

## B.11.2 Marketplaces

### B.11.2.1 LMAX Pte. Ltd. – Application for Exemption from Recognition as an Exchange – Notice and Request for Comment

#### NOTICE AND REQUEST FOR COMMENT

#### APPLICATION BY LMAX PTE. LTD. FOR EXEMPTION FROM RECOGNITION AS AN EXCHANGE

#### A. Background

LMAX Pte. Ltd (**LMAX**) 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**).

LMAX is a marketplace for trading FX non-deliverable forward contracts and is regulated by the Monetary Authority of Singapore (**MAS**). LMAX intends to provide direct access to trading on its marketplace to eligible participants located in Ontario and therefore is considered to be carrying on business in Ontario.

As LMAX 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. LMAX has applied for an exemption from the recognition requirement on the basis that it is already subject to regulatory oversight by the MAS.

#### B. Application and Draft Exemption Order

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

#### C. Comment Process

The Commission is publishing for public comment the LMAX application and 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 **May 27, 2024**, to the attention of:

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

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

Questions may be referred to:

Hanna Cho  
Senior Legal Counsel, Trading and Markets Division  
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April 18, 2024

VIA OSC ELECTRONIC PORTAL

Ontario Securities Commission  
20 Queen Street West, 19th Floor  
Toronto, Ontario M5H 3S8

**Tim Phillips**  
Partner  
Dir: 416-863-3842  
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Reference: 43968/1

**RE: LMAX Pte. Ltd. – Application for Exemption from Recognition as an Exchange**

Dear Sirs and Mesdames:

We act as counsel to LMAX Pte. Ltd. (the “**Applicant**”). We are writing on behalf of the Applicant to request an order for the following relief (collectively, the “**Requested Relief**”) in relation to its operation of an organised market (an “**OM**”), as defined in the First Schedule to the Singapore *Securities and Futures Act 2001* (“**SFA**”), in the province of Ontario:

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

This application is divided into Parts I to IV. Part I introduces the Applicant's services. Part II provides background on the Applicant. Part III applies the criteria for an exemption from the requirement to be recognized applicable to a foreign exchange that facilitates trading of OTC derivatives, as set out by the Ontario Securities Commission (the “**Commission**”), to the Applicant's proposal to permit Ontario Participants, as defined herein, to trade foreign exchange non-deliverable forward contracts (“**FX NDFs**”) or the “**OM Instruments**”) on the Applicant's trading platform. Part IV contains the submissions of the Applicant concerning the Request Relief.

## **PART I INTRODUCTION**

### **1. Description of the Applicant's Services**

- 1.1 The Applicant has obtained recognition as a recognised market operator (“**RMO**”) from the Monetary Authority of Singapore (the “**MAS**” or “**Foreign Regulator**”).
- 1.2 The Applicant is the operator of an OM, operated under the trading name **LMAX Exchange**, that is regulated and authorised by the MAS to allow trading of FX NDFs.
- 1.3 LMAX Exchange is an order-driven trading system, through which transactions in the OM Instruments are placed and matched on the basis of firm orders that are continuously made available to participants, which requires market makers to maintain bid and offer orders for a central limit orderbook (“**CLOB**”) in a size that balances the needs of participants to deal in a commercial size and the risk to which the market maker exposes itself. For each financial instrument, the best bid and offer by price of each market maker in that instrument, together with the volumes attaching to those prices, shall be public in the CLOB.
- 1.4 The Applicant is not involved in, nor is it responsible for, settlement or clearing of FX NDFs and the counterparties to such trades make their own bilateral arrangements.
- 1.5 The Applicant is authorised by the MAS to offer trading on LMAX Exchange for FX NDFs. Additional products may be made available for trading on LMAX Exchange by the Applicant in the future, subject to obtaining required regulatory approvals.
- 1.6 The Applicant seeks the Requested Relief to make trading in OM Instruments via LMAX Exchange available to participants located in Ontario, including participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (“**Ontario Participants**”).

- 1.7 The Applicant proposes to offer direct access to trading on LMAX Exchange to Ontario Participants that satisfy the criteria specified in PART III below. The Applicant does not offer access to retail clients.
- 1.8 The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described herein.

## **PART II BACKGROUND OF THE APPLICANT**

### **1. Ownership of the Applicant**

- 1.1 The Applicant is a private limited company incorporated under the laws of the Republic of Singapore and a wholly owned direct subsidiary of LMAX Exchange Group Limited, a private limited company incorporated under the laws of the Bailiwick of Jersey (“LEGL”).

### **2. Products Traded on LMAX Exchange**

- 2.1 As of the date of this application, the Applicant provides participants with transaction execution and matching services for FX NDFs and seeks the Requested Relief to cover trading of all OM Instruments by Ontario Participants. Additional products may be added in the future, subject to obtaining any required regulatory approvals.
- 2.2 The Applicant is authorised by the MAS to offer trading on LMAX Exchange for FX NDFs. The following FX NDFs are currently available for trading on the LMAX Exchange:
- (a) *Asian USD Crosses*: INR, KRW, TWD, CNY, IDR, PHP
  - (b) *Tenors*: 1 Month, “EOM”, “IMM”
- 2.3 The Applicant will only make FX NDFs available to Ontario Participants, which may include FX NDFs crossed between currencies or with tenors other than those listed above.

### **3. Participants**

- 3.1 Members and DMA Clients (as defined in the *LMAX Exchange RMO Rulebook* (the “**RMO Rulebook**”)<sup>1</sup>) of Members are able to access the LMAX Exchange directly as a participant.
- 3.2 Participants may include a wide range of sophisticated customers, including commercial and investment banks, corporations, pension funds, money managers, proprietary trading firms, market makers, hedge funds and other institutional and professional customers. Each Ontario Participant that wishes to trade on LMAX Exchange must satisfy eligibility criteria that the Applicant may set from time to time, in accordance with the RMO Rulebook, and must be a Bank Member (as defined below) of LMAX Exchange or a DMA Client of a Bank Member. Participant criteria are described in more detail in PART III, Section 4 below.

## **PART III APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT**

The following is a discussion of how the Applicant, as a foreign exchange that allows participants to trade the OM Instruments, meets the criteria for exemption from recognition as an exchange.

### **1. Regulation of the Exchange**

- 1.1 **Regulation of the Exchange – The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (“Foreign Regulator”).**
- 1.1.1 LMAX Exchange is an “organised market”, as defined in the SFA and the relevant rules and regulations of the MAS as:
- (a) a place at which, or a facility (whether electronic or otherwise) by means of which, offers or invitations to exchange, sell or purchase derivatives contracts, securities or units in collective investment schemes, are regularly made on a centralised basis, being offers or invitations that are intended or may reasonably be expected to result, whether directly or indirectly, in the acceptance or making, respectively, of offers to exchange, sell or purchase derivatives contracts, securities or units in collective investment schemes (whether through that place or facility or otherwise); or
  - (b) such other facility or class of facilities as the MAS may, by order, prescribe.

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<sup>1</sup> The Rulebook currently has an effective date of November 2023 and is available here: <https://www.lmax.com/documents/LMAXExchange-RMO-Rulebook.pdf>.

- 1.1.2 The MAS originally recognised the Applicant as an RMO and commenced supervising the Applicant on an ongoing, active basis in November 2023. The Applicant's current recognition from the MAS, dated November 17, 2023, permits the Applicant to:
- (a) operate an OM in respect of over-the-counter derivatives contracts (e.g., credit default swaps, interest rate swaps, foreign exchange derivatives, and commodity derivatives); and
  - (b) in respect of participants in Singapore, make available its OM to Professional Investors, Accredited Investors and Expert Investors, as such terms are defined within the Applicant's RMO Recognition Letter and the SFA.
- 1.1.3 RMOs that are authorised by the MAS must comply with relevant legislation under the purview of the MAS, including the SFA and its associated regulations, relevant subsidiary legislation, and relevant notices, guidelines and circulars issued by the MAS (collectively, the "**Applicable Rules**"), particularly those in:
- (a) Part II, Division 1, Part II, Division 3 and Part II, Division 4 of the SFA setting out the general framework regulating the establishment of OMs, RMOs and the general powers of the MAS in relation to RMOs;
  - (b) the *Securities and Futures (Organised Markets) Regulations 2018* setting out in greater detail the statutory requirements that RMOs must adhere to under the SFA;
  - (c) Part IX, Division 3 of the SFA and under the Criminal Procedure Code, which sets out the powers of investigation and enforcement of the MAS;
  - (d) Section 8 of the SFA, which sets out the authorization requirements for applicants wishing to operate an OM in Singapore;
  - (e) the Applicant's RMO Recognition Letter and applicable regulations and notices relating to capital requirements;
  - (f) Section 33 of the SFA, which requires RMOs to operate a fair OM that is characterised by non-discriminatory access to market facilities and information.
- 1.2 **Authority of the Foreign Regulator – The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.**
- 1.2.1 The Applicant is subject to regulatory supervision by the MAS in conducting its activities for which it is authorised as set out in Section 1.1.2 above. The MAS has a number of competencies which empower it to supervise and, if necessary, investigate and take enforcement action in relation to the Applicant and its operation of LMAX Exchange.
- 1.2.2 The MAS performs its supervisory responsibilities and promotes compliance with the Applicable Rules by checking on the quality of corporate governance, internal controls and risk management of RMOs and RMOs' dealings with their customers and counterparties, with the aim of instilling a system of sound management practices commensurate with the RMOs' type, scale and complexity of business activities, and their related risks.
- 1.2.3 The Applicant is subject to standard, base-level monitoring. In addition to routine supervisory activities, this includes monitoring key indicators and the development of the Applicant's business, reviewing regulatory returns, questionnaires and audit reports, as well as taking any necessary follow-up actions.
- 1.2.4 The Applicant must, as soon as practicable after the occurrence of any of the following circumstances, notify MAS of:
- any material change to the information provided by the Applicant in its application for recognition as an RMO;
  - the Applicant becoming aware of any financial irregularity or other matter which in its opinion may affect its ability to discharge its financial obligations, or may affect the ability of a participant of the Applicant to meet its financial obligations to the Applicant;
  - any civil or criminal legal proceeding instituted against the Applicant, whether in Singapore or elsewhere, that may have a material impact on the operations or finances of the Applicant;
  - any disciplinary action taken against the Applicant by any regulatory authority, whether in Singapore or elsewhere, other than by the MAS;
  - any material change to the regulatory requirements imposed on the Applicant by any regulatory authority, whether in Singapore or elsewhere, other than by the MAS;

- any material disruption, material suspension or material termination of, or delay in, any trading procedure or trading practice of the Applicant (including any material disruption, suspension, termination or delay resulting from any system failure);
  - the Applicant becoming aware of any acquisition or disposal by any person of a substantial shareholding in the Applicant;
  - any compromise of the integrity or security of the transmission or storage of any user information of the Applicant; or
  - any action taken or intended to be taken to restore the integrity and security of the transmission and storage of that user information.
- 1.2.5 The MAS has powers of investigation to, among other things, ensure compliance with the SFA or to investigate an alleged or suspected contravention of any provision of the SFA.
- 1.2.6 The MAS' statutory powers of investigation include:
- the power to require a person to give to the MAS all reasonable assistance in connection with an investigation and to appear before an officer of the MAS duly authorised by the MAS for examination on oath and to answer questions;
  - the power to order production of books;
  - officers, authorised by MAS, being able to enter premises without a warrant; or
  - applying for a warrant to seize books.
- 1.2.7 Besides the MAS' statutory investigation powers, the MAS also has criminal investigation powers under the *Criminal Procedure Code* (Cap 68) ("**CPC**") to jointly investigate breaches of all offences under the SFA, among other legislation, together with the Singapore Police Force's Commercial Affairs Department under the Joint Investigation Arrangement.
- 1.2.8 As part of the Joint Investigation Arrangement, certain MAS officers are gazetted as Commercial Affairs Officers under the *Police Force Act* (Cap 235), and vested with criminal investigation powers under the CPC. Such powers give MAS the ability to, among other things, to:
- obtain documents;
  - record statements from persons under investigation or persons who may have information to assist in investigations;
  - arrest and conduct search and seizure of property;
  - direct a financial institution not to allow any dealings in respect of property in an account or safe deposit box with the financial institution;
  - access, inspect and decrypt the data contained in the computers and devices where computers and electronic devices are seized; and
  - require suspects to surrender their travel documents to prevent suspects from leaving the country.
- 1.2.9 The MAS can impose a wide range of enforcement measures if the Applicant breaches the Applicable Rules. For example, the MAS may:
- refer a case for criminal prosecution;
  - take civil penalty action;
  - withdraw or suspend licence or regulatory status;
  - remove persons from office;
  - issue prohibition orders;
  - issue compositions;

- issue reprimands; or
- issue warnings/letters of advice.

## **2. Governance**

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

### **(a) effective oversight of the Exchange,**

#### *The Board of Directors*

- 2.1.1 The Applicant's Board of Directors (the "**Board**"), which, as of the date of this application, consists of a total of four members, is responsible for oversight of LMAX Exchange. All directors are employees of the Applicant, LEGL, or a subsidiary of LEGL (collectively, the "**LMAX Group**") and were appointed by LEGL. The directors collectively bring together the necessary skills to effectively manage the operational and strategic vision of LMAX Exchange.
- 2.1.2 Given that the Applicant is a wholly-owned subsidiary of LEGL, the Board does not believe that it is necessary to include independent directors on the Board.

#### *Suitability and Integrity Screening*

- 2.1.3 Under section 33(1)(i) of the SFA, an RMO must ensure that it appoints or employs fit and proper persons as its chairman, chief executive officer, directors and key management officers. MAS maintains a published guide to determining whether an individual is fit and proper, the Guidelines on Fit and Proper Criteria (the "**Fit and Proper Guidelines**").<sup>2</sup> Under the Fit and Proper Guidelines, the criteria for assessing whether an individual is fit and proper include but are not limited to: (a) honesty, integrity and reputation; (b) competence and capability; and (c) financial soundness. Detailed criteria are provided under each of these three headings.
- 2.1.4 In addition, while the Fit and Proper Guidelines do not explicitly impose an independence standard on the directors, the requirements in the Fit and Proper Guidelines require a director to be competent and capable and, in assessing whether this standard is met, the relevant factors include "where the relevant person is an individual who is assuming concurrent responsibilities, whether such responsibilities would give rise to a conflict of interest or otherwise impair his ability to discharge his duties in relation to any activity regulated by MAS under the relevant legislation". Additionally, the Fit and Proper Guidelines underpin MAS's requirements that the directors perform their duties efficiently, honestly, fairly and act in the best interests of their stakeholders and customers.

#### *Board Composition and Qualifications*

- 2.1.5 The Applicant's directors are Matt Dellarocca, Timothy Turner, Quentin Miller and Lei (Ada) Yeung. No director would be considered an "independent" director under the tests in National Instrument 52-110 *Audit Committees*.

#### *The Board's Role and Risk Oversight*

- 2.1.6 The Board provides leadership of the Applicant within a framework of prudent and effective controls. Included in its responsibilities, the Board ensures that the Applicant maintains effective control frameworks allowing it to respond to significant business, financial, compliance, and other risks to achieving its strategic objectives. The Applicant's Risk Management Committee is responsible for advising the Board and the Chief Executive Officer ("**CEO**") on the Applicant's various risk management activities including overall risk appetite, tolerance, current risk exposures, and maintaining the Applicant's risk register. In addition, in relation to risk assessment, the Risk Management Committee is responsible for:
- (a) maintaining a framework for risk identification and quantification;
  - (b) regularly reviewing the parameters used in these measures and the methodology adopted;
  - (c) proposing risk appetite and tolerances to the Board;
  - (d) quantifying risks and determining appropriate risk mitigants; and
  - (e) reporting on the Applicant's overall risk profile to inform the Board and the CEO's decision-making.
- 2.1.7 The Applicant's Compliance Officer and Exchange Operations Manager review a weekly surveillance report that consists of an analysis of market and client behaviour and are responsible for escalating findings to the Applicant's Risk

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<sup>2</sup> The Fit and Proper Guidelines can be found at <https://www.mas.gov.sg/regulation/guidelines/guidelines-on-fit-and-proper-criteria>.

Management Committee for necessary remediations and reporting of suspicious transactions and/or orders to the competent regulatory authorities. The Applicant's Risk Management Committee is, in turn, accountable to the Board.

- 2.1.8 The Applicant established a risk framework via the various enterprise-wide risk committees in order to effectively set up a governance system to identify, mitigate and manage major risks relating to its services. The Applicant has also implemented a risk monitoring system designed to supervise the operation of each function, with respective roles and responsibilities together with an appropriate reporting for daily operations and in accordance with applicable legal and regulatory requirements.

*Board Committees*

- 2.1.9 The Applicant's Board may from time to time constitute and appoint committees as it may deem necessary or advisable, but has not established any committees so far. There is no regulatory requirement under Singapore law for the Board or the Applicant to establish committees.

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

- 2.1.10 The Applicant is committed to ensuring the integrity of LMAX Exchange and the stability of the financial system, and that its business and regulatory decisions align with its public interest mandate. The rules, policies and activities of the Applicant incorporate the Applicable Rules, which are designed to ensure best practices and fulfill this public interest mandate. Also, the Applicant has adopted rules surveillance systems, including the review of the weekly surveillance report, which are designed to ensure that trading by participants is conducted in a manner consistent with applicable law and to detect and prevent market manipulation and disorderly trading conditions.

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

**(i) appropriate representation of independent directors, and**

**(ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,**

- 2.1.11 Although the Applicant acknowledges the best practice and benefits of including independent directors among the Board's membership, the Applicant does not believe that it is necessary to have independent directors at this time, as the Applicant is a wholly-owned subsidiary of LEGL. In addition, MAS does not require that an RMO have any independent directors. Accordingly, all directors are employees of the Applicant, LEGL, or an LMAX Group affiliate and were appointed by LEGL.

- 2.1.12 The Applicant considers several factors in determining the composition of the Board, including whether directors, both individually and collectively, possess the required integrity, experience, judgment, commitment, skills and expertise to exercise their obligations of oversight and guidance over an OM. The Applicant's directors have broad experience in the financial services industry and some serve or have served as officers of various affiliates of the Applicant. The Board is responsible for approving the LMAX Group's strategy and for monitoring progress with the execution of the group's strategy against agreed targets. The Board has overall responsibility for promoting the long-term sustainable success of the LMAX Group for the benefit of its members as a whole, providing leadership and direction, including in relation to culture, ethics and values, and ensuring effective engagement with and encouraging participation from shareholders and other stakeholders. Consistent with its goal of a proper balance of interests among stakeholders, the Board strives to ensure LMAX Exchange delivers transparent price discovery and precise, consistent execution of FX NDFs to all market participants. Trading on firm limit order liquidity enables institutions to have full transparency of market dynamics and control over their execution strategy and costs and LMAX Exchange's execution model was designed specifically to treat all market participants equally regardless of status, size or activity levels. Execution services that fairly balance the interests of market participants is core to the Applicant's business and the Board is thus focused on ensuring such balance is achieved.

- 2.1.13 There are no term limits for directors. The Applicant does not believe it should establish term limits or mandatory retirement ages for its directors as such limits may deprive the Applicant of valuable contributions and specialized skill-sets.

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

- 2.1.14 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. The Applicant, through its conflict of interest rules, policies and procedures, has established a robust set of safeguards designed to identify, prevent, manage and monitor actual and potential conflicts of interest, which apply to the Applicant's Board, officers and employees.

- 2.1.15 The Applicant's Compliance Officer is supported by LMAX Group's Legal and Regulatory department, led by its Head of Legal and Regulation. The Compliance Officer monitors against any potential conflict of interests occurring in the Applicant's business in accordance with the conflict of interests policies of LMAX Group. The Applicant's Compliance Officer submits an annual report to the Board for review of the Applicant's policy relating to the prevention of conflicts of interest, including employee conduct and any further revision or improvement to the Applicant's monitoring and control procedures.
- 2.1.16 The Risk Management Committee comprises of senior managers from the following departments:
- Legal and Compliance
  - Liquidity Management and Analytics
  - Exchange Operations; and
  - Finance.
- 2.1.17 The duties of the Risk Management Committee include, but are not limited to, the following:
- Formulating and adopting the Applicant's risk management framework and policies impacting its risk profile.
  - Advising the Board on the likelihood and the impact of principal risks materializing by recording the risks in the risk register.
  - The mitigation of principal risks to reduce the likelihood of their incidence or their impact.
  - Escalating risk-related matters to the Board as required.
- 2.1.18 The Committee oversees and seeks suitable assurance regarding:
- The risk exposures of the Applicant, including risks to the Applicant's business model, solvency and liquidity.
  - Monitoring and reviewing the effectiveness of the Applicant's risk management and internal control systems.
- 2.1.19 Under the MAS Guidelines on Risk Management Practices (the "**MAS Risk Management Guidelines**"), the Applicant is recommended to have adequate policies, procedures and controls to address conflict of interest situations. The Applicant takes the view that the requirements under the SFA for the Applicant to ensure its market is fair, orderly and transparent, and manage any risks associated with its operations and business prudently, require the Applicant to have a conflicts of interest policy.
- 2.1.20 Accordingly, the Applicant has established a conflict of interest policy that contains arrangements to prevent actual or potential conflicts of interest. While it is the responsibility of the Applicant's compliance department to monitor against any potential conflict of interests occurring in the Applicant's business, all directors and employees are responsible for identifying and raising conflicts of interest through the appropriate channels.
- 2.1.21 If the Applicant identifies a conflict of interest, the Applicant will take appropriate steps to either avoid or manage such conflict. If the Applicant considers that the arrangements made by it to manage conflicts are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a customer will be prevented, the Applicant may disclose in writing to Compliance and the customer the general nature and/or sources of conflicts of interest before undertaking business for the customer or upon identification of the conflicts.
- (e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.**
- 2.1.22 The Applicant's remuneration arrangements are aligned with its risk management framework and its key objective of providing an orderly functioning marketplace to wholesale participants for fair and transparent price discovery. The Applicant complies with the LMAX Group's Remuneration Policy, which is set by the board of LEGL in accordance with, amongst others, remuneration rules set by relevant regulators including the UK Financial Conduct Authority ("**UK FCA**") and the MAS. As is the case with its affiliate, LMAX Limited, which is a UK FCA regulated investment firm operating a multilateral trading facility, LMAX Exchange does not participate in any principal dealing activities in its capacity as a RMO (such activities are forbidden under MAS rules). The Applicant's remuneration arrangements are designed to support LMAX Exchange's risk-averse culture and the overall duty of LMAX Exchange to act in the best interests of its participants fairly and proportionately, and appropriately address conflicts of interest.



- 2.1.23 Section 8.6 of the member agreement (the “**Member Agreement**”) of LMAX Exchange generally limits the Applicant's aggregate liability under or in connection with the Member Agreement. In addition, Section 8.7 the Member Agreement provides that “[t]he Member must indemnify and hold harmless LMAX and its Representatives against any and all Losses incurred or suffered by any of them arising out of, or in connection with: (a) a breach by the Member of any of its obligations under this Agreement or any other part of the LMAX Documents; (b) a breach by the Member of any Applicable Laws; and (c) a breach or infringement by the Member of any Intellectual Property Rights of LMAX or a third party”. Furthermore, section 8.8 of the Member Agreement provides that “[t]he Member must indemnify, protect and hold harmless LMAX, its Affiliates, and their respective Representatives from and against any and all Losses resulting from or arising out of any claim asserted against LMAX by any party for whom the Member acts or purports to act (including any asserted breach of fiduciary duty) in relation to the LMAX Services provided to the Member in accordance with this Agreement.”
- 2.1.24 See the preceding paragraphs above for information on the Applicant's Board members' qualifications. Members of the Applicant's management team are recruited for their particular position based upon their skills and expertise.
- 2.2 **Fitness – The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.**
- 2.2.1 Responsibility lies with the Applicant to satisfy itself that the relevant individual is fit to perform the role applied for. Also, see the description of Board composition and information on the Applicant's director qualifications above.
- 3. Regulation of Products**
- 3.1 **Review and Approval of Products – The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.**
- 3.1.1 As an RMO operator, the Applicant requires specific authorisation from the MAS to offer the LMAX Exchange in respect of each type of financial instrument traded on the LMAX Exchange.
- 3.1.2 Under section 41 of the SFA, RMOs are required to notify the MAS before proceeding with the launch of “relevant products” (as defined in section 41(8) of the SFA). In this regard, MAS Notice SFA 02-N01 sets out the ongoing notification requirements relating to the listing, delisting or trading of relevant products on the RMOs' OM.
- 3.1.3 The specific authorisation required under section 41 of the SFA and MAS Notice SFA 02-N01 is effected via a certification to the MAS, which assesses, among other things, whether: (a) the underlying interest of the proposed instrument has all the elements of economic utility or offers economic benefits to market participants, (b) there is a probable and significant operational risk to the RMO arising from facilitating the trading of the instrument type, (c) the way the RMO facilitates the trading of the instrument type will not impact the ability of the RMO to continue to satisfy its obligations under the SFA to maintain fair, orderly and transparent functioning of the market, and (d) the RMO has powers to take actions against errant members who engage in market misconduct activities, such as market manipulation.
- 3.1.4 MAS approval is required, and has been granted, for the Applicant to make available for trading on the LMAX Exchange FX NDFs. No further MAS approval is required to change, suspend, or remove such instruments, although maintenance of such instruments on LMAX Exchange requires an annual assessment and certification to MAS.
- 3.1.5 RMOs are required to notify the MAS that they have established appropriate controls and governance procedures to adequately address the key risks pertaining to relevant products, namely:
- (a) the risk of disorderly trading that may be brought about by a sharp change in prices;
  - (b) the risk of persons acquiring significant amounts of the product which facilitates the ability of those persons to gain from market manipulation; and
  - (c) the legal, operational and reputational risks surrounding the product.
- 3.1.6 As discussed in Section 3.1.2 above, the Applicant must submit a certification to MAS with respect to the trading of new types of financial instruments on LMAX Exchange, which includes a risk assessment of such contracts. Please also see Section 2.1.6 for an overview of the Board's role on risk oversight. The certification must be re-submitted to MAS on an annual basis.

- 3.1.7 The MAS has powers under section 45 of the SFA to take action if RMOs fail to provide appropriate controls and governance procedures, including imposing higher supervisory capital, requiring an independent audit on specific processes and prohibiting the listing of new products. The MAS may issue a notice in writing under section 46 of the SFA to a RMO to prohibit trading in products if the MAS is of the opinion that it is necessary to protect persons buying or selling such financial instruments.
- 3.1.8 The Applicant is currently authorised by the MAS to offer LMAX Exchange in relation to FX NDFs. To the extent the Applicant wishes to make available for trading additional classes of financial instruments on LMAX Exchange, it would require prior MAS approval and expansion of the Applicant's RMO license.
- 3.2 **Product Specifications – The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.**
- 3.2.1 As part of the Applicant's RMO authorization from the MAS, the Applicant identified the type of instruments that it intended to make available for trading on the OM. The MAS has authorised the Applicant to provide trading and matching services in respect of FX NDFs. As provided for in the RMO Rulebook, the instruments that LMAX Exchange participants may trade are listed on the following webpage: [www.lmax.com/exchange/fx-ndfs](http://www.lmax.com/exchange/fx-ndfs).
- 3.2.2 The MAS's requirements for authorization of RMOs do not make reference to usual commercial customs and practices. Instead, the Applicable Rules focus on maintaining and implementing transparent and non-discriminatory rules, based on objective criteria. The RMO Rulebook is drafted in accordance with these criteria, which aims to give participants a clear understanding of the lifecycle of a trade. It is the Applicant's experience that the terms and conditions of the instruments that trade on LMAX Exchange are generally accepted and understood by participants.
- 3.3 **Risks Associated with Trading Products – The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange that may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.**
- 3.3.1 Under subsection 35(1) of the SFA, an RMO must ensure that the systems and controls concerning the assessment and management of risks in respect of every OM that the RMO operates are adequate and appropriate for the scale and nature of its operations, and is liable to a fine for failure to do so.
- 3.3.2 The Applicant's Compliance and Market Operations teams are responsible for a range of surveillance alerts that run in the system on a real-time basis, each of which monitors for different trading scenarios and behaviours, against parameters set for each instrument. The surveillance alerts cover activities such as: "painting the tape", "price ramping", wash trading and prearranged trading and seek to identify and prevent violations of LMAX Exchange rules, manipulation, price distortion, disorderly trading conditions and conduct that may involve market abuse, as required by the MAS, and to maintain a safe and orderly marketplace with healthy and stable liquidity.
- 3.3.3 The Applicant will carry out surveillance on Ontario Participants once the Requested Relief is granted by the Commission.
- 3.3.4 Consistent with other RMOs, the Applicant will comply with any position limits or other limits established by the MAS, as applicable, if and when any such limits are communicated to the Applicant. The Applicant has implemented the following venue controls to ensure orderly functioning of its markets: volatility banks, inversion protection, order throttling, pre-trade controls, working order limits, post trade controls, a kill switch, a trade cancellation / re-rate policy in accordance with the LMAX Exchange RMO Rule Book and venue capacity. These venue controls also apply to DMA Clients. The Applicant is not involved in the settlement portion of the trade.
- 4. Access**
- 4.1 **Fair Access**
- (a) **The exchange has established appropriate written standards for access to its services including requirements to ensure**
- (i) **participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,**
- (ii) **the competence, integrity and authority of systems users, and**
- (iii) **systems users are adequately supervised.**
- (b) **The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.**

- (c) **The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.**
  - (d) **The exchange does not**
    - (i) **permit unreasonable discrimination among participants, or**
    - (ii) **impose any burden on competition that is not reasonably necessary and appropriate.**
  - (e) **The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.**
- 4.1.1 Section 33(1)(a) of the SFA requires the Applicant, in so far as is reasonably practicable, to ensure that it operates LMAX Exchange as a fair, orderly and transparent OM, which is characterised by non-discriminatory access to market facilities and information.
- 4.1.2 Pursuant to section 33(1)(d) of the SFA, the Applicant must ensure that access for participation in its facilities is subject to criteria that are (i) fair and objective, and (ii) designed to ensure the orderly functioning of its OM and to protect the interests of the investing public. Pursuant to section 33(1)(h) of the SFA, the Applicant must maintain governance arrangements that are adequate for its OM to be operated in a fair, orderly and transparent manner.
- 4.1.3 Participant status, access to, and usage of, LMAX Exchange is available to all market participants that meet the criteria set forth by the Applicant. The Applicant vets prospective participants against the Applicant's eligibility criteria as part of its participant onboarding procedures.
- 4.1.4 Specifically, for a participant to trade FX NDFs on LMAX Exchange, the participant must be a Bank Member or a DMA Client of a Bank Member. All applicants to become "**Bank Members**" admitted to trade NDFs on LMAX Exchange, either to trade on their own account or to execute orders on behalf of clients must satisfy certain Core Membership Criteria and Additional Membership Criteria.
- 4.1.5 Pursuant to the Core Membership Criteria set out in Rule 5 (Membership) of the RMO Rulebook, an applicant to become a Member must:
- (a) enter into a Member Agreement (as defined in the RMO Rulebook);
  - (b) be an institutional investor, professional investor, accredited investor or expert investor as defined in the SFA if incorporated or established in Singapore;
  - (c) be authorised as a Banking Institution or an Investment Firm (each as defined in the RMO Rulebook) except where it does not need to be authorised to carry on trading activities on LMAX Exchange;
  - (d) in the view of the Applicant;
    - (i) be of sufficient good repute;
    - (ii) have sufficient levels of trading ability, competence and experience;
    - (iii) have adequate governance and organisational arrangements to oversee its trading activities and to ensure compliance with the RMO Rulebook and applicable laws;
    - (iv) have sufficient resources for the trading activities it intends to undertake; and
    - (v) if executing orders for clients, have appropriate permission from its regulator to trade on own account and execute orders on behalf of clients.
- 4.1.6 Pursuant to the Additional Membership Criteria set out in Rule 24 (Additional Membership Criteria for trading NDFs) of the RMO Rulebook, a Bank Member applicant must:
- (a) be a Banking Institution or third country bank or any of their affiliates, a central bank or specified international institution;
  - (b) (except if it is a central bank) be a "Settlement Member" or "Third-Party Bank Member" of the service for settling FX provided by CLS Bank International;
  - (c) have a qualifying master trading agreement with the matching Bank Member or a Settlement Bank under which it may enter into NDFs resulting from use of the LMAX Exchange service for NDFs.

- 4.1.7 A “**DMA Client**” is defined under the RMO Rulebook as any Client of a Member accessing LMAX Exchange via direct market access (“**DMA**”) and who has entered into a DMA agreement with a Member and a user agreement with the Applicant. Rule 6.2 of the RMO Rulebook requires Members to ensure that each DMA Client:
- (a) be an institutional investor, professional investor, accredited investor or expert investor as defined in the SFA if incorporated or established in Singapore;
  - (b) be of sufficient good repute;
  - (c) have sufficient levels of trading ability, competence and experience;
  - (d) have adequate governance and organisational arrangements to oversee their trading activities;
  - (e) have sufficient resources for the trading activities they intend to undertake; and
  - (f) comply with Rule 7 (Governance), Rule 8 (Systems), Rule 9 (Access), Rule 10 (Confidentiality), Rule 11 (Data Protection), Rule 15 (Algorithmic Trading), Rule 17 (Reporting and Taxes), Rule 18 (Market Integrity) and such other rules under the RMO Rulebook compliance with which by them, the relevant Member is responsible.
- 4.1.8 Rule 6.3 of the RMO Rulebook provides that Members must ensure that DMA Clients adhere to the rules contained in the RMO Rulebook in respect of orders submitted to, and transactions executed on, LMAX Exchange. Rule 6.4 of the RMO Rulebook further provides that each Member must enable the Applicant to identify uniquely on an anonymous basis each of its clients using Direct Market Access or a similar functionality. Each Member must apply a separate limit to each of its DMA Clients.
- 4.1.9 All Ontario Participants that are Bank Members will be required to be banks listed on Schedule I, II or III of the *Bank Act* (Canada) or otherwise satisfy all of the Core Membership Criteria and Additional Membership Criteria.
- 4.1.10 In addition, all Ontario Participants will be required (i) to be registered under Ontario securities laws, exempt from registration or not subject to registration requirements, and (ii) to immediately notify the Applicant if it ceases to meet such criteria. The Applicant’s onboarding process for Ontario Participants will include, a participant due diligence process, requiring a prospective Member/DMA Client to provide details of its regulatory status, and obtaining representations and warranties with respect to the Ontario Participant’s registration status. LMAX Exchange will take reasonable steps to verify these representations as part of its onboarding process.
- 4.1.11 The Applicant may suspend or end a Member’s membership with immediate effect if, among other things, the Member does not satisfy the eligibility criteria listed above, the Applicant believes it to be in the best interest of the relevant service of the Applicant to do so or MAS requires the Applicant to do so.
- 4.1.12 A Member may appeal any decision taken by the Applicant to suspend or terminate its membership in certain circumstances. The appeal must be made in writing and submitted to the Applicant within ten business days of the effective date of the Applicant’s notice, giving its reasons for appealing and any information relevant to the appeal. A senior manager of the Applicant carrying out the compliance oversight function will consider an appeal.

## **5. Regulation of Participants on the Exchange**

- 5.1 Regulation – The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.
- 5.1.1 As required by the SFA, the RMO Rulebook sets out transparent and non-discretionary rules and procedures for fair and orderly trading by participants. Participants are required to comply with a significant number of rules that govern the trading on LMAX Exchange. The applicable rules are primarily located in Rule 14 (Orders), Rule 25 (Currency Pairs), Rule 26 (Trade formation), Rule 27 (NDF Settlement Limits for NDF trading on LMAX Exchange) and Rule 28 (Liquidity Protection Rule for LMAX Exchange Services) of the RMO Rulebook which is provided to each participant upon onboarding to LMAX Exchange.
- 5.1.2 The Applicant is dedicated to safeguarding the integrity of LMAX Exchange, and has policies and procedures that are designed to ensure that LMAX Exchange is free from manipulation and other abusive practices. These efforts are a necessary component of efficiently working markets, and the Applicant is committed to ensuring that participants are able to use LMAX Exchange with the knowledge that it remains open and transparent.
- 5.1.3 Further, the RMO Rulebook, which govern participation in the Applicant’s platform, provides that participants must not engage in offences under Part 12 of the SFA and/or, in relation to non-deliverable forward FX contract transactions,

contrary to Principle 12 of the FX Global Code; enter into or engage in wash trades, front running and disruptive trading practices, commit any act or engage in any course of conduct which is likely to damage the fairness, integrity, proper functioning or orderliness of LMAX Exchange or the provision of any service of the LMAX Exchange; or bring LMAX into disrepute. If the Applicant were to detect that a participant was in breach of this obligation under the RMO Rulebook, the Applicant would have remedies available to it under Rule 19 (Monitoring and reporting) and Rule 20 (Suspension and termination of membership) of the RMO Rulebook.

- 5.1.4 The Applicant's Compliance and Market Operations teams are responsible for a range of surveillance alerts that run in the system on a real-time basis, each of which monitors for different trading scenarios and behaviours, against parameters set for each instrument. The trade surveillance system is capable of detecting potential market abuse scenarios and violations of the RMO Rulebook. The real-time trade surveillance system has the capability to detect and flag specific trade patterns and trade anomalies, compute, retain, and compare trading statistics, reconstruct the sequence of market activity, perform market analyses to perform in-depth analyses and ad hoc queries of trade and order-related data.
- 5.1.5 The Applicant performs anti-money laundering and counter-terrorist finance checks as part of its participant onboarding procedures. Where there are reasonable grounds to suspect or where there is a suspicion of money laundering or terrorist financing which the Applicant becomes aware of in the course of participant's activities on LMAX Exchange, this will be reported to the Suspicious Transaction Reporting Office of Singapore, which investigates and reports money laundering, terrorist financing and related offenses to the relevant law enforcement and investigative services, and to other relevant regulators as required by applicable regulation (including the MAS).
- 5.1.6 The Applicant has a range of tools for enforcing participants' compliance with the RMO Rulebook. These tools include issuing written warning letters, temporarily suspending access or terminating a participant's ability to access LMAX Exchange.
- 5.1.7 If the Applicant's Compliance and Market Operations teams identify a breach of LMAX Exchange rules or signs of market abuse or manipulation resulting from client trading behaviour, it will (i) escalate findings to the Applicant's Risk Management Committee for necessary remediations and reporting of suspicious transactions and/or orders to the competent regulatory authorities (ii) and include such information in a report to senior management.
- 5.1.8 The Applicant has not issued any warning letters, final warnings or suspensions pursuant to the RMO Rulebook in the 12-month period preceding January 2024. The RMO Rulebook under which such letters, final warnings or suspensions would be issued was not in effect until November 2023, coinciding with the launch date of LMAX Exchange.
- 5.1.9 Pursuant to Notice CMG-N01 – Reporting of Suspicious Activities and Incidents of Fraud, the Applicant will report to the MAS any suspicious activities and incidents of fraud where such activities or incidents are material to its safety, soundness or reputation. The MAS has the power to investigate and impose unlimited fines for market abuse, and to prosecute for market manipulation. A participant may be referred to a regulator in another jurisdiction with which the MAS has entered into a memorandum of understanding.

## **6. Rulemaking**

### **6.1 Purpose of Rules**

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

- 6.1.2 Pursuant to its obligations under the Applicable Rules, the Applicant has implemented rules, policies and procedures that are designed to not permit unreasonable discrimination among participants or impose unreasonable or unnecessary burdens on competition. The Applicant's rules are covered in the RMO Rulebook. The Applicant believes that its rules and policies that govern the activities of participants are consistent with the rules and policies of other marketplaces, and therefore do not impose any burden on competition that is not reasonably necessary or appropriate.

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

- (i) **ensure compliance with applicable legislation,**
- (ii) **prevent fraudulent and manipulative acts and practices,**
- (iii) **promote just and equitable principles of trade,**

- (iv) **foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,**
- (v) **provide a framework for disciplinary and enforcement actions, and**
- (vi) **ensure a fair and orderly market.**

6.1.3 The RMO Rulebook is subject to the standards and requirements outlined by the Applicable Rules. At a high level, the RMO Rulebook seeks to ensure fair and orderly markets accessible to all eligible Members that meet the criteria listed in Rule 5 and Rule 24 of the RMO Rulebook and DMA Clients that meet the criteria listed in Rule 6 of the RMO Rulebook. This aim is accomplished by establishing rules that reflect the Applicable Rules, criteria that are not contrary to the public interest, and are designed to:

- (i) **ensure compliance with applicable legislation.** Rule 5 (Membership) and Rule 24 (Additional Membership Criteria for trading NDFs) of the RMO Rulebook governs Member requirements. Rule 6 (Direct Market Access) of the RMO Rulebook governs DMA Client requirements. The Applicant is obligated to comply with MAS rules, and must implement rules that require compliance with MAS rules by its participants. The Applicant will proactively monitor its participants' compliance with applicable law and regulation, evidenced in part by its market surveillance systems designed to identify market abuse and prevent disorderly trading conditions.
- (ii) **prevent fraudulent and manipulative acts and practices.** Rule 18 (Market Integrity) of the RMO Rulebook prescribes prohibited trading activities, and prohibits abusive, misleading and disruptive activity. The Applicant has instituted procedures to collect information, examine participants' records, directly supervise the market, maintain sufficient compliance staff, conduct audit trail reviews, perform real-time market monitoring and market surveillance and establish an automated trade surveillance system.
- (iii) **promote just and equitable principles of trade.** All systems of LMAX Exchange are available to all participants on a non-discriminatory basis. Throughout the RMO Rulebook, the Applicant has established transparent and objective standards for access to and trading on LMAX Exchange to foster competitive and open market participation. The Applicant believes that compliance with the RMO Rulebook and related compliance procedures promote just and equitable principles of trade.
- (iv) **foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange.** Subject to applicable laws, Rule 19.2 (Cooperation with the regulator) of the RMO Rulebook authorizes the Applicant to provide assistance and information to the MAS, and any other regulatory authority (e.g., the Commission), in connection with any investigation and prosecution of or enforcement action regarding any actual or suspected prohibited trading practice on LMAX Exchange. Each participant is also required by Rule 19.2 to co-operate, to the fullest extent permitted by applicable laws, with the Applicant and any governmental authority in any investigation, proceeding or enquiry in relation to the Applicant and/or the services of LMAX Exchange.

Rule 10.3 (Permitted Disclosures) also authorizes the Applicant to disclose any confidential information if obliged to do so in order to comply with applicable laws, including following the request from any competent court, regulator or governmental authority.

- (v) **promote a framework for disciplinary and enforcement actions.** Under Rule 20.2 (Conditions for Suspension and termination by LMAX) of the RMO Rulebook, the Applicant may suspend or end a Member's membership with immediate effect if (a) the Member fails to pay fees and/or charges within 30 days of the due date; (b) an insolvency event happens in relation to the Member; (c) the Member does not trade on a particular LMAX Exchange service for six months; (d) the Member does not satisfy the membership criteria of the Applicant; (e) LMAX reasonably believes that the Member has breached the RMO Rulebook; (f) the Applicant's senior manager carrying out the compliance oversight function of the LMAX Exchange finds that the Member has breached a rule and recommends suspension or termination; (g) the Applicant believes it is in the best interest of the relevant LMAX Exchange service to do so; (h) the Member is an entity licensed or authorised by the MAS, where its licence or authorisation is revoked by the MAS; or (i) required upon the direction of the MAS. On completing an investigation under Rule 19 (Monitoring and reporting) of the RMO Rulebook, the senior manager of the Applicant carrying out the compliance oversight function may suspend or terminate the Member's ability to provide direct market access to any DMA Client.
- (vi) **ensure a fair and orderly market.** The Applicant prescribes trading rules, collects and evaluates market activity data, maintains and audits its real-time monitoring program, and audits historical data to detect trading abuses. The Applicant periodically reviews its programs and procedures, including risk analysis, emergency planning, and systems testing. The Applicant regularly audits systems and technology tests both for technical and

regulatory compliance. LMAX Group's Compliance Department has the capability to suspend all trading on LMAX Exchange during emergency situations. The Compliance Department also has the ability to suspend trading of specific instruments or instruments of a specific asset class during a trading day, either in response to an emergency situation or by order of a regulator. The Applicant believes that these measures and its rules are designed to ensure a fair and orderly market.

**7. Due Process**

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

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

7.1.2 The Applicant may prevent a person from becoming a LMAX Exchange participant, if in the Applicant's sole discretion, the person does not satisfy the eligibility criteria listed in Section 4. Under Rule 20.2 (Conditions for Suspension and termination by LMAX) of the RMO Rulebook, without prejudice to any other rule, the Applicant may also suspend or end a Member's membership for any of the circumstances, violations or events listed in Rule 20.2(a)-(i).

7.1.3 A Member may complain in writing about other Members to the senior manager of the Applicant carrying out its compliance oversight function who will commence an investigation in accordance with Rule 19.4 (Investigation) of the RMO Rulebook if he considers the complaint to be substantive. Complaints about the Applicant may be made in writing to such senior manager for investigation. On completing an investigation under Rule 19 (Monitoring and reporting), the senior manager of the Applicant carrying out the compliance oversight function may: (i) do nothing; (ii) issue a written warning; or (iii) recommend that the Applicant suspends or terminates the member's membership; (iv) suspend or terminate the member's ability to provide direct market access to any DMA Client.

7.1.4 Furthermore, a Member may appeal any decision by the Applicant to suspend or terminate its membership on the basis of paragraph (d) to (g) of Rule 20.2 (Conditions for Suspension and termination by LMAX) of the RMO Rulebook to the Applicant's senior manager carrying out its compliance oversight function. The appeal must be made in writing and submitted to LMAX within ten business days of the effective date of the Applicant's notice under Rule 20.3 (Notice) of the RMO Rulebook. The Member will give reasons for appealing the Applicant's decision and provide any information relevant to the appeal. If the Applicant has decided to suspend or end a membership and a Member appeals, its membership shall remain suspended in accordance with the Applicant's decision or ended unless and until the such senior manager carrying out LMAX Exchange's compliance oversight function has allowed the appeal. The Applicant keeps a record of, and gives reasons for, any decision made by the Applicant that affects a participant or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline.

7.1.5 If a participant's access is terminated, the Applicant will comply with its regulatory obligations and supply data and information to the MAS when required, and will assist the MAS in any investigation conducted regarding trading on LMAX Exchange.

**8. Clearing and Settlement**

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

8.1.1 Neither the Applicant nor any of its affiliates acts as a counterparty or takes title to, or provides execution, clearing, settlement or custodial facilities to participants for, any OM Instrument traded on LMAX Exchange. LMAX Exchange participants must comply with any clearing obligation that applies to them under applicable law, including the laws of the province of Ontario. The Applicant has no direct connection to any clearing agencies in relation to any OM Instrument traded on LMAX Exchange.

8.1.2 Participants are solely responsible for ensuring the prompt exchange and processing of confirmations directly with their counterparties in accordance with market practice. With respect to settlement, participants are solely responsible for the post-trade settlement of all transactions that are negotiated on LMAX Exchange bilaterally. With respect to clearing, if participants are required by applicable regulation or choose to clear a transaction, they are solely responsible for making the necessary arrangements under the RMO Rulebook.

8.1.3 Participants must have either: an ISDA Master Trading Agreement with all the other Bank Members of the LMAX Exchange whose trades are capable of being matched with the participant; or an ISDA Master Trading Agreement with at least one of the Settlement Bank Members (as defined in section 23 of the RMO Rulebook) who carry out credit intermediation of trades for the LMAX Exchange, and to whom the participant will give up its leg of the trade for clearing and settlement by the settlement member. Each settlement member is also a Bank Member of the LMAX Exchange.

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

8.2.1 This item is not applicable as the OM Instruments are not centrally cleared.

**9. Systems and Technology**

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

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

9.1.1 LMAX Exchange has appropriate internal controls (that cover all of the critical systems that support functions (a) to (i) listed in Section 9.1 above) designed to provide for completeness, accuracy, integrity and security of information, and, in addition, have sufficient capacity and a business continuity plan to enable LMAX Exchange to properly carry on their businesses.

9.1.2 The Applicant has put safeguards in place to protect the critical data and system components of its LMAX Exchange and reduce the potential risk of market disruptions, including but not limited to market restrictions that could pause or halt trading under market conditions prescribed by the Applicant.

9.1.3 The Applicant operates and provides to participants a robust and scalable platform. Standard system monitoring metrics include capacity and performance level alerts. In addition to system level monitoring of capacity and performance of resources, the Applicant also conducts standardized application or platform capacity tests on a regular basis. This ensures the platform is well positioned to provide adequate responsiveness to customers. The data generated from these tests are used to establish present and historical bench-marks to identify performance and/or capacity hot spots or deficiencies. Additional re-resources are deployed where appropriate to resolve performance or capacity issues out-side of the benchmark to bring performance back in line with benchmark expectation.

9.1.4 LMAX Exchange makes capacity estimates by regularly monitoring its systems usage as well as maintaining constant communications between internal parties whenever new business or possible changes in the market may increase capacity on the systems.

9.1.5 The Applicant conducts regular performance and capacity tests in a production test environment which matches production in its size, scope and infrastructure.

9.1.6 LMAX Group maintains its IT systems to be designed and implemented to achieve the level of system availability provided for under its business continuity plan and aligned with the ISO 22301:2019 (security and resilience) framework. LMAX Group is also compliant with and certified to ISO 27001:2013 (information technology).

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

- (a) makes reasonable current and future capacity estimates;

9.2.1 The Applicant examines current and historical production loads on LMAX Exchange to calculate 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;**
- 9.2.2 The Applicant supervises and conducts periodic stress testing of system components, which are designed to ensure that its systems have sufficient capacity to perform required operational tasks. The Applicant evaluates and monitors capacity requirements to anticipate capacity need.
- (c) **reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;**
- 9.2.3 See the response to clause (d) below.
- (d) **ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;**
- 9.2.4 LMAX Group's Information Security Policy ("**ISP**") sets out comprehensive information security measures. The ISP's purpose is to safeguard the confidentiality, integrity, and availability of the company's information and services through a structured program designed and operated to mitigate information security risks and threats to LMAX Group. LMAX Group's internal compliance controls relating to information security are underpinned by the following two key industry standards:
- ISO 27001:2013 A.5.1 - Information Security Policies
  - SOC 2 Common Criteria 3.1 - Complies with Frameworks
- 9.2.5 LMAX Group's information security framework as set out in the ISP has received endorsement from the Board and its senior management, which is representative of the leadership's commitment to the following Information Security objectives:
- Implementing and maintaining certified management systems and organisational standards that uphold the integrity of business services and the systems approach: SOC 1 & 2, ISO 27001:2013;
  - Satisfying legal and applicable requirements including contractual obligations;
  - Continually improving the management system, its policies and processes;
  - Managing information and cyber security risks across LMAX Group;
  - Ensuring responsibilities and authorities for information security are assigned and communicated;
  - Reviewing the ISMS components on a periodic basis to ensure outputs remain compliant and acting on the outputs of nonconformities;
  - Holding leadership and senior management teams accountable;
  - Testing and improving resilience through backup reviews and business continuity testing; and
  - Performing regular information security related training for all staff.
- 9.2.6 The Applicant outsources the provision of ancillary technological and operational support functions to its LMAX Group affiliate, LMAX Limited (a private limited company organized under the laws of England and Wales), acting as the operator of LMAX Exchange and LMAX MTF. See the responses in Section 14 below.
- 9.2.7 On very rare occasions, LMAX Group's facilities have experienced technical outages. In each case, the applicable LMAX Group entities have conducted post-incident reviews to seek a thorough understanding of the technology processes that led to the incident.
- 9.2.8 LMAX Limited's production platform is designed to be resilient with multiple redundant instances of all components. In the event of a failure of a single component, a secondary component will recognise the failure and take over as necessary. The hardware also operates with uninterruptable power supply and backup generators to ensure temporary electricity failures can be comfortably handled.

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- 9.2.9 LMAX Limited has staff focused solely on site reliability, performance and stability with respect to LMAX Exchange and other LMAX Group facilities. This is a preventative measure which also continually improves their diagnostic capabilities and recovery in the case of a failure.
- 9.2.10 LMAX Exchange employs monitoring tools to validate key areas of its systems. LMAX Group invests resources on an ongoing basis to improve these monitoring solutions.
- 9.2.11 LMAX Limited develops its own software that is used in LMAX Exchange and other LMAX Group facilities. All new codes are tested thoroughly prior to release into production. The testing process involves over thirty thousand regression tests in dedicated test and staging environments. These are designed to mimic the production environment to the greatest possible extent. Testing is also carried out in the production environment while the markets are open in a data segregated virtual venue. The configuration of all environments is strictly controlled and all software deployment including roll-back and fail-over is accomplished through formal, repeatable processes that are largely automated. Similarly, any data migration that is required is accomplished through software that is itself also subject to rigorous testing.
- (e) **ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;**
- 9.2.12 LMAX Group has developed a data loss prevention policy and adopted the following measures to foster data-security.
- 9.2.13 Business Continuity
- 9.2.14 LMAX Group aligns its Business Continuity approach with ISO 22301: 2019 framework. LMAX Group is compliant with and certified to ISO 27001: 2013.
- 9.2.15 LMAX Group has implemented a business continuity planning and testing programme to complement the disaster recovery controls. Six monthly external audits take place to ensure the business continuity is aligned to the needs and expectations of internal and external stakeholders.
- 9.2.16 LMAX Group's BCP (as defined below) is similarly tested and audited on an annual basis. In the event of a business continuity event being declared, there is a documented process for escalation and redeployment of business functions to staff in other countries or to resume functionality via remote working.
- 9.2.17 Data Availability
- No single point of failure designs (NSPOF). Highly available data stores use active clustering with real time replication to ensure access to data in the event of hardware failure. Disaster recovery/business continuity sites act as secondary data stores using active passive design with real time replication.
  - Archived personal data is encrypted before being transported for off-site storage. These backups are restored periodically to ensure successful recovery is possible.
  - Infrastructure as code ensures servers are built and configured in a consistent, high availability design.
  - Continuous development pipeline consisting of over 50,000 automated tests that assess measures put in place for confidentiality, integrity and high availability continue to function as expected.
  - Regular backups are performed, encrypted and stored off-site.
- 9.2.18 Transmission Controls
- Data loss prevention is in place for email and Internet access for all users handling sensitive data.
  - Encryption of personal data during transmission is achieved through modern cryptographic protocols, which provides effective protection against interception by a third party.
  - Anonymized personal data is sent to any environment considered less secure or where it is not needed.
- 9.2.19 Admissions Controls
- Reviews and audits are conducted periodically with the aim of ensuring that the policies, controls, and measures in place remain effective and fit for purpose.
  - Physical access to data centres requires biometric authentication.

- Role-based access control is in place to protect sensitive data and following the principle of least privilege. Each employee can belong to only one role, which determines what permissions are granted. Users are authorised to perform only the tasks they need to perform according to their role.
- Due diligence is performed on data processors to ensure they can demonstrate appropriate technical and organisational measures to protect data, before putting in place written contracts.

9.2.20 LMAX Group has outlined its security standards for its hardware and software to minimise its exposure to cyber threats. These are reviewed and updated periodically:

- Multi-factor authentication in place using Duo Security. Yubikey hardware tokens are also used.
- LMAX Group makes use of four distinct security zones, each within their own authentication realm. Each of these security zones is isolated from the others via the use of two-factor authentication (2FA), bastion hosts and physically separate authentication systems that use different authentication technology stacks. This approach increases the work factor for lateral movement, increasing chances of detection.
- Within each security zone, traffic from each subnet must first traverse through firewalls and intrusion detection systems where access is controlled and monitored.
- Private virtual local area networks (VLANS) are used in all office locations, preventing direct communications between user desktops forcing traffic to first go through a firewall.
- Anti-virus and endpoint detection and response (EDR) tooling deployed and kept up to date to regularly scan systems.

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

9.2.21 The Applicant reviews and keeps current development and testing methodologies for its systems in accordance with relevant policies and procedures. To identify and control the risks related to system development projects, a set of processes are implemented and include obtaining the necessary approvals for planning, designing, development, testing, and deploying information systems.

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

9.2.22 LMAX Group has developed a comprehensive business continuity framework to ensure its compliance with applicable regulatory obligations, support the company's strategic business objectives, including to improve consumer and client protection and service quality satisfaction and mitigate against cyber-security and other infrastructure related risks as well as premises risks.

9.2.23 The Business Continuity Policy ("**BCP**") is an in-depth policy that serves to mitigate potential impacts to LMAX Group's markets (including LMAX Exchange's), customers, assets and employees, and to safeguard the effective availability of essential products and services. BCP plans for the unavailability of site, staff and systems, and as a result, is designed to withstand a variety of adverse scenarios. BCP is designed to be agile and quickly responds to events to minimize impacts to LMAX Group's lines of business.

9.2.24 The Applicant's back-up and disaster recovery procedures and capabilities are maintained in accordance with LMAX Group's BCP.

9.2.25 LMAX Group has established a system and data backup strategy and developed a plan to perform regular backups so systems and data can be recovered in the event of a system disruption. The plan includes the following procedures:

- Periodically test the restoration of the LMAX Group system and data backups.
- Protect data in backup from unauthorised access and modification by ensuring any confidential data stored in the backup media is secured.

9.3 **Information Technology Risk Management Procedures – The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.**

9.3.1 The Applicant has set out appropriate risk management procedures, including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading, in the RMO Rulebook, including:

- (a) Rule 15.2: Participants must test each algorithm notified to the Applicant in Applicant's testing environment so that in Applicant's opinion it will not result in disorderly trading conditions on any LMAX Exchange service.
- (b) Rule 14.5: The Applicant will reject orders outside its volatility band and send a rejection message to the Member who placed the order.
- (c) Rule 13.1: The Applicant may suspend the entry of orders in respect of any LMAX contract at any time if: (i) required to do so by applicable laws, (ii) requested to do so by a governmental authority or (iii) the Applicant reasonably believes that the participant has breached the RMO Rulebook.
- (d) Rule 13.3: The Applicant may use the "kill functionality" (i.e., the ability to cancel unexecuted orders) in the following conditions: on the request of a Member if the Member or its DMA Client is technically unable to delete that order; (b) if it duplicates another order on LMAX Exchange in error; or (c) which was submitted and remained unfilled before a suspension in accordance with the RMO Rulebook.
- (e) Rule 26.1: The Applicant may refuse to accept an NDF order or cancel any NDF order submitted to the LMAX Exchange if Rule 14.3 (Rejection) applies or based on (A) the fact that (i) in the determination of the Applicant, the NDF order is likely to cause an excessively inverted market, (ii) the Member (whether by as a result of trading by the Member or by one of its DMA Clients) has breached the orders per second threshold which is agreed with the Applicant from time to time, (iii) the NDF order is greater than the clip size limit from time to time, or (iv) the NDF order will cause the Member to exceed any working order limit set for it by the Applicant from time to time in respect of the relevant LMAX contract; or (B) any other relevant information, that the NDF order is erroneous or invalid.

## **10. Financial Viability**

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

- 10.1.1 The Applicant has adequate financial and staff resources to carry on its activities in full compliance with its regulatory requirements and with best practices. The Applicant is subject to minimum regulatory capital requirements, and must submit financial reports to the MAS.
- 10.1.2 To assess its regulatory capital requirements, the Applicant identifies risks that are relevant and material to its business as a whole. The Applicant assesses whether it is appropriate to hold capital against those risks either on a base case or under stressed scenarios.
- 10.1.3 The Applicant is capitalized in excess of regulatory requirements and will maintain any future minimum capital amounts needed to meet MAS's requirements.

## **11. Transparency**

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

- 11.1.1 The Applicant is obligated to comply with the Applicable Rules and requirements which require trading practices that are fair, properly supervised and not contrary to the public interest. Specifically, the Applicable Rules, which the Applicant adheres to, provides:
  - (a) **Fair trading practices:** Section 33(1)(e) of the SFA requires the Applicant to operate in a "fair, orderly and transparent manner".
  - (b) **Properly supervised trading practices:** Under Part XII, Division 1 of the SFA, the MAS has established a comprehensive regulatory framework to ensure market integrity and prevent insider dealing and market manipulation in relation to securities, units in collective investment schemes and derivatives contracts. This framework prohibits, and authorises MAS to take enforcement action against, practices which could result in distorting the functioning of the markets, including:
    - false trading and market rigging (section 197 of the SFA);
    - bucketing (section 201A of the SFA);
    - price manipulation (section 201B of the SFA);
    - employment of fraudulent or deceptive device (section 201 of the SFA); and
    - dissemination of information about illegal transactions (section 202 of the SFA).

- (c) **Trading practices that are not contrary to the public interest:** Pursuant to Notice CMG-N01 – Reporting of Suspicious Activities and Incidents of Fraud, the Applicant will report to the MAS any suspicious activities and incidents of fraud where such activities or incidents are material to its safety, soundness or reputation. The MAS has the power to investigate and impose unlimited fines for market abuse, and to prosecute for market manipulation. A participant may be referred to a regulator in another jurisdiction with which the MAS has entered into a memorandum of understanding. Furthermore, section 33(1)(e) of the SFA requires the Applicant to operate in a “fair, orderly and transparent manner”
- 11.1.2 Rule 26 (Trade Formation) of the RMO Rulebook addresses permitted and prohibited practices on LMAX Exchange, incorporates the Applicable Rules requirements outlined above and is designed to ensure a fair, orderly and transparent market accessible to all eligible participants, which market is properly supervised and operated in a manner consistent with the public interest.
- 11.2 **Orders - Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.**
- 11.2.1 Central Limit Orderbook. As the orderbook of the Applicant’s trading system operates as CLOB, executing orders on a price-time priority, the model ensures that orders are consistently executed at the best available price in the orderbook, the execution is guaranteed insofar as there is liquidity in CLOB. The CLOB is an anonymous order-driven trading system, where transactions are concluded on the basis of firm orders that are continuously made available to participants, which requires market makers to maintain bid and offer orders for a CLOB in sizes that balance the needs of members and participants to deal in a commercial size and the risk to which the market makers expose themselves. For each OM Instrument, the best bid and offer by price of each market maker in that OM Instrument, together with the volumes attaching to those prices, will be public in the CLOB but on an anonymous basis without disclosing the identities of participants. The orders on the CLOB made public will be those that represent binding commitments to buy and sell the OM Instrument (through limit orders) and which indicate the price and volume of OM Instruments at which market makers are prepared to buy or sell. All participants have access to same modes of connectivity to LMAX Exchange (LMAX Exchange is available to participants via (i) the Financial Information eXchange application programming interface (“**FIX**”) or ITCH protocols, (ii) proximity services, (iii) cross-connect or co-location directly in the Singapore data centre where LMAX Exchange’s matching facility is located, and (iv) connectivity services provided by third party technological service providers).
- 11.2.2 Order types. LMAX Exchange supports the following order types: limit immediate-or-cancel, limit fill-or-kill, limit good-for-day, market immediate-or-cancel and market fill-or-kill. With regards to unfilled orders, in the case of immediate-or-cancel and fill-or-kill orders any unfilled quantity is immediately cancelled and in the case of good-for-day orders, any unfilled orders will rest on the orderbook until either of the following conditions occur: the order is cancelled by trading participant, the order is executed, the trading participant’s FIX session is disconnected (at which point all unfilled orders are cancelled-on-disconnect), or the trading day ends (at which point all unfilled orders are cancelled). Request for quote, request for stream and request for market protocols will not be offered through LMAX Exchange.
- 11.2.3 Venue Controls. The Applicant operates the following venue controls on LMAX Exchange to ensure orders are executed fairly, equitably and transparently:
- *Volatility bands* – Volatility bands are set per order book and are different for both price makers and takers. The bands reject a participant’s order if, for price makers, the price on order is more than a defined percentage away from their last accepted price. For price takers, the order is compared against the top of book price. Where a volatility band is breached, new orders from that participant will be rejected and an internal approval process is triggered to assess whether the volatility bands must be widened to enable the participant to continue to trade.
  - *Inversion protection* – Further to volatility bands, market inversion limits are set per order book where there are two or more market makers. Where a market inverts beyond the set inversion parameter no orders can be matched. Where there are at least three maker participants and the market is inverted beyond the set threshold for more than 100 milliseconds, the maker responsible for the inversion will have their orders cancelled and further order entry blocked for 15 seconds. Where the market is inverted beyond the set thresholds, taker orders are rejected.
  - *Order throttling* – The Applicant operates real-time monitoring and alerting of the message rates and performance of all orders placed on its production systems on an individual session and aggregate basis. Order per second limits are set per FIX session, which applies for all instructions received over the FIX session. If the limit is breached, the FIX session is disconnected and re-connection is blocked for 15 seconds. The default setting is 750 updates per second but the limit can vary for maker participants according to number of instruments and depth priced.

- *Order-to-trade ratios* – Order-to-trade ratio monitoring is conducted per participant per orderbook. Reports are run on a daily basis, over 15 minute windows, and any outliers investigated and raised with participants.
- *Pre-trade controls* – Clip size limits set a maximum order size for each participant. Orders in excess of the clip size limit are rejected.
- *Working order limits* – Working order limits restrict the total unfilled passive order volume that can be submitted per participant on each OM Instrument. Orders with volume that will breach the limit are rejected.
- *Post trade controls* – Net open position limits are set per Member and per DMA Client as applicable. Email alerts are sent at 75%, 85% and 95% utilisation of a participant's limit. At 95% utilisation all trading is disabled for the participant. Typically clip size limits are set to 5% of the credit limit to avoid a breach of 100% of the participant's limit. Members and DMA Clients can set up alerts as their accounts approach pre-set margin utilisation levels.
- *Kill switch* – Where a participant's NOP utilisation exceeds 95%, all existing working orders are cancelled and new orders are rejected. Where a participant breaches their set order update limit, they are disconnected and all their orders are cancelled. A participant's activity can be disabled at any point in time by removing their credit limit. When a participant's FIX session is disconnected for any reason all their working orders on that session will be immediately cancelled.

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

11.3.1 Pre- and post-trade trading information is made publicly available through the use of the Applicant's pre and post-trade transparency widgets available at <https://www.lmax.com/exchange/fix-ndfs>, with no longer than a 5-minute delay.

11.3.2 Trade reporting obligations for derivatives transactions pursuant to Ontario law apply to a reporting counterparty to a derivatives transaction involving a local counterparty. For purposes of compliance with Ontario law, dealer counterparties that are determined to be reporting counterparties may satisfy the reporting requirements under Ontario law by reporting derivatives transactions to an entity that is designated as a trade repository.

**12. Compliance, Surveillance and Enforcement**

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

12.1.1 An OM is required under the Applicable Rules to set rules, conduct compliance reviews, monitor participants' trading activity and take enforcement action against participants when appropriate.

12.1.2 Pursuant to Notice CMG-N01 – Reporting of Suspicious Activities and Incidents of Fraud, the Applicant will report to the MAS any suspicious activities and incidents of fraud where such activities or incidents are material to its safety, soundness or reputation. The MAS has the power to investigate and impose unlimited fines for market abuse, and to prosecute for market manipulation. A participant may be referred to a regulator in another jurisdiction with which the MAS has entered into a memorandum of understanding. The MAS may choose to take further action against a participant in its discretion.

12.1.3 The Applicant will comply with its regulatory obligations and supply data and information to the MAS when required, and will also assist the MAS in any investigation conducted regarding trading on LMAX Exchange. Please also see Section 5.

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

12.2.1 The Applicant has instituted procedures and controls to collect information, examine participants' records, supervise trading on LMAX Exchange, maintain sufficient compliance staff, establish procedures for and conduct audit trail reviews, perform automated real-time market monitoring and market surveillance and establish an automated trade surveillance system to evaluate participants' compliance with the RMO Rulebook and applicable law.

12.2.2 Sections 5 and 7 of this application describe the resources available to the Applicant to investigate breaches of the RMO Rulebook and to enforce its rules.

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

12.3.1 Please see Section 16 below.

### **13. Record Keeping**

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

13.1.1 The Applicable Rules require the Applicant to keep orderly records of its business and internal organization, including all services and transactions undertaken by it to enable the MAS to monitor it. The Applicant implemented policies designed to ensure that the MAS has ready access to the Applicant's records that it is required to maintain under Applicable Rules, from which the MAS should be able to reconstruct each key stage of a transaction on LMAX Exchange if required.

13.1.2 The Applicant complies with applicable regulatory record retention requirements. Under the Applicable Rules, the MAS requires the Applicant to keep records for a period of five years after the date of the expiry or termination of a contract, an agreement or a transaction to which the book or information relates.

13.1.3 Rule 7.2 (Transaction records) of the RMO Rulebook provides that Members must retain for at least five years, or such longer period as required by applicable laws, a record of each transaction arising from orders submitted by or on behalf of that Member or by or on behalf of a DMA Client in the member's name. DMA Clients must retain for at least five years, or such longer period as required by applicable laws, a record of each transaction arising from orders submitted on behalf of it in a Member's name.

13.1.4 The Applicant also keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access, along with a record of any breaches of LMAX Exchange rules by its participants.

### **14. Outsourcing**

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

14.1.1 Pursuant to a service agreement (the "**Service Agreement**"), the Applicant outsources the provision of ancillary technological and operational support functions to its affiliate, LMAX Limited, acting as the operator of LMAX Exchange and LMAX MTF. LMAX Limited complies with the UK FCA systems and controls requirement in relation to outsourcing, business and service continuity, and maintains strong business continuity and cyber-security frameworks.

14.1.2 LMAX Limited has outsourced its technological operational functions to other entities in the LMAX Group from the commencement of LMAX Group's business, including to various investment firms regulated by the UK FCA, the Cyprus Securities and Exchange Commission, the Gibraltar Financial Services Commission and another Singaporean entity who has recently received its capital markets services licence from the MAS for certain investments in financial instruments. See Section 9.2.6.

14.1.3 Under the Applicable Rules, the Applicant must ensure when outsourcing critical or important operational functions that (among other things), (i) it takes reasonable steps to avoid undue additional operational risk and (ii) the outsourcing does not materially impair the quality of its internal control and the ability of the MAS to monitor its compliance with regulatory obligations. The Applicant remains fully responsible for discharging its obligations under the regulatory system and must ensure that the outsourcing does not alter its relationship and obligations towards participants. The Applicant's procedures are designed to ensure that the relevant regulatory requirements are satisfied in connection with outsourcing of critical or important operational functions. All material outsourcing agreements require Board approval. The Service Agreement permits the Applicant to meet its obligations and is in conformance with industry best practices. The Applicant has the right to audit the services provided by LMAX Limited pursuant to the Service Agreement.

### **15. Fees**

#### **15.1 Fees**

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

15.1.1 Section 33(1)(e) of the SFA requires the Applicant to operate LMAX Exchange in a “fair, orderly and transparent manner”, including with respect to the Applicant’s fee structure, any trading fees, ancillary fees and rebates. Pursuant to Regulation 25 of the *Securities and Futures (Organised Markets) Regulations 2018*, the Applicant must make available at no cost to any person upon that person’s request, or publish in a manner that is accessible at no cost, information on the fees and charges applicable to each product available on LMAX Exchange and each service offered by the Applicant.

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

15.1.2 The Applicant ensures that its fee structure is sufficiently granular to allow LMAX Exchange participants to predict the payable fees on the basis of at least the following elements: (a) chargeable services, including the activity which will trigger the fee, (b) the fee for each service, stating whether the fee is fixed or variable, and (c) rebates, incentives or disincentives. The Applicant also publishes objective criteria for the establishment of its fees and fee structures, together with trading fees, ancillary fees, rebates, incentives and disincentives in one comprehensive rate card which is provided to participants upon request.

## **16. Information Sharing and Oversight Arrangements**

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

16.1.1 The Applicant has established a process that enables it to respond to requests from regulators regarding the Applicant in a timely manner. It is the Applicant’s policy to respond promptly and completely to any proper regulatory inquiry or request for documents. All inquiries and other communications from the Commission will be referred immediately to the Applicant’s Legal and Compliance department.

16.1.2 Rule 19.2 (Cooperation with the regulator) of the RMO Rulebook provides that subject to applicable laws, the Applicant may: (i) report to any governmental authority any material disruptions, any prohibited trade practices, any material breaches of the RMO Rulebook, disorderly trading conditions and conduct that may involve market abuse or breach or non-compliance with applicable laws; and (ii) assist any governmental authority in any investigation of market abuse, any prohibited trade practices or breach or non-compliance with applicable laws. The Applicant may disclose information and documents received from any participant in connection with its use of LMAX Exchange’s services to any governmental authority where such information and documents are required in connection with an investigation, inquiry or proceedings by such authority. To the fullest extent permitted by applicable laws, the participant shall co-operate with the Applicant and any governmental authority in any investigation, proceeding or enquiry in relation to the Applicant and/or services of LMAX Exchange. Please see the discussion at Section 6.1.3(iv).

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

16.2.1 The OSC and the MAS are both signatories of (a) the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information of the International Organization of Securities Commissions dated May 2002, as revised in May 2012, 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, and (b) the Memorandum of Understanding Concerning Cooperation and the Exchange of Information Related to Supervision of Cross-Border Covered Entities dated July 15, 2021 between the OSC and the MAS<sup>3</sup>.

## **17. IOSCO Principles**

17.1 **IOSCO Principles – To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organization of Securities Commissions (IOSCO) including those set out in the “Principles for the Regulation and Supervision of Commodity Derivatives Markets” (2022).**

17.1.1 The Applicant adheres to the standards of IOSCO to the extent that such standards are incorporated into the Applicable Rules. The MAS is a member of IOSCO and contributes to IOSCO’s policy and standard setting work through participation in the various standing committees and task forces.

## **PART IV SUBMISSIONS BY THE APPLICANT**

### **1. Submissions Concerning the Requested Relief**

1.1 The OM Instruments that the Applicant intends to make available to trade on LMAX Exchange falls under the definition of “derivative” or “security” as set forth in subsection 1(1) of the Act. LMAX Exchange falls under the definition of

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<sup>3</sup> Available at <https://www.osc.ca/en/about-us/domestic-and-international-engagement/international-mous/notice-memorandum-understanding-cooperation-and-exchange-information-related-0>.



“marketplace” set out in subsection 1(1) of the Act because it brings together buyers and sellers of securities and derivatives and uses established, non-discretionary methods under which orders interact with each other.

- 1.2 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. An OM has certain obligations to monitor participants’ trading activity. Because an OM sets requirements for the conduct of its participants, it is considered by the Commission to be an exchange for purposes of the Act.
- 1.3 Pursuant to OSC Staff Notice 21-702 – *Regulatory Approach for Foreign-Based Stock Exchanges*, the Commission 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. The Applicant acknowledges that providing Ontario Participants with direct access to trading of the OM Instruments on LMAX Exchange is considered by the Commission to be “carrying on business as an exchange” in Ontario, and therefore must either be recognised or exempt from recognition by the Commission.
- 1.4 The Applicant notes that exemptive relief in respect of trading NDFs has been granted to the following foreign applicant: *In the Matter of Brokertec Europe Limited* (December 1, 2022). Exemptive relief in respect of an OM operated by applicant recognised by MAS as an RMO has been granted to the following foreign applicant: *In the Matter of Bloomberg Tradebook Singapore Pte Ltd.* (July 27, 2022).
- 1.5 The Applicant satisfies all the criteria for exemption from recognition as an exchange set forth by Commission Staff, as described under PART III of this application, for the OM Instruments. Ontario Participants that trade in the OM Instruments would benefit from the ability to trade on LMAX Exchange, as they would have access to trading NDFs with counterparties that otherwise may not be available in Ontario. Stringent MAS oversight of LMAX Exchange, as well as the sophisticated information systems, regulations and compliance functions that have been adopted by the Applicant are designed to ensure that Ontario Participants are adequately protected in accordance with international standards set by IOSCO.
- 1.6 The Applicant submits that an exemption from recognition is appropriate for LMAX Exchange because the Applicant is subject to regulation by the MAS and full regulation by the Commission would be duplicative and inefficient. The consequence of the Requested Relief not being granted would be loss of access to LMAX Exchange for the Ontario Participants which would reduce their access to liquidity and therefore Ontario capital markets will be disrupted if the Requested Relief is not granted.
- 1.7 Based on the foregoing, we submit that it would not be prejudicial to the public interest to grant the Requested Relief.

We have attached a certificate of verification signed by the Applicant as Appendix “A” and a draft of the Exemption Order for your consideration as Appendix “B”.

Payment of the filing fee of C\$20,000 has been provided.

If you have any questions concerning this application, please do not hesitate to contact Tim Phillips at [Tim.Phillips@blakes.com](mailto:Tim.Phillips@blakes.com).

Yours very truly,

(signed) “Tim Phillips”

cc: Hui Zhu, LMAX Pte. Ltd.  
Annabel Allum, LMAX Pte. Ltd.

APPENDIX "B"

Citation:

, 2024

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

AND

IN THE MATTER OF  
LMAX PTE. LTD.

ORDER

**WHEREAS** LMAX Pte. Ltd. (**Applicant**) has filed an application dated April 18, 2024 (Application) with the Ontario Securities Commission (**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 National Instrument 23-103 Electronic Trading and Direct Electronic Access to Marketplaces (NI 23-103) pursuant to section 10 of NI 23-103;

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

1. The Applicant is a private limited company incorporated under the laws of the Republic of Singapore and a wholly owned direct subsidiary of LMAX Exchange Group Limited, a private limited company incorporated under the laws of the Bailiwick of Jersey;
2. The Applicant has obtained recognition as a recognised market operator (**RMO**) from the Monetary Authority of Singapore (**MAS**);
3. The Applicant's current recognition as an RMO from the MAS, dated November 17, 2023, permits the Applicant to: (a) operate an organised market (**OM**) in respect of over-the-counter derivatives contracts (e.g., credit default swaps, interest rate swaps, foreign exchange derivatives, and commodity derivatives); and (b) in respect of participants in Singapore, make available its OM to Professional Investors, Accredited Investors and Expert Investors, as such terms are defined within the Applicant's RMO Recognition Letter and the *Singapore Securities and Futures Act 2001* (**SFA**);
4. The Applicant is the operator of an OM, operated under the trading name **LMAX Exchange**, that is regulated and authorised by the MAS to allow trading of foreign exchange non-deliverable forward contracts (**FX NDFs** or the **Ontario Market Instruments**);
5. The subject of this order is the trading system operated by LMAX Exchange that facilitates the placing and matching of transactions in Ontario Market Instruments;
6. The Applicant is subject to regulatory supervision by the MAS and is required to comply with applicable Singapore laws, subsidiary legislation, notices and guidelines issued by the MAS (collectively, the **Applicable Rules**), which include, 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 an OM), and (iii) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest). The MAS requires the Applicant to comply at all times with a set of threshold conditions for authorization and ongoing requirements, including requirements that the Applicant has sound business and controlled business operations and that it has appropriate resources for the activities it carries on. The Applicant is required to maintain a permanent and effective compliance function, which is headed by the Applicant's Compliance Officer. The Applicant's Compliance Department is responsible for implementing and maintaining adequate policies and procedures designed to ensure that the Applicant, its officers and all its employees comply with their obligations under the Applicable Rules;

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

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7. An OM is obliged under MAS rules to have requirements governing the conduct of participants, to monitor compliance with those requirements and report to the MAS (i) significant breaches of the rules in the LMAX Exchange RMO Rulebook (**RMO Rulebook**), (ii) disorderly trading conditions, and (iii) conduct that may involve market abuse. As required by the Applicable Rules, the Applicant has implemented a trade surveillance program. As part of the program and as required by the MAS, the Applicant's Compliance and Market Operations teams conduct market monitoring of trading activity on LMAX Exchange to identify disorderly trading and market abuse or anomalies. The trade surveillance program is designed to maintain a fair and orderly market for LMAX Exchange's participants;
8. The Applicant is not involved in, nor is it responsible for, settlement or clearing of FX NDFs and the counterparties to such trades make their own bilateral arrangements;
9. The Applicant requires that each of its participants incorporated or established in Singapore be an "institutional investor," "professional investor," "accredited investor" or "expert investor" as defined in the SFA. Each prospective participant must be of sufficient good repute; have sufficient levels of trading ability, competence and experience; and have adequate governance and organisational arrangements to oversee their trading;
10. All participants located in Ontario, including participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (**LEI**)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario Participants**) are required to be registered under Ontario securities laws, exempt from registration or not subject to registration requirements. An Ontario Participant is required to immediately notify the Applicant if it ceases to meet any of the above criteria represented by it on an ongoing basis. An Ontario Participant may be a bank member of LMAX Exchange or a direct market access client of a bank member;
11. The Applicant does not offer access to retail clients;
12. Because LMAX Exchange sets requirements for the conduct of its participants and surveils certain trading activity of its participants, it is considered by the Commission to be an exchange;
13. Because the Applicant seeks to provide Ontario Participants with direct access to trading the Ontario Market Instruments on LMAX Exchange in accordance with the Requested Relief, it is considered by the Commission to be carrying on business as an exchange in Ontario and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act;
14. The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described herein; and
15. The Applicant satisfies the exemption criteria as described in Appendix "I" to Schedule "A";

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

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

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

**AND WHEREAS** based on the Application, together with the representations made by and acknowledgments of the Applicant to the Commission, the Commission has determined that the Applicant satisfies the criteria set out in Appendix "I" to Schedule "A" and that the granting of the Requested Relief would not be prejudicial to the public interest;

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

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

**DATED** ●, 2024

“●”

●  
Ontario Securities Commission

**SCHEDULE "A"**  
**TERMS AND CONDITIONS**

**Meeting Criteria for Exemption**

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

**Regulation and Oversight of the Applicant**

2. The Applicant will maintain its recognition as a Recognised Market Operator (**RMO**) with the Monetary Authority of Singapore (**MAS**) to operate an organised market (**OM**) and will continue to be subject to the regulatory oversight of the MAS.
3. The Applicant will continue to comply with the ongoing requirements applicable to it as an RMO recognised by the MAS.
4. The Applicant will promptly notify the Commission if its recognition as an RMO has been revoked, suspended, or amended by the MAS, or the basis on which its recognition as an RMO has been granted has significantly changed.
5. 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 Ontario securities law.

**Access**

6. The Applicant will not provide direct access to a participant in Ontario including a participant with its headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (**LEI**)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario Participant**) unless the Ontario Participant is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.
7. For each Ontario Participant provided direct access to the Applicant's OM (whether as a bank member or as a direct market access client), the Applicant will require, as part of its application documentation or continued access to the OM, 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.
8. The Applicant may 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, provided the Applicant notifies such 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 OM.
9. The Applicant will require Ontario Participants 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 Participant and subject to applicable laws, the Applicant will promptly restrict the Ontario Participant's access to the Applicant's OM if the Ontario Participant is no longer appropriately registered or exempt from those requirements.

**Trading by Ontario Participants**

10. The Applicant will not provide access to an Ontario Participant to trading in products other than the Ontario Market Instruments set out in Representation 5, without prior Commission approval.
11. If the Applicant provides Ontario Participants access to cleared instruments, the Applicant must submit, or cause to be submitted, all trades that are required to be cleared to a clearing agency or clearing house that is regulated as a clearing agency or clearing house by the applicable regulator.

**Submission to Jurisdiction and Agent for Service**

12. 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.
13. The Applicant will maintain with the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, 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**

14. The Applicant will notify staff of the Commission promptly of:
- (a) any authorization to carry on business granted by the MAS 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 MAS where it is required to report such non-compliance to the MAS;
  - (e) any known investigations of, or disciplinary action against, the Applicant by the MAS or any other regulatory authority to which it is subject; and
  - (f) the Applicant makes any material change to the eligibility criteria for Ontario Participants.

### **Semi-Annual Reporting**

15. 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 Participants and whether the Ontario Participant is registered under Ontario securities laws 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 OM as customers of participants (**Other Ontario Participants**);
  - (b) the legal entity identifier assigned to each Ontario Participant, 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 Participants whom the Applicant has referred to the MAS, or, to the best of the Applicant's knowledge, whom have been disciplined by the MAS with respect to such Ontario Participants' activities on the Applicant's OM and the aggregate number of all participants referred to the MAS since the previous report by the Applicant;
  - (d) a list of all active investigations since the last report by the Applicant relating to Ontario Participants and the aggregate number of active investigations since the last report relating to all participants undertaken by the Applicant;
  - (e) a list of all Ontario applicants for status as a participant who were denied such status or access to the Applicant since the last report, together with the reasons for each such denial;
  - (f) for each product,
    - (i) the total trading volume and value originating from Ontario Participants, and, to the extent known by the Applicant, from Other Ontario Participants, presented on a per Ontario Participant or per Other Ontario Participant basis; and
    - (ii) the proportion of worldwide trading volume and value on the Applicant's OM conducted by Ontario Participants, and, to the extent known by the Applicant, by Other Ontario Participants, presented in the aggregate for such Ontario Participants and Other Ontario Participants;

provided in the required format.

### **Information Sharing**

16. 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.

**APPENDIX “I”**

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

**PART 1 REGULATION OF THE EXCHANGE**

**1.1 Regulation of the Exchange**

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

**1.2 Authority of the Foreign Regulator**

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

**PART 2 GOVERNANCE**

**2.1 Governance**

**The governance structure and governance arrangements of the exchange ensure:**

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

**2.2 Fitness**

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

**PART 3 REGULATION OF PRODUCTS**

**3.1 Review and Approval of Products**

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

**3.2 Product Specifications**

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

**3.3 Risks Associated with Trading Products**

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

## **PART 4 ACCESS**

### **4.1 Fair Access**

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

## **PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE**

### **5.1 Regulation**

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

## **PART 6 RULEMAKING**

### **6.1 Purpose of Rules**

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

## **PART 7 DUE PROCESS**

### **7.1 Due Process**

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



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

## **PART 8 CLEARING AND SETTLEMENT**

### **8.1 Clearing Arrangements**

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

### **8.2 Risk Management of Clearing House**

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

## **PART 9 SYSTEMS AND TECHNOLOGY**

### **9.1 Systems and Technology**

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

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

### **9.2 System Capability/Scalability**

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

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

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

### **9.3 Information Technology Risk Management Procedures**

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

## **PART 10 FINANCIAL VIABILITY**

### **10.1 Financial Viability**

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

## **PART 11 TRADING PRACTICES**

### **11.1 Trading Practices**

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

### **11.2 Orders**

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

### **11.3 Transparency**

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

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

### **12.1 Jurisdiction**

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

### **12.2 Member and Market Regulation**

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

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

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

## **PART 13 RECORD KEEPING**

### **13.1 Record Keeping**

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

## **PART 14 OUTSOURCING**

### **14.1 Outsourcing**

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

**PART 15 FEES**

**15.1 Fees**

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

**PART 16 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS**

**16.1 Information Sharing and Regulatory Cooperation**

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

**16.2 Oversight Arrangements**

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

**PART 17 IOSCO PRINCIPLES**

**17.1 IOSCO Principles**

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organization of Securities Commissions (IOSCO) including those set out in the “Principles for the Regulation and Supervision of Commodity Derivatives Markets” (2022).