multilateral Trading Facility (“**MTF**”), is subject to rigorous and appropriate regulation under the oversight of the Financial Conduct Authority (“**FCA**”) in the United Kingdom (“**UK**”).

Historically, 360T has been providing services to the participants in the UK by 360T AG pursuant under the MIFID II services passport regime in the European Union (“**EU**”). However, the landscape changed significantly since the UK’s departure from the EU, commonly referred to as Brexit, in 2020.

Following the impact of Brexit, 360T AG received temporary permission by the FCA, allowing us to continue to offer our services within the UK Market. Recognizing the importance of securing a long-term presence in the UK, 360 Trading Networks UK Limited was strategically incorporated in 2022 under the Companies Act in the UK. Subsequently, 360T UK diligently pursued and successfully obtained approval from the FCA to operate an MTF on November 22, 2023, showcasing our commitment to regulatory compliance ([FCA Reference number: 989320](#)). We are duly registered with the FCA, adhering to the Financial Services and Markets Act (FSMA), UK MIFIR and the rules made by the FCA governing the operating conditions of investment firms as far as they apply to MTFs.

The parent company, 360 Treasury Systems AG (360T AG), is regulated and supervised by the German Federal Supervisory Authority (BaFin) (Please see **Annexure 10 - Group Structure Chart**). In the Province of Ontario, 360T AG MTF operates under the terms of an exemption order granted by the OSC on 14 June 2019.

**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.**

The FCA serves as the regulatory body responsible for overseeing financial markets and ensuring their integrity within the United Kingdom. The Financial Services Act 2012 enacted the FCA to regulate conduct issues across the entire spectrum of financial services. The FCA exercise its regulatory authority and implements robust oversight procedures for registered business like 360T in the UK to ensure that the financial markets are honest, competitive and fair. Here are the key components of the FCA’s oversight framework for MTFs:

(i) Authorization process:

The FCA employs a stringent authorization process for firms like 360T UK seeking registration to operate an MTF in the UK. This process involves in-depth assessments of the various aspects, including the operator’s business model, financial soundness, technology infrastructure, and operational capabilities. This evaluation ensures that only entities meeting stringent standards are permitted to operate with the UK’s financial markets.

(ii) Threshold conditions:

When the FCA authorises a firm, the FCA assess whether it meets a set of minimum standards that apply to all firms. These are known as the Threshold Conditions and are set out in Schedule 6 to the Financial Services and Markets Act 2000 (FSMA). Once authorised, firms need at all times to meet threshold conditions to remain authorised. Assessing whether firms continue to meet threshold conditions is an important role of FCA’s supervision. Furthermore, the FCA seeks to identify potential risks in a firm’s business model or culture and works closely with the firm to mitigate the risks.

(iii) Ongoing Monitoring:

The FCA adopted a proactive approach to require registered entities, such as 360T UK, to submit regular reports and data to the FCA. This enables the FCA to monitor the operations of the firms closely. Additionally, the FCA also analyse the data on complaints about firms and notifications of conduct rule breaches, allowing them to identify and address potential issues promptly.

360T UK is also subject to FCA’s risk-based supervision approach and is required to submit relevant notifications in accordance with the FCA Handbook. The FCA may initiate contact with 360T UK when necessary to address any queries or concerns.

(iv) Enforcement Actions

The FCA takes swift and decisive enforcement actions against any breaches of regulatory requirements by the participants it supervised. These actions may include investigations into a firm's conduct, alteration or supplements to a firm's rules, suspension or revocation of registration, impose fines for violations of the FCA Regulations and the issuance of directives to ensure orderly trading in the event of an emergency.

As an authorised operator under the oversight of the FCA, 360T UK is required to maintain full compliance with a comprehensive set of rules and regulations. This includes the transparency rules, non-discretionary rules, Integrity standards, fair and non-discriminatory rules, among various other rules outlined in the applicable Laws and Regulations.

## 2 GOVERNANCE

### 2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of the exchange,

360T UK is incorporated on 12th December 2022 in accordance with the Companies Act 2006 UK (Please see **Annexure 1 - Certificate of Incorporation**). To ensure effective oversight, 360T UK has established a robust organizational and governance framework. The ultimate responsibility for the day-to-day business and overall affairs of 360T UK lies with the Board. The Board comprises a Chief Executive, two executive Directors and 2 Non-Executive Directors and this composition has been approved by the FCA. Please find the **Board Information in Annexure 2**.

The Board operates on a quarterly meeting schedule to evaluate ongoing business performance and to ensure oversight of both the strategic direction of 360T UK and its compliance with ongoing regulatory obligations. Additional meetings may be called at any time upon proper notice, for example, to address specific needs of 360T UK. Board meetings will be run in accordance with an agenda that is circulated in advance. Any Director may propose the inclusion of items to the agenda or at any Board meeting raise subjects that are not on the agenda for that meeting. The Non-Executive Directors may attend each Board meeting in person at the London office or by video conference, whereas the Executive Directors will aim to attend in person.

In addition, each of the Directors is committed to upholding the FCA's Principles for Businesses and adhering to the Conduct Rules in their actions and decisions. They have also pledged to dedicate sufficient time and capacity to effectively fulfil their roles as Directors and Senior Management Functions ("**SMF**") of 360T UK, even considering their other responsibilities within the Group<sup>1</sup>, to which 360T UK belongs.

Furthermore, the UK Board members also sit on a number of committees organized by the 360T Group at a global level, in respect of key second line and wider control arrangements as listed below:

- (i) Change Advisory Board ("**CAB**"), where the CAB meets at least once before every release of technical updates to the MTF and to discuss and decide and agree on changes to be implemented. The CAB process brings all planned business initiatives into a transparent competition that is driven by business cases. The goal is to select those business initiatives that have the highest business benefit, which is measured by urgency and revenue potential. Additionally, all indirect initiatives, such as those requirements that emanate from regulation or system stability are considered here as well;
- (ii) Compliance Management Committee ("**CMC**"), which is responsible for monitoring the sufficiency, effectiveness and independence of 360T Group's regulatory program and overseeing all aspects of 360T Group's regulatory program;
- (iii) Global Risk Committee ("**GRC**"). which is a challenge and decision forum that is responsible for risk aspects within the 360T Group business. It is an advisory body that supports the 360T AG Management Board in discharging its obligations in the context of risk management and internal control;
- (iv) Outsourcing Committee, which is the central checkpoint, at Group level, to validate that all risks that arise in relation to the Group's outsourcing arrangements are sufficiently identified and that respective mitigation measures are in place to manage each such risk.

These committees are designed to promote a broad and global viewpoint, ensuring effective oversight and controls over the operation of 360T entities, including those of 360T UK. As a result of UK's management body in the above Group

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<sup>1</sup> The 360T Group comprises various entities including 360T UK, and it specifically refers to the overarching organizational structure that includes 360T UK and other affiliates entities at a global level.

committees, 360T UK considers that its interests will be well represented at Group level and it will be part of Group decision making that could impact it.

**(b) that business and regulatory decisions are in keeping with its public interest mandate,**

360T UK is committed to operate an MTF in accordance with industry best practices and in accordance with public interest. 360T UK's Rulebook (please see **Annexure 3 – 360T UK MTF Rulebook**), policies and procedures and activities are designed to fulfil its public interest mandate and provide a reliable trade execution platform for market participants.

360T UK's public interest mandate is derived from laws and regulations to which it is subject, including UK MiFIR, the FCA Handbook, and other applicable laws and regulations. Any business or regulatory actions that 360T UK takes must conform to such laws and regulations.

In addition, 360T UK operates within the framework of the Senior Managers and Certification Regime (SM&CR). This legislation has been designed to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. As noted in Section 2.1 (a), 360T UK's Board composition has been approved by the FCA, ensuring that these individuals are suitably qualified and capable of effectively fulfilling their roles.

**(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,**

Please find below our responses for the above two items:

**(i) Appropriate representation of independent directors**

As previously mentioned, 360T UK has implemented a governance structure that emphasizes the importance of fair, meaningful and diverse representation on its Board of Directors. This commitment includes the appropriate representation of Non-Executive Directors ('NED') within the Board. 360T UK designated 2 NEDs, each of whom is mandated to allocate sufficient time and capacity to fulfil their board responsibilities. NEDs should devote time to developing and refreshing their knowledge and skills, including those of communication, to ensure that they continue to make a positive contribution to the board. NEDs must, at a minimum, take reasonable steps to place themselves in a position to guide and monitor the management of the company. All NEDs have to be assessed as fit and proper in accordance with the 360T UK's Fit and Proper Policy (please see **Annexure 4 – 360T UK Fit and Proper Policy and Certification Procedures**), designed to align with the expectation of the FCA.

**(ii) Proper Balance Among the Interests of Different Users:**

In addition to the composition of the Board, it is important to note that the UK Board members also sit on a number of Group organised committees in respect of key second line and wider control arrangements, as described in Section 2.1 (a). These committees are structured to ensure proper balance among the interest of the different participants using the MTF through the diversity of the region and functional work areas.

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

360T has implemented robust mechanisms to effectively identify and manage conflicts of interest that may arise within the organisation. These efforts are strict adherence to the Conflicts of Interest rules (SYSC 10 rules) outlined in the FCA Handbook, which requires entities to take effective measures to prevent conflicts of interest. 360T has adopted the Deutsche Borse Code of Business Conduct and the Group Policy on Conflicts of Interest (Please see **Annexure 5 – 360T UK Group Policy on Conflicts of Interest**) that applies to all employees, including the executive officers. The provisions of the Business Code of Conduct and Policy on Conflicts of Interest address potential and actual conflicts of interest, and all employees are instructed to comply with the rules set out in those policies at all times. In case of a suspicion of a conflict of interest, employees are required to escalate these to compliance to record, manage and potentially escalate. In addition, a market abuse policy (Please see **Annexure 11 – Market Abuse Policy**) and the UK Compliance Handbook (Please see **Annexure 12 – UK Compliance Handbook**) have been designed to address and mitigate conflict of interest.

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

#### Qualifications

Directors, officers and employees of 360T UK are recruited for their particular positions based upon their skills and expertise. All members of the Board and 360T officers and employees are over the age of majority and are of sound mind.

Of particular note, all members of the Board and Senior Managers are subject to a rigorous evaluation process as per our "Fit and Proper Policy" to ensure they possess the requisite qualities and ethical standing necessary to perform their roles.

Furthermore, 360T also conducts yearly performance reviews as part of our continual evaluation process to support continuous employee development. These assessments help us to identify opportunities for ongoing training and improvements.

#### Remuneration

As a MIFIDPRU Investment Firm, 360T UK is subject to the basic remuneration requirements which focus on ensuring that firms have remuneration policies and practices that meet minimum standards and are subject to sound governance, rather than being subject to the detailed Remuneration Code requirements. After commencing its operations, 360T UK will establish remuneration policies and practices that align with sound and effective risk management. These policies will be in line with the company's business strategy, objectives and long-term interests.

Consequently, the compensation plan (the Compensation Plan) of all 360T UK employees will consist of a fixed salary component as well as a performance-based bonus component. Building on 360T's business philosophy, the purpose of the Compensation Plan is to encourage employees to exceed job expectations in supporting departmental and company goals.

Different bonus schemes reflect different roles within the organisation to align the interest of the individual with overall company goals, e.g., sales bonus, account management bonus, non-sales bonus, discretionary bonus. Group Compliance staff received discretionary bonuses linked solely to their own performance objectives.

Management will regularly align the Compensation Plan (or at least specific schemes) in line with the future development and requirements of 360T UK, subject to the approval of the Board. Furthermore, 360T UK will take into account the statutory and in particular regulatory specifications and requirements as applicable in the UK from time to time.

In this context and according to the regulatory requirements, all bonus components are subject to a comprehensive risk assessment to consider risks inherent with top line growth and cost of capital incurred. The total of the bonus components per annum may range to a maximum of 200% of the annual fixed salary. The final determination and payment of the yearly bonus amount shall be made after expiration of the business year at the earliest and following employee annual appraisals.

#### Limitation of liability

360T UK is incorporated under the Companies Act 2006 ("the Act") and no Director will be personally liable to 360T UK or its stockholders for monetary damages for breach of fiduciary duty as a director. This provision, however, does not eliminate or limit the liability of a Director from (i) any breach of the Director's duty of loyalty to 360T UK or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or (iii) any transaction from which the Director derived an improper personal benefit.

#### Indemnity provision

360T purchases and maintains insurance to protect directors from liabilities in accordance with the provisions set out by the Act. It's important to note that the company is not able to provide insurance or indemnities in relation to criminal activity, in line with the rules and requirements set out by the Act.

## 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.**

As noted in Section 2.1 (e), all directors and officers possess the ability to contribute to the effective oversight and management of 360T UK, considering the needs of 360T UK and such factors as the individual's experience, perspective,



skills and knowledge of the markets in which 360T UK operates. This includes sufficient expertise, where applicable, in financial services and trading platform operations.

In addition, each of the directors and officers undergoes a rigorous assessment to ensure they meet the criteria set out in the Fit and Proper Policy, in alignment with the SM&CR requirements. All directors are approved by the FCA and are subject to 360T UK's annual review to assess their ongoing fitness and propriety.

Each of the Directors will conduct their affairs in accordance with the FCA's principles for Businesses and Conduct Rules. When viewed against their other responsibilities within the Group, the Directors are confident that they will have sufficient time to discharge their role as Directors and Senior Managers of 360T UK.

### **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.**

As an authorised firm under the oversight of the FCA, 360T UK conducts its activities strictly within the scope of its granted permission. Should there arise new business opportunities or changes in the regulatory landscape that prompt us to consider introducing additional financial instruments in the MTF, we will undertake a comprehensive review process. This includes a review of the current permission to determine whether an application for a variation of permission is required or to amend the scope of activities.

##### Products Listed on the UK MTF

Upon the sole discretion of 360T UK, the following Instrument types can be made available for trading on the 360T UK MTF:

- FX Forward
- FX Swap
- FX Strategy
- FX Options
- Non-Deliverable Forward
- Non-Deliverable Swap
- Non-Deliverable Strategy

It is noteworthy that, given the nature of the product range of 360T UK which is primarily FX, 360T UK does not foresee a scenario in the near future where it will introduce additional financial instrument types. However, in the unlikely event that such a decision is made, 360T UK will conduct a thorough risk assessment process. This process includes various factors, including but not limited to, considerations for business development and ongoing business support. In addition, prior to any new product launch, the UK MTF Rulebook may be adjusted accordingly and distributed to Members via email. The UK MTF Rulebook amendments will also be available and downloadable via the 360T homepage.

In instances where the suspension and removal of financial instruments becomes necessary, in accordance with Section 5.6A of Market Abuse Regulation ("MAR"), 360T UK commits to comply with the following requirements:

- (i) not exercise any power under its rules to suspend or remove from trading any financial instrument which no longer complies with its rules, where such a step would be likely to cause significant damage to the interest of investors or the orderly functioning of trading venue;
- (ii) where it does suspend or remove from trading a financial instrument, also suspend or remove derivatives that relate, or are referenced, to that financial instrument, where necessary to support the objectives of the suspension or removal of the underlying; and
- (iii) make public any decision in (ii) and notify the FCA of it.

### 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.

360T UK has drafted the terms and conditions governing the trading of the products in line with regulatory guidelines and industry best practices.

Regulatory Compliance: in drafting the terms and conditions, we have adhered to the requirements set out in the FCA Handbook. This includes but is not limited to, adherence to Principle 6<sup>2</sup> “Customers’ interests”, Principle 7 “Communications” and the Conduct of Business Sourcebook.

FX Global Code: 360T acts in compliance with the FX Global Code (the “Code”) as a market participant as defined by the Code and is committed to conducting its FX market activities in a manner consistent with the principles of the Code. This commitment ensures that our trading practices adhere to international standards and the best practices in the FX markets.

Please find in **Annexure 13a and 13b TEX Access Agreement** and **Annexure 14 – 360T UK Appendix** which will be in place between 360T UK and a Member in respect of the TEX Technology and the UK MTF.

### 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.

In compliance with MAR, 360T UK have implemented effective systems, procedures and arrangements to measure, manage and mitigate the risks associated with trading products on the UK MTF. Below, we outlined some key examples of regulatory requirements along with our corresponding systems and controls:

*(i) **MAR 5.3A.2(5): a firm must have in place effective systems, procedures and arrangements to reject orders that exceed pre-determined volume and price thresholds or are clearly erroneous.***

In accordance with the above regulation, 360T UK have in place appropriate pre-trade controls to meet this obligation which include the following and which are applied to all Members equally:

- 360T AG has a long-time partnership with a company called Digitec, which is based in Germany. The partnership has built a market data product called the Swaps Data Feed (SDF), a market leading representation of pricing in the FX swaps market. This data will be available to the UK MTF. The SDF is a data feed for G10, local market and non-deliverable currencies (and the same partnership is in place with 360T AG and in respect of the EU MTF). 360T UK will use this feed to detect new incoming prices that exceed pre-determined thresholds configurable on an instrument basis. In the event that a Quote exceeds the threshold, it is considered erroneous by 360T UK and is therefore withdrawn.
- 360T UK will perform a volume check for every volume entered in the UK MTF.
- 360T UK can implement further price collars for instruments that are configurable with soft and hard limits. A change in configuration takes effect within approximately 10 minutes. It is not possible for Members to make adjustments or changes to such controls.

*(ii) **MAR 5.3A.: a firm must be able to temporarily halt or constrain trading if there is a significant price movement in a financial instrument on that market or a related market during a short period and, in exceptional cases, to be able to cancel, vary or correct any transaction. A firm must ensure that the parameters for halting trading are appropriately calibrated in a way which takes into account the liquidity of different asset classes and sub-classes, the nature of the market model and types of users and is sufficient to avoid significant disruptions to the orderliness of trading.***

In line with regulatory requirement MAR 5.3A stated above, 360T UK has conducted a comprehensive risk assessment. Initially, 360T UK decided not to operate with circuit breakers during our initial phase of operation. This position will be reviewed annually, with the full awareness and acknowledgement of the FCA.

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<sup>2</sup> [PRIN 2.1 The Principles - FCA Handbook](#)

Our rationale for this decision is based on the unique characteristics of our trading system. As a general principle, 360T UK considers that the MTF RFQ component of the UK MTF will be less sensitive to volatility events for several key reasons:

- **No maintenance of Resting Orders:** the UK MTF neither maintains nor matches resting orders, meaning that Members are not required to cancel or update resting orders in order to avoid unintended executions due to price movements;
- **Market Taker Discretion:** it is in the discretion of the MTF Market Taker to initiate an execution attempt after evaluating the Quotes;
- **Last look capability:** MTF Market Makers have the possibility of making use of 'last look' and can reject an execution attempt in the case of price movements.
- **Limited RFQ Duration:** a Request on the MTF RFQ component of the UK MTF expires after approximately one minute. Accordingly, when a Member initiates a Quote for a predetermined instrument, 360T UK receives an insight to the market conditions for the requested instrument only for a short period of time, which is insufficient for 360T UK to detect price movements or draw conclusions on the volatility of an instrument.

**(iii) MAR 5.3A.2(6), (7), (8), (9) and (10): a firm must adopt governing orders generated by algorithmic trading.**

Consistent with this requirement, 360T UK imposes restrictions on algorithmic trading in Chapter 8 of the Rulebook. Rule 8.1 requires a Member who engages in algorithmic trading on the UK MTF to comply with the organizational requirements for trading systems and trading algorithms as set out under MIDIF Rules, including an established policy governing the use of the kill functionality. Rule 8.2 requires Members engaging in algorithmic trading to engage in conformance testing to examine order entry and connectivity. 360T UK will assess whether each Member engaged in algorithmic trading is in compliance with the Rulebook on an annual basis or more frequently, as necessary.

More broadly, as provided in Rule 11.1, 360T UK has arrangements in place to prevent disorderly trading and breaches of capacity limits. 360T UK may cancel or revoke orders or executed transactions in case of malfunction of the 360T UK trading system, or to take any other courses of action, where 360T UK believes it necessary to preserve market orderliness.

As described in Section 9.3 below, 360T UK has implemented robust risk management measures that are designed to address market disruptions, errors and disorderly trading. 360T UK also monitors for market abuse and allows Members to set up their own alerts in regard to risk limits, including daily trading limits, price limits and position limits. However, 360T UK does not track Member's limits as Members may be transact the same FX products on multiple venues and/or over-the-counter.

Overall, the UK MTF operates in a similar fashion as 360T's EU MTF. Prior to Brexit, the UK adhered to the EU MIFID framework. Post-Brexit, the UK adopted the EU MIFID Framework, incorporating it into its domestic law. Under this context, the EU MTF, authorized by the OSC, has defined the standards, which the UK MTF has integrated. The UK MTF has adopted the infrastructure and risk framework of the EU MTF, to guarantee the efficient functioning of the UK MTF and to ensure compliance with norms and regulatory expectations.

**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.**

➤ Access Requirements

According to A8, article 4.1(22) and Recital 7 of UK MiFIR, the buying and selling of financial instruments in an MTF must be governed by non-discretionary rules in a way that results in contracts. An operator of an MTF must establish rules governing how the system operates and the characteristics of the quotes and orders (for example, their price and time of receipt in the system) that determine the resulting trades.

In accordance with the above regulatory requirements, 360T UK has established transparent and non-discriminatory rules based on objective criteria governing eligibility for membership, which are available in the UK MTF Rulebook.

(i) **Eligibility and Admission Standards:**

Chapter 4 of the Rules sets out the admission and eligibility standards for all Participants, Authorized Traders and Authorized Users, all of which are designed to permit fair and open access while protecting 360T and its market participants. 360T UK will not play any part in deciding who Members trade with or in determining the price at which they agree to trade. Each member must qualify as an Eligible Counterparty or Professional Client under MiFID.

As set out forth in Rule 4.3, Member must satisfy each of the following conditions:

- (a) satisfy capital adequacy and financial resources requirements. The levels of financial resources required by any or all Members may vary for each Member;
- (b) employs staff with adequate qualifications in key positions;
- (c) be fit and proper to become a Member;
- (d) have financial, business or personal standing suitable to enter into relevant Transactions;
- (e) have sufficient level of trading ability and competence;
- (f) be able to satisfy the general organisational requirements for participation in 360T UK MTF;
- (g) has adequate organisational and technical requirements;
- (h) have adequate pre-trade controls on price, volume and value of orders and usage of the system and post-trade controls, and
- (i) have adequate execution, order management and settlement systems in place.

(ii) **Client Classification**

All applicants prior to onboarding must go through a review process in which participants must fulfil the requirements as Professional Client or Eligible Counterparty. Retail clients are not allowed to access 360T UK. Participant classification is determined primarily by reviewing applicant's financials and their regulatory status. 360T UK has implemented a comprehensive Client Classification Policy (Please see **Annexure 6 – 360T UK Client Classification Policy**) to ensure the client classification process is compliant with the provisions set down in MiFID.

(iii) **Admission Process**

360T UK may deny an application for admission as a member (a) if the applicant is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a member, or (b) if the applicant is unable to satisfactorily demonstrate its capacity to adhere to the Rules and Applicable Laws.

(iv) **Access Agreement**

If a prospective Member satisfies all eligibility criteria, 360T UK and the member will execute an Access Agreement, pursuant to which the Member is admitted to the online trading system and agrees to be bound by the MTF's rules.

➤ Equal Access

The UK MTF Rulebook is designed to establish a framework of rules and procedures to ensure objective and non-discriminatory access to the UK MTF. 360T UK will not restrict access or impose burdens on access to the MTF's trading system in a discriminatory manner, within each category or class of market participants or between similarly situated categories or classes of market participants. As outlined in the Fee Schedule (Please see **Annexure 7 – Fee Schedule**), 360T UK applies comparable fee structures to all members that receive comparable access to the UK MTF trading system.

➤ Ontario Users

360T UK will not provide direct access to a participant in Ontario ("Ontario User") unless the Ontario User is appropriately registered as applicable under Ontario securities laws or exempt from or not subject to those requirements, and qualifies an "Eligible Counterparty" or "Professional Client" under MiFID.

For each Ontario User provided access to its MTF, 360T UK will require, as part of its application documentation or continued access to the UK MTF, the Ontario User to represent that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.

➤ Member responsibility

The MTF Rulebook Rule 7.2 requires that Members are responsible for confirming that each of its Representatives accesses and uses the trading system only carry out the Member's business, to prevent misuse or unauthorized access to the trading system. Consequently, this will help to reduce the risk of fraudulent or non-compliance transactions.

**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.**

➤ Rules Governing Conduct

360T UK monitors and enforces compliance with its Rules, including the Rules prohibiting abusive trade practices, in the Rulebook. Chapter 5 of the Rulebook set forth the obligation of Members. Under Rule 5.1, a Member must comply with all provisions of the Rulebook and refrain from engaging in market abuse or activities that may damage the fairness, integrity or proper functioning or orderliness of 360T UK.

In addition, Rule 5.3(a) mandates that every Member informs 360T UK of any enforcement action or obligation related to their trading activities on the 360T UK MTF or any other FX trading venue by any Governmental Authority. Under Rule 5.3(b), Members must respond promptly to all of 360T UK's inquires and requests for information in connection with its membership to the UK MTF, its use of Services, and Orders and Transactions within such reasonable time and in such manner as 360T UK may require.

➤ Code of Conduct

360T UK has adopted a Code of Conduct for its Members in Chapter 6 of the Rulebook. Under Rule 6.1, a Member must not:

- (a) engage in any conduct which gives or is likely to give a false or misleading impression as to the market in, or the price of, any product or which secures the price of one or several products at an abnormal or artificial level;
- (b) submit trade requests or orders on the 360T UK MTF which are fictitious, or constitute any other form of deception or contrivance;

- (c) submit trade requests or orders on the 360T UK MTF without a genuine intention to trade;
- (d) submit trade requests or orders on the 360T UK MTF for small quantities, intended to determine the state of the market;
- (e) collude with other Members to effect pre-agreed transactions with a view to manipulate the marketplace;
- (f) breach or attempt to breach an obligation under this Rulebook or cause or contribute to a breach of obligations under this Rulebook by another Member; or
- (g) engage in any other act or course of action constituting Market Abuse, or which is likely to harm the integrity, fairness, orderliness or reputation of the 360T UK MTF.

As stated in Rule 6.2, if a member breaches any Rule or exhibits disruptive behaviour, then 360T UK may initiate disciplinary procedures, including but not limited to:

- (a) formal written notification of contravention of the Rulebook;
- (b) restriction of specific order types;
- (c) imposition of systematic enforcements, such as throttling of Orders;
- (d) suspension from specific Instruments;
- (e) suspension from the 360T UK MTF;
- (f) termination of the 360T UK MTF membership; and
- (g) notification of contravention to the FCA.

➤ **Monitoring Conduct, Conducting investigation and Cooperation with the Regulator**

Chapter 15 of the Rulebook contains descriptions of the monitoring and reporting activities that 360T UK carries out. Specifically, 360T will monitor the trading activities conducted under these Rules with a view to identifying breaches of these Rules, disorderly trading and conduct that may amount to Market Abuse.

360T UK may initiate and carry out an investigation into any matter that may constitute a breach of these Rules. As required by Rule 15.3, any Member affected by such investigation must co-operate fully and in a timely manner with 360T UK in such investigation. On completing an investigation under this Rule 15, 360T UK take any measure in accordance with Rule 6.2 (Consequences of a breach) as mentioned above.

Rule 15.2 permits 360T UK to report to any Governmental Authority any material breaches of the Rules, disorderly trading conditions, and conduct that may involve market abuse. 360T UK may assist any Governmental Authority in any investigation of disorderly trading conditions and conduct that may involve market abuse.

➤ **Disciplinary Actions**

As described above, 360T may take various actions as a consequence of disruptive behavior and rule violations, including the issuance of a formal written notice, restriction of specific order types, systematic enforcements (e.g., order throttling), suspension from trading specific Instruments, suspension from accessing the MTF and/or termination of the membership.

## **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.**

As an authorised operator of MTF under the oversight of the FCA, 360T UK has been operating under transparent and non-discretionary rules in accordance with regulatory requirements. 360T maintains a set of written rules and procedures which is publicly available on 360T's website. The Rulebook appropriately governs the operations and activities of market

participants in the following chapters: Chapter 4 (Membership); Chapter 5 (Obligations of Members); Chapter 6 (Code of Conduct); Chapter 7 (Access); Chapter 8 (Requirements for Algorithmic Trading and High-Frequency Trading); Chapter 10 (Trading Rules); and Chapter 12 (Orders); and Chapter 14 (Transaction Cancellations and Price Adjustments). 360T UK believes that the Rules are consistent with applicable Ontario law.

As described in Chapter 21 of the Rulebook, 360T UK may from time to time amend the Rulebook. Members will be notified of such amendments via email and by publication of the amended Rulebook on 360T's website ([UK MTF - 360t](#)). Each such amendment will be deemed to have been approved unless the respective Member objects thereto in writing. Together with the notification of an amendment, 360T UK shall expressly draw the Members' attention to this consequence. A Member must notify any such objection to 360T UK within six (6) weeks following the relevant notification of an amendment.

360T UK's rules treat all Members in a similar manner, and thus do not discriminate among Members. 360T UK's rules are also designed to facilitate competition among market participants for execution services and thus do not impose any unreasonable burden on competition.

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

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

Articles 18(1) and 19(1) of MiFID requires MTFs to have transparent rules and procedures for fair and orderly trading. 360T UK's Rulebook has been drafted to comply with such requirements. Pursuant to Rule 5.1(a) and the Access Agreement, each Member agrees to be bound by, and comply with the Rulebook and Applicable Laws. Pursuant to Rule 22, all Transactions are governed by the laws of the Federal Republic of Germany. This is to help the UK MTF in sync with the EU MTF, as they apply the same laws. Additionally, certain UK banks might maintain access to the EU MTF due to the UK Overseas Person Exclusion. By agreeing to comply with the Rulebook and Applicable Laws, such persons are brought within the scope of applicable UK rules and regulations. If a Member fails to comply with the Rulebook or Applicable Laws, 360T UK may at any time revoke, suspend, limit, restrict or qualify such person's trading privileges or pursue other sanctions in accordance with the procedures set forth in Chapter 6 (Code of Conduct), Chapter 11 (Suspending Trading), and Chapter 16 (Suspension and Termination of Membership).

**(ii) prevent fraudulent and manipulative acts and practices,**

As noted in Section 5, 360T UK has adopted Rules prohibiting market manipulation and other illicit conduct. Among other things, Rule 6.1 prohibits any conduct that gives or is likely to give a false or misleading impression as to the market in, or the price of, any product at an abnormal or artificial level.

**(iii) promote just and equitable principles of trade,**

The Rulebook is designed to promote just and equitable principle of trade. For example, Rule 6.1(g) forbids Members from engaging in any activities that constitute Market Abuse or which is likely to harm the integrity, fairness, orderliness or reputation of the 360T UK MTF. Any Member that does not observe such standards will be subject to disciplinary actions in accordance with Rule 6.2 in the Rulebook.

**(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,**

Coordination with Regulators

Article 31(2) of MiFID and articles 81 and 82 of the MiFID Org Regulation requires an operator of an MTF to report to the FCA of any significant breaches of the rules, disorderly trading conditions, conduct that may involve market abuse, and system disruptions in relation to a financial instrument. An operator of an MTF should supply the information required under this rule without delay to the FCA and any other authority competent for the investigation and prosecution of market abuse; and provide full assistance to the FCA, and any other authority competent for the investigation and prosecution of market abuse, in its investigation and prosecution of market abuse occurring on or through the MTF's systems.

In line with those regulatory requirements, Rule 15.2 provides that 360T UK may, subject to Applicable Laws, (a) report to any Governmental Authority any material breaches of these Rules, disorderly trading conditions and conduct that may involve Market Abuse; and (b) assist any Governmental Authority in any investigation of disorderly trading conditions and conduct that may involve Market Abuse.

360T UK may disclose information and documents received from any Member in connection with its use of the Services to any Governmental Authority where such information and documents are required in connection with an investigation, inquiry or proceedings by such authority. If permitted by Applicable Laws, 360T UK shall, at its discretion, give the affected

Member at least seven (7) days' written notice of the intended disclosure. The Member shall co-operate with 360T UK and any Governmental Authority in any investigation or enquiry in relation to 360T UK.

#### Clearance and Settlement

Rule 13 of the UK MTF Rulebook sets out the rules in relation to the clearing and settlement of all cleared and non-cleared instruments.

After the trade is executed on the UK MTF, contract settlement will take place directly and bilaterally between the Members, and outside of 360T UK's systems and trading environment. 360T UK will not be responsible for the settlement of contracts. However, if the Members involved in a transaction agree to cancel a transaction, they must notify 360T UK of the request without undue delay. Upon 360T UK receiving such a notification from both Members, it will, as applicable, approve the request and will notify such Members of any such decision. Subsequently, 360T UK must reflect the cancellation in the relevant MTF reports that are submitted to the FCA.

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

As noted in Section 7, the Rulebook set forth 360T UK's disciplinary and enforcement process.

**(vi) ensure a fair and orderly market.**

Articles 18(1), (2) and 19(1) of MiFID requires an operator of an MTF to have (1) transparent rules and procedures for fair and orderly trading; (2) objective criteria for efficient execution of orders which are established and implemented in non-discretionary rules; (2A) 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; (3) transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems.

360T UK's Rulebook is designed in line with such requirements to ensure a fair and orderly market. Chapter 5 of the Rulebook sets forth certain general obligations of Members that will assist with a fair and orderly market, such as requiring Members to manage the risks inherent in using the 360T UK MTF by paying regard to its own legal, regulatory and other circumstances. Rule 5.2 requires Members to ensure the safety and soundness of its systems. For example, each Member must ensure its computer system will not be used in a manner likely to disrupt the provision of the Services or to disrupt the operation of the MTF or the provision of services for other Members. Additionally, each Member must have adequate and appropriate measures in place to protect the trading system against network or systems attacks.

Chapter 6 of the Rulebook contains a description of prohibited trading practices and specifically prescribes manipulation and disruptive trading practices. Rule 6.2 enumerates the list of disciplinary actions 360T UK may take.

## **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.**

#### Discipline and Enforcement

As described in greater details in Section 5 above, 360T UK may take various measures as a consequence of disruptive behaviour and rule violations, including the issuance of a formal written notice, restriction of specific order types, system enforcements (e.g., order throttling), suspension from trading specific Instruments, suspension from accessing the MTF and/or termination of the membership.

As provided by Rule 16.3, 360T UK will notify a Member of a suspension or termination, and the grounds therefore in advance of the suspension or termination taking effect, unless it is impracticable or illegal to do so.

#### Recordkeeping

As require by Rule 10.3, 360T UK maintains all information on Member's trading activities and records that are in its possession for a period of at least five years.



## 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.**

As mentioned in Section 6, Rule 13 of the UK MTF Rulebook sets out the rules in relation to the clearing and settlement of all cleared and non-cleared instruments:

- (a) A Member must be a clearing member of a Central Clearing Counterparty (“CCP”) or have made satisfactory arrangements with an entity that is a clearing member of a CCP.
- (b) The CCP selected by the respective Member shall administer the clearing and settlement of the Cleared Instruments.
- (c) Each Member must comply with the rules and procedures of the relevant CCP in respect of the clearing and settlement of the Cleared Instruments. Where the rules and procedures of the CCP with respect to clearing and settlement conflict with this Rule 13, the rules and procedures of the relevant CCP shall take precedence.
- (d) After the CCP has confirmed to 360T UK that the Transaction has been cleared, the 360T UK MTF will notify the Members involved in the Transaction.
- (e) In respect of Transactions in Instruments that are not Cleared Instruments, the settlement of all executed Transactions shall take place directly between the Members in accordance with the terms of the Transaction and the bilateral agreements between the Members.
- (f) If requested by 360T UK, a Member shall provide promptly (and, in any event, by the end of the Business Day following the day on which a request is made by 360T UK) any details relating to settlement of a Transaction.
- (g) Except to the extent prohibited by Applicable Laws, each Member shall promptly notify 360T UK upon becoming aware of any inability by a Member to clear or settle an Instrument in accordance with the Rules, Applicable Laws or acceptable industry practice, such as a loss of access to a relevant settlement and/or clearing system.

After the trade is executed on UK MTF, contract settlement will take place directly and bilaterally between the Members, and outside of 360T UK’s systems and trading environment. 360T UK will not be responsible for the settlement of contracts. However, if the Members involved in a transaction agree to cancel a transaction, they must notify 360T UK of the request without undue delay. Upon 360T UK receiving such a notification from both Members, it will, as applicable, approve the request and will notify such Members of any such decision. Subsequently, 360T UK must reflect the cancellation in the relevant MTF reports that are submitted to the FCA.

### 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.**

Pursuant to 360T UK MTF’s Rulebook, cleared instruments must be submitted to a CCP approved and appointed by 360T UK to provide clearing and settlement services with respect to cleared instruments (as defined in the UK MTF Rulebook) that will be traded on the UK MTF. 360T UK will only appoint CCPs that are subject to regulatory requirements consistent with the principles for financial market infrastructures set forth by CPMI-IOSCO.

At this time, the Applicant does not list any cleared instruments, but to the extent that the Applicant lists cleared instruments in the future, the MTF must submit all trades that are required to be cleared to a clearing house or clearing agency for clearing that is regulated as a clearing agency or clearing house by the applicable regulator.

## 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

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;
- (b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
- (c) reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;
- (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;
- (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.

### Background

As required by MAR and MiFID, an MTF is required to have systems and controls, including procedures and arrangements, used in the performance of its activities are adequate, effective and appropriate for the scale and nature of its business. MAR 5.3A.1R applies in particular to systems and controls concerning:

- (1) the resilience of the firm's trading systems;
- (2) its capacity to deal with peak order and message volumes;
- (3) the ability to ensure orderly trading under conditions of severe market stress;
- (4) the effectiveness of business continuity arrangements to ensure the continuity of the MTF's services if there is any failure of its trading systems, including the testing of the MTF's systems and controls;
- (5) the ability to reject orders that exceed predetermined volume and price thresholds or which are clearly erroneous;
- (6) the ability to ensure that algorithmic trading systems cannot create or contribute to disorderly trading conditions on the trading venue;

- (7) the ability to ensure any disorderly trading conditions which do arise from the use of algorithmic trading systems are capable of being managed, including systems to limit the ratio of unexecuted orders to transactions that may be entered into the MTF's trading system by a member or participant;
- (8) the ability to ensure the flow of orders is capable of being slowed down if there is a risk of system capacity being reached;
- (9) the ability to limit and enforce the minimum tick size which may be executed on the MTF; and
- (10) the requirement for members and participants to carry out appropriate testing of algorithms, including providing environments to facilitate that testing.

In compliance with the above requirements, 360T UK has implemented robust systems and controls. These measures are designed to not only ensure the resilience of the UK MTF but also to guarantee uninterrupted services provision. Additionally, they are designed to detect and manage properly and effectively any service interruption that may occur. Presented below are comprehensive descriptions of such systems and controls, specifically related incident management, monitoring and business continuity arrangements for the UK MTF:

➤ **Resilience and business continuity**

**Incident management**

An incident is any unplanned service interruption which is not part of the standard operation of a service run by 360T, and which causes, or may cause, interruption to, or a reduction in, the quality of the service offered by the UK MTF (**incident**).

Incident management has the objectives to ensure that the defined levels of service quality and availability are maintained: restore interrupted or compromised services as fast as possible; and minimise the adverse impact on business operations, (together referred to as **Incident Management**). Accordingly, 360T's incident management arrangements are concerned with restoring the service to the Customer as soon as possible, e.g., by providing workarounds which minimise the time in which the service to the Customer is unavailable. If changes are required to restore the service, the case is transferred explicitly to the Change Management process. For root cause analysis and implementation of preventative actions, 360T will invoke its Problem Management and Continual Improvement processes. An incident may be noticed and reported in four different ways:

- directly by a Customer reporting it to the 360T Client Advisory Services ("CAS") teams via email or telephone;
- by a 360T AG or 360T UK employee performing regular monitoring activities;
- by an alert triggered by the automatic monitoring of essential systems functionality;
- by a 360T AG or 360T UK employee discovering it during other activities.

**First and second level support**

The CAS Teams provide a single point of contact to manage all queries from users including both business and technical requests.

The project office is the contact point for all Customer related development and project issues (the **Project Office**). They link business and technical issues and are responsible for planning, coordination, and supervision of the technical delivery of the services, projects, and major changes.

An account manager is defined for each Customer as the main Customer contact and escalation instance for all service issues. The account manager works with the Customers in close cooperation with CAS- and the Project Office.

**Service Processes**

The CAS teams use the central IT Service Management ("ITSM") tool to register and track issues throughout the resolution process. Issues may be communicated to the CAS teams via telephone, e-mail, or they may be entered directly into the ITSM system. If possible, CAS teams process enquiries directly.

More complex or extensive inquiries are transferred to the appropriate expert groups (third level support), depending on the nature of the incident or problem.

The CAS teams have the following objectives and tasks:

- Assure service availability at all service times;
- Serve as the point of contact to receive and record all inquiries and incidents;
- Serve as Customer interface for the various service activities (e.g., Incident or Problem Management);
- Resolve issues or escalate them to qualified staff members; and
- Serve as the single point of contact to Customers.

### **Capture and Classification**

All emails to the CAS teams as well as all automated alerts are automatically logged into the ITSM system. In addition, all issues raised by telephone or noticed by 360T employees that cannot be resolved immediately and require escalation are manually logged into the ITSM system.

The ticket is classified according to rules considering the severity to Customers. The scale for the error classification ranges from 4 (least critical) to 1 (highly critical).

The Board will participate in the Incident Management process through the receipt of real time notifications in respect of severity grade 1 or 2 incidents affecting the UK MTF and being informed on the progress of the resolution of such incidents.

The CAS teams will attempt to answer all questions and address all problems immediately. In these cases, any existing open ticket will be closed by the team. If this is not possible, then the CAS teams will escalate the issue through the ITSM system to the next support level.

Frequently asked questions with instructions and information on known errors are available in Confluence, an internal Wiki type documentation system, to assist in processing many problems.

### **Analysis, Processing and Testing**

The person responsible for the further processing of escalated tickets is also responsible for prioritising the escalated tickets and will work on tickets sequentially following this priority.

CAS employees are responsible for managing the response to the Customer and may choose to escalate the ticket, if a faster response is required. In this case, either the backlog of tickets will be reprioritised, or additional resources can be allocated to address the issue faster. The processing responsibility includes:

- processing the ticket until it is closed or until it must be transferred to another expert;
- assigning tasks and collecting results if additional work has to be carried out by other internal or external experts;
- gathering additional information from the Customer, if necessary;
- documenting the status in the ticket system, if the ticket cannot be completely processed and closed quickly;
- ongoing communication with the Customer regarding the progress of processing;
- maintaining processing documentation in the ticket system, so that all involved parties have access to up-to-date information;
- conducting quality assurance on the solution and final tests, including obtaining confirmation from the Customer that the incident has been corrected satisfactorily; and
- prompt escalation if processing cannot be conducted as anticipated.

### **Closure**

As soon as the service quality has been recovered, the incident ticket is closed, and the Incident Management process ends.

To ensure the expected high-quality level and to identify areas for possible general improvements, regular inspections of sample incident tickets are performed.

### **Problem management**

A problem is the known or unknown cause of a group of incidents. It is either a reoccurring or a systematic issue and therefore requires a broader context for solving it. The goal of problem management is to minimise or completely prevent the adverse impact of problems that may or have occurred (**Problem Management**). To this end, Problem Management must identify the root causes of the incidents and initiate appropriate actions to improve or correct the situation and thus prevent that similar incidents occur again.

Problem Management is covered both by the Incident Management process and the Change Management process. During the analysis of an incident, the root causes of problems are identified and, as a result, a change request is issued to the Change Management process to improve the system to further avoid incidents of that type.

### **Release management**

The goals of release management are to plan, coordinate and control the rollout of changes, software and related hardware (**Release Management**). For Customer specific systems, Release Management is generally handled by Change Management, where necessary planning and coordination of various changes are managed.

### **Monitoring**

The IT Infrastructure and Platform Team is responsible for the operation of business critical applications with respect to the UK MTF. Considering all relevant components, the availability of the applications depends on complex systems consisting of physical infrastructure, computer hardware, software, network, and telecommunications components.

In this complex IT environment, small incidents may cause business critical outages. For this reason, all system components must be continuously monitored so that potential incidents are recognized as early as possible.

Depending on the system component, appropriate tools, automated mechanisms, and alert thresholds are defined to ensure proper monitoring. All deviations within a certain range are recorded as incidents. These are analysed and followed up on by technical experts. For major or critical deviations, alerts are generated automatically and sent to the appropriate team for prompt investigation.

With particular reference to the UK MTF, its capacities (including disk space, central processing unit usage, Java virtual machine memory, network usage) will be monitored in real time against predefined thresholds in an automated manner. In the event of a threshold breach which is categorised as "high risk", an automated email will be sent to CAS and SRE teams which are then responsible for analysing the root cause and taking the necessary actions to solve the problem. In the case of a severe trading interruption, the Head of CAS will draft a "trading interruption report" after the root cause has been analysed and resolved. This document will then be provided to, and reviewed by, the UK Compliance Officer who will then decide on what action needs to be taken from a regulatory compliance perspective and with respect to the Members.

### **Backup and Restore**

The requirements for backup schedules, retention periods and data storage locations are determined based on the combination of technical, legal, and business requirements.

The backup process for each component consists of a combination of full and incremental backups, as well as synchronisation of data between servers within data centers. "Snapshots" may be taken to evidence satisfaction of retention requirements.

The backups are monitored daily and if a problem is detected, it is addressed by the system administration team during the day. In the case of any issue, backups will be rerun on the following night. For the production system, data is replicated between data centers to ensure that even in the event of a backup failure, the data is redundant.

If necessary, a restore can be performed and the system status from the specified point in time can be recovered. To verify that the backup and restore procedure works as expected, restores are performed regularly.

In addition to the backups, the contents of the production database as well as all log files, are archived daily.

### **Business continuity arrangements**

The continuity of 360T UK's business operations and of the UK MTF is of primary importance. For this reason, and in line with the approach of 360T AG, 360T UK will implement a Business Continuity Framework in line with the comprehensive 360T Groupwide Business Continuity Management ("BCM") arrangements, that are structured according to a procedural hierarchy that includes emergency plans and detailed operational continuity arrangements. Direct responsibility for the framework is delegated to the 360T UK Risk function, which is ultimately under the oversight of the GRC.

### **Emergency Plans and Detailed Operational Continuity Arrangements**

The primary requirement of the BCM framework is the development of emergency plans for relevant operationally critical sites (the Emergency Plans). The goal of each Emergency Plan is to ensure the continuation of operationally critical activities and hence minimal disruption to Customers independent of a full or partial loss of an operationally critical site. An Emergency Plan will be in place for 360T UK.

Each Emergency Plan is owned by an emergency manager (who will be the Chief Executive Officer for 360T UK, Mr. Simon Jones), who is supported by an emergency coordinator and an emergency team. It is the responsibility of the emergency manager to invoke the Emergency Plan wherever they deem this necessary. Each Emergency Plan governs the steps to be taken in the event the plan is invoked and describes various details necessary for the successful execution of the plan. This includes the nomination of the emergency team, identification of operationally critical staff, and clarification of line management responsibilities. Each emergency plan is dependent upon detailed operational continuity arrangements for its successful execution, e.g., data center failover arrangements, arrangements surrounding handover of operationally critical activities to a designated backup location, etc. Relevant operational continuity arrangements are detailed in each Emergency Plan.

The identification of operationally critical sites, activities and staff is informed by the business impact analysis, which also informs the setting of internal recovery targets (Recovery Time Objectives and Recovery Point Objectives).

### **Periodic Review and Testing**

Emergency Plans and associated operational continuity arrangements are reviewed at least annually. Further to this, 360T tests its operational continuity arrangements regularly. This includes 360T's data center failover arrangements, testing of which is performed against relevant internal recovery targets. Results are reported to the GRC, which are then passed to the Board to consider

➤ **Capacity to deal with peak order and message volumes and the ability to ensure orderly trading under conditions of severe market stress**

Historically, and due to the high load of quote messages that are generated by algorithmic engines of the MTF Market Makers, quote messages pose the highest risk on the capacity management of the EU MTF operated by 360T AG. 360T's objective is to assure that the EU MTF has sufficient capacity to guarantee a stable MTF trading environment and this objective shall equally apply to the UK MTF. The UK MTF will be subject to internal stress tests where the historical high of quote messages is the key reference. Member support is not deemed necessary in this context. An analysis will be performed by 360T UK once per month to verify whether a historical high has occurred. Regular automated stress tests in a test environment are performed with the objective of handling double the load of the maximum UK MTF quote peak (quotes/second) ever seen on the system. The performance of the test environment is weaker than the production system. If the stress tests, with a benchmark of at least twice the historical high, have no negative impact on the system's capacity, then it can be concluded that the production system has sufficient capacity to perform its functions. Regular stress tests are also carried out to simulate unexpected extreme market conditions. All stress tests are tracked on Confluence (which is a documentation system) and are discussed and reviewed by the appropriate internal teams.

## **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.**

As noted in Sections 9.1 and 9.2 above, 360T UK believes that we have adequate systems and controls to manage risks to which its trading system is exposed, in line with the regulatory expectations. Similarly, 360T UK has also been taking appropriate measures to ensure proper pricing, even in the event of significant price fluctuations.

Chapter 14 of the Rulebook describes 360T UK's procedures for cancelling (busting) Transactions or adjust Transaction prices. 360T UK has the authority to cancel (bust) or adjust prices if a Member involved in a Transaction notifies 360T UK without undue delay that the Transaction was based on an entry in the 360T UK MTF that was entered by it or the other party to the Transaction inadvertently or incorrectly. Pursuant to Rule 14.2, 360T UK may also determine to review a Transaction upon request by a Member involved in the Transaction and provide prompt notice alerting the affected Members of such review.

In addition, 360T UK also has sole discretion determines that allowing the Transaction to stand as executed may have a material, adverse effect on the integrity of the market.

In making a determination whether to cancel or adjust the price of a Transaction, 360T UK may consider any relevant information, including the last trade price of the Instrument, a more recent price for a different maturity date, the price of the same or related Instrument established in another venue or another market and the market condition at the time of the trade.

360T UK will make its decision to adjust Transaction prices or bust a Transaction as soon as practicable, and 360T UK will notify the affected Member and, if applicable, the CCP, of any such decision. If 360T UK determines to cancel or adjust the price of a Trade, such determination will be final. Busted Transaction prices and any prices that have been price-adjusted will be inserted in the time and sales record at the adjusted Transaction price.

Rule 11.3 also permits 360T UK to take necessary steps to restore proper operation of the MTF in the event of a "Material Disruption". For this purpose, a "Material Disruption" means the following:

- (a) any disruption, breakdown, or malfunction of any technical system used in connection with TEX<sup>3</sup>;
- (b) any attempt to manipulate prices, or commit Market Abuse, in relation to any Transaction traded on TEX;
- (c) any failure by a third party to supply services or perform obligations to 360T that are required for the proper operation of TEX and/or the 360T UK MTF;
- (d) any emergency or extraordinary market conditions or circumstances; or
- (e) any Force Majeure Event.

Where there is Material Disruption in the Services, 360T UK may take such steps as it deems necessary to restore the proper operation of, and the orderly conduct of business on, the 360T UK MTF, including:

- (a) terminating or suspending the operation of the 360T UK MTF or of one or more of the Services in whole or in part;
- (b) suspending trading, or placing restrictions on trading certain Instruments;
- (c) cancelling some or all pending Orders;
- (d) cancelling some or all Transaction Notices sent to Members during the Material Disruption; and/or
- (e) determining any price adjustment to be made in respect of Transactions formed during the Material Disruption

Additionally, according to Rule 7.4, where there is a Material Disruption or when 360T UK otherwise believes it is in the best interests of TEX to do so, 360T UK may, without notice, terminate, suspend or change the username and/or password of any Authorised User.

## **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.**

360T UK has to adhere to the MIFIDPRU capital requirements. It is characterised as an SNI MIFIDPRU investment firm and is subject to a permanent minimum capital requirement of £150,000. Accordingly, its basic own funds requirement is

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<sup>3</sup> TEX means the online technology system allowing users to enter into bilateral, over-the-counter transactions provided by 360T.

the highest of: (i) the permanent minimum capital requirement; and (ii) the fixed overheads requirement. The basic own funds have been calculated as £1.3 million, based on the fixed overheads requirement.

360T UK has been fully funded and its financial books and records will be maintained pursuant to applicable UK GAAP and by using the financial currency GBP.

As part of the MIFIDPRU requirements, 360T UK also maintains an Internal capital and risk assessment (“ICARA”) document (Please see **Annexure 8 – ICARA document**) to ensure adherence to the overall financial adequacy rules. The Board will consider and approve the contents of the ICARA document at a minimum of once annually. Material changes to 360T UK’s business model or operating model will trigger an intra-year ICARA assessment, ensuring that our capital adequacy evaluations remain aligned with 360T UK’s operating model at that time.

## **11 TRADING PRACTICES**

### **11.1 Trading Practices**

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

As explained in the previous sections, Articles 18(1) and 19(1) of MiFID requires an operator of an MTF to have transparent rules and procedures for fair and orderly trading, transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems, and to have published, transparent and non-discriminatory rules governing access to its facility. In addition, an operator of an MTF must have effective arrangements and procedures for the regular monitoring of the compliance by its users with its rules.

In keeping with this requirement, Rule 6.1(g) forbids Members from engaging in any activities constituting market abuse or which is likely to harm the integrity, fairness, orderliness or reputation of the UK MTF. 360T UK monitors the trading practices of its Members to confirm that they are in compliance with the Rulebook, which allows 360T UK to confirm such trading practices are 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.**

Chapter 12 of the Rulebook set forth the functionality of 360T UK’s trading system. Specifically, Rule 12.1 provides as follows:

- (a) The 360T UK MTF operates an Request for Quote (“RfQ”) Trading Model, where 360T UK facilitates Transactions between Members who have a pre-existing underlying trading relationship for the purpose of executing Transactions with one another.
- (b) On a Member initiating the RfQ Trading Model by submitting a Request, the Member providing a Quote, has to submit the Quote within a timeframe specified by the 360T UK MTF. During this time frame, the Members may continually update or otherwise withdraw their Request and Quote.
- (c) The RfS Trading Model is a version of the RfQ Trading Model whereby a Member submitting the Request sets the relevant parameters thereof and pre-selects the Members it wants to engage in for the purpose of the Transaction. This pre-selection is subject to the existence of mutual permissions, availability of credit and the appropriate documentation. Such pre-selected Members may respond with their indicative Quotes. Member submitting a Request responds whether the Request is matched or not.
- (d) No Transaction occurs unless and until the Member submitting the Request selects a Quote, the relevant Member providing a Quote confirms the Quote within a Last Look timeframe specified by the 360T UK MTF, and the 360T UK MTF confirms that all relevant Transaction Information has been submitted together with the Member’s confirmation of the Quote.
- (e) Once a Transaction is concluded on the 360T UK MTF, Transaction Notices are sent to both Members.
- (f) Upon the earlier of the execution of a Transaction and the expiration of the timeframe referenced above, the remaining Quotes are automatically withdrawn by the 360T UK MTF.
- (g) The 360T UK MTF is conducted on a fully disclosed basis, such that the Members disclose to each other who they are when transmitting Requests or Quotes or entering into Transactions with one another.



Pursuant to Rule 12.3, 360T UK has the sole discretion to set minimum and/or maximum Order size, and any incremental sizes, for any Instrument.

### **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.**

Post-trade transparency reports will be published on 360T's website daily by 9.am local time for the business day closing 4 weeks previous, in order to comply with Articles 8 and 10 of MiFIR. The traded instruments will be reportable to the FCA FIRDS systems in accordance with Article 27 of MiFIR.

Pursuant to Rule 20, 360T UK will publish all information which is necessary and appropriate for the use of the 360T UK MTF, considering the nature of the Members and the traded Instruments, on its website.

## **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.**

Rule 5.1 requires each Member to comply with all provisions of the Rulebook. Similarly, each Member must execute the Access Agreement, which provides that Member agrees to be bound by the Rulebook. Rule 15.2 requires each Member to cooperate with 360T UK and any Governmental Authority in any investigation or inquiry in relation to 360T UK.

In addition, Rule 14.2 authorizes 360T UK to disclose information and documents received from a Member in connection with its use of the Services to any Governmental Authority if required in connection with an investigation, inquiry or proceeding by such authority.

Under Rule 16.4, a Member whose trading ability or access to MTF's trading system has been suspended or terminated remains bound by the Rules. In addition, a suspended or terminated Member is obliged to pay any and all Fees pursuant to the Rules, is liable for all obligations arising pursuant to Transactions to which it is a party and for all other obligations whether incurred before, during or after such suspension or termination, and is responsible and liable for its acts and omissions during its membership.

### **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.**

Rule 15.1 requires 360T UK to monitor the trading activity conducted under these Rules with a view to identifying breaches of these Rules, disorderly trading and conduct that may amount to Market Abuse.

In addition, 360T UK has made appropriate arrangements to ensure that it has appropriate systems, resources and procedures for evaluating compliance with the Rules and legislative requirements and for disciplining market participants. 360T UK monitors its compliance resources and will engage additional personnel as deemed necessary on a temporary or permanent basis.

360T has implemented an automated monitoring system, Scila, to capture the activities of 360T UK. The parameters of the alert-based system are dynamically set by participant risk levels based on statistical analysis gathered by the Risk Level Group at 360T. Additionally, fine tuning of alert parameters is performed by senior compliance employees with input from additional compliance staff and business teams.

All alerts are subject to a Level 1 review and will be sent to level 2 if it cannot be resolved and, where a genuine suspicion arises, it will be escalated to the UK Compliance Officer to determine, in conjunction with the Head of Risk and Market Oversight, if a Suspicious Transaction and Order report (**STOR**) has to be submitted electronically to the FCA. For further details, please see Section 5 above.

### 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.**

As explained above, Rule 15.2 requires each Member to cooperate with 360T UK and any Governmental Authority in any investigation or inquiry in relation to 360T UK. In addition, Rule 15.2 authorized 360T UK to disclose information and documents received from any Member in connection with its use of the Services to any Governmental Authority where such information and documents are required in connection with an investigation, inquiry or proceedings by such authority.

## 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.**

Rule 10.3 requires 360T UK to maintain all information on Member's trading activities and records that are in its possession for a period of at least five 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.**

All of the outsourcing arrangements of 360T UK are subject to the 360T Group Outsourcing Policy (Please see **Annexure 9 - Group Outsourcing Policy**). This policy has been amended as necessary to encapsulate particular requirements arising from UK laws and FCA requirements. 360T's Group outsourcing committee, on which 360T UK has senior representation, is the central checkpoint, at Group level, to validate all the risks that arise in relation to the Group's outsourcing arrangements are sufficiently identified and that respective mitigation measures are put in place to manage each such risk.

360T performs an evaluation of its outsourcing partners to determine which outsourced services or activities would be regarded as material in terms of risk. Based on the Risk Analysis Questionnaire, the 360T Compliance Department conducts a risk assessment considering information provided by relevant organisational units (in particular, the Business Owner, as defined below) and the internal audit function.

360T management has appointed an Outsourcing Officer and a Deputy of the Outsourcing Officer who is ultimately responsible for the outsourcing oversight function. As of 24 August 2023, the nominated Outsourcing Officer is the UK Compliance Officer (who is the 360T Group CCO). Accordingly, 360T UK will be well represented in terms of the oversight of the outsourcing arrangements that are in place for 360T UK.

For each outsourced service, 360T identifies and appoints a responsible business persons (the "Business Owner"). The Business Owner ("BO") is the competent contact person for any queries on the outsourced service and will have at least a solid basic knowledge of the content and details of the outsourced service.

Each outsourcing service will be based on a written contract, and the Legal Department will be responsible for ensuring that all contracts with outsourcing partners (both material and non-material) fulfil applicable regulatory requirements. Each outsourced servicing contract will be signed by at least one member of 360T management and an additional authorized signatory.

A regular review of all outsourced services that 360T UK has entered into will take place at least on an annual basis. This includes a review of the outsourcing risk assessment, and a review of the exit and business continuity plans by the BO and a confirmation that contracts are kept up to date.

360T UK's Board will receive an annual report on the outsourced services, which includes an overview of the annual risk assessments and relevant details on new/changed outsourced services. The Board may ask for interim reports, when needed. In any event, the UK Compliance Officer, as the Outsourcing Officer, will provide regular updates on the

outsourced services and/or any changes in the outsourcing systems and controls to the Board with the quarterly and annual compliance reports.

The Board will remain fully responsible and accountable for ensuring that 360T UK continues to meet its regulatory obligations in the UK with respect to the outsourcing arrangements and that such arrangements do not result in the delegation by the Board of its responsibility. It will also ensure that 360T UK avoids undue additional operational risk in respect of such arrangements and it must not outsource critical or important operational functions if it materially impairs the quality of 360T UK's internal control environment and the FCA's ability to monitor its compliance with its regulatory obligations.

The Risk Management Function will also ensure that the monitoring of risks raised by third party service providers and outsource service providers is adequately reflected in the internal control framework.

## **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.**

Article 48(9) of MiFID and MiFID RTS 10 requires that an operator of an MTF's fee structure, for all the fees it charges and rebates it grants in relation to the MTF, must:

- (1) be transparent, fair and non-discriminatory;
- (2) not create incentives to place, modify or cancel orders, or execute transactions, in a way which contributes to disorderly trading or market abuse; and
- (3) impose market making obligations in individual financial instruments or suitable baskets of financial instruments for any rebates that are granted.

In accordance with these requirements, 360T UK has adopted fees that are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by Members to the services offered by the MTF. As Noted in Section 4 above, 360T UK charges comparable fees to all Members that receive comparable access to MTF's trading system. 360T UK does not restrict access or impose burdens on access in a discriminatory manner within each category or class of Members or between similarly situated categories or classes of Members.

The process for setting fees is fair and appropriate. 360T UK's fees are established based on an ongoing consideration of the implications of such fees on its Members and their businesses. 360T UK considers various factors in setting fees, including the fees of its competitors, 360T UK's own costs, the amount of volume in the applicable product and the temper and reactions of market participants. 360T UK operates in a highly competitive marketplace for foreign exchange transactions and establishes fees at market rates. Members in foreign exchange markets have a wide variety of trading options from which to select, ensuring that 360T UK sets fees competitively. 360T UK believes that its fee schedule is in line with current market practice and notes that it is publicly available. These fees do not create unreasonable barriers to access because of their uniform application to all Members. To provide the public with access to the transparent fee schedule, 360T UK will publish the fee schedule on its website.

## **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 organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.**

As described above, Rule 15.2 requires each Member to cooperate with 360T UK and any Governmental Authority in any investigation or inquiry in relation to 360T UK. In addition, Rule 15.2 authorizes 360T UK to disclose information and documents received from a Member in connection with its use of the Services to any Governmental Authority, including the Commission, if required in connection with an investigation, inquiry or proceedings by such authority.

## 16.2 Oversight Arrangements

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

The FCA has entered into multilateral and bilateral Memoranda of Understanding ("MoU") and agreements with foreign regulatory authorities in numerous jurisdictions to cooperate and exchange information with other regulators<sup>4</sup>. The FCA has signed agreements with the OSC and both regulators are current signatories to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

## 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).**

The IOSCO Principles are designed to help ensure that physical commodity markets serve their fundamental price discovery and hedging functions while operating free from manipulation and abusive trading schemes. 360T UK believes that MiFID and FCA regulations are consistent with the IOSCO Principles. Therefore, 360T believes that it will be adhering to the IOSCO Principles to the extent that it complies with the MiFID and FCA regulations.

### Part II – Submission by 360T UK

The instruments for which the Applicant seeks approval for Ontario Participants to trade on the MTF fall under the definition of "derivative," as set forth in the Act.

The MTF falls under the definition of "marketplace" set out in the Act because it brings together buyers and sellers of derivatives and uses established, non-discretionary methods under which orders interact with each other.

An "exchange" is not defined under the Act; however, subsection 3.1(1) of the companion policy to NI 21-101 provides that a "marketplace" is considered to be an "exchange" if it, among other things, sets requirements governing the conduct of marketplace participants. A MTF has certain obligations to monitor participants' trading activity. Because a MTF sets requirements for the conduct of its participants and surveils the trading activity of its participants, it will be considered by the OSC to be an exchange for purposes of the Act.

Pursuant to OSC Staff Notice 21-702 Regulatory Approach for Foreign-Based Stock Exchanges, the OSC considers an exchange located outside Ontario to be carrying on business as an exchange in Ontario if it provides Ontario Participants with direct access to the exchange. We understand that the Decision Makers other than the Ontario Securities Commission take a similar position in those Jurisdictions.

The Applicant understands that since the MTF provides Ontario Participants with direct access to trading of the MTF Instruments on the MTF it will be considered by the OSC to be "carrying on business as an exchange" in Ontario, and therefore must either be recognized or exempt from recognition by the OSC.

The Applicant submits that an exemption from recognition is appropriate for the MTF because the Applicant is subject to regulation by the FCA and full regulation by the OSC would be duplicative and inefficient.

The Applicant understands that this Application will be reviewed and discussed with Staff of the OSC and that it will be published by the OSC, along with a draft order, for a 30-day comment period.

Based on the foregoing, we submit that it would not be prejudicial to the public interest to grant the Requested Relief.

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<sup>4</sup> [Agreements with overseas regulators | FCA](#)

**B.11: CIRO, Marketplaces, Clearing Agencies and Trade Repositories**

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If you have any questions or you would otherwise like to discuss this further, please contact Martin Oakley, Global Head Regulatory Affairs & Group Chief Compliance Officer, at martin.oakley@360t.com or at +44 20 7862 7509 (U.K.) or +49 69 900289720 (Germany).

Sincerely,

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Martin Oakley  
Global Head Regulatory Affairs & Group Chief Compliance Officer  
Date

**Part IV List of Annexures**

<b>Document</b>	<b>Annexure</b>
360T UK Certificate of Incorporation	1
Change of Registered Office Address	1b
Board Information	2
360T UK MTF Rulebook	3
360T UK Fit and Proper Policy and Certification Procedures	4
360T UK Group Conflict of Interests Policy	5
360T UK Client Classification Policy	6
Fee Schedule	7
ICARA Document	8
Group Outsourcing Policy	9
Group Structure Chart	10
DBG Market Abuse Policy	11
360T UK Compliance Handbook	12
TEX Access Agreement	13a
TEX Access Agreement	13b
360T UK Appendix	14

**Headnote**

Section 147 of the Securities Act (Ontario), section 15.1 of NI 21-101, section 12.1 of NI 23-101 and section 10 of NI 23-103 – Application for an order that a multilateral trading facility (MTF) authorized by the United Kingdom (U.K.) Financial Conduct Authority (the FCA or Foreign Regulator) is exempt from the requirement to be recognized as an exchange in Ontario and from the requirements of NI 21-101, NI 23-101 and NI 23-103 in their entirety – requested order granted.

**Applicable Legislative Provisions**

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 21, 147.

National Instrument 21-101 Marketplace Operation, s. 15.1.

National Instrument 23-101 Trading Rules, s. 12.1.

National Instrument 23-103 Electronic Trading and Direct Electronic Access to Marketplaces, s. 10.

**IN THE MATTER OF  
THE SECURITIES ACT,  
R.S.O. 1990, CHAPTER S.5,  
AS AMENDED  
(THE ACT)**

**AND**

**IN THE MATTER OF  
360 TRADING NETWORKS UK LIMITED**

**ORDER  
(Section 147 of the Act)**

**WHEREAS** 360 Trading Networks UK Limited (the **Applicant**) has filed an application dated November 30, 2023 (**Application**) with the Ontario Securities Commission (**Commission**) requesting the following relief (collectively, the **Requested Relief**):

- (a) Exempting the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the Act pursuant to section 147 of the Act; and
- (b) Exempting the Applicant from the requirements in National Instrument 21-101 *Marketplace Operation* (**NI 21-101**) pursuant to section 15.1 of NI 21-101, the requirements of National Instrument 23-101 *Trading Rules* (**NI 23-101**) pursuant to section 12.1 of NI 23-101 and the requirements of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (**NI 23-103**) pursuant to section 10 of NI 23-103.

**AND WHEREAS** on December 22, 2023, the Commission issued an interim order under section 147 of the Act exempting the Applicant on an interim basis from the requirement under subsection 21(1) of the Act to be recognized as an exchange (**Interim Order**);

**AND WHEREAS** the Interim Order will terminate on the earlier of i) June 30, 2024 and (ii) the effective date of a subsequent order exempting the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the Act, unless further extended by the order of the Commission;

**AND WHEREAS** the Applicant has represented to the Commission that:

1. The Applicant is a private limited company organized under the laws of England & Wales. The applicant is a wholly owned subsidiary of 360 Treasury Systems AG, which in turn is a wholly owned subsidiary of Deutsch Börse AG. In the Province of Ontario, 360 Treasury Systems AG operates under the terms of an exemption order granted by the OSC on 14 June 2019.
2. On November 22, 2023, the Financial Conduct Authority (the **FCA**), a financial regulatory body in the U.K., authorized the Applicant to act as an operator of a multilateral trading facility (**MTF**) and the Applicant's U.K. MTF began operations on December 15, 2023;
3. The Applicant is a marketplace for trading FX derivative instruments. The MTF currently supports request-for-quote functionality for FX forwards, FX swaps, FX Strategy, FX options, FX non-deliverable forwards, FX non-deliverable swaps, and FX non-deliverable strategy (**the MTF Instruments**);
4. The Applicant is subject to regulatory supervision by the FCA and is required to comply with the FCA's Handbook (**FCA Rules**), which includes, among other things, rules on (a) the conduct of business (including rules regarding client categorization, communication with clients and other investor protections and client agreements), (b) market conduct (including rules applicable to firms operating an MTF), and (c) systems and controls (including rules on outsourcing,

governance, record-keeping and conflicts of interest). The FCA requires the Applicant to comply at all times with a set of threshold conditions for authorization, including requirements that the Applicant has sound business and controlled business operations and that it has appropriate resources for the activities it carries on. The Applicant is subject to prudential regulation, including minimum regulatory capital requirements, and is capitalized in excess of regulatory requirements. The Applicant is required to maintain an independent compliance function, which is headed by the Applicant's Chief Compliance Officer, an FCA-approved person. The Applicant's Compliance Department is responsible for identifying, assessing, advising, monitoring and reporting on the Applicant's compliance risk (i.e., the risk that the Applicant fails to comply with its obligations under the Financial Services and Markets Act 2000, the retained EU law version of the Markets in Financial Instruments Regulation (600/2014), the rules pertaining to this legislation, the applicable guidance from the FCA and the FCA Rules);

5. An MTF is obliged under the FCA rules to have requirements governing the conduct of members, to monitor compliance with those requirements and report to the FCA a) significant breaches of MTF rules, (b) disorderly trading conditions, and (c) conduct that may involve market abuse. The Applicant will also notify the FCA when a participant's access is terminated as a result of a significant rule infringement, and may notify the FCA when a participant is temporarily suspended or subject to condition(s). As required by FCA rules, the Applicant has implemented a trade surveillance program. The trade surveillance program is designed to maintain a fair and orderly market for the MTF's members;
6. At this time, the Applicant does not list any cleared instruments, but to the extent that the Applicant lists cleared instruments in the future, the MTF must submit all trades that are required to be cleared to a clearing house or clearing agency for clearing that is regulated as a clearing agency or clearing house by the applicable regulator;
7. The Applicant requires that its members qualify as an "eligible counterparty" or "professional client", as defined by the FCA in COBS 3 of the FCA Rules and (i) satisfy capital adequacy and financial resource requirements, (ii) employ staff with adequate qualifications in key positions, (iii) be fit and proper to become members, (iv) have financial, business or personal standing suitable to enter into the relevant transactions, (v) have a sufficient level of trading ability and competence, (vi) be able to satisfy the general organizational and technical requirements for participation on the MTF, (vii) provide the Applicant with its Legal Entity Identifier (**LEI**) and all other required onboarding information; (viii) have adequate pre-trade controls on price, volume and value of orders and usage of the system and post-trade controls, and (ix) have adequate execution, order management and settlement systems in place. Each prospective member must: comply and ensure that its authorized traders comply, and, in each case, continue to comply, with the MTF Rulebook and applicable law; have the legal capacity to trade in the instruments it selects to trade on the MTF; and have all registrations, authorizations, approvals and/or consents required by applicable law in connection with trading in instruments on the MTF;
8. All members that are located in Ontario, including participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's LEI) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario Users**) will be required to sign a user acknowledgment representing that they meet the criteria set forth in the user acknowledgment, including that they are appropriately registered under Ontario securities laws, exempt from registration or not subject to registration requirements. The user acknowledgment will require an Ontario User to make an ongoing representation each time it uses the MTF that it continues to meet the criteria set forth in the user acknowledgment. An Ontario User will also be required to immediately notify the Applicant if it ceases to meet any of the above criteria represented by it on an ongoing basis;
9. The Applicant expects that Ontario Users will consist of banking institutions, broker-dealers and corporate entities that meet the criteria described above;
10. The Applicant does not offer access to retail clients;
11. Because the MTF sets requirements for the conduct of its members and surveils the trading activity of its members, it is considered by the Commission to be an exchange;
12. Since the Applicant seeks to provide Ontario Users with direct access to trading of the MTF Instruments on the MTF, it is considered by the Commission to be "carrying on business as an exchange" in Ontario and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act;
13. The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described herein; and
14. The Applicant satisfies the exemption criteria as described in Appendix I to Schedule "A".

**AND WHEREAS** the products traded on the MTF 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;

**B.11: CISO, Marketplaces, Clearing Agencies and Trade Repositories**

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**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 Requested Relief and the terms and conditions imposed by the Commission set out in Schedule "A" to this order, or the determination whether it is appropriate that the Applicant continue to be exempted from the requirement to be recognized as an exchange, may change as a result of the Commission's monitoring of developments in international and domestic capital markets or the Applicant's activities, 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 acknowledgments of the Applicant to the Commission, the Commission has determined that the Applicant satisfies the criteria set out in Appendix I to Schedule "A" and that the granting of the Requested Relief would not be prejudicial to the public interest;

**IT IS HEREBY ORDERED** by the Commission that,

- (i) pursuant to section 147 of the Act, the Applicant is exempt from recognition as an exchange under subsection 21(1) of the Act; and
- (ii) pursuant to sections 15.1 of NI 21-101, 12.1 of NI 23-101 and 10 of NI 23-103, the Applicant is exempt from the requirements in NI 21-101, NI 23-101 and NI 23-103.

**PROVIDED THAT** the Applicant complies with the terms and conditions contained in Schedule "A".

**DATED** \_\_\_\_\_, 2024



**SCHEDULE "A"**

**TERMS AND CONDITIONS**

**Meeting Criteria for Exemption**

1. The Applicant (**360 Trading Networks UK Limited**, or **360T UK**) will continue to meet the criteria for exemption included in Appendix I to this Schedule.

**Regulation and Oversight of the Applicant**

2. **360T UK** will maintain its authorization as an operator of a multilateral trading facility ("**MTF**") with the U.K. Financial Conduct Authority ("**FCA**") and will continue to be subject to the regulatory oversight of the FCA.
3. **360T UK** will continue to comply with the ongoing requirements applicable to it as an operator of an MTF authorized with the FCA.
4. **360T UK** will promptly notify the Commission if its authorization as an operator of an MTF has been revoked, suspended, or amended by the FCA, or the basis on which its authorization as an operator of an MTF has been granted has significantly changed.
5. **360T UK** must do everything within its control, which includes cooperating with the Commission as needed, to carry out its activities as an exchange exempted from recognition under subsection 21(1) of the Act in compliance with Ontario securities law.

**Access**

6. **360T UK** will not provide direct access to a participant in Ontario including a participant with its headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity ("**Ontario User**") unless the Ontario User is appropriately registered as applicable under Ontario securities laws or exempt from or not subject to those requirements, and qualifies an "eligible counterparty" or "professional client" as defined by the FCA in COBS 3 of the FCA's Handbook.
7. For each Ontario User provided direct access to its MTF, **360T UK** will require, as part of its application documentation or continued access to the MTF, the Ontario User to represent that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.
8. **360T UK** may reasonably rely on a written representation from the Ontario User that specifies either that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, provided **360T UK** notifies such Ontario User 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 **360T UK's** MTF.
9. **360T UK** will require Ontario Users to notify **360T UK** 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 User and subject to applicable laws, **360T UK** will promptly restrict the Ontario User's access to **360T UK** if the Ontario User is no longer appropriately registered or exempt from those requirements.

**Trading by Ontario Users**

10. **360T UK** will not provide access to an Ontario User to trading in products other than FX forwards, FX swaps, FX options, FX Strategy, FX non-deliverable forwards, non-deliverable swaps, and non-deliverable strategy without prior Commission approval.

**Submission to Jurisdiction and Agent for Service**

11. 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 **360T UK** in Ontario, **360T UK** will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.
12. **360T UK** will submit to 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, related to, concerning or in any other manner connected with the Commission's regulation and oversight of **360T UK's** activities in Ontario.

### **Prompt Reporting**

13. **360T UK** will notify staff of the Commission promptly of any of:
  - a. any authorization to carry on business granted by the FCA is revoked or suspended or made subject to terms or conditions on **360T UK's** operations;
  - b. **360T UK** institutes a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate **360T UK** or has a proceeding for any such petition instituted against it;
  - c. a receiver is appointed for **360T UK** or **360T UK** makes any voluntary arrangement with creditors;
  - d. **360T UK** marketplace is not in compliance with this Order or with any applicable requirements, laws or regulations of the FCA where it is required to report such non-compliance to the FCA;
  - e. any known investigations of, or disciplinary action against, **360T UK** by the FCA or any other regulatory authority to which it is subject; and
  - f. **360T UK** makes any material change to the eligibility criteria for Ontario Users.

### **Semi-Annual Reporting**

14. **360T UK** will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a semi-annual basis (by July 31 for the first half of the calendar year and by January 31 of the following year for the second half), and at any time promptly upon the request of staff of the Commission:
  - (a) a current list of all Ontario Users and whether the Ontario User is registered under Ontario securities laws or is exempt from or not subject to registration, and, to the extent known by **360T UK**, other persons or companies located in Ontario trading on **360T UK's** MTFs as customers of participants (Other Ontario Participants);
  - (b) the legal entity identifier assigned to each Ontario User, and, to the extent known by **360T UK**, to Other Ontario Participants in accordance with the standards set by the Global Legal Entity Identifier System;
  - (c) a list of all Ontario Users against whom disciplinary action has been taken since the previous report by **360T UK** or its regulation services provider (RSP) acting on its behalf, or, to the best of **360T UK's** knowledge, by the FCA with respect to such Ontario Users' activities on **360T UK** and the aggregate number of disciplinary actions taken against all participants since the previous report by **360T UK** or its RSP acting on its behalf;
  - (d) a list of all active investigations since the last report by **360T UK** relating to Ontario Users and the aggregate number of active investigations since the last report relating to all participants undertaken by **360T UK**;
  - (e) a list of all Ontario applicants for status as a participant who were denied such status or access to **360T UK** since the last report, together with the reasons for each such denial; and
  - (f) for each product,
    - (i) the total trading volume and value originating from Ontario Users, and, to the extent known by **360T UK**, from Other Ontario Participants, presented on a per Ontario User or per Other Ontario Participant basis; and
    - (ii) the proportion of worldwide trading volume and value on **360T UK's** MTFs conducted by Ontario Users, and, to the extent known by **360T UK**, by Other Ontario Participants, presented in the aggregate for such Ontario Users and Other Ontario Participants;

provided in the required format.

**Information Sharing**

15. **360T UK** 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 I TO SCHEDULE "A"**

**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 does not offer products which are intended to be cleared.

## **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**

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;
- b. conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
- c. reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;
- 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;
- 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.

**9.3 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 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 organizations, 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).