

## Chapter 13

# SROs, Marketplaces, Clearing Agencies and Trade Repositories

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### 13.2 Marketplaces

#### 13.2.1 GLMX Technologies, LLC – Application for an Exemption from the Marketplace Rules – Notice and Request for Comment

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

AND

IN THE MATTER OF  
GLMX TECHNOLOGIES, LLC

NOTICE AND REQUEST FOR COMMENT

APPLICATION BY GLMX TECHNOLOGIES, LLC  
FOR AN EXEMPTION FROM THE MARKETPLACE RULES

#### A. Background

GLMX Technologies, LLC (**GLMX**) has applied for an exemption from National Instrument 21-101 *Marketplace Operation* (**NI 21-101**), National Instrument 23-101 *Trading Rules* (**NI 23-101**), and National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (**NI 23-103** and, together with NI 21-101 and NI 23-101, the **Marketplace Rules**), in their entirety.

GLMX is registered as an alternative trading system (**ATS**) with the Securities and Exchange Commission (**SEC**) and is an SEC registered broker-dealer, a member of the Financial Industry Regulatory Authority (**FINRA**) and the Securities Investor Protection Corporation. GLMX operates and maintains an electronic trading platform that facilitates the negotiation of securities financing transactions (**SFT**) between institutional counterparties that have pre-existing relationships with each other.

#### B. Requested Relief

GLMX will enable its users to negotiate SFTs that are predominantly US dollar denominated, US securities, and also include Repos using Canadian Government Debt Securities. Government Debt Securities are defined as debt instruments denominated in Canadian dollars and issued domestically by the Government of Canada or provincial governments and municipalities. Repos using Canadian Government Debt Securities would be subject to a 10% annual ceiling, measured by the last 12 months of volume traded on GLMX.

#### C. Application and Draft Exemption Order

In its application, GLMX has described how it meets criteria for exemption from the Marketplace Rules. These criteria are consistent with those described in CSA Staff Notice 21-328 *Regulatory Approach to Foreign Marketplaces Trading Fixed Income Securities*. The application and draft exemption order with terms and conditions are attached at Appendix A to this Notice.

#### D. Comment Process

We are seeking public comment on all aspects of GLMX's application and, in particular, the negotiation of Repos based on Canadian Government Debt Securities on GLMX's platform.

Please provide your comments in writing, or via email, on before September 11, 2021.

Questions may be referred to:

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Appendix A

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April 13, 2021

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Calgary, Alberta, T2P 0R4

Autorité des marchés financiers  
800, square Victoria, 4e étage  
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Montréal, Québec H4Z 1G3

British Columbia Securities Commission (BCSC)  
701 West Georgia Street  
P.O. Box 10142, Pacific Centre  
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Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8

Nova Scotia Securities Commission  
Ste. 400, Duke Tower  
5251 Duke St.  
Halifax, NS, B3J 1P3

Dear Sirs/Mesdames:

**Re: Application by GLMX Technologies LLC (GLMX) for Exemption pursuant to CSA Staff Notice 21-328**

PART I BACKGROUND

1. As counsel for GLMX, we hereby submit this application for an exemption order contemplated by Staff Notice 21-328 *Regulatory Approach to Foreign Marketplaces Trading Fixed Income Securities* (“**21-328**”). The exemption is sought in Alberta, British Columbia, Ontario, Quebec, and Nova Scotia (the “**Jurisdictions**”).
2. We are filing this coordinated review application (the **Application**) on behalf of GLMX pursuant to Section 3.4 of National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions (NP 11-203). We are filing this Application on behalf of GLMX in Nova Scotia, Ontario, Quebec British Columbia and Alberta (the **Jurisdictions**).
3. In accordance with the guidelines set out in Section 3.6 of NP 11-203, the Ontario Securities Commission (the **OSC**) has been selected as the principal regulator for the purposes of this Application on the basis that GLMX has the most significant connection to Ontario. In accordance with Section 5.2(3) of NP 11-203, this Application is being filed with each of the securities regulatory authorities in the Jurisdictions (the **ATS Relief Decision Makers**) for relief from the securities legislation of each of those Jurisdictions (the **Legislation**).

4. 21-328 contemplates an exemption from Canadian marketplace and related requirements for certain foreign alternative trading systems (each an “ATS”). Two exemptions have so far been granted to each of Creditex Securities Corporation (“Creditex”) and Trumid Financial, LLC (“Trumid”) under 21-328<sup>1</sup>.
5. Under 21-328 if a foreign ATS is subject to a comparable and comprehensive regulatory regime in its home jurisdiction, which meets certain criteria and can be relied on for investor protection and the promotion of a fair and efficient market, such home jurisdiction regulatory regime may by exemption order provide a substitute compliance regime for the foreign ATS carrying on activities with Canadian participants. Under the exemption order, the foreign ATS would have to comply with any relevant terms and conditions imposed upon the operations of the foreign ATS.

## PART II APPLICATION OF APPROVAL CRITERIA TO THE PLATFORM

### Description of GLMX and certain of its relevant operating entities

6. Global Liquid Markets LLC (“GLM”), the holding company for various GLMX entities described below, has its registered office and head office at 330 Seventh Avenue, Floor 17 New York, NY 10001. None of the GLMX entities has an office in Canada.
7. GLM has three subsidiaries GLMX LLC, GLMX and GLMX Europe Limited.
8. GLMX was formed in June 2017. It is registered as an ATS with the United States Securities and Exchange Commission (“SEC”), is an SEC registered broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Securities Investor Protection Corporation;
9. GLMX LLC licenses an electronic trading platform (“Platform”) described below to GLMX, and GLMX operates and maintains it. The Platform facilitates the negotiation of securities financing transactions (SFTs) which collectively fit under the rubric of “repo” :repurchase and reverse repurchase transactions and securities lending arrangements sale/buy back agreements, and margin lending agreements between institutional counterparties that have pre-existing relationships with each other.

### SFTs and the Parties to SFTs

10. SFTs are transactions where securities are used to borrow cash, or vice versa. This mainly includes repos. The principal participants in these markets are broker-dealers acting as intermediaries and their diverse institutional clients. In these transactions, securities are exchanged for collateral which can be in the form of cash or different securities. Transactions are driven by a need to lend/borrow specific securities or to lend/borrow cash.
11. Cash lenders use SFTs as a way to securely invest cash. Typical cash lenders include money market funds, central banks, bank investment portfolio and others. Securities lenders enter into SFTs to finance their securities positions or to obtain leverage. Typical cash borrowers/securities lenders are hedge funds, mortgage REITs, pension funds, asset managers, insurance companies and sovereign wealth funds.

### SFTs negotiated on the Platform

12. The SFTs negotiated on the Platform use the securities listed in section 13. In addition, repos using Canadian Government Securities will also be negotiated on the Platform. For purposes of this Application, Canadian Government Securities is defined as all debt instruments denominated in Canadian dollars and issued domestically by the Government of Canada or provincial governments or municipalities. As discussed below, under the exemption terms proposed for GLMX, repo utilizing Canadian Government Securities would be subject to a 10% annual ceiling as measured by the last 12 months of volume. For the purposes of this Application, GLMX will not allow Canadian issued equity securities or Canadian issued corporate debt securities to be used as collateral in SFTs at this time.
13. GLMX uses or envisages using the following securities as collateral for SFT negotiated through the Platform
  - A. Major sovereign debt including:
    - US Treasuries

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<sup>1</sup> [https://www.osc.gov.on.ca/documents/en/Marketplaces/20200625\\_notice-commission-order-application-exemptive-relief-ice-bonds.pdf](https://www.osc.gov.on.ca/documents/en/Marketplaces/20200625_notice-commission-order-application-exemptive-relief-ice-bonds.pdf). This order was granted by various provincial securities regulators in respect of trading in Canada of “any debt security that is a foreign security or a debt security that is denominated in a currency other than the Canadian dollar. See also Trumid Financial, LLC <https://www.osc.ca/en/securities-law/orders-rulings-decisions/trumid-financial-llc-0>

- UK Government Debt
  - Euro Government Debt
  - Japan, Singapore, Australia and New Zealand
- B. Canadian Government Securities, subject to the 10% annual ceiling described above.
- C. Debt issued by Agency, Sub-sovereign and Supranational institutions including:
- U.S. Agency debentures (FNMA, Freddie, FHLC)
  - Provincials
  - International Finance Corporation (IFC)
  - World Bank
  - Länder
  - US Municipal debt
- D. Mortgage-backed securities including:
- Agency mortgage-backed securities pools
  - Agency collateralized mortgage obligations (CMOs)
  - CMO private label (investment-grade and non-investment-grade)
  - Crown
- E. Non-Canadian issued Corporate debt including
- Investment grade
  - Non-investment grade
- F. Asset-backed securities and Re-securitizations including
- Consumer (credit cards, auto loans)
  - Collateralized Debt Obligations
  - Collateralized Loan Obligations
  - Covered Bonds
- G. Loans
- Bank loans
  - Whole loans
- H. Money Market instruments
- Term Deposits
  - Certificates of Deposit
  - Commercial Paper

- I. Non-Canadian issued Equities
  - Common
  - Preferred
  - Convertible
  - ETF

#### Subscription Online Services Agreements with Subscribers to Platform

14. Prior to getting access to the Platform, a subscriber (customer) must sign an agreement (“**Subscription Online Services Agreement**”) with GLMX that covers, among other things, obligations of the subscriber, and termination events.
15. The subscriber identifies to GLMX by name each employee or contractor of subscriber that is authorized to use the Platform. These “named users” are the only individuals within the subscriber licensed to access and use the service (“**Online Service**”).
16. GLMX will provide the subscriber access to the online service through a web-based interface that can only be accessed when GLMX white-lists subscriber’s IP addresses. GLMX will provide each named user a unique username and password to enable such named user to access the Online Service.
17. Once a trade is mutually agreed and completed by the counterparties, the GLMX platform will send trade details to the parties of the transaction via a pre-approved method (e.g. email). Subscribers, independently and in advance, notify GLMX that they are properly documented with and able to trade with specific counterparties prior to engaging in transactions with that counterparty. GLMX is not a party to the SFT transaction and is not involved in the direct execution or for clearing and settlement.
18. GLMX proposes to offer direct access to its Platform to prospective subscribers in the Jurisdictions (“**Canadian Subscribers**”) to facilitate trades. Access to the Platform will be limited to Canadian Subscribers who meet GLMX’s eligibility criteria. Subscribers generally fall into the following categories: large multi-national bank; insurance company; US registered investment company; derivatives dealer; and/or any other person (whether a corporation, partnership, trust or otherwise) with total assets of at least \$50 million which can include pension funds and hedge funds.
19. Before being provided direct access to the Platform, GLMX will confirm that each Canadian Subscriber is a “permitted client” as that term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”). Retail customers will not be provided with access to the Platform.
20. Once a Canadian Subscriber demonstrates that it satisfies the eligibility criteria, the Canadian Subscriber must execute a Subscription Online Services Agreement in which the prospective Canadian Subscriber agrees to use the online service and the related user documentation only in the ordinary course of its own business for its own internal use and be and remain at all times a “permitted client” as defined in NI 31-103.
21. Under the Subscription Online Services Agreement, a Canadian Subscriber and its affiliates constitute a “Subscriber Group” and the Subscriber Group will authorize certain individuals (“**Named Users**”) who are the only persons authorized to use the online service. The Subscriber Group’s right to use the Online Service is conditioned upon Subscriber Group obtaining and maintaining all government, legal and regulatory approvals, consents, authorizations, registrations, permits and licenses required for the conduct of its activities and its use of the Online Services and using the Online Service only in compliance with applicable law.
22. GLMX will maintain a current list of all Canadian Subscribers. It is proposed that GLMX will provide to its Canadian Subscribers disclosure that states that:
  - A. rights and remedies against it may only be governed by the laws of the home jurisdiction, rather than the laws of Canada, and may be required to be pursued in the home jurisdiction rather than in Canada;
  - B. the rules applicable to trading on Platform may be governed by the laws of the home jurisdiction, rather than the laws of Canada; and

- C. GLMX is regulated by the regulator in the home jurisdiction rather than the securities regulators in Canada.

#### Other Information about the Platform

23. The hours of operation for the Platform are 6:30 a.m. GMT to 6 p.m. EST ("**Market Hours**").
24. GLMX intends to make available training for each person who has access to trade on the Platform. The sales team provides training sessions to new users to learn the functionality of the Platform.
25. GLMX may, at any time, in its sole discretion and without incurring any liability to a subscriber, temporarily or permanently suspend, restrict or terminate the Subscriber Group's use of the Online Service in the event of (a) any failures, malfunctions, faults or errors within the Online Service, (b) external events or circumstances affecting use of the Online Service, or (c) a request or requirement by any government or regulatory organization or body. As an SEC registered broker-dealer and operator of a registered Platform in the US, GLMX is required to comply with applicable law with respect to the operation of its marketplaces and "observe high standards of commercial honor and just and equitable principles" in the conduct of its business (see FINRA Rule 2010), which includes ensuring that subscribers have the capacity and the ability to meet their commitments when trading on the Platform.
26. GLMX seeks to ensure that trading on the ATS Platform is consistent with the requirements of US law by monitoring the trading activity occurring on its marketplace primarily by looking for unusual activity in negotiations.
27. Suspected material breaches of rules promulgated by applicable regulatory authorities related to fair and orderly trading on the Platform will be reviewed by GLMX primarily based on information gleaned by GLMX from monitoring electronic SFT negotiations. If necessary, the information from such review may be reported to the regulatory authorities and other appropriate organizations in a timely manner. GLMX is committed to fully cooperating with its regulators in investigating any suspected breach or suspected market abuse.
28. In addition, GLMX may immediately deny the access privileges of any subscriber or any individual user.
29. It is proposed that GLMX will maintain the following information for each product traded on the Platform:
- A. the total trading volume and value originating from Canadian Subscribers, presented on a per provincial Canadian Subscriber basis, and
- B. the proportion of worldwide trading volume and value on the Platform conducted by Canadian Subscribers, presented in the aggregate per province for such Canadian Subscribers.

### PART III REGULATION OF GLMX

#### Regulation of the Platform

30. In the Jurisdictions, an ATS is required by section 6.1 of NI 21-101 to be registered as an investment dealer and be a member of the IIROC in order to operate a business as an ATS in each of the Jurisdictions.
31. In addition, it is subject to registration requirements under applicable Canadian securities law when engaging in the business of trading. Similarly, in the U.S., all broker-dealers and their associated persons must be registered with the SEC pursuant to section 15 of the Exchange Act and are subject to its regulations. They must as well be a member of at least one securities self-regulatory organization ("**SRO**"), which is further delegated some regulatory authority. Most broker-dealers in the U.S. are members of FINRA.
32. In April of 2018, the SEC approved GLMX as a broker-dealer and in May, 2018, GLMX was approved as an ATS. GLMX remains compliant with its regulatory requirements as demonstrated by its continued status as an ATS.
33. GLMX is subject to a comprehensive regulatory regime in the US both as a registered broker-dealer and as an operator of the Platform. In such capacity, GLMX is registered with the SEC and FINRA and is also subject to regulation by New York state regulators under state securities rules and regulations (collectively, the "**US Regulators**"). The US Regulators set rules, conduct compliance reviews and perform surveillance and enforcement. The US regulatory structure for broker-dealers such as GLMX includes: financial and other fitness criteria for subscribers; reporting and record-keeping requirements; procedures governing the treatment of

customer funds and property and business conduct standards; provisions designed to protect the integrity of the markets; and statutory prohibitions on fraud, abuse and market manipulation.

34. In the US, broker-dealers are primarily governed by the Exchange Act, and the rules and regulations promulgated thereunder. Section 4 of the Exchange Act provides for the creation of the SEC, which was established in 1934. The Exchange Act empowers the SEC with broad authority over all aspects of the securities industry. This includes the power to register, regulate, and oversee brokerage firms, transfer agents, and clearing agencies as well as US SROs, including FINRA. The Exchange Act also identifies and prohibits certain types of conduct in the markets and provides the SEC with examination and disciplinary powers over regulated entities and persons associated with them. As an SRO, FINRA has significant authority over broker-dealers, delegated to them by the SEC and consented to by their members, to adopt and enforce rules; impose fines and other sanctions; and conduct examinations and investigations.
35. In the US, investors are protected by comprehensive regulation that governs the conduct of broker-dealers, including GLMX, and other market participants. These regulatory frameworks include, but are not limited to, the Securities Act of 1933 (the “**Securities Act**”), the Exchange Act (including Regulation ATS, as set forth in greater detail below) the anti-money laundering and know-your-customer rules and regulations of the US Department of the Treasury Financial Crimes Enforcement Network (“**FinCEN**”), and state securities rules and regulations.
36. With respect to the agencies and organizations that regulate broker-dealers and ATSS, the SEC and FINRA, share common goals of protecting investors and other market participants, maintaining fair, orderly, and efficient markets, and facilitating capital formation. Of these goals, investor protection is the primary focus.

#### **Authority of SEC and FINRA as Foreign Regulators**

37. The SEC and FINRA have the appropriate authority and procedures for ensuring that ATSS such as GLMX continue to comply with their regulatory requirements. FINRA and the SEC have the power to direct any ATS that is failing, or has failed, to comply with the any applicable rules or regulations to take action to remedy such non-compliance. It also has the power to revoke or suspend the registration of any ATS that fails to meet its regulatory requirements.

#### **Scope of authority and authorizing statutes**

38. The SEC has delegated certain of its day-to-day regulatory oversight responsibility of broker-dealers to FINRA. FINRA’s rules, which are approved by the SEC, allow for disciplining member firms, including GLMX, for improper conduct and for establishing measures to ensure market integrity and investor protection.
39. As set forth in greater detail below, broker-dealers in the US are subject to routine and for-cause examinations by the SEC and FINRA. Broker-dealers are also subject to periodic financial and operational reporting (quarterly and annually) through the filing of Financial and Operational Combined Uniform Single (“**FOCUS**”) Reports, which are filed with FINRA.
40. Further, a broker-dealer is subject to a number of self-reporting obligations imposed by the SEC and FINRA, including the requirement to: self-report certain events, such as certain criminal charges or convictions on Form U4 and Form U5.
41. In addition to the above, broker-dealers that operate an ATS are subject to additional oversight and reporting under Regulation ATS (as discussed in greater detail below), including the requirements to file and keep current Form ATS. In addition, the SEC and the securities regulatory authorities in the Jurisdictions are parties to a memorandum of understanding related to securities market oversight and enforcement, available at: [https://www.sec.gov/about/offices/oia/oia\\_bilateral/canada\\_regcoo\\_p.pdf](https://www.sec.gov/about/offices/oia/oia_bilateral/canada_regcoo_p.pdf). In addition, the ASC, Autorité des Marchés Financiers (“**AMF**”), British Columbia Securities Commission (“**BCSC**”) and OSC are parties to memoranda of understanding with FINRA related to securities market oversight and enforcement, available at <https://www.finra.org/sites/default/files/Industry/p141242.pdf> (ASC), <https://www.finra.org/sites/default/files/Industry/p122060.pdf> (AMF) of Quebec, [https://www.bcsc.bc.ca/-/media/PWS/Resources/About\\_Us/Other\\_Jurisdictions/FINRABCSC\\_International\\_Information\\_Sharing\\_Memorandum\\_of\\_Understanding\\_effec tive\\_July\\_1\\_2016.pdf](https://www.bcsc.bc.ca/-/media/PWS/Resources/About_Us/Other_Jurisdictions/FINRABCSC_International_Information_Sharing_Memorandum_of_Understanding_effec tive_July_1_2016.pdf) (BCSC) and <https://www.finra.org/sites/default/files/Industry/p125113.pdf> (OSC).

#### **US regulation of broker-dealers and Platform – Source of its authority to supervise the ATS**

42. Pursuant to Section 15(a) of the Exchange Act, subject to certain exceptions, all persons that use the mails or any means or instrumentality of interstate commerce to effect securities transactions must register with the SEC and become members of a national securities association, of which there is only one, FINRA. ATS status and

registration is a supplement to broker-dealer registration; in other words, an ATS can only be operated by a registered broker-dealer. Therefore, as an ATS, GLMX is subject to all applicable rules and regulations to which broker-dealers are subject, as well as specific rules and regulations applicable to the operation of an ATS.

43. ATSs are subject to a comprehensive regulatory framework in the US. First, subject to certain limited exceptions, all US ATSS must be registered with the SEC as a broker-dealer and be a member of FINRA. In this regard, ATSs are subject to extensive regulation and oversight by the SEC and FINRA, not only with respect to ATS operation, but also with respect to the broker-dealer's operations as a whole. Further, in becoming a member of FINRA, each broker-dealer must enter into a membership agreement that sets forth the parameters of the broker-dealer's operations, not only with respect to business lines, but also with respect to minimum net capital requirements, number of offices, and number of client-facing registered representative that the broker-dealer may employ.
44. In addition to the foregoing, to acquire and maintain its status as an ATS, GLMX must satisfy several statutorily-prescribed requirements set out in Regulation ATS (17 C.F.R. § 242.300 et seq.) ("**Regulation ATS**"), which sets forth additional guidelines and requirements with respect to
  - A. Broker-dealer registration
  - B. Notice
  - C. Order display and execution access
  - D. Fees
  - E. Fair access
  - F. Capacity, integrity, and security of automated systems
  - G. Recordkeeping
  - H. Reporting obligations
  - I. Compliance and controls
45. **Broker-dealer registration.** As noted above, pursuant to Exchange Act Rule 301(b)(1), an ATS shall be registered as a broker-dealer under Section 15 of the Exchange Act. When the SEC adopted Regulation ATS in 1998 it revised the definition of "exchange" to clarify that electronic communication networks ("ECNs") were deemed to be exchanges. The SEC then in permitted ECNs to be regulated as a broker-dealer rather than as a traditional stock exchange.
46. **Notice.** Form ATS requires GLMX to provide the SEC with details relating to the operation of the ATS, including (but not limited to):
  - A. The type of subscribers (e.g. retail, broker-dealers, institutional clients, etc.) that will be permitted to access the ATS, and any differences in access that will be offered by the ATS to the different groups of subscribers, if applicable.
  - B. A list of the types of securities the ATS trades (e.g. debt etc.) and whether such securities will not be registered under Section 12(a) of the Exchange Act.
  - C. A list of the securities (as opposed to the "types") the ATS trades.
  - D. The manner of operation of the ATS, procedures governing orders, means of access, procedures governing execution, reporting, clearing and settlement of securities transactions effected through the ATS.
  - E. system guidelines, and any other manuals or other materials provided to the subscriber relating to the ATS.
  - F. the ATS' procedures for reviewing systems capacity, security and contingency planning.

47. Rule 301(b)(2)(ii) requires an amendment to Form ATS be filed with the SEC at least 20 days prior to implementing a material change to the operation of its ATS;
48. Rule 301(b)(2)(iii) requires a quarterly filing be made with the SEC in the event that any information previously provided pursuant to Rules 301(b)(2)(i) and (ii) become inaccurate;
49. Rule 301(b)(2)(iv) requires that a filing be made with the SEC promptly in order to correct information previously reported on Form ATS pursuant to Rules 301(b)(2)(i) and (ii) become inaccurate; and
50. Rule 301(b)(2)(v) requires that a filing be made with SEC promptly in the event that the ATS ceases operations.
51. **Order display and execution access.** Section 8.2 of NI 21-101 in the Jurisdictions imposes certain pre-trade and post-trade information transparency requirements on ATSS displaying orders of corporate debt-securities. These order display and reporting requirements are not used in the US and are not appropriate for SFTs and our proposed exemption order includes an exemption in this regard.
52. Section 10.1 of NI 21-101 requires disclosure by a marketplace (including an exchange and an ATS) on its website of certain information reasonably necessary to enable a person or company to understand the marketplace's operations or services it provides, including information related to the system's protocols and rulebook. Since the Platform only offers participants the ability to negotiate SFTs, it is not standard practice or appropriate to have a rulebook. There is currently no requirement to post fees on company websites for a US ATS.
53. Rule 301(b)(3) of Regulation ATS in the US imposes similar market transparency requirements. The rule requires ATSS with five per cent or more of trading volume in any covered security to publicly disseminate their best priced orders in those securities. GLMX does not meet this threshold. GLMX does not trade equities. Also, the debt securities that collateralize the SFT obligations are not traded outright on the Platform. We note with respect to the Platform the requirements under Exchange Act Rule 301(b)(3) are inapplicable, as the Platform is not an NMS stock ATS, nor are NMS stocks available on the Platform.
54. **Fees.** Exchange Act Rule 301(b)(4) is generally inapplicable to the Platform. In practice, GLMX is required to comply with the rules or standards of practice governing fees established by FINRA, including FINRA Rule 2010 (Standards of Commercial Honor and Just and Equitable Principles of Trade) and FINRA Rule 2121 (Fair Prices and Commissions (also known as the 5% Rule)). While neither rule prescribes a specific limitation on the amount of fees that may be charged to a client with respect to effecting a securities transaction either as agent or principal, each rule requires that GLMX implement its fees in a manner that is fair and reasonable under the circumstances. GLMX's standard fee schedule is provided to all clients at the time of on-boarding and reflects GLMX expectations and fee policy.
55. **Fair access.** While the Platform is not currently required to comply with the "Fair Access" requirements of Exchange Act Rule 301(b)(5), GLMX monitors on an ongoing basis the level of trading activity that occurs on its ATS to ensure that it complies with the relevant rules relating to "Fair Access". More specifically, Exchange Act Rule 301(b)(5) requires an ATS that meets the trading volume thresholds (which GLMX does not) to establish written standards for granting access to its system and apply those standards fair and non-discriminatory manner.
56. With respect to the Platform, the "Fair Access" requirements will be triggered if during at least 4 of the preceding 6 calendar months, an ATS had with respect to municipal securities, 5 percent or more of the average daily trading volume traded in the US, or with respect to corporate debt securities, 5 percent or more of the average daily volume traded in the US. Once the volume thresholds are met, the ATS, pursuant to Exchange Act Rule 301(b)(5)(C), is required to make and keep records of all grants and denials of access, including for all subscribers, the reason for granting or denying such access to the ATS. Such information is required to be filed with the SEC on a quarterly basis on Form ATS-R. In the US, since GLMX does not engage in outright trading of collateral, volumes are below the thresholds and these reporting requirements are not well-suited to the SFT market in any event GLMX would maintain updated information, regarding Canadian Subscribers who were provided with direct access and Canadian applicants for status as a Canadian Subscriber who were denied such status, and submit such information in a manner and form acceptable to the ATS Relief Decision Makers on a semi-annual basis.
57. **Capacity, integrity, and security of automated systems.** Exchange Act Rule 301(b)(6) is triggered by a trading volume threshold that is currently not satisfied by the Platform. However, GLMX monitors on an ongoing basis the level of trading activity that occurs on its ATS to ensure that it complies with the relevant requirements of Exchange Act Rule 301(b)(6). More specifically, Exchange Act Rule 301(b)(6) requires an ATS that meets

the trading thresholds to establish reasonable capacity estimates (both current and future), develop and implement procedures to review system development and testing methodology, review system vulnerability from external and internal threats, physical hazards and natural disasters and establish adequate contingency and disaster recovery plans. With respect to the last two items, GLMX, as a broker-dealer, is separately subject to such requirements; As previously stated, since GLMX does not engage in outright trading of collateral, volumes are below the thresholds and since these reporting requirements apply to the underlying collateral only, they are not as relevant to the SFT markets as to regular fixed income markets

58. **Recordkeeping.** Pursuant to Exchange Act Rule 301(b)(8) as an ATS, GLMX shall make, keep and preserve certain records relating to the operation of its ATSS, including those records required to be maintained pursuant to Exchange Act Rule 302 and in the manner provided in Exchange Rule 303. Further, as a registered broker-dealer, GLMX is required pursuant to Section 17(a)(1) to make, keep, furnish and disseminate records and reports as prescribed by the SEC. The SEC's books and records rules applicable to broker-dealers, Exchange Act Rules 17a-3 and 17a-4, specify minimum requirements with respect to the records that broker-dealers must make, how long those records and other documents relating to a broker-dealer's business must be kept and in what format they may be kept. The SEC requires that broker-dealers create and maintain certain records so that, among other things, the SEC and self-regulatory organizations can use such records in the conduct of their examinations.
59. **Reporting Obligations.** Pursuant to Exchange Act Rule 301(b)(9), an ATS is required to file with the SEC on a quarterly basis the information required by Form ATS-R.
60. *Form ATS-R* (Quarterly Report of Platform Activities) requires the submitter to provide the SEC with details relating to the operation of the ATS during the previous calendar quarter, including (but not limited to):
  - A. The total unit and dollar volume of transaction in various categories of securities.
  - B. A list of all persons granted, denied, or limited access to the ATS during the period covered by the report.
61. *Written procedures to protect confidential trading information.* Pursuant to Exchange Act Rule 301(b)(10) as an ATS, GLMX is required to establish adequate written safeguards and written procedures to protect subscribers' confidential trading information. Such written safeguards and written procedures must include:
  - A. Limiting access to the confidential trading information of subscribers to those employees of the Platform who are operating the system or responsible for its compliance with these or any other applicable rules;
  - B. Implementing standards controlling employees of the Platform trading for their own accounts; and
  - C. Adopting and implementing adequate written oversight procedures to ensure that the written safeguards and procedures established are followed.
62. **Compliance and controls.** Finally, broker-dealers and ATSS that provide market access, including GLMX, are subject to an additional layer of regulatory oversight under Exchange Act Rule 15c3-5 (17 C.F.R. 240.15c3-5) (the "Market Access Rule"), which imposes additional financial and regulatory risk management controls and supervisory procedure requirements on the ATS or broker-dealer. This includes the requirement for GLMX to establish, maintain and ensure compliance with risk management and supervisory controls, policies, and procedures that are reasonably designed to manage, in accordance with prudent business practices, the financial, regulatory and other risks associated with market access or providing clients with market access. These risk management and supervisory controls, policies and procedures are required to be reasonably designed to ensure that all orders are monitored and include pre-trade controls and regular post-trade review. Under the Market Access Rule, a broker-dealer must preserve a copy of its supervisory procedures and a written description of its risk management controls as part of its books and records obligations under SEC Rule 17a-4.
63. Additionally, the risk management controls and supervisory procedures required pursuant to the Market Access Rule must be reasonably designed to systematically limit the financial exposure of the broker-dealer (e.g., preventing the entry of one or more orders that exceed pre-determined price or size parameters); ensure compliance with the broker-dealer's regulatory obligations (e.g., restricting access to trading systems and technology that provide market access to persons and accounts pre-approved and authorized by the broker-dealer); and ensure that the entry of orders does not interfere with fair and orderly markets.

64. A broker-dealer's risk management controls and supervisory procedures should be reasonably designed to:
  - A. Prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer and the broker or dealer and, where appropriate, more finely-tuned by sector, security, or otherwise by rejecting orders if such orders would exceed the applicable credit or capital thresholds; and
  - B. Prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order by-order basis or over a short period of time, or that indicate duplicative orders.
65. Under the Market Access Rule, a broker-dealer must (a) regularly assess and document the adequacy and effectiveness of its risk management and supervisory controls, policies and procedures; and (b) document any material deficiencies in the adequacy or effectiveness of a risk management or supervisory control, policy or procedure and promptly remedy these deficiencies.
66. Broker-dealers are also subject to the general supervision and monitoring requirements of FINRA Rule 3110, which requires broker-dealers to establish and maintain a system to supervise the broker-dealer's business and the activities of each associated person employed by the broker-dealer that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.
67. GLMX must continue to fulfil these obligations to maintain its registration and ability to operate the Platform. Taking into account its SFT business model, GLMX is required to:
  - A. have systems and controls in place to monitor transactions on the Platform;
  - B. retain sufficient financial resources for the performance of its functions as ATS operator;
  - C. operate its Platform with due heed to the protection of investors;
  - D. ensure that trading is conducted in an orderly and fair manner;
  - E. monitor compliance with the SEC, FINRA, and the rules of the Platform;
  - F. investigate complaints with respect to its business;
  - G. maintain high standards of integrity and fair dealing; and
  - H. prevent abuse.
68. Regulation ATS was most recently amended in 2018, such amendment being a significant tightening of the regulation and a signal from the SEC that strict ATS regulation is among the SEC's regulatory priorities.

**Rules and policy statements**

69. As noted above, the primary regulatory frameworks governing broker-dealer activity in the US include, the Securities Act and the Exchange Act (and the rules and regulations promulgated thereunder, including Regulation ATS), FINRA and MSRB rules, FinCEN anti-money laundering and know-your-customer rules and regulations, and state securities rules and regulations. SEC and FINRA also publish guidance and regulatory interpretations, including through SEC no-action letters, and FINRA regulatory notices.

**Financial protections afforded to customer funds**

70. The Platform operated by GLMX does not hold customer funds or securities.

**Authorization, licensure or registration of the Platform**

71. As noted above, ATSS, including GLMX are subject to a comprehensive regulatory framework in the US. Subject to certain limited exceptions, all US ATSS must be registered with the SEC as a broker-dealer and be a member of FINRA. In this regard, ATSS are subject to extensive regulation and oversight by the SEC and FINRA, not only with respect to ATS operation, but also with respect to the broker-dealer's operations as a whole. Failure to comply with the obligations pursuant to this regulatory framework can lead to suspension, fines, and other sanctions, including the cessation of the operations of an ATS operated by a broker-dealer.

72. As set forth in greater detail below, broker-dealers in the US are subject to routine and for-cause examinations by the SEC and FINRA. Broker-dealers are also subject to periodic financial and operational reporting (monthly and annually) through the filing of Financial and Operational Combined Uniform Single (“FOCUS”) Reports, which are filed with FINRA. Further, a broker-dealer is subject to a number of self-reporting obligations imposed by the SEC and FINRA, including the requirement to self-report certain events pursuant to FINRA Rule 4530 (as discussed in greater detail below) and file and keep current certain information with respect to the broker-dealer’s business and operations on Form BD and Form ATS. In addition, pursuant to FINRA Rule 3110 and 3130, a broker-dealer’s chief executive officer (or equivalent officer) must certify annually that the broker-dealer has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules and federal securities laws and regulations. This report must be supported by an underlying report and discussion with the broker-dealer’s chief compliance officer with respect to the same. FINRA Rule 3130 also requires the compliance report underlying this certification be submitted to the broker-dealer’s board of directors and audit committee.

**The foreign regulator’s approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market**

73. Pursuant to FinCEN rules and regulations, broker-dealers are required to file with FinCEN, a Suspicious Activity Report (“SAR”) to report any suspicious transaction or pattern of transactions relevant to a possible violation of law or regulation, including, but not limited to, transactions involving market manipulation, wash trading, or insider trading.
74. Additionally, broker-dealers and market participants are subject to a number of rules and regulations with respect to securities fraud, market manipulation, and abusive trading practices. Section 10(b) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder prohibits any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

**Laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries in the US**

75. The US has a comprehensive financial services regime. The laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries, include, but are not limited to, the Securities Act and the Exchange Act (and the rules and regulations promulgated thereunder), the Investment Company Act of 1940, the Investment Advisers Act of 1940, the rules of FINRA, the MSRB, and the NFA, FinCEN anti-money laundering and know-your-customer rules and regulations, and state securities rules and regulations.
76. Of the subscribers that have trading rights and could therefore deal with customers located in the Jurisdictions, the vast majority are companies incorporated in the US.

**Procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk for market intermediaries who may deal with members and other participants located in Canada**

77. FINRA members, such as GLMX, are required to maintain membership with the Securities Investor Protection Corporation (“SIPC”). SIPC was created under the Securities Investor Protection Act of 1970 (“SIPA”) as a non-profit membership corporation. SIPC oversees the liquidation of member firms that close when the firm is bankrupt or in financial trouble, and customer assets are missing. In a liquidation under the SIPA, SIPC and a court-appointed trustee work to return customers’ funds and securities as quickly as possible.

**Examination and reporting requirements**

78. As set forth above, the SEC and FINRA exercise their supervisory responsibility by conducting examinations of whether GLMX’s rules, procedures and practices are adequate for the protection of investors and for the maintenance of an orderly market.
79. Broker-dealers in the US, including GLMX, are subject to periodic examinations by FINRA and the SEC. Types of examinations include: (i) cause examinations, which are initiated in order to investigate some particular issue or event; (ii) sweep examinations, in which multiple firms receive, and must respond to, written inquiries regarding a particular issue; and (iii) cycle examinations, which occur periodically over the life of the broker-dealer. Both FINRA and the SEC conduct examinations of these kinds, and both have considerable resources, and staff, to conduct such examinations.

80. During examinations, the examination staff seek to determine whether the entity being examined is: conducting its activities in accordance with the federal securities laws and rules adopted under these laws, as well as the rules of self-regulatory organizations, such as FINRA; adhering to the disclosures it has made to its clients, customers, the general public and/or the SEC and FINRA; and implementing supervisory systems and/or compliance policies and procedures that are reasonably designed to ensure that the entity's operations are in compliance with applicable legal requirements.
81. In addition, as described above, pursuant to Regulation ATS, each ATS, including GLMX, must file an initial operation report with the SEC on Form ATS, prior to commencing operations. Form ATS requires detailed disclosures regarding a wide range of information concerning the ATS, its owners, its businesses, and its operating procedures, including disclosure to the applicable regulators (FINRA and the SEC) of the subscriber terms (and/or user guide(s)). Form ATS serves as a supplement to Form BD, which is filed by firms seeking registration with the SEC as broker-dealers, and the new membership application process, which is required for broker-dealers to become members of FINRA. Information required to be provided in these forms and applications include ownership and corporate governance information, affiliate information, details regarding the manner of operation of the ATS and its associated functions, including the structure, means of access, description of trade reporting procedures, contingency planning, and marketplace participants, similar to the information that is required to be provided to the Canadian securities regulators in a Form 21-101F2.
82. Form ATS and Form BD must be amended, as necessary, to correct any previously provided information that becomes inaccurate for any reason. Amendments include changes to information regarding GLMX's ownership, corporate governance information, affiliate information, details regarding the manner of operation of the ATS and its associated functions, including the structure, means of access, description of trade reporting procedures, contingency planning and marketplace participants, similar to the information that is required to be provided to the Canadian securities regulators in a Form 21-101F2.
83. In addition, as noted above, pursuant to FINRA Rule 3110 and 3130, a broker-dealer's chief executive officer (or equivalent officer) must certify annually that the broker-dealer has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules, and federal securities laws and regulations. This report must be supported by an underlying report and discussion with the broker-dealer's chief compliance officer with respect to the same. FINRA Rule 3130 also requires the compliance report underlying this certification be submitted to the broker-dealer's board of directors and audit committee.
84. Pursuant to SEC and FINRA rules, broker-dealers are subject to periodic financial and operational reporting (monthly and annually) through the filing of FOCUS Reports, which are filed with FINRA. The net capital rule, Exchange Act Rule 15c3-1 (17 C.F.R. §240.15c3-1), is the principal rule by which the financial health of US broker-dealers, including GLMX, is regulated and monitored. The net capital rule requires US broker-dealers to maintain "net capital" (i.e., capital in excess of liabilities) in specified amounts that are determined by the types of business conducted by the broker-dealer. The net capital rule requires broker-dealers to compute net worth based on US generally accepted accounting principles ("GAAP"), as modified by the various provisions and interpretations of the rule.
85. Regulation ATS also requires GLMX, as an ATS, to permit the examination and inspection of its premises, systems, and records, and cooperate with the examination, inspection, or investigation of subscribers, whether such examination is being conducted by the SEC or by a self-regulatory organization of which such subscriber is a member.
86. Regulation ATS also requires that GLMX, as an ATS, report information regarding marketplace activity on a quarterly basis on Form ATS-R, including for example, general trading activity, fixed income activity, and traded fixed income securities, similar to certain information a Canadian ATS is required to provide in Form 21-101F3 Quarterly Report of Marketplace Activities ("**Form 21101F3**").
87. Finally, a FINRA-member broker-dealer is required under FINRA Rule 4530 to report to FINRA certain specified events, including the broker-dealer's conclusion that it has discovered significant, widespread, or systemic violations of securities and investment related laws by the broker-dealer or any of its associated persons. Rule 4530 not only requires self-reporting of violations of securities law and regulation, but also of specified events, such as certain criminal convictions, certain customer complaints, and ongoing regulatory actions. Finally, the self-reporting and reporting rule also requires that a broker-dealer report to FINRA certain statistical and summary information regarding written customer complaints on a quarterly-basis.
88. Regulation ATS requires that an ATS, including GLMX, that intends to cease carrying on business as an ATS must file a cessations report with the SEC promptly upon ceasing to operate as an ATS. This requirement is

similar to the requirement for a Canadian ATS to provide prior notice to the regulator of an intention to cease carrying on business as an ATS and the requirement to file a Form 21-101F4 Cessation of Operations Report for Platform.

**The protection of customer funds and securities by market intermediaries who may deal with Canadian Subscribers**

89. The Exchange Act Rule 15c3-3, which is commonly known as the “customer protection rule,” is intended to protect customers’ funds held by their broker-dealers and prohibit broker-dealers from using customer funds and securities to finance any part of their business that is unrelated to servicing securities customers. GLMX does not hold customer funds.

**Governance**

90. GLMX is a wholly-owned subsidiary of GLM. GLM is a holding company. The GLM board consists of 3 managers. The board of managers generally meets on a quarterly basis. During the meetings, the CEO updates the board on the current state of the business. The board also reviews and discusses all ongoing business, assesses potential new business activities and hires, analyzes existing and potential risks and reviews updated financials. The board holds ad hoc meetings as necessary for time sensitive matters.

**Appropriate provisions for directors and officers**

91. GLMX has policies and procedures in place to recruit, hire and onboard new employees. Its policies ensure that all staff are qualified for their roles and receive security awareness, compliance and job-specific training. GLMX’s Chief Administrative Officer conducts annual security awareness training, reviews training compliance and confirms that all staff complete training appropriately. All internal and external training undertaken by staff is documented by human resources. In the event that an employee termination occurs, robust off-boarding procedures are followed to secure access to accounts and physical hardware.
92. GLMX has established, maintains and reviews compliance with policies and procedures that identify and manage any conflicts of interest arising from the operation of the marketplace or the services it provides. GLMX conducts its business with the highest standards of commercial honour and just and equitable principles of trade. GLMX’s supervisory policies and procedures provide guidance to designated supervisors in their oversight of GLMX’s business. GLMX recognizes that compliance is not a static event. The supervisory policies and procedures are updated as necessary.
93. To ensure compliance with FINRA Rules 3110 and 3310, GLMX has implemented compliance policies and procedures outlining its regulatory obligations and written supervisory procedures and designed to achieve compliance with applicable securities laws and regulations. As a broker- dealer, GLMX has an obligation to identify and respond to existing conflicts of interest and any potential conflicts of interest it expects to arise between GLMX, including each individual acting on GLMX’s behalf, and a subscriber or other party and resolve the actual or potential conflict of interest by putting the customer’s interest before its own. Further, GLMX must design its organizational structures, lines of reporting and physical locations to control conflicts of interest. GLMX must ensure that before or at the time it provides a service that gives rise to a conflict, that it discloses the conflict.
94. Additionally, GLMX relies on its employees to adhere to written standards of conduct. The written supervisory manual outlines the rules and principles by which GLMX operates, which include but are not limited to its core competencies, protecting confidential information and conflicts of interest. A conflict of interest is a situation where an opportunity for personal gain conflicts with GLMX’s best interests. While it is GLMX’s preference to avoid conflicts of interest, if a conflict of interest cannot be avoided, or an employee cannot determine whether a given situation presents a conflict, it is GLMX’s policy for the conflict or the potential conflict to be immediately discussed with a manager to determine the appropriate course of action. Further, to avoid potential conflicts of interest, it is GLMX’s policy that work performed or positions held by GLMX employees outside of working at GLMX must not interfere with employees’ duties at GLMX, and outside business activities generally are required to be approved by GLMX. GLMX has adopted policies that require employees to proactively address potential conflicts of interest related to an employee’s family member or other person with whom an employee has a close personal relationship. Conflicts regarding a financial interest in a customer, competitor or supplier as well as conflicts relating to business gift, meal and entertainment conflicts of interest policies are also addressed in GLMX’s policies.
95. GLMX has appropriate conflict of interest provisions for all directors, officers and employees. GLMX has implemented reasonable safeguards and procedures to protect its subscriber’s order and trade information, including limiting access to order or trade information or subscribers and users to employees of GLMX and

implementing standards controlling trading by employees of GLMX for their own accounts. GLMX has implemented effective oversight procedures to ensure that the safeguards and procedures established by it are followed.

#### **PART IV REGULATION OF PRODUCTS**

##### **Review and Approval of Products – Business lines must be approved by the Foreign Regulator**

96. Business lines, including the operation of an ATS, must be approved by FINRA, listed on a broker-dealer's Form BD, as filed with the SEC, and listed on the broker-dealer's membership agreement with FINRA. Any addition of business lines to GLMX must be approved by FINRA prior to implementation by the broker-dealer.
97. Pursuant to Regulation ATS, when filing its initial operation report on Form ATS, an ATS is required to provide the SEC with a list of the types of transactions the ATS trades or expects to trade, as well as a list of the securities the ATS trades or expects to trade. As noted above, an ATS is required to update its Form ATS, as necessary, to correct any previously provided information that becomes inaccurate for any reason.
98. Pursuant to FINRA Rule 3110, each broker-dealer must establish, maintain, and enforce written procedures to supervise the activities of its registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules. In this regard, GLMX must ensure that the operation of the Platform, as well as the written procedures, comply with applicable securities laws and regulations and with applicable FINRA rules. In addition, the Market Access Rule, which GLMX is subject to, imposes additional financial and regulatory risk management controls and supervisory procedure requirements on the ATS or broker-dealer. This includes the requirement for GLMX to establish, maintain and ensure compliance with risk management and supervisory controls, policies, and procedures that are reasonably designed to manage, in accordance with prudent business practices, the financial, regulatory and other associated with market access or providing clients with market access.

#### **PART V ACCESS**

99. The requirements of the ATS relating to access to the facilities of the ATS change are fair, transparent and reasonable.

##### **Details of access criteria**

100. In particular, the ATS:
  - A. has written standards for granting access to trading on its facilities to ensure users have appropriate integrity and fitness;
  - B. has financial standards for those persons who enter orders for execution on the system, including, the need for pre-existing contractual relationship with each counterparty;
  - C. does not unreasonably prohibit or limit access by a person or company to services offered by it;
  - D. keeps records of each grant and denial or limitation of access, including reasons for granting, denying or limiting access; and
  - E. restricts access to adequately trained system users who have demonstrated competence in the functions that they perform.
101. GLMX has established written standards for granting access to each of its services to ensure Users are appropriately eligible to access the ATS Platform, as described above. GLMX keeps records of each grant of access including the reasons for granting access to an applicant, and each denial or limitation of access, including the reasons for denying or limiting access to an applicant.
102. In addition, Regulation ATS sets forth certain fair access requirements for ATSs which do not apply to GLMX because it does not engage in outright trading of collateral, if, during at least four of the preceding six calendar months, such ATS had:
  - A. With respect to any NMS stock, 5 percent or more of the average daily volume in that security reported by an effective transaction reporting plan;

- B. With respect to an equity security that is not an NMS stock and for which transactions are reported to a self-regulatory organization, 5 percent or more of the average daily trading volume in that security as calculated by the self-regulatory organization to which such transactions are reported;
  - C. With respect to municipal securities, 5 percent or more of the average daily volume traded in the US; or
  - D. With respect to corporate debt securities, 5 percent or more of the average daily volume traded in the US.
103. If any of these requirements is met, subject to certain exceptions, an ATS must:
- A. Establish written standards for granting access to trading on its system;
  - B. Not unreasonably prohibit or limit any person in respect to access to services offered by such alternative trading system by applying the written standards required above in an unfair or discriminatory manner;
  - C. Make and keep records of:
    - 1. All grants of access including, for all subscribers, the reasons for granting such access; and
    - 2. All denials or limitations of access and reasons, for each applicant, for denying or limiting access; and
  - D. Report the information required on SEC Form ATS-R regarding grants, denials, and limitations of access.
104. These access requirements are similar to the required access requirements for ATSS in Canada.

**Due diligence and ongoing supervision**

105. To satisfy its regulatory requirements under SEC and FINRA rules, GLMX conducts due diligence on subscribers prior to permitting a subscriber to access the Platform to ensure that such subscriber meets the eligibility criteria required pursuant to US Regulators and to protect the integrity of GLMX and the orderliness of its trading on the Platform.
106. Access to the GLMX Platform will be limited to Canadian Subscribers who must meet GLMX's eligibility criteria. Subscribers generally fall into the following categories: large multi-national banks; insurance company; US registered investment company; derivatives dealers; and/or any other person (whether a corporation, partnership, trust or otherwise) with total assets of at least \$50 million which can include hedge funds and pension funds. Before being provided direct access to the Platform, each Canadian Subscriber will be required to confirm that it is a "permitted client" as that term is defined in NI 31-103. Retail customers will not be provided access to the Platform. Retail customers will not be provided access to the Platform.
107. Once a Canadian Subscriber demonstrates that it satisfies the eligibility criteria, the Canadian Subscriber must:
- A. Execute a Subscription Online Services Agreement;
  - B. Be and remain at all times either an (x) "institutional account" as defined in FINRA Rule 45125, or (y) a broker-dealer registered pursuant to Section 15 of the Exchange Act.
108. A Canadian Subscriber will be required to confirm that it continues to satisfy the eligibility criteria for access to the Platform on an ongoing basis. Specifically, GLMX will reach out at least every two years to a Canadian Subscriber to confirm that a Canadian Subscriber continues to satisfy the eligibility requirements for access to the GLMX. A Canadian Subscriber will be required to provide prompt notification to GLMX if it no longer qualifies as a "permitted client".
109. GLMX is required to comply with the existing rules imposed by US Regulators on an ongoing basis.
110. A Canadian Subscriber will be required to confirm that it continues to comply with the eligibility criteria periodically on an ongoing basis. A Canadian Subscriber will be required to provide prompt notification to GLMX if it no longer qualifies as a permitted client.

111. GLMX will maintain the following updated information and submit such information in a manner and form acceptable to the ATS Relief Decision Makers on a semi-annual basis (within 30 days of the end of each six-month period), and at any time promptly upon the request of the ATS Relief Decision Makers:
- A. a current list of all Canadian Subscribers on a per province basis, specifically identifying for each Canadian Subscriber the basis upon which it represented to GLMX that it could be provided with direct access;
  - B. a list of all Canadian applicants for status as a Canadian Subscriber on a per provincial basis who were denied such status or access or who had such status or access revoked during the period;
  - C. for those Canadian Subscribers who had their status revoked, an explanation as to why their status was revoked;
  - D. for each product:
    - 1. the total trading volume and value originating from Canadian Subscribers, presented on a per provincial Canadian Subscriber basis and
    - 2. the proportion of worldwide trading volume and value on the GLMX conducted by Canadian Subscribers, presented in the aggregate per province for such Canadian Subscribers and
  - E. a list of any system outages that occurred for any system impacting Canadian Subscribers' trading activity on the GLMX which were reported to the regulator in the home jurisdiction, if any.
112. As required under the Bank Secrecy Act (“**BSA**”) and its implementing regulations, GLMX is required to have anti-money laundering policies and procedures (collectively, an “**AML Policy**”) which prohibits and actively prevents money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Contained in its AML Policy is GLMX's Customer Identification Program that complies with the requirements of the BSA and applicable regulations. Additionally, as a US entity, GLMX complies with the requirements outlined by the Office of Foreign Assets Control.

#### PART VI REGULATION OF PARTICIPANTS ON THE ALTERNATIVE TRADING SYSTEMS

113. Regulation - The alternative trading system has the authority, resources, capabilities, systems and processes to set requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them by exclusion from participation in the marketplace.

#### **Members and other participants are required to demonstrate their compliance with these requirements**

114. GLMX's Platform, FINRA and the SEC maintain appropriate systems and resources for conducting member regulation and market regulation, for evaluating compliance with ATS, FINRA and SEC requirements and disciplining participants.
115. Subscribers to an ATS are subject to the SEC rules and regulations applicable to securities transactions generally, and the SEC has investigation, examination, and enforcement power with respect to subscribers who violate these rules and regulations. In addition, subscribers that are FINRA-member broker-dealers are subject to FINRA rules, with FINRA having investigation, examination, and enforcement power with respect subscribers who violate applicable FINRA rules.

#### **GLMX Operating Procedures**

116. The Platform provides other controls such as a protocol for dealing with “fat finger” errors.
117. As noted above, broker-dealers, including those that operate an ATS, are subject to market surveillance by the SEC and FINRA, which is largely accomplished through various trade-reporting forms and systems, including OATS, TRACE, ACT, CAT, and SEC Form 13H. Regulation ATS also requires ATSs to report certain information regarding marketplace activity on a quarterly basis on Form ATS-R.
118. A characteristic of an ATS that distinguishes it from that of an exchange in the US is that an ATS is not permitted to “[s]et rules governing the conduct of subscribers other than the conduct of such subscribers' trading on the system; or (ii) discipline subscribers other than by exclusion from trading. To the extent that a subscriber breaches the Platform's terms and conditions, GLMX is limited to either suspending or terminating their access

to GLMX's ATS. If the subscriber's acts are thought to be violation of law, GLMX will refer the subscriber to FINRA or the SEC.

119. Clearing and Settlement. The Platform will not be involved in clearing or settlement activities which will be handled by the market participants.

### **Systems and Technology**

120. GLMX's critical systems provide for the continuing function of the overall application presented to customers. This application enables the communication and negotiation of securities finance transactions between financial institutions. Settlement is not part of GLMX's services.

### **Infrastructure - Data Center Redundancy**

121. GLMX manages infrastructure which comprises the ATS at a primary site, also referred to as the 'production' site located in a private locked cage in New Jersey and a secondary site in Illinois.
122. Each site contains self-contained infrastructure which can handle all traffic if necessary. Each datacenter site contains various redundancy features at both the hardware level, as well as the software level.
123. Each server features disks in a RAID1 or RAID10 configuration, dual power supplies connected to separate PDUs (each connected to a separate circuit) and has ethernet connections to two separate switches. There are dual firewalls (each with separate connections to each switch), acting as highly available pairs, as well as redundant load balancers in isolated networks servicing externally facing virtual IPs.
124. Data for the application is stored in a database, which is live-replicated to a second database in the same cage, as well as to a DR database at the DR site. Application servers respond to requests forwarded by the load balancers, with multiple instances of each application server available to handle the requests both for load balancing as well as redundancy. In addition to live replication off-site for customer data, it is also backed up daily.

### **Infrastructure - External Connectivity**

125. GLMX offers its services over the public internet, and optionally enables customers to connect directly, via a cross-cage interconnect or other means of private connectivity.
126. GLMX uses multiple public internet service providers to provide reliable access. There are a pair of routers interconnected with each other as well as our providers, with BGP sessions to provide neighbor information for the GLMX AS.

### **Infrastructure - Security / Protection**

127. Customers using the web UI connect to SSL endpoints using a strong cipher and key exchange. In order to access the system, their IP range has to be whitelisted in the firewall, and they have to enter a user-specific username and password.
128. Customers using the FIX API also connect to an SSL endpoint using a strong cipher and key exchange, on an organization-specific port, and have to use a pre-arranged CompID and password in order to establish a FIX session. Each such port has an organization- specific IP whitelist.
129. Direct connections are handled in the same manner as ones over the public internet, with the same security precautions. The only difference is that the traffic is routed over a private line rather than over the internet.
130. Internally, all communication is restricted between zones. Any inbound TCP connections terminating in the DMZ and redirected to the application zone. The application zone may in turn access the databases. The firewalls prevent any other direct communication between zones.

### **Financial Viability and Reporting**

131. Financial viability – The ATS has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

132. Pursuant to Exchange Act Rule 15c3-1, GLMX must have financial resources sufficient for the proper performance of its functions as an ATS. GLMX maintains the current minimum capital amounts needed, and will maintain any future minimum capital amounts needed to meet SEC and FINRA requirements

**Recordkeeping**

133. The ATS 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 ATS, audit trail information on all trades, and compliance with, and/or violations of the ATS requirements.
134. GLMX rules require that GLMX keeps books, records and other documents as are reasonably necessary for the proper recording of its business in electronic form. This includes a record of all subscribers who have been granted access to the ATS Platforms, daily trading summaries including securities financed and transaction volumes, correspondence, agreements, detailed order records and ATS report details of orders, as applicable. Records are kept in electronic form and readily accessible.
135. The GLMX written supervisory procedures refer to the GLMX record retention policy that details how all relevant records must be kept, and for how long. This is maintained by the GLMX CCO and ensures that GLMX remains in compliance with all relevant regulatory requirements, which include SEC and FINRA rules. GLMX has implemented a policy, which outlines its regulatory requirements under Exchange Act Rules 15c3-1, 17a-3 17a-4, 17a-5, 17a-8, 17a-11, 17f-2, Regulation ATS, FINRA Rules 1250, 2210, 2111, 2232, 3010, 3110, 3170, 3270, 3280, 3310 4511, 4512, 4513, 4515, 4517, 4530, MSRB Rules G-5, G-7, G-9, G-10, G-20, G-27 G-37 and CFR 1023.100 to 1023.670.
136. Regulation ATS, SEC Rules 17a-3 and 17a-4, and FINRA Rule 4511 set forth record keeping requirements that detail the types of information that must be retained by broker-dealers, as well as the duration for which these records must be maintained. The types of information include business records and other records, including, but not limited to, those subscribers who have been granted access to GLMX, daily trading summaries for GLMX, and records of each order. The SEC and FINRA have mechanisms in place to ensure that the information necessary to conduct adequate surveillance of ATSs for supervisory and enforcement purposes is available to the US Regulators on a timely basis.
137. The SEC and FINRA conduct periodic compliance reviews and examinations and require that records comply with SEC and FINRA rules and are readily accessible, on an ongoing basis.

The record preservation requirements for ATSs are set forth in Section 303 of Regulation ATS and SEC Rule 17a-4. These rules and regulations establish the time period, which varies depending on the record being retained, for which certain books and records are to be retained and preserved.

**Outsourcing**

138. Where the ATS 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.
139. GLMX LLC licenses the Platform to GLMX, and GLMX operates and maintains it. GLMX will outsource certain services (listed below) related to operation of the Platform to other entities.
140. Technology services including system maintenance, payroll and human resources services are provided by GLMX LLC. There are administrative services agreements between GLMX LLC, GLMX and GLM that describe services rendered and the cost associated with these services.
141. The Platform is hosted on infrastructure managed by GLMX staff, hosted within a facility managed by a third party vendor. The vendor does not have logical access to GLMX devices or data. The vendor provides GLMX with space, power, interconnectivity, and cooling within a SOC2 Type 2 certified secure facility. GLMX has chosen to co-locate in facilities with direct access to market participants in order to support private network connectivity.
142. Market data vendors provide securities reference data and securities pricing services.
143. Pursuant to FINRA Rule 3110, each broker-dealer must establish, maintain, and enforce written procedures to supervise the activities of its registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules.

144. If a broker-dealer, as part of its business structure, outsources certain covered activities (e.g. data center services), the broker-dealer's supervisory system and written supervisory procedures must include procedures regarding its outsourcing practices to ensure compliance with applicable securities laws and regulations and FINRA rules. The broker-dealer's procedures should include, without limitation, a due diligence analysis of all of its current or prospective third-party service providers to determine whether they are capable of performing the outsourced activities. In addition, when a broker-dealer outsources covered activities to a third-party, the broker-dealer has a continuing responsibility to oversee, supervise, and monitor the service provider's performance of covered activities. This requires the broker-dealer to have in place specific policies and procedures that will monitor the service providers' compliance with the terms of any agreements and assess the service provider's continued fitness and ability to perform the covered activities being outsourced. GLMX satisfies the foregoing regulatory requirements as outlined in GLMX's written supervisory procedures, created to ensure compliance with applicable regulations. As required under FINRA Rule 3110, GLMX has implemented policies<sup>2</sup> and procedures in connection with its use of third-party services providers. When entering into an outsourcing agreement, GLMX's policies require that GLMX has a written contract with the service provider that includes the expectations of GLMX and the other party to the services agreement. GLMX is required to follow prudent business practices and conduct a due diligence analysis of prospective service providers, including an assessment of its reputation, financial stability, capability to deliver the services and have adequate confidentiality safeguards. On an ongoing basis but at least annually, GLMX reviews certain third-party service providers to determine the quality of services provided, whether such third-party service providers are providing the services in a satisfactory manner consistent with the requirements outlined in such third-party service provider's contract.

#### **Fees**

145. The ATS's process for setting fees is fair, transparent and appropriate. Any and all fees imposed by the ATS on its participants are equitably allocated, do not have the effect of creating barriers to access and are balanced with the criterion that the ATS has sufficient revenues to satisfy its responsibilities.

#### **Information Sharing and Oversight Arrangements**

146. Information sharing and regulatory cooperation – The ATS has mechanisms in place to enable it to share information and otherwise cooperate with the securities regulatory authorities in the Jurisdictions, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.
147. The CEO of GLMX undertakes to notify staff of the securities regulators in each of the Jurisdictions promptly if any of the representations made in connection with or related to this application cease to be true or correct in any material respect, or become incomplete or misleading.
148. Oversight Arrangements – Satisfactory information sharing and oversight agreements exist between the securities regulatory authorities in the Jurisdictions and the Foreign Regulator.
149. As noted above, the SEC and the securities regulatory authorities in the Jurisdictions are parties to a memorandum of understanding related to securities market oversight and enforcement. In addition, the ASC, AMF and OSC are parties to memoranda of understanding with FINRA related to securities market oversight and enforcement.

#### **PART VII SUBMISSIONS OF GLMX**

150. GLMX is regulated and operates in the US as an ATS and, therefore, may be considered an "alternative trading system" as defined in section 1.1 of NI 21-101 and is prohibited from carrying on business in the Jurisdictions unless it (a) is registered as a dealer, (b) is a member of a self-regulatory entity and (c) complies with the provisions of the Marketplace Rules. GLMX seeks to provide Canadian Subscribers that enter into SFTs with access to the Platform and, therefore, may be considered to be engaging in the business of trading in the Jurisdictions. GLMX is not registered with the ATS Relief Decision Makers in the Jurisdictions as an investment dealer and is not a member of any Canadian self-regulatory entity.
151. GLMX is registered with the SEC as a broker-dealer and an ATS and is a member of FINRA, a self-regulatory organization in the US with a mandate similar to that of IIROC in Canada. GLMX satisfies all of the criteria for registration with the SEC as a broker-dealer and continues to satisfy the requirements under Regulation ATS

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<sup>2</sup> For additional information with respect to broker-dealer obligations with respect to third-party service providers, please see Notice to Members 05-48 - Members' Responsibilities When Outsourcing Activities to Third-Party Service Providers, available at <https://www.finra.org/rules-guidance/notices/05-48>.

and is a member of FINRA. It is our position that as described in “Part II - Application of Approval Criteria to the Platform”, above, GLMX is subject to a substantially similar regulatory regime in the US to that in Canada.

152. In 21-328, CSA staff provide an exemption model where foreign ATSS may be permitted to offer direct access to Canadian participants without having to establish a Canada-based affiliate provided they meet certain terms and conditions, including a requirement that they comply with the applicable regulations in their home jurisdiction. In 21-328, CSA Staff state that to offer direct access to Canadian participants, a foreign ATS would need to apply for an exemption from the Marketplace Rules and provide details of the application process, exemption criteria, and sample terms and conditions that may be included in a foreign ATS's exemption order. A foreign ATS may be exempt from the Marketplace Rules provided that certain conditions of the CSA's proposed exemption and regulatory framework are met, including maintaining regulatory compliance in its home jurisdiction, providing the appropriate CSA jurisdictions with ongoing information about its operations and trading activity in Canada and ensuring that there is sufficient transparency for participants of the regulatory structure, specifically the substitute compliance model. Although the proposed exemption would grant foreign ATSS relief from the Marketplace Rules, depending on their model of operations, foreign ATSS or their participants may, as discussed below, still be subject to the dealer registration requirements under applicable Canadian securities legislation for engaging in the business of trading.
153. GLMX submits that it satisfies the criteria in the exemption model for foreign ATSS to offer direct access to Canadian participants without having to establish a Canada-based affiliate, as set out in 21-328. GLMX has submitted this Application for an exemption from the Marketplace Rules and has provided details demonstrating how it meets the criteria set out in 21-328, including maintaining regulatory compliance in its home jurisdiction, providing the Jurisdictions with ongoing information about its operations and trading activity in Canada and ensuring that there is sufficient transparency for participants of the regulatory structure, specifically the substitute compliance model.
154. Under NI 21-101, s 6.1 registration exemptions are denied for marketplaces. 21-328 does not purport to alter the registration regime for marketplaces:
- “We note that although the proposed exemption would grant foreign ATSS relief from the Marketplace Rules, depending on their model of operations, foreign ATSS or their participants may still be subject to registration under applicable securities legislation. Foreign ATSS may trigger registration requirements under applicable Canadian securities laws because they may engage in the business of trading. A common exemption available in these cases would be the International Dealer Exemption (IDE). The IDE may be available where the foreign ATS offers trading in foreign securities. Foreign ATSS should consider the registration requirement and available exemptions when determining which securities to offer for trading.*
- In the case of participants on foreign ATSS, they may also need to be registered where they are dealing with Canadian participants. For example, in the case of a request-for-quote system that results in agreements to trade where a foreign participant is interacting directly with Canadian participants, the foreign participant may need to be registered as a dealer or rely on a registration exemption (emphasis added)*
155. By its terms, NI 21-328 was designed for foreign ATS platforms trading non-Canadian fixed income products. The *Creditex*<sup>3</sup> and *Trumid*<sup>4</sup> exemption applications so far granted have each involved platforms trading non-Canadian fixed income instruments. Based on GLMX's model of operations, GLMX will not be trading outright in “foreign securities” but may use collateral to support SFTs that go beyond the foreign security category.
156. GLMX currently offers and intends in the future to offer repo on its platform using Canadian Government Securities as an incidental part of its business which will constitute less than 10% measured by total GLMX volume for the last 12 months. GLMX has determined that it may be subject to dealer registration under applicable Canadian securities legislation and so it proposes with respect to collateral consisting of “foreign securities” as defined in s 8.18(1) of NI 31-103 to rely on the “international dealer exemption” under section 8.18 of NI 31-103 in the Jurisdictions and, subject to observing the revenue/volume ceiling just mentioned, it proposes for collateral consisting of federal or provincial government debt securities, on the specified debt exemption under section 8.21(2)(a) of NI 31-103.
157. The robust US regulatory regime governing ATSS provides adequate investor protection and oversight and supervision of GLMX. It is appropriate for GLMX to rely on the regulatory regime in the US as a substitute for

<sup>3</sup> [https://www.osc.gov.on.ca/static/images/Marketplaces/Marketplaces\\_20200408\\_creditex-application-exemptive-relief.pdf](https://www.osc.gov.on.ca/static/images/Marketplaces/Marketplaces_20200408_creditex-application-exemptive-relief.pdf)

<sup>4</sup> [https://www.osc.gov.on.ca/en/Marketplaces\\_20200305\\_rfc-trumid-application-exemption-marketplace-rules.htm](https://www.osc.gov.on.ca/en/Marketplaces_20200305_rfc-trumid-application-exemption-marketplace-rules.htm)

the regulatory regime in Canada, as the oversight, supervision and regulatory requirements are sufficiently similar to that of the Canadian regulatory regime applicable to ATs.

158. By complying with the regulatory regime applicable to ATs in the US, GLMX considers that it will be complying with the substantially similar requirements of the Canadian regulatory regime. Access to the Platform will be limited to Canadian Subscribers who must meet GLMX's eligibility criteria. Before being provided direct access to the Platform, GLMX will confirm that each Canadian Subscriber is a "permitted client" as that term is defined in NI 31-103. A Canadian Subscriber will be required to confirm that it continues to satisfy the eligibility criteria for access to the Platform on an ongoing basis.
159. Canadian Subscribers that engage in SFTs in non-Canadian fixed Income securities would benefit from the ability to trade on GLMX's Platform, as they would have access to a range of non-Canadian fixed income securities as collateral, which is not currently widely available in the Jurisdictions. GLMX would offer subscribers resident in the Jurisdictions a transparent, efficient market to engage in negotiation of SFTs. GLMX uses sophisticated information systems and has adopted rules and compliance functions that will ensure that Canadian subscribers are adequately protected. GLMX therefore submits that it would not be prejudicial to the public interest to grant the Requested Relief.
160. In Canada, an ATS can only execute trades in exchange-traded securities, corporate debt securities, government debt securities, or foreign exchange-traded securities, as defined in section 1.1 of NI 21-101; GLMX wishes to accommodate negotiation of SFTs in categories of collateral broader than this and 21-328 seems well- adapted to permitting this objective for foreign ATs and this result is therefore not at odds with the basic objectives of NI 21-101 insofar as SFT platforms are concerned.
161. In the US, GLMX is not subject to pre-trade or post-trade transparency requirements. In Canada, pre-trade transparency requirements are not applicable to GLMX pursuant to sections 7.1 and 8.1 of NI 21-101 because orders capable of acceptance in foreign exchange-traded securities and exchange-traded securities and debt securities will not be displayed on the Platform as there is no outright trading in these instruments on the GLMX Platform.
162. The Canadian rules as to post-trade transparency are somewhat different than in the US where no such rules apply to SFTs. Section 7.4 of NI 21-101 imposes post-trade transparency requirements for exchange-traded securities and foreign exchange-traded securities and subsection 8.2(3) of NI 21-101 imposes post-trade transparency requirements for government debt securities and corporate debt securities. These provisions were not drafted with SFTs in mind.
163. SFTs do not need and cannot accommodate the same level of transparency as a marketplace in which outright trading in fixed income instrument occurs. SFTs are uniquely driven by credit risk determinations with respect to the borrower. For this reason, if 21-328 were not relied upon, exemptive relief from transparency requirements would likely have been granted in Canada following Equilend<sup>5</sup>. This would make the resulting Canadian regulatory approach consistent with the one in the US and should not therefore be a basis for denying the exemption sought.

#### PART VIII FEES

164. Filing fees totalling \$7 thousand have been paid or are in the process of being paid to the securities regulatory authorities in the Jurisdiction Fees.

#### PART IX OTHER MATTERS

165. In connection with this Application we enclose:
166. Appendix A – Draft Decision, and
167. Appendix B – Authorization and Verification Statement GLMX, authorizing us to file this Application and confirming the truth of the facts contained herein.

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<sup>5</sup> <https://www.osc.ca/en/securities-law/orders-rulings-decisions/equilend-canada-corp>

Should you have any questions regarding this Application, please contact me at the number above with any questions regarding this Application.

Yours truly,

Rene Sorell  
Counsel

RS

Appendix A

DRAFT DECISION

In the Matter of  
The Securities Legislation of  
British Columbia, Alberta, Nova Scotia,  
Ontario and Quebec  
(the Jurisdictions)

and

In the Matter of  
the Process for Exemptive Relief Applications  
in Multiple Jurisdictions

and

In the Matter of  
GLMX Technologies, LLC  
(the Filer)

Decision

**Background**

The securities regulatory authority or regulator in each of the Jurisdictions (**Decision Maker**) has received an application (the **Application**) from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) that the Filer be:

- (a) exempt pursuant to subsection 15.1 of National Instrument 21-101 *Marketplace Operation* (**NI 21-101**) from NI 21-101 in whole;
- (b) exempt pursuant to subsection 12.1 of National Instrument 23-101 *Trading Rules* (**NI 23-101**) from NI 23-101 in whole;
- (c) exempt pursuant to subsection 10(1) of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (**NI 23-103**) from NI 23-103 in whole

(the relief mentioned in paragraphs (a) to (c) being collectively referred to herein as the **Exemptive Relief Sought**).

Under National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* (for a coordinated review application):

- (a) the Ontario Securities Commission is the principal regulator for this application, and
- (b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

**Interpretation**

Terms defined in National Instrument 14-101 *Definitions* and Multilateral Instrument 11-102 *Passport System* have the same meaning if used in this decision, unless otherwise defined.

**Representations**

This decision is based on the following facts represented by the Filer which is sometimes referred to herein as "**GLMX**":

1. The Filer is a private limited liability company incorporated under the laws of Delaware whose registered and head office is at 330 Seventh Avenue, Floor 17, New York, New York, United States of America.
2. The Filer is an (in)direct wholly owned subsidiary of Global Liquid Markets, LLC (**GLM**). GLM is a holding company for various GLMX entities. GLM has three subsidiaries: GLMX, LLC, the Filer and GLMX Europe Limited. GLMX, LLC licenses an electronic trading platform (**Platform**) to GLMX and GLMX operates and maintains it. The Platform facilitates

the negotiation of securities financing transactions including repurchase and reverse purchase transactions and securities lending arrangements, sale/buy back agreements and margin lending (collectively, **SFTs**) between institutional counterparties that have pre-existing contractual relationships with each other.

3. The Filer was formed in June 2017. It is registered as an alternative trading system (**ATS**) and a broker-dealer registered with the Securities and Exchange Commission (**SEC**) pursuant to section 15 of the *Securities Exchange Act of 1934*, as amended, (**Exchange Act**). The Filer is also a member of the Financial Industry Regulatory Authority (**FINRA**) and the Securities Investor Protection Corporation. The Filer operates one ATS that is registered with the SEC.
4. The Filer is subject to a comprehensive regulatory regime in the US. The Filer operates as an ATS and a broker-dealer registered with the SEC. The Filer is regulated by the SEC and FINRA as a broker-dealer and an ATS. The SEC and FINRA fulfil their regulatory responsibilities within the framework established by the Exchange Act and FINRA member rules.
5. SFTs are transactions where securities are used to borrow cash, or vice versa. The principal participants in these markets are broker-dealers acting as intermediaries and their diverse institutional clients. In these transactions, securities are exchanged for collateral which can be in the form of cash or different securities. Transactions are driven by a need to lend/borrow specific securities or to lend/borrow cash.
6. Cash lenders use SFTs as a way to securely invest cash. Typical cash lenders include money market funds, central banks, bank investment portfolio and others. Securities lenders enter into SFTs to finance their securities positions or obtain leverage. Typical cash borrowers/securities lenders are hedge funds, mortgage REITs, pension funds, asset managers, insurance companies and sovereign wealth funds.
7. The securities exchanged in SFTs negotiated on the Platform are as follows: major sovereign debt including US Treasuries, UK Government Debts, Euro Government Debt, Japan, Singapore, Australia and New Zealand, debt issued by agency; sub-sovereign and supranational institutions including U.S. agency debentures (FNMA, Freddie, FHLC), provincials, International Finance Corporation (IFC), World Bank, Länder, US Municipal Debt; Mortgage-Backed Securities including Agency Mortgage-Backed Securities Pools, Agency Collateralized Mortgage Obligations (CMOs), CMO Private Label (Investment-Grade And Non-Investment-Grade), Crown; non-Canadian issued corporate debt including Investment Grade, Non-investment grade, asset-backed securities; and re-securitizations including consumer (credit cards, auto loans), collateralized debt obligations, collateralized loan obligations, covered bonds; loans including bank loans, whole loans; money market instruments including term deposits, certificates of deposit, commercial paper; and non-Canadian issued equities including common, preferred, convertible and ETF.
8. In addition, GLMX currently offers and intends in the future to offer SFTs on its platform using Canadian Government Securities, defined as all debt instruments denominated in Canadian dollars and issued domestically by the Government of Canada or provincial governments or municipalities, as an incidental part of its business which will constitute less than 10% measured by total GLMX volume for the last 12 months.
9. The Filer does not have any offices or maintain other physical installations in Alberta, British Columbia, Nova Scotia, Ontario, Québec or any other Canadian province or territory.
10. Prior to getting access to the Platform, a subscriber (customer) must sign an agreement (**Subscription Online Services Agreement**) with GLMX that covers, among other things, obligations of the subscriber, and termination events.
11. The subscriber identifies to GLMX by name each employee or contractor of subscriber that is authorized to use the Platform. These "named users" are the only individuals within the subscriber licensed to access and use the service (**Online Service**).
12. GLMX will provide the subscriber access to the online service through a web based interface that can only be accessed when GLMX white lists subscriber's IP addresses. GLMX will provide each named user a unique username and password to enable such named user to access the Online Service.
13. Once a trade is mutually agreed and completed by the counterparties, the GLMX platform will send trade details to the parties of the transaction via a pre-approved method (e.g. email). Subscribers, independently and in advance, notify GLMX that they are properly documented with and able to trade with specific counterparties prior to engaging in transactions with that counterparty. GLMX is not a party to the SFT transaction and is not involved in the direct execution or clearing and settlement.
14. GLMX proposes to offer direct access to its Platform to prospective subscribers in the Jurisdictions (**Canadian Subscribers**) to facilitate trades. Access to the Platform will be limited to Canadian Subscribers who meet GLMX's eligibility criteria. Subscribers generally fall into the following categories: large multi-national bank; insurance company;

US registered investment company; derivatives dealer; and/or any other person (whether a corporation, partnership, trust or otherwise) with total assets of at least \$50 million which can include pension funds and hedge funds.

15. Before being provided direct access to the Platform, GLMX will confirm that each Canadian Subscriber is a “permitted client” as that term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)*. Retail customers will not be provided with access to the Platform.
16. Once a Canadian Subscriber demonstrates that it satisfies the eligibility criteria, the Canadian Subscriber must execute a Subscription Online Services Agreement in which the prospective Canadian Subscriber agrees to use the online service and the related user documentation only in the ordinary course of its own business for its own internal use and be and remain at all times a “permitted client” as defined in NI 31-103.
17. Under the Subscription Online Services Agreement, a Canadian Subscriber and its affiliates constitute a “Subscriber Group” and the Subscriber Group will authorize named users (**Named Users**) who are the only persons authorized to use the online service. The Subscriber Group's right to use the Online Service is conditioned upon Subscriber Group obtaining and maintaining all government, legal and regulatory approvals, consents, authorizations, registrations, permits and licenses required for the conduct of its activities and its use of the Online Services and using the Online Service only in compliance with applicable law.
18. GLMX has determined that it may be subject to dealer registration under applicable Canadian securities legislation and so it proposes to rely on the “international dealer exemption” under section 8.18 of NI 31-103 in the Jurisdictions and, subject to observing the revenue/volume ceiling just mentioned, on the specified debt exemption under section 8.21 of NI 31-103.
19. The Filer will ensure that all applicants who become Canadian Subscribers satisfy the Filer’s eligibility criteria, including, among other things, that each Canadian Subscriber is a “permitted client” as that term is defined in NI 31-103.

The Filer is not in default of securities legislation in any Jurisdiction.

#### **Decision**

The Decision Maker is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Maker under the Legislation is that the Exemptive Relief Sought is granted provided that the Filer complies with the terms and conditions attached hereto as Schedule A.

## SCHEDULE A

### Terms and Conditions

#### Regulation and Oversight of the Marketplace

1. The Filer will continue to be subject to the regulatory oversight of the regulator in its home jurisdiction;
2. The Filer will either be registered in an appropriate category or rely on an exemption from registration under Canadian securities laws;
3. The Filer will promptly notify the Decision Makers if its status in its home jurisdiction has been revoked, suspended, or amended, or the basis on which its status has significantly changed;

#### Access

4. The Filer will not provide direct access to a Canadian Subscriber unless the Canadian Subscriber is a “permitted client” as that term is defined in NI 31-103;
5. The Filer will require Canadian Subscribers to provide prompt notification to the Filer if they no longer qualify as “permitted clients”;
6. The Filer must make available to Canadian Subscribers appropriate training for each person who has access to trade on the Platform;

#### Trading by Canadian Subscribers

7. The Filer will only offer SFTs to Canadian Subscribers and in that context use only the collateral listed in accordance with representation numbers 7 and 8 of this Decision;
8. Trades on the Platform by Canadian Subscribers will be cleared and settled through clearing arrangements used outside the Platform by subscribers;
9. The Filer will only permit Canadian Subscribers to trade those securities which are permitted to be traded in the United States under applicable securities laws and regulations;

#### Reporting

10. The Filer will promptly notify staff of the Decision Makers of any of the following:
  - (a) any material change to its business or operations or the information provided in the Application, including, but not limited to:
    - i. changes to its regulatory oversight;
    - ii. the access model, including eligibility criteria, for Canadian Subscribers;
    - iii. systems and technology; and
    - iv. its clearing and settlement arrangements;
  - (b) any change in its regulations or the laws, rules, and regulations in the home jurisdiction relevant to the products traded;
  - (c) any known investigations of, or regulatory action against, the Filer by the regulator in the home jurisdiction or any other regulatory authority to which it is subject;
  - (d) any matter known to the Filer that may affect its financial or operational viability, including, but not limited to, any significant system failure or interruption; and
  - (e) any default, insolvency, or bankruptcy of any subscriber known to the Filer or its representatives that may have a material, adverse impact upon the Platform, the Filer or any Canadian Subscriber;

11. The Filer will maintain the following updated information and submit such information in a manner and form acceptable to staff of the Decision Makers on a semi-annual basis (within 30 days of the end of each six-month period), and at any time promptly upon the request of staff of the Decision Makers:
- (a) a current list of all Canadian Subscribers on a per provincial basis, specifically identifying for each Canadian Subscriber the basis upon which it represented to the Filer that it could be provided with direct access;
  - (b) a list of all Canadian applicants for status as a Canadian Subscriber on a per provincial basis who were denied such status or access or who had such status or access revoked during the period;
    - i. for those Canadian applicants for status as a Canadian Subscriber that were denied access, an explanation as to why access was denied;
    - ii. for those Canadian Subscribers who had their status revoked, an explanation as to why their status was revoked;
  - (c) for each product:
    - i. the total trading volume and value originating from Canadian Subscribers, presented on a per provincial Canadian Subscriber basis;
    - ii. the proportion of worldwide trading volume and value on the Platform conducted by Canadian Subscribers, presented in the aggregate per province for such Canadian Subscribers;
    - iii. the trading volume and value of Canadian Government Securities (as defined in representation 8 of this Decision) used in SFTs and proportion of trading volume in Canadian Government Securities relative to the total volume traded on GLMX for the six month period, calculated in a manner acceptable to the Decision Makers; and
    - iv. a list of any system outages that occurred for any system impacting Canadian Subscribers' trading activity on the Platform which were reported to the regulator in the home jurisdiction;
  - (d) a list of any system outages that occurred for any system impacting Canadian Subscribers' trading activity on the Platform which were reported to the regulator in the home jurisdiction;

**Disclosure**

12. The Filer will provide to its Canadian Subscribers disclosure that states that:
- (a) rights and remedies against it may only be governed by the laws of the home jurisdiction, rather than the laws of Canada, and may be required to be pursued in the home jurisdiction rather than in Canada;
  - (b) the rules applicable to trading on the Platform may be governed by the laws of the home jurisdiction, rather than the laws of Canada; and
  - (c) the Filer is regulated by the regulator in the home jurisdiction, rather than the Decision Makers;

**Submission to Jurisdiction and Agent for Service**

13. With respect to a proceeding brought by the Decision Makers, staff of the Decision Makers or another applicable securities regulatory authority in Canada arising out of, related to, concerning or in any other manner connected with such regulatory authority's regulation and oversight of the activities of the Filer in Canada, the Filer will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Canada, and (ii) an administrative proceeding in Canada;
14. The Filer will file with the Decision Makers a valid and binding appointment of McCarthy Tétrault LLP, or any subsequent agent, as the agent for service in Canada upon which the Decision Makers or other applicable regulatory authority in Canada may serve a notice, pleading, subpoena, summons, or other process in any action, investigation, or administrative, criminal, quasi-criminal, penal, or other proceeding arising out of or relating to or concerning the regulation and oversight of the Platform or the Filer's activities in Canada; and

**Information Sharing**

15. The Filer must, and must cause its affiliated entities, if any, to promptly provide to the Decision Makers, on request, any and all data, information, and analyses in the custody or control of the Filer or any of its affiliated entities, without limitations, redactions, restrictions or conditions, including, without limiting the generality of the foregoing:
  - (a) data, information, and analyses relating to all of its or their businesses; and
  - (b) data, information, and analyses of third parties in its or their custody or control; and
16. The Filer must share information and otherwise cooperate with other recognized or exempt exchanges, recognized self-regulatory organizations, investor protection funds and other appropriate legal and regulatory bodies.

**APPENDIX B**

**AUTHORIZATION AND VERIFICATION STATEMENT**

**TO:** Alberta Securities Commission  
Autorité des marchés financiers  
British Columbia Securities Commission  
Ontario Securities Commission  
Nova Scotia Securities Commission

**RE:** Application by GLMX LLC for Exemption pursuant to CSA Staff Notice 21-328

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The undersigned, an authorized signatory of GLMX LLC, hereby authorizes the making and the filing of the attached application by McCarthy Tétrault LLP, and confirms the truth of the facts contained therein.

**DATED at New York, New York this 10th day of August, 2021.**

GLMX LLC

By: "Lauren Carroll"  
Name: Lauren Carroll  
Title: General Counsel & CAO