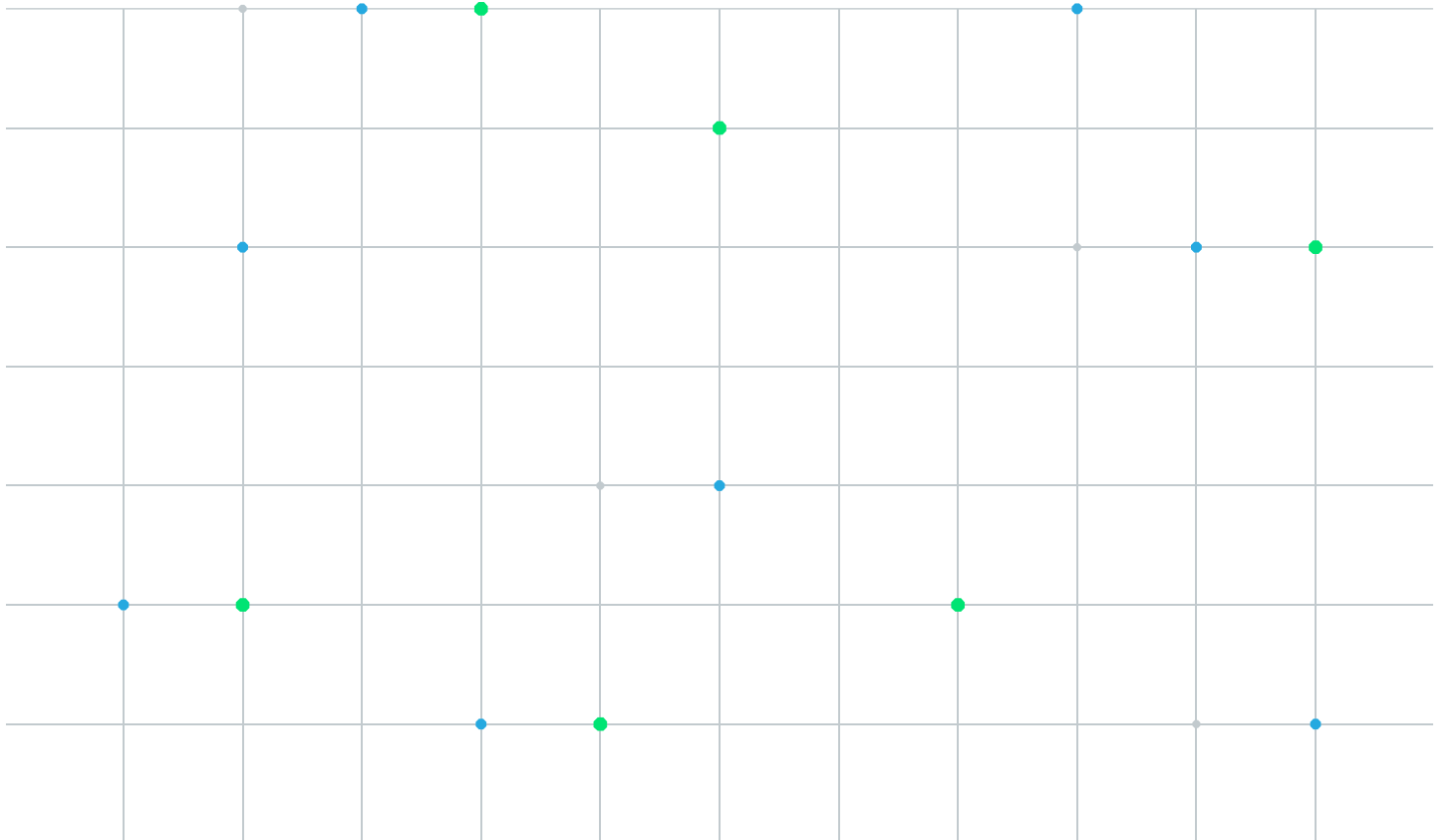


MTF Venue Pre-Trade and Post-trade Controls

EBS



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1. Introduction

MiFID II sets out requirements for MTF operators and members aimed at ensuring the orderly functioning of markets in normal, volatile and even disorderly conditions through Article 48 and associated Regulatory Technical Standards (RTS).

EBS offers clients a range of FX trading solutions in MiFID II financial instruments through the BrokerTec Europe LTD (BEL) MTF and the dual-regulated NEX SEF Limited (NEXS) SEF-MTF, which includes both manual and algorithmic trading.

| Entity | Market Segment | MIC | Product(s) | Trading Model |
|--------------------|----------------------|------|-----------------|---------------|
| NEX SEF Ltd | EBS Market | EBSM | NDF | CLOB |
| BEL | EBS Direct | EBSD | Fwd/Swap | Hybrid |
| BEL NEX SEF LTD | EBS Institutional | EBSI | FWD/Swap NDF | Hybrid |
| BEL | NEX Treasury | NEXY | Fwd/Swap | Hybrid |

As per RTS 7, EBS governs the use of its electronic order submission systems, both on EBS user interfaces and via Application Protocol Interface (API). The key elements of this control environment are:

- Pre-trade controls on price, value of orders and message transmission rates via API
- Post-trade controls on on unexecuted order to transaction ratios

This document describes the EBS control suite in operation across EBS venues.

2. EBSM Pre-Trade Controls

EBS Market offers anonymous, transparent, reliable price discovery and execution in Non-Deliverable Forwards (NDFs) across a range of Asian and Latin American currencies.

2.1. Price controls

2.1.1. Price Check AI

AI customers have several price check validations which are on (“Y”) by default, however, can be turned off (“N”) by the users via the logon response message. Hardcoded parameters such as X-Pips are hardcoded and cannot be controlled by the user.

| Control | Optional (Y/N) |
|----------------------|----------------|
| LargeDifferenceCheck | Y |
| PriceCheck | Y |
| WideSpreadCheck | Y |
| X-pips | N |

- **LargeDifferenceCheck:** The AI server will reject a bid/offer price that varies (higher or lower) from the current Dealable Best bid/offer by more than the large difference pips for the currency pair. The default setting is “Y”. The Large Difference value is set and hard coded by the MTF per pair.
- **PriceCheck:** If “Y” when submitting a bid/offer, a check is performed to determine if the price is inverted. If “Y”, orders with inverted prices are rejected (bid is greater than offer and vice versa). If “N”, and the order deviates from the market price by more than the X-Pips amount, the order is rejected. The default setting is “Y”. The X-Pips value is set per pair and hard coded by the MTF.
- **WideSpreadCheck:** If “Y”, the AI server ensures that a bid price less than the current Dealable Best Offer by more than the wide spread pips is rejected, and an offer that exceeds the current dealable Best Bid by more than the wide spread pips is rejected. If “N”, no restriction is in effect and the order is accepted. The default setting is “Y”. The Wide Spread value is set and hard coded by the MTF per pair.
- **X-Pips:** Prevents the user submitting a Bid/Offer greater than the X-pips value through the other side best. The X-Pips value is stated per pair and hardcoded by the MTF and is not controlled by the customer. This parameter systematically prevents a GTC order being submitted that breaches the coded values.

2.1.2. Price Check Manual

Manual customers have several price check validations / warnings, some of which are enabled by the users. Hardcoded parameters such as X-Pips are hardcoded and cannot be controlled by the user.

| Control | Optional (Y/N) |
|-----------------------|----------------|
| Large Difference | N |
| Check Rate | N |
| Wide Spread | Y |
| Bid > Dealeable Offer | Y |
| X-pips | N |

- **Large Difference:** The GUI will provide a warning warning on the order request panel stating 'Large Difference' if the user attempts to enter an order which varies from the current Dealeable Best bid / offer. The user can enter this order by clicking or pressing the 'SEND' button a second time following the warning.
- **Check Rate:** The GUI will provide a warning when the market rate and the Bid/Offer pips entered by the user varies by more than the Check Rate pips. The Check Rate value is set per pair and hard coded by the MTF. The user can enter this order by clicking or pressing the 'SEND' button a second time following the warning.
- **Wide Spread:** The GUI will provide a warning when:
 - (Bid Side) The difference between the EBS Market Bid and the submitted Bid price is greater than the Wide Spread pips.
 - (Offer Side) The difference between the EBS Market Offer and the submitted Offer price is greater than the Wide Spread pips.

The Wide Spread value is set per pair and hard coded by the MTF. The user can enter this order by clicking or pressing the 'SEND' button a second time following the warning.

2.2. Value Controls

2.2.1. Order Size Limits

EBS Market validates order submissions prior to their release to the matching engine.

- The minimum and maximum trade sizes are set per and hard coded by the MTF.
- Order value minimums are market specific and set-out in the "EBS Market – Guide to Pair Parameters" which can be requested through EBS Customer Support.

2.3. Message Transmission Controls

2.3.1. Order Throttle

Ai

- EBS Market on a per Ai session basis, enforces a throughput limit, defined as the number of new orders per rolling 5 seconds and the number of maximum active orders.
- If the clients reaches this threshold then new order submissions will be rejected.
- Cancellation requests of existing orders will still be permitted.
- The current Ai servers allow up to 3 sessions per server.

Manual

- The GUI does not have a systematically enforced throughput limit.

2.4. Minimum Quote Life

Ai

- A 'minimum quote life' (MQL) is enforced for selected pairs and is applied at the Ai server.
- Both cancellation and order amend requests are subject to the (MQL) value.
- If a client submits a cancellation for a quote pre the MQL expiry period, that order will be held at the Ai server until its expiry.
- The MQL values are specified on a per pair basis in the "EBS Market – Guide to Pair Parameters" which can be requested through EBS Customer Support.
- The MQL values can be customised per Ai session and thus per client.

2.5. Counterparty Controls

2.5.1. Self-Match Prevention

- Intra-floor dealing (IFD) is a parameter available on a per floor code basis which is disabled prevents two Trader ID's under that floor code from trading with one another. If the value is enabled then this will be permitted.
- IFD can be permissioned by the EBS Customer Support team.

2.5.2. Counterparty Restrictions

- The GUI will display a white price if the Best Bid/Offer available has been submitted by a user from the same floor code.
- Prices from counterparties which do not have a bilateral credit relationship with the user will not be shown on the GUI, unless that price is features as the EBS Best bid or offer above the creditscreened prices.
- Members are required to maintain their own credit counterparty matrices through the Trading Floor Administrator utility.

2.6. Access Suspension

- In situations where EBS considers a member's activity to be contributing to disorderly markets, EBS may suspend that members access to EBS Market.
- EBS may also be instructed by its Competent Authority, the FCA, or another relevant regulator to suspend a member's access.

3. EBS Market Post-Trade Controls

3.1. Unexecuted Order to Transaction Ratio

As per RTS9, EBS calculates Unexecuted Order to Transaction Ratios specified in both volume terms and in number terms:

- Volume terms: (Total volume of orders/Total volume of transactions) - 1
- Number terms: (Total number of orders/Total number of transactions) - 1

As per the Rulebook – see www.nexmarkets.com/products-and-services/legal-documentationregulation/ebs-rulebooks - EBS places limits on these ratios, which can be changed at our discretion over time and members will be notified by Market Notice. For the current limits in please see <https://www.nexmarkets.com/products-and-services/market-regulation/rulebooks/ebs>.

The ratios are calculated on an EOD basis and EBS has automated monitoring in place to identify breaches, which result in a sanctions process.

3.1. Other Fill Ratios

EBS may calculate and monitor other fill ratios to promote the orderly functioning of its markets. These would also be communicated by Market Notice.

Currently EBS Market operates NDF Quote Fill Thresholds calculated over a rolling four week interval as follows:

- Volume of Good Till Cancelled (“GTC”) orders traded in USD millions / Number of GTC orders submitted

During any rolling 4 week calculation window, EBS will inform participants if they are not meeting the fill ratio thresholds. Following this notification, the participant will be given a two week warning period to bring their fill ratios into compliance with the thresholds. After the warning period, should the participant fail to meet the established fill ratio requirement for the currency pair, this would be deemed to be disruptive behaviour. Participants will be formally notified that their behaviour has been flagged as disruptive and instructed to desist trading within 24 hours via API in that currency pair for all timezones for a period of two weeks, after which they may resume trading.

4. EBS Direct Pre-Trade Controls

EBS Direct is NEX Markets' relationship based FX trading platform where Liquidity Consumers (LCs) choose from a full range of bank and non-bank Liquidity Providers (LPs) to create tailored liquidity pools.

4.1. Price Controls

4.1.1. Price Check

- EBS Direct Liquidity Consumers (LCs) can set their own price warnings per currency pair on the Yuniti interface – Wide Spread, Large Difference
- EBS has price inversion protection for Liquidity Providers (LPs)

4.2. Value Controls

4.2.1. Order Size Limits

- EBS Direct only accepts orders submitted at or above minimum order values for an instrument
- EBS Workstation users can only submit orders up to a maximum in NDFs all timezones for a period of two weeks, after which they may resume trading.

| Control | Minimum (million) | Maximum *(million) | Type |
|-------------------|-------------------|--------------------|--------|
| NDF | 0.1 | 99 | Static |
| Swaps & Outrights | 1.0 | 999,000 | Static |

- Order value minimums are market specific and set-out in the “EBS Direct – Guide to Pair Parameters” which can be requested through EBS Customer Support.
- LCs can set their own maximum order size warnings per currency pair on the Yuniti interface

4.3. Message Transmission Controls

4.3.1. Order Throttle

- EBSD has a quote throttle for LPs after which they may resume trading.

4.4. Counterparty Controls

4.4.1. Self-Match Prevention

- Interfloor matching is not permitted on EBSD.

4.4.2. Counterparty Restrictions

- EBSD LPs must be selected and mapped by LCs before a trade request can take place.

5. EBS Direct Post-Trade Controls

5.1. Unexecuted Order to Transaction Ratio

As per RTS9, EBS calculates Unexecuted Order to Transaction Ratios specified in both volume terms and in number terms:

- Volume terms: (Total volume of orders/Total volume of transactions) - 1
- Number terms: (Total number of orders/Total number of transactions) - 1

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The ratios are calculated on an EOD basis and EBS has automated monitoring in place to identify breaches, which result in a sanctions process.

5.2. Other Fill Ratios

EBS may calculate and monitor other fill ratios to promote the orderly functioning of its markets. These would also be communicated by Market Notice.

6. EBS Institutional Pre-Trade Controls

EBS Institutional is NEX Markets high-performance FX workflow solution specifically catering to the unique challenges of asset managers.

6.1. Price Controls

6.1.1. Price Check

- EBS Institutional has no price limits

6.2. Value Controls

6.2.1. Order Size Limits

- EBS Institutional has no order size minimums or maximums
- “Parent” order blocks can be in billions of base currency and “Child” orders for individual fund LEIs can be sub-\$1,000.

6.3. Message Transmission Controls

6.3.1. Order Throttle

- EBS Institutional has no message throttles

6.4. Counterparty Controls

6.4.1. Self-Match Prevention

- Interfloor matching is not permitted on EBS Institutional

6.4.2. Counterparty Restrictions

- EBS Institutional LPs must be selected and mapped by LCs before a trade request can take place

7. EBS Institutional Post-Trade Controls

7.1. Unexecuted Order to Transaction Ratio

As per RTS9, EBS calculates Unexecuted Order to Transaction Ratios specified in both volume terms and in number terms:

- Volume terms: $(\text{Total volume of orders} / \text{Total volume of transactions}) - 1$
- Number terms: $(\text{Total number of orders} / \text{Total number of transactions}) - 1$

As per the Rulebook – see www.nexmarkets.com/products-and-services/legal-documentationregulation/ebs-rulebooks - EBS places limits on these ratios, which can be changed at our discretion over time and members will be notified by Market Notice. For the current limits in please see <https://www.nexmarkets.com/products-and-services/market-regulation/rulebooks/ebs>

The ratios are calculated on an EOD basis and EBS has automated monitoring in place to identify breaches, which result in a sanctions process.

7.2. Other Fill Ratios

EBS may calculate and monitor other fill ratios to promote the orderly functioning of its markets. These would also be communicated by Market Notice.

8. NEX Treasury FX Pre & Post-Trade Controls

NEX Treasury provides a transparent trading community for FX pricing in spot, forwards and swaps, based on EBS Direct trading connectivity and protocols.

See Section 4: EBSD Pre-Trade Controls and Section 5 EBSD Post-Trade Controls



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