

**B.11.2.2 Refinitiv Transactions Services Limited – Application for Exemption From Recognition as an Exchange – Notice and Request for Comment**

**NOTICE AND REQUEST FOR COMMENT**

**APPLICATION BY  
REFINITIV TRANSACTIONS SERVICES LIMITED  
FOR EXEMPTION FROM RECOGNITION AS AN EXCHANGE**

**A. Background**

Refinitiv Transaction Services Limited (**RTSL**) has applied to the Commission for an exemption from the requirement to be recognized as an exchange pursuant to subsection 21(1) of the Securities Act (Ontario) (OSA).

RTSL is operates a multilateral trading facility as authorized by the United Kingdom’s Financial Conduct Authority (**FCA**). RTSL offers trading of: foreign exchange (FX) forwards (swaps), FX forwards (outrights), FX swaps, FX non-deliverable forwards and FX options.

RTSL will enable clients to access its platform to enter transactions. In addition, RTSL intends to provide access to trading on its marketplace to participants located in Ontario and therefore is considered to be carrying on business in Ontario.

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

**B. Application and Draft Exemption Order**

In the application, RTSL has outlined how it meets the criteria for exemption from recognition. The specific criteria can be found in Appendix 1 to Schedule “A” of the draft exemption order. Subject to comments received, Staff intends to recommend that the Commission grant an exemption order with terms and conditions based on the draft exemption order. The application and draft exemption order are available on our website at [www.osc.ca](http://www.osc.ca).

**C. Comment Process**

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

Please provide your comments in writing, via e-mail, on or before December 4, 2023, to the attention of:

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

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

Questions on may be referred to:

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

Tim Reibetanz  
Senior Legal Counsel, Derivatives  
Email: [treibetanz@osc.gov.on.ca](mailto:treibetanz@osc.gov.on.ca)

September 6, 2023

**Sent by OSC Portal**

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

Dear Sirs/Mesdames:

**RE: Refinitiv Transaction Services Limited (RTSL or the Applicant)**

**RE: Application for Exemption from the Marketplace Rules and the Exchange Recognition Requirements**

We are filing this application (the **Application**) on behalf of the Applicant with the Ontario Securities Commission (the **OSC**) requesting an order:

- a) under Section 15.1 of National Instrument 21-101 *Marketplace Operation* (**NI 21-101**), Section 12.1 of National Instrument 23-101 *Trading Rules* (**NI 23-101**) and Section 10 of National Instrument 23103 *Electronic Trading and Direct Access to Marketplaces* (**NI 23-103**) and, together with NI 21-101 and NI 23-101, the **Marketplace Rules**) exempting the Applicant from the application of all provisions of the Marketplace Rules that apply to a person or company carrying on business as a multilateral trading facility (**MTF**) in Ontario; and
- b) under Section 147 of the *Securities Act* (Ontario) (the **Act**) exempting the Applicant from the requirement to be recognized as an exchange under Section 21(1) of the Act,

(together, the **Requested Relief**).

Based on the foregoing, the Applicant believes that the Requested Relief would not be detrimental to the protection of investors in Ontario and would contribute to the trading of the products provided on the MTF in Ontario being more efficient.

The Applicant is not in default of securities legislation in Ontario nor in its home jurisdiction, the United Kingdom (the **UK**). Furthermore, the Applicant confirms that it has the power to co-operate fully with the OSC and self-regulatory organizations in Ontario, and to provide information and documents with respect to its operations that could be reasonably requested by the OSC.

The Requested Relief sought is not novel and similar exemptions have previously been granted.

Terms defined in National Instrument 14-101 *Definitions* and NI 21-101 have the same meaning if used in this Application, unless otherwise defined. Capitalized terms that appear in this Application but are not defined in the body of this Application have the meanings ascribed thereto in the RTSL MTF Rule Book (the **Rules**).

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

Part I Background

Part II Application of Approval Criteria to the MTF

1. Regulation of the MTF
2. Governance
3. Regulation of Products
4. Access
5. Regulation of Participants on the MTF
6. Rulemaking
7. Due Process
8. Clearing and Settlement
9. Systems and Technology
10. Financial Viability
11. Trading Practices
12. Compliance, Surveillance and Enforcement
13. Record Keeping
14. Outsourcing
15. Fees
16. Information Sharing and Oversight Arrangements
17. IOSCO Principles

Part III Submissions

Part IV Other Matters

**Part I Background**

**Background**

RTSL is a company incorporated in England and Wales and is an indirect subsidiary of London Stock Exchange Group plc. RTSL has been authorized by the Financial Conduct Authority (the **FCA**) to operate a MTF.

RTSL previously operated the MTF offered to clients by the Refinitiv Group (now referred to as the LSEG Group (**LSEG plc**)) to facilitate trading in foreign exchange derivatives throughout the European Economic Area (**EEA**). Following the UK's vote to leave the European Union in 2016 (known as **Brexit**), Refinitiv established an entity under the name of Financial and Risk Transaction Services Ireland Limited (**FRTSIL**) in the Republic of Ireland to continue to offer the foreign exchange derivatives trading venue to its clients in the EEA. Clients of RTSL were transferred to FRTSIL during 2019.

FRTSIL obtained separate exemption orders from the Ontario Securities Commission, Autorité des marchés financiers, Financial and Consumer Affairs Authority of Saskatchewan, Nova Scotia Securities Commission and Financial and Consumer Services Commission granting relief substantially similar to the Requested Relief in 2019. As a result of these exemption orders, Participants located in Ontario, Quebec, Saskatchewan, Nova Scotia and New Brunswick were and continue to be able to access the MTF operated by FRTSIL.

The UK established a Temporary Permissions Regime as part of Brexit to enable firms based outside of the UK to continue to access the UK market on a short-term basis without requiring UK authorisation. This transitional process will expire at the end of 2023 and full permissions and authorisation will be required after this point for any firm wishing to provide regulated financial activities in the UK.

The LSEG Group has chosen the approach of re-using the previous legal entity of RTSL to operate an MTF within the UK and offer this venue and its trading segment FXall to its UK clients as well as those clients from third countries permissioned to access the UK venue. This approach requires the re-establishment of the operations of the MTF by RTSL. The client experience will be the same as what clients currently have available through FRTSIL.

Clients based outside the EEA will, if that jurisdiction permits, be able to join and trade through the UK-based MTF operated by RTSL in addition to or as an alternative to the EEA-based MTF operated by FRTSIL.

As part of its post-Brexit strategy, the Applicant has submitted this Application for the Requested Relief to allow the Ontario-based clients of FRTSIL to join the UK-based MTF operated by RTSL therefore mirroring the access and trading arrangements that the clients in Ontario currently have with FRTSIL. Ontario-based clients will be able to onboard onto the UK-based MTF operated by RTSL after the Request Relief is obtained. Additionally, onboarding activities with respect to Ontario-based clients may commence prior to the Requested Relief being granted. These activities will consist of the completion of onboarding processes, applications and forms as well as technical testing. The onboarding activities will not involve trading by Ontario-based clients (or clients in any other Canadian provinces). The Applicant also intends to submit applications to certain other securities regulators in Canada requesting relief analogous to the Requested Relief.

**Description of the Multilateral Trading Facility**

The MTF is currently operated by RTSL. The following types of investments are offered for trading on the MTF: foreign exchange FX forwards (swaps), FX forwards (outright), FX swaps, FX non-deliverable forwards (**NDFs**) and FX options.

Effective December 1, 2001, the UK Financial Services Authority (**FSA**), a financial regulatory body in the UK, authorized RTSL, under Part 4A of the UK Financial Services and Markets Act 2000 (**FSMA**), to act as the operator of an Alternative Trading System (**ATS**); on November 1, 2007, the authorization was changed to the operator of a MTF when the ATS regime was replaced by the new MiFID regulated activity of *Operating a Multilateral Trading Facility* and this authorization subsequently was transferred to the FSA's successor regulatory body, the Financial Conduct Authority (the **FCA**), also a financial regulatory body in the UK, on April 1, 2013. RTSL was previously authorized by the Bank of England between 1992 and 2001.

On January 3, 2018, the Markets in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council) (**MiFID II**) entered into force as implemented in the UK by transposition into national law together with the Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014 of the European Parliament and of the Council) (**MiFIR**) which is directly applicable in the UK, containing the amended regulatory framework for the operator of a MTF.

Following Brexit, to ensure continuity in the performance of investment services and activities, the MTF (FXall and Forwards Matching) was transferred to FRTSIL, a subsidiary of Refinitiv Limited operating in Ireland. FRTSIL was authorised as an investment firm on March 28, 2019 by the Central Bank of Ireland, pursuant to the European Union (Markets in Financial

Instruments) Regulations 2017 (S.I. No. 375 of 2017) (MiFID II Regulations) (a MiFID Firm). FRTSIL is authorised to operate a MTF and has obtained exemptive relief from the Ontario Securities Commission, Autorité des marchés financiers, Financial and Consumer Affairs Authority of Saskatchewan, Nova Scotia Securities Commission and Financial and Consumer Services Commission. Following Brexit, MiFID II was incorporated into UK law under the *EU Withdrawal Act*.

As a consequence of the expiry of the UK Temporary Permissions Regime on December 31, 2023 and following legal advice and discussions with the FCA; RTSL now intends to re-instate its UK MTF for FXall and transfer UK established clients from FRTSIL to RTSL. In addition to operating an MTF, RTSL continues to, by virtue of its permission to “arrange (bring about) deals in investments” and “make arrangements with the view to transact” provide Dealing to UK and rest of world clients. The Forwards Matching venue will remain with FRTSIL which has both an EU license and is in the process of obtaining a UK license operating through a UK branch. As a result, Forwards Matching will not be available on the MTF operated by RTSL.

### **Ownership and corporate structure**

As noted above, the MTF is currently operated by RTSL, a private limited company registered in England and Wales. RTSL has branches in Thailand, a representative office in China, and subsidiaries in Brazil and Malaysia. The MTF for Ontario Participants is operated by RTSL’s head office in London.

### **Products traded on the MTF**

The RTSL MTF is comprised of one trading segment known as FXall RFQ. All trading segments are governed by the Rules applicable to the MTF as a whole, subject to particular jurisdictional requirements. Each trading segment further has its own rules specific to that trading segment. A client who enters into a Participant Agreement in respect of the MTF (a **Participant**) must comply with both the Rules applicable to the MTF as a whole, and the Rules applicable to the specific trading segment to which the Participant is authorized and wishes to access. Trading on the MTF is offered in the Financial Instruments listed in the following table:

Trading Segment	Financial Instruments <sup>1</sup>
FXall RFQ	FX forwards (outrights), FX swaps, FX NDFs and FX options

These Financial Instruments are admitted in various currency pairs.

In its capacity as a provider of the MTF, there are various activities that do not fall within the scope of the Applicant’s operations. With respect to the MTF, the Applicant does not provide: (a) trading in any principal, proprietary or agency capacities; (b) access to third party trading venues; (c) clearing, settlement or payment systems; (d) asset management services; or (e) portfolio services.

## **Part II Application of Exemption Criteria to the MTF**

### **1 REGULATION OF THE MTF**

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

The MTF is operated by RTSL. RTSL is authorized and regulated in the UK by the FCA (FCA Reference Number 206017) and holds UK Financial Services and Markets Act 2000 Part IV permission to carry out regulated activities.

RTSL is subject to authorization, exemption, recognition or accreditation by regulatory bodies in a number of other jurisdictions, including:

- Monetary Authority of Singapore (MAS);
- Australian Securities and Investments Commission (ASIC);
- Hong Kong Monetary Authority (HKMA); and
- Swiss Financial Market Supervisory Authority (FINMA).

In addition, RTSL has an exemption order from the U.S. Commodity Futures Trading Commission (**CFTC**).

<sup>1</sup> As defined by MiFID II.

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

The FCA has three specific, and equal, operational objectives set by the UK's Parliament. These are to: secure an appropriate degree of protection for consumers; protect and enhance the integrity of the UK financial system; and promote effective competition in the interests of consumers. In practice, this means that the FCA wants to make markets work effectively to deliver benefits to firms and consumers. The FCA has a statutory objective to promote effective competition in the interests of its consumers. It also has competition powers under the Enterprise Act 2002 and the Competition Act 1998 relating to the financial services sector that are exercised concurrently with the Competition and Markets Authority.

The FCA is the conduct regulator for 50,000 financial services firms and financial markets in the UK and the prudential regulator for over 48,000 of those firms. The firms range from global investment banks to small businesses. It operates a risk-based approach concentrating on the significant risks and accepting that some failure neither can, nor should, be avoided. Potential risks are prioritized, using an impact and probability analysis, and the FCA will then decide on an appropriate regulatory response – in other words, what approach it should take and what resources it will allocate to mitigating risk. The FCA will adopt a pre-emptive approach which will be based on making forward-looking judgments about firms' business models, product strategy and how they run their businesses, to enable the FCA to identify and intervene earlier to prevent problems from crystallising. The FCA's approach to supervising firms will contribute to its delivery against its objective to protect and enhance the integrity of the UK financial system. The overall approach in the FCA supervision model is based on the following principles: (1) integrity (a firm must conduct its business with integrity); (2) skill, care and diligence (a firm must conduct its business with due skill, care and diligence); (3) management and control (a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems); (4) financial prudence (a firm must maintain adequate financial resources); (5) market conduct (a firm must observe proper standards of market conduct); (6) customers' interests (a firm must pay due regard to the interests of its customers and treat them fairly); (7) communication with clients (a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading); (8) conflict of interest (a firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client); (9) customers' relationship of trust (a firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment); (10) clients' assets (a firm must arrange adequate protection for clients' assets when it is responsible for them); and (11) relations with regulators (a firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice).

The FCA supervision model risk assessment process applies to all firms, although the detail required may vary from firm to firm. For example, some firms may experience a highly intensive level of contact although others may only be contacted once every four years. Firms judged as high impact are likely to require a more detailed assessment. A peer review process within the FCA assists consistency and will be focused on firms and sectors of the industry that could cause, or are causing, consumers harm or threaten market integrity. The supervision model is based on three pillars: (1) the Firm Systematic Framework (preventative work through structured conduct assessment of firms); (2) event-driven work (dealing with problems that are emerging or have crystallised, and securing customer redress or other remedial work (e.g. to secure the integrity of the market) where necessary); and (3) issues and products (thematic work on sectors of the market or products within a sector that are putting or may put consumers at risk). In order to create incentives for firms to raise standards and to maximise the success of the FCA's supervisory arrangements, it is important that a firm understands the FCA's evaluation of its risk so that it can take appropriate action.

RTSL is considered a C3 firm and accordingly the audit schedule is based upon that classification and the FCA's thematic and regular audit program. Additionally, RTSL has responded to thematic questionnaires, MIFID updates and regulator meetings as per the request of the FCA, again as part of the FCA supervision program. C3 firms will be classed as 'flexible portfolio' which means they will be supervised by a team of sector specialists and do not have a dedicated supervisor. The FCA will examine C3s' business models, but will be looking more at firms which are outliers compared to their peers. The detailed assessment for C3s will be a focused review of their business, how it is run and how it is controlled. The assessment will be followed by a feedback letter setting out key findings and actions to be undertaken by the firm. The firm-specific assessment for C3 firms will be on a four year cycle; however, the FCA will conduct interim reviews of firms where information indicates that the risk they represent is significantly changing.

**Authorizing statutes**

The FCA was created by the Financial Services Act 2012 which amended the FSMA, the primary piece of legislation from which it derives its powers and functions. Rules and guidance made in the FCA Handbook for operators of a MTF are made pursuant to powers granted under the FSMA.

His Majesty's Treasury has the power to enact secondary legislation under the FSMA, which affects the way the FCA operates. The most important piece of secondary legislation is the Financial Services and Markets Act (Regulated Activities) Order 2001

(RAO). The RAO sets out the specific activities for which firms must receive FCA permission (known as a Part IV permission) to carry on investment business, or where they can avail themselves of an exemption or exclusion, as the case may be.

The FCA was the designated competent authority under the European single market directives for banking, insurance, investment business, payment services, collective investment schemes and other financial services, including insurance intermediation when the UK was a member of the European Union. It was also the competent authority under a host of other EU directives, including the Market Abuse and Prospectus Directives. After the UK's withdrawal from the European Union, European directives and regulations that applied were incorporated into UK regulation.

### **Source of its authority to supervise the MTF**

Operating a MTF is a regulated activity under section 25D RAO. RTSL is authorized to operate the MTF.

### **Rules and policy statements**

The FCA Handbook is the primary source of rules and policy statements issued by the FCA with respect to the authorisation and continuing oversight of markets, electronic trading systems and clearing organizations. A copy of the full FCA Handbook is available at <https://www.handbook.fca.org.uk/handbook/>. The key rules and policy statements relevant to the MTF are set out in the Market Conduct Chapter of the FCA Handbook (**MAR 5**). MAR 5 is implementing the provisions of MiFID II relating to firms operating multilateral trading facilities, specifically articles 18, 19, 31, 32, 33, 48, 49 and 50 of MiFID II. Further rules are contained in MiFIR. In addition further guidance is contained in the European Securities and Markets Authority's "Questions and Answers on MiFID II and MiFIR market structures topics".

### **Financial protections afforded to customer funds**

RTSL does not hold any client money.

## **2 GOVERNANCE**

### **2.1 Governance – The governance structure and governance arrangements of the MTF ensure:**

#### **(a) Effective oversight of the MTF,**

RTSL has adopted and impartially enforces the Rules, a comprehensive set of rules for the operation and conduct of the MTF available at [my.refinitiv.com](http://my.refinitiv.com), which are available to all clients of RTSL and LSEG FX platforms. The Rules, together with any supplementary annexes, UK regulatory requirements and law, govern the operation of and Participants' access to the MTF.

The Rules set out the rules that Participants must comply with in relation to their operations and conduct, including, but not limited to: (1) admission criteria; (2) Participant access and responsibility; (3) trading and business conduct rules; (4) disciplinary rules; and (5) compliance with the regulatory environment.

Changes to the Rulebook have to be approved by a quorum of the board of directors for RTSL, but changes need not be approved by the FCA. Any such proposed changes must remain in compliance with all legal and regulatory obligations. As standard supervisory engagement between RTSL and the FCA, the FCA may request a copy of the current version of the MTF Rule Book at any time and seek from RTSL any information, explanations, etc. the FCA deems necessary.

The Rulebook must be reviewed by the board of directors at least annually to ensure it remains appropriate and it continues to meet regulatory requirements. The policies and procedures for updating the Rulebook are described more fully in the LSEG FX Rule Book Review Procedure.

RTSL is governed by a Board of Directors (the **Board**). RTSL has seven Executive Directors on its Board, all of whom are UK resident:

- Chair of the Board
- RTSL Board Oversight: Finance
- RTSL Board oversight: Regulation
- RTSL Board Oversight: Strategy and CEO matters, and CEO
- RTSL Board Oversight: D&A Proposition
- RTSL Board Oversight: Capital Markets Propositions
- RTSL Board Oversight: Technology

Directors are appointed and subject to the approval of the FCA under the Senior Managers and Certification regime.

RTSL uses LSEG FX's Complaints Oversight Committee. In the case of the Complaints Oversight Committee, a number of business lines are represented to ensure that RTSL clients will be represented as necessary.

However, the Board does not perform the functions of an audit committee. While RTSL takes appropriate measures to ensure robust financial reporting, the use of an audit committee would be unsuited to the nature and structure of its business, given that many resources and functions are shared with or performed by other members of the LSEG Group.

RTSL's financial reporting is undertaken by RTSL's CFO, who is a Finance Director within the LSEG Group.

RTSL also undertakes internal audits. RTSL's primary approach to auditing its control environment is to use the independent internal audit services of LSEG plc Internal Audit (IA). The IA personnel who provide internal audit services are employed by LSEG plc.

To ensure adequate financial oversight by the Board, the Board maintains oversight of the internal audit arrangements, including monitoring the implementation of an internal audit plan. The Board may request input from IA on matters related to risk, internal controls and compliance with applicable rules. In executing the audit plan, IA specifically examines and evaluates the adequacy and effectiveness of RTSL's systems, internal control mechanisms and arrangements in accordance with the MiFID framework. IA auditors performing the reviews on behalf of RTSL have unrestricted access to all individuals, information and data.

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

LSEG recognizes that there are many choices for trading the types of instruments available through the MTF. A failure to adopt and police appropriate rules, and make business and regulatory decisions in line with LSEG's public interest mandate, could seriously compromise LSEG's competitive position.

Accordingly, the MTF imposes strong and effective controls to ensure that markets remain fair and orderly for all Participants. LSEG has created governance structures to ensure that the MTF is overseen in a manner that accords with public expectations for a platform of this size and significance. These governance structures include the Rules, the terms of reference, and the various policies and procedures referred to throughout the Application. The broad range of expertise on the Board is also intended to ensure the representation of the interests of a broad cross-section of Participants and the wider public.

To this end, RTSL has internal procedures intended to be used by the LSEG business (and uses LSEG plc policies where appropriate), Technology, Operations, Compliance and Support Staff performing operational activities specified in MiFID II Article 48 and RTS 7 as included within UK regulation (together the **Regulations**) on behalf of such Applicant in connection with the MTF.

Under the Regulations, the Applicant is required to have in place effective systems, procedures, and arrangements to support consistent access for the Participants. Controls required to be in place must prevent disorderly markets, allow for peak volume, stress testing, and business continuity arrangements, and must have associated procedures to support the need for implementation. The Applicant has its own managed compliance risk monitoring program and dedicated surveillance platform.

Equally, the operation of the MTF also serves the broader public interest in liquid and efficient capital markets. The market that LSEG provides allows quick and efficient price discovery and risk transfer for financial and non-financial institutions alike, fulfilling a critical economic role in allowing corporate firms and asset managers to efficiently and effectively hedge risk and fund their treasury activities. This allows those firms to reduce their cost of capital and thus helps to drive economic growth.

In addition, LSEG was an early adopter of the FX Global Code, helping to ensure that all Participants are treated fairly. All business and regulatory decisions are taken with the view to treating Participants fairly and ensuring fair and orderly markets in line with regulatory obligations.

**(c) fair, meaningful and diverse representation on the board of directors and any committees of the board of directors, including:**

- (i) appropriate representation of independent directors, and**
- (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the MTF,**

While RTSL's Board does not contain a representative of Participants or any independent non-executive directors, the representation of a broad range of functions from within LSEG's business ensures that the interests of different persons and companies using the MTF are balanced and that feedback from various constituencies is passed on to and considered by the Board.

**(d) the MTF has policies and procedures to appropriately identify and manage conflicts of interest, and**

RTSL is required by its regulators, including the FCA, to identify, prevent and manage conflicts of interest fairly, both internally (including within the wider LSEG Group) and between itself and its clients/Participants or between one client/Participant and another. RTSL is required to:

- identify conflicts of interest;
- prevent conflicts of interest;
- manage conflicts of interest;
- establish and maintain a comprehensive conflicts policy;
- disclose conflicts of interest where appropriate; and
- keep records of its conflicts of interest.

The Board is accountable for putting a conflicts management framework in place and implementing systems, controls and procedures to identify, escalate and manage conflicts of interest. In practice, the Board delegates responsibility for implementing the management of the conflicts framework to Capital Markets Compliance and LSEG's Central Compliance team, who escalate any conflicts that cannot be resolved to the Board. Capital Markets Compliance also provide the Board with written reports on conflicts of interests identified and managed, prevented or mitigated on a frequent basis, and at least annually.

RTSL operates within the LSEG plc Conflicts of Interest Framework and with respect to the MTF that contains arrangements to prevent actual or potential conflicts of interest, a copy of which is available to Participants by e-mail upon request. Conflicts of interest under LSEG's policy can be defined as any situation in which a director of RTSL or any of LSEG's employees, consultants, staff, agents or appointed representatives acting on behalf of RTSL exploit their professional or official capacity in some way for personal or corporate benefit, or in such a way as to give rise to a material risk of damage to the interests of a client/Participant of RTSL. If a conflict of interest arises where the arrangements are considered not sufficient to protect Participants' best interests, RTSL may, as a last resort, make a disclosure to relevant Participants of the nature of the conflict.

Part 9 of the RTSL terms of reference specifically addresses Conflicts of Interest for directors and committee members and require that each such person inform the Board of any potential or actual conflict of interest he or she may have with RTSL.

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

**Directors**

See Section 2.2 of this Application for information regarding the qualification of directors. None of the directors of RTSL, and none of the executive officers of RTSL, are remunerated for their Board roles.

The Companies Act 2006 s. 232 includes a general prohibition against indemnities of "any director" and makes void any provision which indemnifies "such an director" against any liability in respect of any negligence, default, breach of trust or breach of duty of which he or she may be guilty in relation to RTSL, except as permitted by the following exemptions below within the Companies Act 2006: (a) section 233 (provision of insurance); (b) section 234 (qualifying third party indemnity provision); or (c) section 235 (qualifying pension scheme indemnity provision).

Notwithstanding the general prohibition, the Companies Act 2006 permits a company to take out directors and officers liability insurance and RTSL is covered under the LSEG Group's directors and officers liability insurance policy.

**Officers & Employees**

RTSL itself does not employ any staff. RTSL operates by outsourcing operations to other LSEG Group companies. All outsourcing is subject to the policy described in Section 14.

Key functions, including compliance, risk management, sales, onboarding, outsourcing oversight, monitoring and surveillance, product and project management and operations are all managed by a team of individuals who are based full time in RTSL's head office in London. These functions are supported by LSEG personnel who carry out duties for RTSL, pursuant to arrangements put in place by RTSL and other LSEG Group entities. Ultimately, the Board oversees this arrangement to ensure activities are carried out to optimal levels.

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

As a UK regulated firm, RTSL must ensure that any Board candidate is approved by the FCA as a person in a Senior Managers Function role before such candidate officially starts to perform their function. RTSL conducts appropriate due diligence checks as per the FCA's Fitness and Propriety requirements before an application is submitted to the FCA seeking approval for the Board candidate.

In addition, RTSL has conducted and will conduct its own internal due diligence process with each identified director/officer including external screening where necessary to meet the requirements of the UK Senior Managers and Certification Regime.

The RTSL terms of reference sets out the Board's responsibilities. These include the directors' statutory duties under the Companies Act 2006, which include the duty to:

- act honestly and responsibly;
- act in good faith in the interests of RTSL;
- act in accordance with RTSL's constitution/use powers lawfully;
- not use the company's property for own benefit;
- not restrict his/her power to exercise independent judgement;
- exercise care, skill and diligence;
- avoid unauthorized conflicts of interest; and
- have regard to interests of members and employees.

**3 REGULATION OF PRODUCTS**

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

The currency instruments traded on the MTF are made public on the LSEG website, and any changes, suspensions and removals thereto are submitted to the FCA.

RTSL may only provide investment services in relation to instruments for which it is authorized by the FCA, namely "Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash."

If RTSL sought to provide investment services for additional instruments, RTSL would need to seek the appropriate authorization from the FCA. In the event that RTSL sought to add additional financial or FX instruments then a regulatory approval from the FCA would be sought. In this case, Capital Markets Compliance would work with internal stakeholders to seek the required approvals. Seeking such an approval would require Board approval. Prior to Board approval a number of steps would be taken. The RTSL Head of Product Management would analyze whether any amendment to the Rules is required and would work collaboratively with the wider group legal function whose advice and review will be sought as needed. The Board would also be engaged in the process.

LSEG FX is responsive to customer feedback, and therefore the desire for a new instrument could be initiated by a customer. However, it is more likely that this would occur because RTSL had decided to expand the instrument list.

While the FCA's approval is not required to change, suspend or remove currency instruments traded through the MTF, RTSL will act in accordance with the procedures outlined in the Rules with respect to such actions. The FCA is aware of the content of the Rules and the FCA's approval of them is required for RTSL to be licenced. For instance, the Rules require that the instrument lists and any changes to such lists be published on the LSEG FX MTF Website. Additionally, the Rules provide for a number of circumstances under which the MTF may suspend trading in certain instruments, including to preserve market integrity or if directed by the FCA or a Competent Authority.

RTSL may, for best practice and transparency, advise the FCA of any such suspensions, removals, and the like. In general, whether the FCA is advised will depend on the materiality of the change.

With respect to determining whether a product is susceptible to manipulation in accordance with IOSCO Principles 17.1.2(c), LSEG FX has a robust market surveillance programme operated through the LSEG Market Supervision Team designed to detect and deter manipulation and other unfair trading practices undertaken on the trading platform. LSEG FX uses a proprietary system known as “Medusa” (an automated alert system and case management tool used to monitor the MTF for Market Abuse) to monitor platform activities which may have the characteristics of being abusive, manipulative or disruptive. Alerts are designed to detect breaches relating to Market Abuse offences: insider dealing, unlawful disclosure, and market manipulation. Daily alert monitoring is conducted by the Compliance teams located in London, Dublin and New York.

The FCA has never required RTSL to remove any financial instrument authorizations for failing to comply with FCA Principles for Business and/or MiFID regulations.

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

Trading on the RTSL MTF is offered in: FX forwards (outright), FX swaps, FX NDFs, FX Options via the FXall RFQ trading segment.

FXall RFQ operates on a request for quote (**RFQ**) basis where a liquidity taker (typically a buy-side firm) may submit an RFQ to their liquidity provider (typically a bank) with whom they have an existing relationship. FXall is a “dealer to customer” market where dealers may receive and execute their clients’ orders on the MTF. Buy-side firms using the platform can include asset managers, pension administrators and large, sophisticated corporate groups managing their FX treasury activities.

FX forwards (swaps) and FX swaps are essentially the same thing, where the parties purchase two contingent buy and sell forward legs in the same transaction. An FX forward (outright) is a single leg forward transaction to either buy or sell a certain currency at a pre-arranged date in the future.

Financial Instruments are admitted in various currency pairs or FX Instruments; the current list is available in the documentation maintained on the MTF Website.

The term FX Instrument is used to denote a specific tenor and currency pair within a Financial Instrument, and the admission or removal of a Financial Instrument or an FX Instrument is at the discretion of LSEG FX. The instrument lists and any changes to such lists are published on the MTF website.

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

For NDFs, the usual commercial customs and practices include:

- Fixing date;
- Settlement procedure;
- Quoting Convention and Trading Increment;
- Minimum Size;
- Forward Rate; and
- Trading Hours.

For FX Options, the usual commercial customs and practices include:

- Option Style - European only;
- Option Type (put or call); and
- Expiration Date and Time.

Conformity to usual commercial customs and practice is also evidenced by the fact that LSEG FX is one of the world’s leading providers of trading platforms in a highly competitive industry. Participants expect that the instruments offered by and through LSEG FX’s platforms are traded on the terms that are customary for the particular instrument in question.

RTSL also has robust procedures in place to ensure that client feedback is captured and reflected, including any feedback arising from Participant concerns that the terms and conditions are not in conformity with the usual customs and practices for trading in the products offered through the MTF.

RTSL's Product Management team is responsible for overseeing the design of enhancements and changes to the system that are required as a result of either regulatory change requests by the Head of Capital Markets Compliance (or his or her delegate) or client changes requested by the Heads of Sales and Relationship Management (driven by client feedback).

In addition, RTSL was an early adopter of the FX Global Code. This set of global principles of good practice in the foreign exchange market was developed to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market. It is intended to promote a robust, fair, liquid, open, and appropriately transparent market in which a diverse set of market participants, supported by resilient infrastructure, are able to confidently and effectively transact at competitive prices that reflect available market information and in a manner that conforms to acceptable standards of behaviour.

Lastly, the Rules are designed to ensure MiFID II compliance and compliance with the rules of the FCA. In doing so, LSEG FX seeks to ensure that the rules that apply to trading on the MTF are aligned with Participants' commercial expectations of a robust, well-regulated trading environment in conformity with the MiFID rules.

**3.3 Risks Associated with Trading Products – The MTF maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the MTF, including, but not limited to, margin requirements, intra-day margin calls, daily trading limits, price limits, position limits, and internal controls.**

The Rules requires all Participants to implement their own pre- and post-trade controls consistent with the regulatory requirements of MiFID II. The Rules also state that as a minimum, Participants must apply the following pre-trade controls on all Order entry for all FX Instruments in real-time as follows:

- a) price collars, which automatically block or cancel Orders that do not meet set price parameters differentiating between Financial Instruments, both on an Order-by-order basis and over a specified period of time; and
- b) maximum Order Sizes, which prevent Orders with an uncommonly larger Order size from being submitted into the system.

As per the Rules, all Participants are required to implement their own pre- and post-trade controls consistent with the regulatory requirements of MiFID II. Pre-trade controls are required to be notified to the MTF during the pre-onboarding process. Compliance with this requirement is checked at onboarding.

LSEG FX takes a risk-based approach to auditing pre-trade and post-trade controls among Participants or applicants for access. Accordingly, while all applicants for access are required to meet the eligibility criteria, at onboarding only non-UK authorized Participants must provide documentation with respect to pre-trade and post-trade controls. This documentation must demonstrate evidence of the control environment implemented to meet pre-trade price collar controls, maximum volume and value order size controls, and the obligation to continuously operate post-trade monitoring controls to identify disorderly markets and erroneous trades.

In addition, the Rules require that Participants agree to provide the MTF with all information it reasonably requests in order to satisfy the requirements of applicable law or perform its obligations under the Rules or as LSEG FX may reasonably require. Accordingly, while the MTF does not conduct routine audits of Participants' pre-trade and post-trade controls, it may request information from Participants with respect to such controls in the event there are concerns about the adequacy of a Participant's controls.

The Rules state that Participants must implement and continuously operate post-trade monitoring consistent with their own regulatory requirements in order to monitor for market abuse, poor market conduct, disorderly markets and unethical trading practices (together **Market Abuse**) and to prevent disorderly markets. In addition, Participants must monitor their Transactions for Erroneous Trades and all amendments to erroneous Transactions executed on the MTF must be agreed with the counterparty and reported to the Applicant.

The MTF does not impose daily trading limits or position limits. While these requirements exist in MiFID for MTF operators, they are restricted to certain commodity derivatives and not to the FX derivatives admitted to the MTF.

The MTF has its own pre-trade controls in place that check the price and the order size and prevent the order or RFQ from being executed if the price is deemed off-market or the order size is above a certain threshold. In addition, the MTF can also impose order throttling controls if necessary.

The Rules state that in order to prevent disorderly trading, the Applicant has implemented Trading Activity Controls (**TACs**) in relation to maximum Order size and Order price tolerance checks. Once triggered, these controls will prevent Orders from being

executed. TACs are not applied to Options Offers-To-Deal (**OTD**) on the FXall Trading Segment. See the MTF Supplementary Annex for further information on the TACs.

RTSL can halt trading in an instrument on its own volition in situations that do not constitute emergencies (e.g. an unexplained price movement).

RTSL is responsible for systems and controls for managing trading halts, the suspension of financial instruments, pre-trade controls including price and order size checks at order entry, and order throttling.

The CEO communicates with the FCA regarding suspensions and removals and trading halts, engaging with the Compliance Officer. The Board also further empowers the Compliance Officer to communicate directly with the FCA on such matters.

## **4 ACCESS**

### **4.1 Fair Access**

- (a) The MTF has established appropriate written standards for access to its services including requirements to ensure:**
- (i) Participants are appropriately registered as applicable under applicable Ontario securities laws or commodity futures laws, or exempted from these requirements,**
  - (ii) The competence, integrity and authority of systems users, and**
  - (iii) Systems users are adequately supervised.**

RTSL will not provide direct access to a participant in Ontario (an **Ontario Participant**) unless the Ontario Participant is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as an “eligible counterparty” (either “per se” or “elective”), as defined by Article 30(2) of the European Union Directive 2014/65 as incorporated into UK regulation.

For each Ontario Participant provided direct access to its MTF, as part of its application documentation or continued access to the MTF, the Applicant will require the Ontario Participant to represent that it is appropriately registered as applicable under Ontario securities laws, or is exempt from or not subject to those requirements. RTSL will reasonably rely on a written representation from the Ontario Participant that specifies either that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements. RTSL will notify each Ontario Participant that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote or otherwise uses the Applicant’s MTF.

RTSL will require that Ontario Participants notify the Applicant if their registration under Ontario securities laws has been revoked, suspended, or amended or if they are no longer exempt from or become subject to those requirements and, following notice from the Ontario Participant and subject to applicable laws, the Applicant will promptly restrict the Ontario Participant’s access to the MTF if the Ontario Participant is no longer appropriately registered or exempt from those requirements.

RTSL will make available to Ontario Participants appropriate training for each person who has access to trade on the Applicant’s facilities.

Admission to the MTF is subject to LSEG FX due diligence checks on Participants, the Participant’s compliance with the Eligibility and Operational Criteria set out in the Rules, and the Participant’s execution of the Participant Agreement (including the commitment to abide by the Rules).

Part of the Eligibility Criteria is meeting the criteria of an Eligible Counterparty, either “per se” or “elective” as defined by Article 30(2) of the European Union Directive 2014/65 and as incorporated into UK regulation. All Participants are required to notify the Applicant immediately if they cease to meet the criteria of an Eligible Counterparty.

The other Eligibility Criteria are:

- Participants must act with honesty and integrity at all times, and must be of sufficiently good repute.
- Participants must ensure their users have a sufficient level of trading ability, skill, competence and experience to conduct activities on the MTF.
- In particular, as a minimum, Participants must ensure their users are sufficiently trained in the application of the Rules, relevant Market Abuse regulations, e.g. Regulation (EU) No 596/2014 of the European Parliament (as incorporated into UK law) and of the Council on market abuse (market abuse regulations), and the FX Global Code. Participants may be asked to provide evidence to confirm that their users have completed this training.

- Participants must be of adequate financial soundness<sup>2</sup> during both the application process and during the term of the Participant Agreement.
- Participants must ensure that they have sufficient resources<sup>3</sup> for the role they are to perform in meeting the operational requirements of using the MTF and for guaranteeing settlement of transactions.
- Participants must, where applicable, have adequate organizational arrangements commensurate with meeting their own regulatory obligations.
- Participants must have in place adequate systems and controls to ensure their on-going compliance with the Rules and management of their trading activities.
- Participants wishing to access the MTF via the LSEG API must have the technical ability to install and use the API to access the MTF.
- Participants must ensure they meet any local regulatory requirements with respect to trading financial instruments on the MTF, including ensuring that their users hold the correct regulatory approvals where relevant.

The eligibility criteria are designed to, among other things, help ensure that Participants have the competence, integrity and authority to trade in a manner that other Participants expect of counterparties on a platform of the size, complexity and importance of the MTF.

The eligibility criteria do not require yearly renewal or sign-off. However, under Self-Assessment (Article 48, MiFID II Directive; Commission Delegated Regulation 2017/584) included within UK law, RTSL is required to check a sample of Participants for eligibility on an annual basis.

Operational Criteria include (i) conformance testing using the MTF testing facilities to ensure that the functioning of their trading systems, algorithms and trading strategies properly communicate and interact with, and are in compliance with the MTF's conditions and (ii) providing requested information in regards to, among other matters: pre-trade controls on price, Volume and value of Orders and OTDs, and usage of the system; post-trade controls on trading activity; qualifications required of staff in key positions (i.e. Users); and Participant policy on the use of the kill switch functionality.

Participants must also supply any information requested by the Applicant to enable monitoring of responsibilities with respect to the Eligibility and Operational Criteria.

RTSL utilizes a surveillance system, known as "Medusa" and processes designed to detect patterns of behaviour by platform participants that may indicate Market Abuse in general.

**(b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.**

RTSL has developed transparent and non-discriminatory rules based on objective criteria that govern access to the MTF. These are published in the Rules with additional information set out in the MTF Supplementary Annex. These rules apply equally to applicants for participation and are made clear to all applicants for access. Any decision to limit or deny access is subject to the general disciplinary process and appeal process outlined in Section 7 below. See 4.1(a) for the Eligibility and Operational Criteria that all Participants must meet.

**(c) The MTF does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.**

There is no unreasonable prohibition, condition or limitation on access by a person or company to services offered on the MTF. To the extent access is prohibited, conditioned, or limited, it is to ensure the stability and integrity of the MTF.

Applicants for access to the MTF have the right to appeal a denial of access or a grant of conditional or limited access. The process for appealing a denial of access or a grant of conditional or limited access are outlined in Section 7 below, and are the same as for appeals of disciplinary decisions with respect to the MTF generally.

Apart from any initial decisions with respect to the granting of access, the MTF may take actions to restrict or limit the access of a Participant once granted if that Participant's conduct on the MTF constitutes a breach of the Rules or poses risks to the functioning

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<sup>2</sup> With respect to the meaning of "adequate financial soundness" and how it is assessed, FXall RFQ is based on established relationships set by the counterparties. If there is no available credit then the bank will not price.

<sup>3</sup> The admission criteria are designed to ensure that the MTF admits well-resourced Participants of the sort who are fit to participate in a trading platform of the size and scope of the MTF. Once Participants are admitted, LSEG FX entrusts Participants with ensuring they have sufficient resources to trade, meet their reporting obligations, and comply with the Rules. While LSEG FX does not actively monitor the resources of Participants, it may investigate in the event there is a breach of the Rules or market surveillance raises concerns about the adequacy of a Participant's resources.

of the MTF or other Participant. In the interests of maintaining a fair and orderly market, the LSEG Disciplinary Committee may impose any of the following sanctions with respect to any breaches of the Rules at its discretion: verbal warning, written warning, temporary suspension or termination of access to the MTF.

In addition, a Participant's access to the MTF may be suspended or terminated if: the Participant's API is responsible for impacting the normal operation, performance, or quality of the MTF, in any respect; there is unauthorized use of the market data feed; there is unauthorized access to components within the distribution network; or Participants do not provide the required information to enable RTSL to perform ongoing due diligence.

**(d) The MTF does not**

- a. permit unreasonable discrimination among participants, or**
- b. impose any burden on competition that is not reasonably necessary and appropriate.**

Unreasonable discrimination among Participants is not permitted on the MTF. FXall RFQ permits Participants to interact and trade with any other Participant.

The Rules are designed to avoid unreasonable restraints of trade or the imposition of any material anticompetitive burden on trading, as will the specification for each contract approved for trading on the MTF. In particular, access to the MTF does not require the acquisition of any equity interest and is available to a broad range and potentially unlimited number of Participants on a fair, equitable and timely basis.

With regards to MiFID II, although there is no specific restraint of trade provision, one of the core planks of MiFID II's drive towards transparency and greater choice is its open access regime. This regime obliges trading venues and clearing houses to allow non-discriminatory access to their services, meaning traders can trade a future on one exchange and clear it at a central counterparty owned by a completely separate group.

However, through the FCA's statutory objectives it is responsible for ensuring financial markets operate well in terms of consumer protection, integrity and competition. Through its Administrative Sanctions regime (i.e. enforcement action) detailed in the FCA Handbook, the FCA has a wide range of powers and tools to take action against regulated firms and individuals in those firms, where behaviour falls short of the FCA's expected standards of behaviour, including where anti-competitive practices occur.

**(e) The MTF keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.**

Records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access, are kept for a period of seven years.

## **5 REGULATION OF PARTICIPANTS ON THE MTF**

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

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

Working in close conjunction with Competent Authorities, LSEG maintains the authority, resources, capabilities and processes to regulate the MTF and ensure a fair and orderly marketplace. The MTF does not employ a regulation services provider. As part of the wider LSEG Group, the MTF is able to leverage the scale and resources of the wider LSEG Group to help perform their regulatory function, including group-wide resources with respect to compliance, information technology, and knowledge of market practices.

By executing a Participant Agreement, each Participant agrees to abide by the Rules. The Rules set requirements governing, among other matters: Participant Access and Responsibility, Trading Market, Fair and Orderly Markets, Conduct and Integrity, Investigations, Sanction and Appeals, and Contractual Obligations.

Participants are required as a condition of continued access to comply with the Rules. In the first instance, they are required to keep information accurate and up-to-date by providing information through the MTF.

Further, the Rules require that all Participants comply with both the Rules applicable to the MTF as a whole, and the rules applicable to the specific trading segment the Participant is authorized to and wishes to access.

Failure to adhere to the Rules may result in disciplinary action being taken. However, the MTF's procedures allow Participants to be heard and make submissions before being subjected to any final disciplinary measures. Participants may appeal against the

outcome of a meeting of the Disciplinary Committee on grounds that: (i) the sanction imposed is unreasonable; (ii) not all relevant evidence presented to the Disciplinary Committee was appropriately considered; or (iii) the Disciplinary Committee misdirected itself or did not follow its own procedures correctly.

For a description of the disciplinary process in detail, please see Section 7 of this Application.

## **6 RULEMAKING**

### **6.1 Purpose of Rules**

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

RTSL maintains a comprehensive set of rules and policies designed to govern the operation of the MTF. The Rules sets out obligations of Participants, including trading rules, fair and orderly markets and conduct and integrity. The Rules do not impose an unreasonable, unnecessary or inappropriate burden on competition.

RTSL is not required to provide proposed changes to the Rules to the FCA for approval. However, any such proposed changes must remain in compliance with all legal and regulatory obligations. As part of standard supervisory engagement between RTSL and the FCA, the FCA may request a copy of the current version of the Rules at any time and seek from RTSL any information or explanations the FCA deems necessary. RTSL further agrees to meet any additional notification requirements regarding rule changes for those regulatory authorities in the other jurisdictions where RTSL has a licence.

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

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

The Rules are designed to ensure compliance with applicable legislation.

The Rules require that Participants must comply with the Rules and with all applicable laws, regulations, codes of conduct and market practice to which Participants are bound in relation to their MTF activity, including all applicable laws and regulations relating to money laundering, proceeds of crime and any other financial crime legislation.

Further, where an Applicant is of the view that by continuing to provide access to the MTF to a Participant it would be at risk of becoming involved in an arrangement which it knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person, it may terminate access to the MTF, either temporarily or permanently, without prior notice and with immediate effect.

The Applicant monitors Participants' activity on the MTF to identify breaches of compliance with the Rules, including identifying disorderly trading conditions or abusive conduct. RTSL will comply with its regulatory obligations to report suspicious activity to the relevant Competent Authority or Law Enforcement Agency.

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

The Rules prohibit the following types of behaviour (collectively described as **abusive conduct**), whether intentional, accidental, manual or automated, and whether they occur individually, or in collusion with others:

- a) committing any act or course of conduct that creates, or is likely to create, a false or misleading impression of the market in, or the price, supply or value of, any FX Instrument traded on the MTF, or any FX Instrument, benchmark or reference, whose value depends on that FX Instrument including using layering and spoofing strategies;
- b) submitting fictitious Orders, i.e. with a fictitious quantity or price, or entering into, or attempting to enter into, artificial Transactions;
- c) committing any act or engaging in any course of conduct that causes, or contributes to, a breach of the Rules by another Participant;
- d) effecting a pre-arranged Transaction that is designed to give the market a false view of supply, demand or pricing of an FX Instrument;
- e) credit manipulation, for example, adjusting credit limits with other Participants on a temporary basis, with the purpose of entering Orders that cannot be traded in order to give a false view of the current market;

- f) dealing in FX Instruments based on confidential information about impending events or transactions in those Instruments;
  - g) committing any act of deception, fraud, or contrivance in relation to the use of the MTF, or to any markets, benchmarks, or references whose values depend on FX Instruments admitted to the MTF;
  - h) any activity whatsoever that could be interpreted by a Competent Authority or Law Enforcement Agency as a breach of abusive conduct laws or regulations or defined as Market Abuse or equivalent under global regulations; and
  - i) committing any act that is likely to damage the fairness or integrity of the markets available on the MTF.
- (iii) promote just and equitable principles of trade,**

The Rules also deal with the conduct and integrity of participant. In addition to the prohibited practices described above, Participants are required to:

- a) ensure all Orders are made with a clear and genuine intent to trade;
  - b) all Orders are entered correctly; and
  - c) act with integrity and mutual respect to resolve disputes directly with their counterparty promptly.
- (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in products traded on the MTF,**

The Rules require that Participants must provide any information, data, records or audit trails requested by the Applicant in connection with an investigation into a breach of the Rules.

Participants must cooperate with the Applicant and the FCA and any other relevant Competent Authority or Law Enforcement Agency in any regulatory investigation, including facilitating the monitoring of compliance with conduct rules, in an open and honest manner and promptly provide either soft or hard copies of data or records upon request.

It is noted that Participants are responsible for (i) ensuring the prompt exchange and processing of Transaction confirmations directly with their counterparties in accordance with market practice and (ii) for the post-trade settlement of all executed Transactions bi-laterally, and are responsible for providing one another with any information or documentation that is reasonably required to complete a Transaction.

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

The Rules set out the procedures for investigations, sanctions and appeals.

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

The Rules also deal with maintaining fair and orderly markets. As part of the Rules, Participants are required to implement their own pre- and post-trade controls consistent with the regulatory requirements of MiFID II. In addition, to prevent disorderly trading, LSEG has implemented TACs in relation to maximum Order size and Order price tolerance checks. Once triggered, these controls will prevent Orders from being executed.

In addition, the Rules set out (i) the actions that the Applicant may take to maintain orderly and proper markets and (ii) the actions that the Applicant may take to restore the proper operation of, and the orderly business conduct of, the MTF. The Applicant may also suspend trading in an admitted Financial Instrument in one or more FX Instruments where it is considered necessary for the maintenance of a fair and orderly market, unless such suspension or removal would be likely to cause significant damage to investors' interests or the orderly functioning of the markets, for instance, if it were likely to create a systemic risk that could undermine financial stability.

As per the Rules, the obligation is on the Participant to administer and monitor their own credit lines. LSEG has no access to clients' credit files. LSEG does however continually monitor Participants to ensure they have sufficient credit for the instruments markets they are set up to trade in. If a Participant wishes to access the MTF solely from a LSEG API at a given Site, the Participant must have a method of credit management from their primary Site.

Participants must set market and credit risk limits based on their capital base, their settlement arrangements, their trading strategy, their risk tolerance, experience and other relevant variables, such as the length of time they have been engaged in Algorithmic Trading and their reliance on third party vendors. Participants must adjust their market and credit risk limits to account for the changing impact of their Orders on the relevant Trading Segment due to different price and liquidity levels. Post-trade controls

must include the continuous assessment and monitoring of market and credit risk of the Participants in terms of effective exposures. FXall RFQ Makers must have an appropriate level of risk management and operations infrastructure to enable them to monitor both trading activity during the MTF opening hours and their credit limits and credit limitations for other Takers.

## **7 DUE PROCESS**

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

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

The MTF's procedures allow Participants to be heard and make submissions before being subjected to any final disciplinary measures.

In the first instance, Compliance will investigate the facts of each suspected Breach based on the available evidence to the extent possible, seek to understand whether and why the suspected Breach occurred and assess any remedial action the Participant has already taken to prevent future similar Breaches.

The Disciplinary Committee and Review Panel will conduct Disciplinary Proceedings (via Review meetings) in relation to acts or omissions amounting to potential serious, persistent or intentional breaches of any of the Rules or inappropriate market conduct by any definition (as reasonably determined by RTSL) by a client or an individual user in respect of any Breaches, and to determine the appropriate outcome. The Disciplinary Committee will attend Review meetings on an ad hoc basis when requested to do so by the Compliance Officer to review the evidence in relation to alleged Breaches.

Where Compliance believes there has been a serious or repeated Breach, and there is no requirement to provide a regulatory referral to a Competent Authority or Law Enforcement Agency, the Breach will be escalated to the Disciplinary Committee for further review and potential disciplinary action. The procedures for the Disciplinary Committee, and any appeals from its findings, are provided in the Disciplinary Committee and Appeals Panel Terms of Reference.

Prior to requesting a Review meeting, Capital Markets Compliance will investigate the facts of each suspected Breach based on the available evidence to the extent possible, seek to understand whether and why the suspected Breach occurred and assess any remedial action the client has already taken to prevent future similar Breaches. Capital Markets Compliance will, where appropriate, conduct interviews beforehand with the client in order to confirm the facts of the situation.

The client is provided with a Summary of Findings describing the suspected Breach(es) and summarizing the main points of the investigation and detailing the evidence that was relied upon. The client has 15 business days to provide a response and will be provided with at least ten business days' notice of any Review meeting. Clients may continue to submit evidence to the Disciplinary Committee for consideration until two business days before the Review meeting. Each party may choose to be legally represented at a Review meeting.

At the Review Meeting, each suspected Breach will be considered on its own merits and a decision will be made based on the available facts; however the Disciplinary Committee will consider the relevance of prior or repeated Breaches or findings by the same client or individual user. This is in addition to taking account of any remedial action or internal disciplinary actions taken by clients against employee users.

Participants may appeal against the outcome of a meeting of the Disciplinary Committee on grounds that: (i) the sanction imposed is unreasonable; (ii) not all relevant evidence presented to the Disciplinary Committee was appropriately considered; or (iii) the Disciplinary Committee misdirected itself or did not follow its own procedures correctly.

The appeal will be heard by an Appeals Panel. A meeting may be held to discuss the appeal, at the request of the appellant or the Appeals Panel.

The Appeals Panel will seek to conclude an appeal within twenty business days following receipt of the notice of the appeal. The Appeals Panel will review the appeal and determine, based on a majority decision, whether to uphold the decision, overturn the decision, or vary the decision. The Appeals Panel will decide whether to publish the findings of the Disciplinary Committee and Appeals Panel, with or without disclosing the identity of the Participant or User concerned, in part, in summary, or in full, where it believes that to do so would be of assistance to the market.

Participants will not have the right to appeal against warnings issued by the Head of Capital Markets Compliance or delegate.

The Applicant is required to notify its regulator of significant Breaches.

Any failure to complete an investigation in a timely manner would significantly jeopardize the integrity of the MTF. Because the Disciplinary Panel includes the Chair of the Board, any failure to complete an investigation in a timely manner would be known to senior directors and officers and adequately considered at the highest levels of RTSL, including by the Board if appropriate.

## **8 CLEARING AND SETTLEMENT**

RTSL provides the MTF for FX instruments which are bilaterally settled between the counterparties to the transaction. RTSL does not offer access to settlement, clearing or payment systems as part of the transaction process. As a consequence of its business model, the information asked for in Section 8 is not applicable to RTSL.

All the transactions concluded via the MTF and systems operated by the Applicant are settled and cleared by the individual parties to the transactions directly without intervention from the Applicant, i.e. each participant of the MTF is subject to bilateral settlement arrangements.

The MTF is not connected to a clearing facility and none of the FX instruments admitted to trading is subject to clearing mandates in any jurisdiction in which the MTF operates.

## **9 SYSTEMS AND TECHNOLOGY**

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

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

As a general matter, RTSL maintains controls used to ensure the proper function, adequate security and capacity of automated trading systems and related systems such as those used for dissemination of market data and recording and safe storage of audit trail information. These controls include periodic, objective testing and the review of automated systems to ensure that these systems are reliable, secure and have adequate scalable capacity.

With respect to the specific critical functions listed above, RTSL maintains robust controls to ensure that each function is overseen in a manner consistent with a multilateral trading venue of the MTF’s size and importance. With respect to order entry, routing and execution, RTSL has a reporting structure designed to ensure the technical integrity of the trading system. The Head of Product Management, who is based in London and part of a larger LSEG Group team, is responsible for overseeing the design of enhancements and changes to the system that are required as a result of either regulatory changes requested by the Head of Capital Markets Compliance (or his or her delegate) or client changes requested by the Heads of Sales and Relationship Management (driven by client feedback). This includes systems and controls for managing trading halts, the suspension of financial instruments, pre-trade controls including price and order size checks at order entry, and order throttling.

With respect to trade reporting, the MTF is required to publish post-trade reports under MiFIR and as incorporated into UK regulations. In order to leverage efficiencies within the wider LSEG Group and ensure that sufficient resources are devoted to trade reporting, RTSL has entered into an outsourcing arrangement with TradeWeb UK (**TradeWeb**), a LSEG Group company that operates an approved publication arrangement (**APA**). As an APA, TradeWeb has built and operates the systems, controls, and procedures to effectively carry out post-trade reporting in compliance with MiFID II / MiFIR on behalf of third parties. RTSL outsources post-trade reporting to TradeWeb so that it can leverage existing post-trade reporting capabilities within the LSEG Group and share the set-up and operational costs of post-trade reporting systems with TradeWeb and its other third party users.

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

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With respect to market surveillance, RTSL operates with the LSEG Market Supervision Team in identifying and where necessary reporting any potential instances of market abuse. Compliance may refer any matter to the Surveillance Review Team, which convenes at least once each week to review and discuss cases.

The purpose of the Surveillance Review Team is to review investigations, add market expertise, and discuss whether to submit a suspicious transaction report. The Market Supervision Team makes a Suspicious Transaction and Order Report (**STOR**) and is responsible for doing so, and considers whether there may be other issues relating to money laundering or fraud. The Surveillance Review Team is not a committee of RTSL's Board. However, it provides RTSL's Compliance team and its Monitoring & Surveillance Officer with a forum to canvass the views of other Group experts who may have previously encountered a similar situation. The Surveillance Review Team includes a number of members with different key roles, including: (i) Surveillance Analysts; (ii) a Trading Behaviour and Rules Manager; (iii) Compliance Officers in RTSL and in Capital Markets, including RTSL's Compliance Officer; and (iv) RTSL's Monitoring & Surveillance Officer.

With respect to clearing, as noted in Section 8, the MTF does not engage in clearing.

With respect to financial reporting, certain financial reporting and audit functions are outsourced to the wider LSEG Group, as detailed under Section 2.1. This is done in order to leverage efficiencies within the wider LSEG Group and ensure that sufficient resources are devoted to financial reporting.

Apart from controls pertaining to the specific critical functions noted above, on an information technology level, RTSL adopts principles and elements of practice from industry IT control and risk management frameworks across its critical functions, including elements based on the ISO 27001 framework to manage the business risks arising from the use of information technology and change management in support of its critical business processes.

The IT risk management program strives to:

- protect RTSL systems and customer information at a level commensurate with its value;
- enable secure access to information resources;
- collaborate with RTSL business management team to nurture a strong culture of IT risk management;
- balance the cost of developing and deploying a solution with the risk the solution mitigates; and
- comply with corporate information security policies, standards and relevant regulations.

The IT compliance function targets environments including critical business environments, business applications, information systems and networks. The LSEG FX IT compliance role is part of the Information Security Risk Management function, which reports to the Chief Information Security Officer and regularly provides input reporting to the RTSL Board. The RTSL Information Security Office employs dedicated experienced staff with certifications from the Information Systems Audit and Control Association (ISACA). In the course of performing audits, FXall also contracts an independent and licensed certified public accountant (**CPA**) and Public Company Accounting Oversight Board registered firm for the audit of Service Organization Controls (**SOC**) for FXall. The scope of the audits includes:

- SOC 1, which assesses the internal control over financial reporting; and
- SOC 2, which reports information and the CPA firm's opinion about controls relevant to security, availability, processing integrity, confidentiality and privacy.

Regularly scheduled internal audits include the access recertification process for all critical systems. Findings from audits are tracked to resolution and regularly reported to executive management.

With respect to ensuring that Participants have proper systems in place, while there is no direct requirement that Participants regularly test their backup equipment, the MTF makes available tools that allow Participants to test their critical systems. Moreover, insofar as Participants are required to maintain adequate books and records, the MTF expects Participants to test their backup systems as appropriate.

Participants accessing the MTF via an application programming interface (**API**) are required by the Rules to test their systems prior to the deployment of a change to their systems. The MTF provides an integration environment in which Participants may test their connectivity and the functioning of their systems for this purpose; access to the integration environment is managed on a scheduled basis.

The Rules prescribe ongoing obligations to maintain adequate books and records or system changes and developments and order entry to the MTF, and to have adequate execution and settlement systems and procedures in place. The MTF monitors adherence

to the Rules annually using a risk based approach, including on-site inspections of Participants' systems where deemed necessary, and questionnaires designed to test the Participant's adherence to the Rules.

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

- (a) makes reasonable current and future capacity estimates;**
- (b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;**

In order to ensure adequate capacity and performance planning, RTSL employs a process of determining the production capacity needed by monitoring usage trends and peaks, which can trigger follow-up actions for increasing capacity where there are indications that established thresholds are being exceeded. Additional resources are typically triggered at 50% of capacity at face value. The results and remediation are reported monthly to the LSEG FX operating committee. RTSL undertakes capacity stress tests to ensure systems can adequately process transactions.

In regards to software releases, RTSL has developed a system testing approach. Such approach is designed to control the commencement of development pending the sign-off by all stakeholders to agree the requirements are clear, scope is defined and quality risks are known and understood and that regression testing of existing capabilities are considered and included as necessary whatever the change. Each phase of the testing has key auditable outputs and reporting is required as to what testing has been executed, how it compares with the originally planned testing and what the results/outcomes were.

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

Consistent with article 48 of MiFID II, the MTF has disaster recovery plans in place that would ensure trading can be resumed within two hours of a major service disruption.

RTSL uses an industry leading commercial Vulnerability Management (**VM**) to help automate the lifecycle of network auditing and VM. Network perimeter unauthenticated scans are performed monthly on all external facing IP addresses for the RTSL data centers and offices.

Each time a scan is run, reports are generated to identify new, fixed, and un-remediated vulnerabilities. This serves for tracking successful remediation of previous findings. High severity or high risk vulnerabilities are flagged and targeted to be remediated as priority. For lower severity vulnerabilities, reports are distributed to security personnel in various infrastructure groups to review, track, and remediate where practical and provided there is no adverse business impact. Interior network authenticated scans are scheduled to be performed quarterly on hosts in the data centre.

In the event of a physical or natural disaster, the data centre facility has contingencies in place to keep the infrastructure functioning. To maintain power availability, high-capacity, redundant generators are utilized that guarantee power availability even during regional power outages. In addition, the data centers are built on raised floors and have high-volume, zoned temperature and humidity control systems which are monitored on a 24/7 basis. Redundant HVAC units are employed with emergency electrical systems to maintain availability. The fire suppression system utilized in the data centers is built around the Very Early Smoke Detection Apparatus detection system - a state-of-the-art "sniffer" system that detects smoke from the earliest stages of combustion. Finally, leak detection is built into the data centre's building automation management system.

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

RTSL's Information Security Risk Management Practices are established upon an information security framework which utilizes an information security management system to guide the implementation, operation and continuous improvement of policies, standards and practices which are applicable to its IT operations.

The RTSL Information Security policy is endorsed by the Board and outlines the security principles applying to RTSL's people, processes, and technology that address all aspects of the service delivery. These policies and standards are regularly reviewed to take into account evolving technical risks as well as regulatory changes and RTSL's customers' needs for information security. The policies and standards cover, the following:

- Product assurance;
- Infrastructure security;

- Virus protection;
- Patch management;
- Incident response;
- Device lockdown;
- Systems monitoring;
- Vulnerability scanning;
- Physical security; and
- Privacy and regulatory compliance.

The Information Security Handbook outlines the policies, guidance and best practices all employees should follow to protect LSEG FX's assets, employee information and customer data. On an annual basis, all employees are required to review the Information Security Handbook and to complete an assessment, as part of the RTSL learning strategy to ensure that everyone understands and complies with the policy. The MTF systems (including FXall RFQ) are classified as Business Critical and the data is classified as Strictly Confidential and is therefore subject to data confidentiality protections. Customer information is stored on the servers in the data centre and is accessible via business application to authorized personnel on a need to know basis with least privileges granted.

RTSL utilizes Synopsys Security (**Synopsys**) to perform application security penetration tests and code review. The objectives of the review are to find security vulnerabilities, validate the proper use of security mechanisms, and evaluate the use of best practices in the application. Synopsys uses a combination of source code analysis and manual penetration testing to identify the issues in the application. Synopsys analyzes the application's security mechanisms for architecture, implementation, and configuration issues. In addition, Synopsys searches the application for vulnerabilities common to similar applications.

RTSL uses the veracode (**Veracode**) solution for application security scans to identify security flaws using automated static, automated dynamic and/or manual security analysis techniques. RTSL has integrated Veracode security review into its Software Development Life Cycle (**SDLC**) to improve security posture. From the application security scans, identified risks ranked high and above are prioritized for remediation and require a security re-scan to validate the fixes. The vulnerability findings are reviewed and validated by security personnel, distributed to system owners as appropriate and material risk items are tracked for remediation through the trouble ticketing system. Issues with a medium risk or below are remediated after the threat has been reviewed, and no adverse business impact determined.

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

RTSL maintains control over the configuration of its IT system and applications through a defined set of processes and procedures. A tool is used to automate the process of inventory information gathering. Information gathered includes hardware attributes (manufacturer, model, serial number, processor, and memory), software attributes (operating system, version number, patch and/or release level), and operational information (system hostname, network interfaces, IP addresses). The inventory information is regularly archived.

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

RTSL adopts compliance requirements and industry standard SDLC concepts and practices. The development team is responsible for system design and development. Upon completion, the development team performs full functional testing of the system before formally handing it over to the Quality Assurance Team (the **QA Team**). The QA Team reviews the system upon formal hand-over from the development team. If acceptable to the QA Team, the system is subject to the team's own independent testing. QA testing focuses on functionality, security and performance. Issues uncovered during QA are documented and tracked for resolution. Additionally, where there is a regulatory requirement being included in the software update, the Compliance Group also performs a review and approval.

Upon passing QA, the system is promoted to RTSL's integration environment where it is subject to stress testing and user acceptance testing. The application support team, a part of the trading operations department, determines when the system under testing in the integration environment is ready for production release with formal sign-off.

RTSL reviews the configuration of its MTF systems as part of its regular control procedures and conducts reviews as needed when issues are identified and resolved through its Information Technology Service Management protocols. Configuration management is the subject of internal audits and is also included in RTSL's Disaster Recovery tests.

RTSL reviews and keeps current development and testing methodology of the systems pursuant to procedures contained in the RTSL's Compliance Manual, and Business Continuity Plan and Disaster Recovery document.

RTSL's Business Continuity Plan and Disaster Recovery document is designed to allow for the recovery and resumption of operations and the fulfilment of the duties and obligations of RTSL following a disruption.

RTSL performs periodic tests to verify that the resources outlined in the Business Continuity Plan and Disaster Recovery document are sufficient to ensure continued fulfilment of all duties of RTSL under the CEA and CFTC Regulations. See (g) below for further information on business continuity and disaster recovery plans.

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

Per Chapter 12 of the MiFID II Art. 48 Procedures, RTSL has well developed and rehearsed business continuity plans for all of its service offerings, and works on the basis of two key failure scenarios as detailed below.

**Widespread hardware or infrastructure failure**

**Total loss of any one data centre:** RTSL operates robust and detailed disaster recovery (DR) processes, and key products are believed to be recoverable within hours (or less) following total loss of a single data centre. It is plausible that difficulties could arise that extend recovery to a period of the order of a day. One or more product lines could be affected for up to one day. No estimate of likelihood is attempted (because there is no evident basis for any such estimate). Client contracts do not mandate that proximity hosting clients dual connect at the DR site. As a result, some significant liquidity providers may no longer be able to connect to RTSL trading services in the event of disaster recovery being invoked. This could result in a significant loss of liquidity.

**Loss of multiple data centres:** This could result in an extended loss of service, depending on the data centres lost. Loss of a primary data centre and its corresponding DR site might result from terrorist or rogue state activity, but while possible this is not considered to be plausible.

**Key Supplier Failure**

**Hardware:** Catastrophic loss of service is highly unlikely to result from failure of a hardware supplier. This is discounted as a plausible cause.

**Communications provider:** The loss of a single provider would have negligible impact on the main communications infrastructure. However, in some areas there is no alternative last-mile communications provider. Nevertheless, the effect of losing a single last-mile provider would be geographically very limited, and the impact would be correspondingly limited. This is therefore discounted as a plausible cause.

**Data centre provider:** FXall RFQ services are currently provided through a Cyxtera (CenturyLink) datacentre (NJ2, New Jersey) and Disaster recovery is another Cyxtera datacentre (Virginia, DC3). RTSL commissions independent communications from other third parties to its datacenters to ensure that if a global communications issue affected either Cyxtera centre it would not affect both their live and disaster recovery sites.

**Unanticipated single point of failure (SPOF) occurring within a data centre:** Although architectural standards seek to eliminate and/or mitigate against single points of failure, it is conceivable that an unrecognised common mode failure could occur, with a consequent need to restore otherwise redundant systems, leading to an extended system outage. No estimate of likelihood is attempted (because there is no evident basis for any such estimate). The consequence is assumed to be an outage of at most one day (otherwise DR would be invoked). Only a single set of capabilities is likely to be affected.

**Unanticipated SPOF across multiple data centres:** Although architectural standards seek to eliminate and/or mitigate against single points of failure, it is conceivable that an unrecognised common mode failure could occur, with a consequent need to restore elements of both the primary and DR systems, leading to an extended system outage. No estimate of likelihood is attempted (because there is no evident basis for any such estimate). The likely consequence is believed to be an outage of at most one day. Only a single set of capabilities is likely to be affected.

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

RTSL monitoring applications are in place to help ensure that trading application and system anomalies are detected. The monitoring application is configured to send an e-mail notification to Client Interaction Center (CIC) personnel in the event a trading error occurs. CIC personnel will investigate, escalate as necessary, and resolve identified errors in accordance with documented policies and procedures that are in place to guide personnel in resolving the errors that are detected. Policies and procedures are also in place to guide personnel in dealing with the disruption of trades due to the loss of network connectivity. Customers are

also able to monitor their trading activities as they have access to the reporting portal where they can generate reports and view trading activity.

Operations personnel utilize enterprise monitoring applications to monitor the performance of servers and network devices. These applications are configured to generate onscreen alerts and e-mail notifications to the operations team when predefined thresholds are exceeded. IT operations personnel will investigate the notifications and use documented procedures to respond to issues and outages.

Reported incidents are logged in a tracking system to document, escalate, and resolve the incidents according to documented policies and procedures. On a daily basis, shift turnover reports are completed by CIC personnel, and reviewed by CIC management to help ensure that CIC personnel respond to reported incidents in a timely manner. The CIC group also completes a review of application functionality on a daily basis to verify that applications are functioning correctly and to identify any possible issues that were not previously reported.

The Quote Monitor reads the application logs for trading activity in real-time and displays each trade as a color-coded line. These can be expanded to see the trade details. Each person on the CIC desk runs this application on their desktop. The program colour codes errors yellow or red based on the severity of the issue. As the CIC team addresses each potential issue, the Quote Monitor displays who is addressing it and the ticket number associated with the issue.

## **10 FINANCIAL VIABILITY AND REPORTING**

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

Under the FCA's new prudential regime (known as the Investment Firms Prudential Regime) for UK Investment Firms and as per the Prudential sourcebook for MiFID Investment Firms (known as MIFIDPRU) 7, the internal capital and risk assessment (**ICARA**) serves to combine the three previous separate processes (internal capital adequacy assessment process, Recovery Plan and Wind Down plan) into one central and consolidated risk assessment process. RTSL is undertaking the ICARA to ensure that RTSL has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business or winding down its business and ensure RTSL holds adequate financial resources to meet its Overall Financial Adequacy Rule (as defined under the rules of the FCA).

## **11 TRADING PRACTICES**

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

The MTF has transparent and non-discretionary rules and procedures for fair and orderly trading and objective criteria for the efficient execution of Orders, and may undertake a number of actions in order to maintain orderly and proper markets from time to time, without limitation, including:

- the suspension or restriction in some way of business on the MTF or any related systems;
- the closure of the MTF for any period;
- the cancellation or amendment of any Transaction(s) carried out on the MTF; and/or
- the suspension of Participant access rights and/or termination of the Participant Agreement.

This is irrespective of whether these actions result from LSEG FX's own determination or are made at the request of a Participant or Competent Authority. The Rules also prohibit abusive conduct.

The Applicant monitors Participants' activity on the MTF to identify breaches of compliance with the Rules, including identifying disorderly trading conditions or abusive conduct (as defined in the Rules). The Applicant will comply with its regulatory obligations to report suspicious activity to the relevant Competent Authority or Law Enforcement Agency. Furthermore, Participants must report actual or suspected Rule breaches by email, whether accidental or otherwise, providing all relevant information in a timely manner to enable the matter to be investigated. This obligation is in addition to any obligations Participants have to make a STOR to relevant Competent Authorities themselves where they reasonably suspect that an Order(s), or a Transaction(s) (or a pattern thereof) might be indicative of Market Abuse, including insider dealing or market manipulation.

Participants must also cooperate with the Applicant and the FCA, as applicable, and any other relevant Competent Authority or Law Enforcement Agency in any regulatory investigation, including facilitating the monitoring of compliance with conduct rules, in an open and honest manner and promptly provide either soft or hard copies of data or records upon request. The Applicant has a regulatory obligation to report significant Rule Book breaches, disorderly trading conditions and suspicions of Market Abuse to the FCA and any other relevant Competent Authority or Law Enforcement Agency, and will assist any Competent Authority or Law Enforcement Agency in any investigation of Market Abuse or fraudulent conduct as requested.

To assist in the maintenance of orderly trading, the Applicant:

- may, either on its own initiative, or further to instructions from the Participant concerned, or at the request of a Competent Authority, suspend a Participant's or a User's access to the MTF;
- will operate a kill functionality to cancel unexecuted Orders submitted by a Participant;
- upon request of the Participant where the User is technically unable to delete its own Orders;
  - where the Order book contains erroneous or duplicated Orders;
  - where the Participant has consistently breached TACs (see the MTF Supplementary Annex);
  - a suspension initiated by either the Applicant or the Competent Authority; and/or
- may cancel or revoke Transactions in case of malfunction of the MTF mechanisms to manage volatility or of the operational functions of the trading system.

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

All Participants are required to implement their own pre- and post-trade controls consistent with the regulatory requirements of MiFID II. See Section 5.4 for a description of certain pre-trade controls.

Participants must ensure that all Orders are made with a clear and genuine intent to trade and that all Orders are entered correctly. Participants must be able to identify which trading algorithm and which User or trading desk is responsible for each Order that has been sent to the MTF, and must, during the hours they are sending Orders to the MTF, monitor in real time all Algorithmic Trading activity that takes place under their trading codes, for signs of disorderly trading.

To prevent disorderly trading, RTSL implements TACs in relation to maximum Order size and Order price tolerance checks. Once triggered, these controls will prevent Orders from being executed. These TACs are outlined in Chapter 13 of the MiFID II Article 48 Procedures as follows:

For RFQ:

**Venue Maximum Order Size**

RTSL sets an RFQ maximum order size on the MTF trading venue. The RFQ maximum order size is currently set to \$61 billion USD. The maximum order size is checked against the dealt currency amount requested on the eligible FXall MTF RFQ, converted in USD equivalent. For multi-leg instruments, the maximum order size is checked against each individual leg; if one leg fails, the entire order fails the TACs controls.

**Price Tolerance**

RTSL sets a price tolerance maximum percentage to the MTF trading venue. The price tolerance maximum percentage value will vary according to the instrument parameters as set for that currency pair. A check will be done to ensure that the trade rate is no more than a pre-defined percentage from a reference rate.

**11.3 Transparency – The MTF has adequate arrangements to record and publish accurate and timely trade and order information. This information is provided to all participants on an equitable basis.**

The MTF currently operates under a pre-trade waiver under MiFID II; this applies to all Trading Segments on the basis of liquidity of FX derivatives. As such, RTSL is not required to provide MiFID II pre-trade transparency data; nevertheless, to enable Participants to form investment decisions, available rates can be viewed in LSEG FX Eikon or via accessing FX Trading for the FXall RFQ.

Transactions concluded via the MTF are reported by RTSL to (and post-trade data is published via) Tradeweb APA under a post-trade publication deferral under MiFID II.

On a quarterly basis, RTSL publishes information on the MTF Website on the quality of execution of Transactions effected via the MTF for the immediately preceding quarter.

RTSL will report to the FCA to meet its regulatory reporting obligations with respect to transaction reporting and reference data under MiFIR. RTSL has entered into outsourcing arrangements with TradeWeb with respect to post-trade reporting. TradeWeb is

part of the LSEG Group. RTSL has arranged to provide post-trade data to TradeWeb, who manages the publication and apply the relevant deferrals from its post-trade reporting waiver.

## **12 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT**

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

See Section 6.1(b) regarding ensuring compliance with applicable legislation.

Failure to adhere to the Rules may result in the Applicant imposing one of the following sanctions in accordance with the Rules: a verbal warning; a written warning; a temporary suspension; or a termination of access to the MTF.

In addition to the Rules imposed by the MTF, the FCA has the jurisdiction to enforce rules governing the MTF and the conduct of Participants, independently of any disciplinary or enforcement action undertaken by LSEG FX.

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

The MTF devotes significant resources to evaluating compliance with MTF and legislative requirements and for disciplining Participants, which are detailed throughout this Application. In particular, RTSL has a dedicated Compliance Officer with responsibility for RTSL's day-to-day compliance function and for any compliance reporting required to be submitted to regulators and reports to the Head of Capital Markets. The Compliance Officer's specific duties in relation to RTSL include providing routine reports and regulatory updates to the Board, ensuring regulatory obligations are met in a correct and timely fashion, and managing regulatory relationships.

The Rules provide for a comprehensive system to monitor and investigate compliance with MTF and legislative requirements, and if appropriate, discipline Participants.

Where appropriate, and in its absolute discretion, the Applicant may refer instances of breaches and suspected breaches of the Rules to the LSEG FX Disciplinary Committee for consideration. As noted above, failure to adhere to the Rules may result in the Applicant imposing one of the following sanctions in accordance with the Rules: a verbal warning; a written warning; a temporary suspension; or a termination of access to the MTF.

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

As indicated above, the Rules state that the Applicant monitors Participants' activity on the MTF to identify breaches of compliance with the Rules, including identifying disorderly trading conditions or abusive conduct (as defined in the Rules).

RTSL also has a mandatory obligation under the rules of the FCA and Principle 11 to make the FCA aware of any material information that RTSL feels the FCA ought to know.

## **13 RECORD KEEPING**

### **13.1 Record Keeping – The MTF 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 MTF, audit trail information on all trades, and compliance with, and/or violations of MTF requirements.**

The Rules specify practices for record keeping with respect to the MTF. The Rules state that as a matter of best practice, Participants should keep records of their Order and Transactions activity adequate to meet compliance with their regulatory record keeping obligations. It is recommended that Participants maintain those records for a minimum of five years. Some jurisdictions may require records to be kept for seven years or longer. RTSL maintains its records for seven years.

The Rules also state that in addition to the Personal Data for Investment Decision Makers and Executing Users, all Participants must provide all the relevant fields required for Order record keeping purposes to the Applicant, including:

- the trading capacity of the executing Participant (with reference to the MTF Supplementary Annex); and
- the client entity on whose behalf the Participant submitted the Order to the MTF where the Participant is trading as agent (to be provided at Order entry).

The Rule state that the Applicant may record and maintain records of telephone conversations between Participants and the Helpdesk, and will retain such records for seven years.

With respect to the internal audit program of RTSL itself, RTSL’s CFO, who is a Finance Director within the LSEG Group, is ultimately responsible for RTSL’s financial reporting, leveraging the large LSEG Group finance and accounting team.

RTSL’s primary approach to auditing its control environment is to use the independent internal audit services of LSEG FX IA. The LSEG FX IA personnel who provide internal audit services are employed by LSEG.

To ensure adequate financial oversight by the Board, the Board maintains oversight of the internal audit arrangements, including monitoring the implementation of an internal audit plan. The Board may request input from IA on matters related to risk, internal controls and compliance with applicable rules. In executing the audit plan, IA specifically examine and evaluate the adequacy and effectiveness of RTSL’s systems, internal control mechanisms and arrangements in accordance with the MiFID framework. CCA auditors performing the reviews on behalf of RTSL have unrestricted access to all individuals, information and data.

RTSL has to submit audited financial statements to FCA within 80 working days. The 2022 accounts are the latest submitted to FCA and this was done on time.

**14 OUTSOURCING**

**14.1 Outsourcing – Where the MTF 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.**

RTSL has adopted the LSEG Group Third Party Risk Management Policy and Framework. This policy requires that the Board remain fully responsible and accountable for ensuring that RTSL continues to meet its regulatory obligations and cannot delegate any part of this responsibility to a third party. It also requires that RTSL avoid undue operational risk when outsourcing operational functions that are critical for the performance of regulated activities, and that RTSL not outsource critical or important operational functions if it materially impairs the quality of RTSL’s internal control environment and the FCA’s ability to monitor RTSL’s compliance with its regulatory obligations.

RTSL ensures that the rights and obligations of RTSL and the service provider are clearly set out and quantitative and qualitative service standards are documented in a Service Level Agreement. In addition to commercial and legal obligations, the agreements have provisions to address the regulatory themes contained in the following (\*indicates item is specifically relevant to the MTF and algorithmic trading in addition to be generally relevant):

Regulatory Obligation
Service provider obligation to comply with the regulatory environment.
*Responsibilities assumed by each party and a clear description of outsourced functions.
Choice of law.
*Assignment of rights and obligations.
Provision of warranties, guarantees and indemnities.
Fees and payment arrangements.
Subcontracting conditions.
Service standard levels and performance monitoring process.
IT security, data protection and data confidentiality obligations.
Service standard levels and performance monitoring process
Protection of RTSL proprietary information and software.
Dispute resolution arrangements.
Agreement breach remedies.
Business continuity management arrangements.
*Access to data, premises, books and records.
*Termination, amendment, early exit and substitution.
Notification of adverse developments.

Regulatory Obligation
*Cooperation with the FCA and any other relevant competent authority.
Record of personal transactions.
*Conflicts of interest.

RTSL must notify the FCA when it intends to either enter into a new, or materially change a, critical or important material outsourcing arrangement.

RTSL has entered into agreements with affiliates as set out below:

- a transaction services and technology agreement with Financial & Risk Organisation Limited (**FROL**) in respect of RTSL's FXall RFQ services. This provides for the provision of the MTF and certain IT services. The intellectual property in the Group's common technology platforms is collectively held by TRGRC and FROL, which are the Group's intellectual property holding companies, as the MTF is used by multiple regulated entities within the Group;
- an outsourcing agreements with Refinitiv Limited (RL) (United Kingdom) for the provision of human resources, accounting, legal, tax, anti-money laundering, surveillance, internal audit and compliance services to RTSL in respect of RTSL's FXall RFQ services, respectively;
- an outsourcing agreements with Refinitiv Inc LLC (TRM) (United States) for the provision of legal, anti-money laundering, surveillance and compliance services to RTSL in respect of RTSL's FXall RFQ services; and
- a post-trade reporting agreement that is currently in place between RTSL and Tradeweb UK Limited (UK). This will provide for services in relation to FXall RFQ.

Arrangements to ensure the ongoing adequacy and effectiveness of outsourcing arrangements are in place, in line with the requirements in the Policy and the Programme of Operations.

All marketing and promotion of the MTF is undertaken by intra-group entities with which RTSL has entered into marketing support service agreements (**MSSAs**). These MSSAs ensure a direct contractual relationship through which to control the marketing efforts of the sales teams and pursuant to which the sales teams have clear and enforceable contractual parameters setting out what they are permitted to do in relation to RTSL's products. The MSSAs set out, amongst other things, the products that the sales staff are allowed to market for RTSL (i.e. FXall RFQ), the scope of such marketing activities and the parameters within which they take place and the liability and indemnity provisions in respect of any breach by either party.

## **15 FEES**

### **15.1 Fees**

**(a) All fees imposed by the MTF are reasonable and equitably allocated and do not have the effect of creating unreasonable condition or limit on access by participants to the services offered by the MTF.**

See 15.1(b) below.

**(b) The process for setting fees is fair and appropriate, and the fee model is transparent.**

For RTSL, fees are set according to RTSL's Rate Cards, posted on the MTF's website. The fee structure is standard for a service of this type and available to all Participants equally. The MTF offers three pricing plans, which are available to all Makers. Each plan also specifies a tariff of per-transaction fees.

Fees are subject to regulation under MiFID. MiFID II RTS 10 Article 3 requires that:

- the same fees/discounts be charged for all types of users for MTF transactions and must be determined by objective criteria;
- fee structures must be granular – each fee for each service must be stated separately;
- services must be made available without being bundled with other services;
- there be no cliff-edge pricing; and

- market operators publish objective criteria for establishment of fees / and fee structures.

## **INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS**

### **15.2 Information Sharing and Regulatory Cooperation – The MTF has mechanisms in place to enable it to share information and otherwise co-operate with the OSC, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.**

The MTF does not have any formal information sharing arrangement with anyone. The only time the MTF would provide details is if compelled to do so by regulators due to an investigation or if there is a market issue.

As noted above, the Rules state that RTSL has a regulatory obligation to report material Rules breaches, disorderly trading conditions and suspicions of Market Abuse to the FCA and any other relevant Competent Authority or Law Enforcement Agency charged with the detection or investigation of a criminal offence. RTSL will also assist any investigation as requested and may disclose any information, data or documents received from any Participant in connection with its use of the MTF to any Competent Authority or Law Enforcement Agency for these purposes. RTSL has a mandatory obligation under Market Abuse Regulation (EU 2014/596) as retained in UK law to notify the FCA as soon as it becomes aware of, inter alia, any breach of supervisory and regulatory requirements and any situation or event which impacts, on the investment firm to a significant extent.

The Applicant undertakes to make information requested by the OSC available on a timely basis, provided that it is required by the exemption order or the Act.

### **15.3 Oversight Arrangements – Satisfactory information sharing and oversight agreements exist between the OSC and the Foreign Regulator.**

The OSC and the FCA are signatories of the Memorandum of Understanding Concerning Consultation, Cooperation and the Exchange of Information Related to the Supervision of Cross-Border Regulated Entities dated September 19, 2013, which sets forth the signatory authorities' intent with regard to mutual assistance and the exchange of information for the purpose of enforcing and securing compliance with the respective laws and regulations of the jurisdictions of the signatory authorities.

## **16 IOSCO PRINCIPLES**

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

The MTF adheres to the IOSCO principles set out in the “Objectives and Principles of Securities Regulation” (2003) applicable to exchanges and trading systems. The MTF maintains operations to achieve the following:

- a. ensure the integrity of trading through fair and equitable rules that strike an appropriate balance between the demands of different market Participants;
- b. promote transparency of trading;
- c. detect and deter manipulation and other unfair trading practices; and
- d. ensure proper management of large exposures, default risk and market disruption.

## **Part III Submissions by Applicant**

### **Submissions Concerning the MTF Relief**

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

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

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

Pursuant to OSC Staff Notice 21-702 *Regulatory Approach for Foreign-Based Stock Exchanges*, the OSC considers an exchange located outside Ontario to be carrying on business as an exchange in Ontario if it provides Ontario Participants with direct access

to the exchange. We understand that the Decision Makers other than the Ontario Securities Commission take a similar position in those Jurisdictions.

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

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

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

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

#### **Similar Relief has been Granted**

The Applicant notes that exemptive relief similar to the Requested Relief has been granted by the OSC in *In the Matter of Bloomberg Trading Facility Limited* (June 28, 2021), *In the Matter of Onechicago, LLC* (October 14, 2016) and *In the Matter of Nodal Exchange, LLC* (October 7, 2014). The OSC, Autorité des marchés financiers, Financial and Consumer Affairs Authority of Saskatchewan, Nova Scotia Securities Commission and Financial and Consumer Services Commission also granted relief substantially similar to the Requested Relief to FRTSIL in various orders issued in 2019.

#### **Part IV Other Matters**

In support of this Application, we are enclosing the following: (a) a verification statement from an officer of the Applicant confirming our authority to prepare and file this Application, and certifying the truth of the facts contained herein as Appendix A; and (b) a draft Order for the Requested Relief, including draft terms and conditions.

The Applicant consents to the publication of this Application for public comment by the applicable Decision Makers.

**Appendix A**

**Verification Certificate**

**To: Ontario Securities Commission**

Dear Sirs/Mesdames:

**Re: Application by Refinitiv Transaction Services Limited**

I, Bart Joris, as Chief Executive Officer of Refinitiv Transaction Services Limited, do hereby certify that the preparation and compilation of the attached application to the Ontario Securities Commission is authorized and confirm the truth of the facts contained therein as they relate to the operation of the Multilateral Trading Facility by Refinitiv Transaction Services Limited.

DATED Sep 6, 2023

*"Bart Joris"*

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[Bart Joris \(Sep 6, 2023 10:56 GMT+1\)](#)

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Mr. Bart Joris  
Chief Executive Officer, Refinitiv Transaction Services Limited

**Appendix B**

**Draft Decision**

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

**AND**

**IN THE MATTER OF  
REFINITIV TRANSACTION SERVICES LIMITED**

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

**WHEREAS** Refinitiv Transaction Services Limited (**RTSL** or the **Applicant**) has filed an application dated September 6, 2023 (the **Application**) with the Ontario Securities Commission (the **Commission**) requesting an order for the following relief (collectively, the **Requested Relief**):

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

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

- 1 RTSL currently operates a multilateral trading facility (the **Facility**). The following types of investment are offered for trading on the Facility: foreign exchange FX forwards (swaps), FX forwards (outrights), FX swaps, FX non-deliverable forwards (**NDFs**) and FX options. These Financial Instruments are admitted in various currency pairs.
- 2 RTSL received authorization on December 1, 2001 from the Financial Services Authority, the United Kingdom's (**UK**) financial services regulator at that time (now superseded by the Financial Conduct Authority (**FCA**)), to act as the operator of the Facility. A formal approval to operate a multilateral trading facility as defined under the European Union's Markets in Financial Instruments Directive 2004/39 was obtained in November 2007.
- 3 On January 3, 2018, the Markets in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council) (**MiFID II**) entered into force as implemented in the UK by transposition into national law together with the Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014 of the European Parliament and of the Council) (**MiFIR**) which is directly applicable in the UK, containing the amended regulatory framework for the operator of a multilateral trading facility.
- 4 Without the Requested Relief, participants in Ontario will be precluded from trading with UK participants on the Facility, a UK-regulated trading venue.
- 5 The Facility comprises one trading segment known as FXall RFQ which is governed by the MTF Rule Book (the **Rules**). A client who enters into a Participant Agreement in respect of the Facility (a **Participant**) must comply with both the Rules applicable to the Facility as a whole.
- 6 The Applicant is subject to regulatory supervision by the FCA, pursuant to an authorization to operate a multilateral trading facility granted November 1, 2007.
- 7 Accordingly, the Applicant is required to comply with the FCA's regulatory framework, which includes, among other things, rules on (i) the conduct of business (including rules regarding client categorization, communication with clients and other investor protections and client agreements), (ii) market conduct (including rules applicable to firms operating a multilateral trading facility), and (iii) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest). The FCA requires the Applicant to comply at all times with a set of threshold conditions for authorization, including requirements that the Applicant is "fit and proper" to be authorized and that it has appropriate resources for the activities it carries on. The Applicant is subject to prudential regulation, including minimum regulatory capital requirements, and is capitalized in excess of regulatory requirements. The Applicant is required to maintain a

permanent and effective compliance function. The Applicant's Compliance Department is responsible for implementing and maintaining adequate policies and procedures designed to ensure that the Applicant (and all associated staff) comply with their obligations under the FCA rules. These policies and procedures are set forth in the RTSL Compliance Manual and associated internal policies and procedures.

- 8 The Facility is obliged to have requirements governing the conduct of Participants, to monitor compliance with those requirements and report to the FCA (a) significant breaches of the Rules, (b) disorderly trading conditions, and (c) conduct that may involve market abuse. The Applicant may also notify the FCA when a Participant's access is terminated, temporarily suspended or subject to condition(s). As required, the Applicant has implemented a trade surveillance program. As part of the program, the Applicant's Compliance Department conducts real-time market monitoring of trading activity on the Facility to identify disorderly trading and market abuse or anomalies. The trade surveillance program is designed to maintain a fair and orderly market for Participants.
- 9 Participants may only connect to the Facility using a connection method permitted by RTSL. These connection methods are described more fully in the rules relevant to each specific trading segment. FXall RFQ currently permits connections through an application programming interface (**API**) for FX Forwards. Participants may allow remote-manned use of LSEG APIs if the Participant ensures that the API applications in use at the remote site are at all times monitored and managed from that remote monitoring site. The Facility offers publicly available pricing plans based on trading segment, rate engine or pricing tool selected. The rate stated is purely for the Facility transaction component and does not include any pricing for the rates engine or pricing tools used.
- 10 Participants are responsible for ensuring the prompt exchange and processing of transaction confirmations directly with their counterparties in accordance with market practice. Failure to settle transactions will constitute a breach of the Rules. Participants are also responsible for ensuring that transactions are not required to be cleared pursuant to applicable law. If Participants are required or choose to clear a transaction, they are responsible for making the necessary arrangements.
- 11 The Applicant requires that all Participants meet the criteria of an Eligible Counterparty, either "per se" or "elective" as defined in Article 30(2) of European Union Directive 2014/65 and as incorporated into UK regulations. Each prospective participant must (i) comply and ensure that its authorized traders comply, and, in each case, continue to comply, with the Rules and applicable law (ii) have a sufficient level of trading ability, skill, competence and experience to conduct activities on the Facility; (iii) must be of adequate financial soundness; (iv) have adequate organizational arrangements commensurate with meeting their own regulatory obligations (v) have in place adequate systems and controls to ensure their on-going compliance with the Rules and management of their trading activities, and (vi) must satisfy any other criteria that RTSL may reasonably require from time to time.
- 12 RTSL will offer direct access to trading on the Facility to participants that are located in Ontario (**Ontario Participants**) and are appropriately registered as applicable under Ontario securities laws or are exempt from or not subject to those requirements, and qualify as an "eligible counterparty" (either "per se" or "elective"), as defined in Article 30(2) of European Union Directive 2014/65 and as incorporated into UK regulations. Ontario Participants will be required to immediately notify the Applicant if they cease to meet the criteria of an Eligible Counterparty. Participants must also supply any information requested by the Facility or Applicant to enable monitoring of responsibilities with respect to eligibility and operational criteria.
- 13 The Facility also requires information to be provided regarding the operational functions of the participants, including the qualifications required of staff in key positions and pre- and post-trade controls.
- 14 Ontario Participants may include financial institutions, asset managers, dealers, government entities, pension funds and other well-capitalized entities that meet the criteria described above.
- 15 Because the Facility sets requirements for the conduct of its participants and surveils the trading activity of its Participants, it is considered by the Commission to be an exchange.
- 16 Since the Applicant seeks to provide Ontario Participants with direct access to trading on the Facility, the Facility is considered by the Commission to be "carrying on business as an exchange" in Ontario and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act.
- 17 The Facility has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described herein;

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

**AND WHEREAS** the Applicant has acknowledged to the Commission that the scope of the Requested Relief and the terms and conditions imposed by the Commission set out in Schedule "A" to this order may change as a result of the Commission's monitoring

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

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of developments in international and domestic capital markets or the Applicant or the Facility's activities, or as a result of any changes to the laws in Ontario affecting trading in derivatives or securities;

**AND WHEREAS** based on the Application, together with the representations made by and acknowledgments of the Applicant to the Commission, the Commission has determined that the granting of the Requested Relief would not be prejudicial to the public interest;

**IT IS HEREBY ORDERED** by the Commission that, (i) pursuant to section 147 of the Act, the Applicant is exempt from recognition as an exchange under subsection 21(1) of the Act, and by the regulator that (ii) pursuant to sections 15.1(1) of NI 21-101, 12.1 of NI 23-101 and 10 of NI 23-103, the Applicant is exempt from the requirements of NI 21-101, NI 23-101, and NI 23-103,

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

**Schedule A**

**Terms and Conditions**

**Meeting Criteria for Exemption**

1. The Applicant will continue to meet the criteria for exemption included in Appendix 1 to this Schedule.

**Regulation and Oversight of the Applicant**

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

**Access**

5. The Applicant will not provide direct access to a participant in Ontario (an **Ontario User**) unless the Ontario User is appropriately registered as applicable under the Ontario securities laws or is exempt from or not subject to those requirements and qualifies as an "eligible counterparty" (either "per se" or "elective"), as defined by Article 30(2) of the European Union Directive 2014/65 and as incorporated into UK regulations.
6. For each Ontario User provided direct access to its Facility, the Applicant will require, as part of its application documentation or continued access to the Facility, the Ontario User to represent that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.
7. The Applicant may reasonably rely on a written representation from the Ontario User that specifies either that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, provided the Applicant notifies such Ontario User that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote or otherwise uses the Applicant's Facility.
8. The Applicant will require Ontario Users to notify the Applicant if their registration as applicable under Ontario securities laws has been revoked, suspended, or amended by the Commission or if they are no longer exempt from or become subject to those requirements and, following notice from the Ontario User and subject to applicable laws, the Applicant will promptly restrict the Ontario User's access to the Facility if the Ontario User is no longer appropriately registered or exempt from those requirements.

**Trading by Ontario Users**

9. The Applicant will not provide access to an Ontario User to trading in products other than swaps, as defined in section 1a(47) of the United States Commodity Exchange Act as amended, without prior approval of the Commission.

**Submission to Jurisdiction and Agent for Service**

10. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Applicant in Ontario, the Applicant will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.
11. The Applicant will submit to the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the Applicant's activities in Ontario.

**Prompt Reporting**

12. The Applicant will notify staff of the Commission promptly of:

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

### **Semi-Annual Reporting**

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

provided in the required format.

### **Information Sharing**

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

## Attachment 1

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

#### PART 1 REGULATION OF THE EXCHANGE

##### Regulation of the MTF

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

##### Authority of the Foreign Regulator

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

#### PART 1 GOVERNANCE

##### Governance

The governance structure and governance arrangements of the exchange ensure:

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

##### Fitness

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

#### PART 2 REGULATION OF PRODUCTS

##### Review and Approval of Products

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

##### Product Specifications

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

##### Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange including, but not limited to, margin requirements, intra-day margin calls, daily trading limits, price limits, position limits, and internal controls.

### **PART 3 ACCESS**

#### **Fair Access**

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

### **PART 4 REGULATION OF PARTICIPANTS ON THE EXCHANGE**

#### **Regulation**

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

### **PART 5 RULEMAKING**

#### **Purpose of Rules**

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

### **PART 6 DUE PROCESS**

#### **Due Process**

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

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

**PART 7 CLEARING AND SETTLEMENT**

N/A

**PART 8 SYSTEMS AND TECHNOLOGY**

**Systems and Technology**

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

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

**System Capability/Scalability**

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

- (a) makes reasonable current and future capacity estimates;
- (b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
- (c) reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;
- (d) ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;
- (e) ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;
- (f) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and
- (g) maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

**Information Technology Risk Management Procedures**

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and circuit breakers.

## **PART 9 FINANCIAL VIABILITY**

### **Financial Viability**

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

## **PART 10 TRADING PRACTICES**

### **Trading Practices**

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

### **Orders**

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

### **Transparency**

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

## **PART 11 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT**

### **Jurisdiction**

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

### **Member and Market Regulation**

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

### **Availability of Information to Regulators**

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

## **PART 12 RECORD KEEPING**

### **Record Keeping**

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

## **PART 13 OUTSOURCING**

### **Outsourcing**

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

## **PART 14 FEES**

### **Fees**

All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.

The process for setting fees is fair and appropriate, and the fee model is transparent.

**PART 15 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS**

**Information Sharing and Regulatory Cooperation**

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

**Oversight Arrangements**

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

**PART 16 IOSCO PRINCIPLES**

**IOSCO Principles**

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