



# Rulebook

Version 1.2 (May 2009)

## **Contents**

<b>1</b>	<b>INTRODUCTION</b>	<b>1</b>
<b>2</b>	<b>DEFINITIONS</b>	<b>3</b>
<b>3</b>	<b>GENERAL</b>	<b>10</b>
<b>4</b>	<b>PARTICIPATION</b>	<b>13</b>
<b>5</b>	<b>TRADING</b>	<b>18</b>
<b>6</b>	<b>CLEARING AND SETTLEMENT</b>	<b>25</b>
<b>7</b>	<b>COMPLIANCE</b>	<b>26</b>
<b>8</b>	<b>INVESTIGATIONS AND SANCTIONS</b>	<b>29</b>

## 1 INTRODUCTION

- 1.1 **Introduction.** These Rules are published by NASDAQ OMX Europe Limited. The Operator has been established to operate and administer an electronic System for trading in Securities. The Rules govern access to the Market and use of the Operator's System and trading by the Participants.
- 1.2 **Trading Procedures.** The Trading Procedures set out further detail on the matters referenced in the Rules and are available on the Operator's secure website at <http://www.nasdaqomxeurope.com>.
- 1.3 **Participant Agreement.** Use of the System is subject to the terms of the Participant Agreement.
- 1.4 **Relationship with other Documentation.** These Rules prevail over any other document entered into or notice (subject to Rule 1.5 (*Rule changes*)) or guidance (whether oral or written) issued by the Operator. If there is a conflict between the Participant Agreement and these Rules, the Rules shall govern.
- 1.5 **Rule changes.** The Operator may make changes to the Rules and will advise all Participants of any changes by sending an email to their Designated Representative(s) and by issuing a Market Notice. Changes to the Rules shall become effective at the time stated in the Market Notice, and the Operator will use best endeavours to give reasonable notice of all Rule changes.
- 1.6 **Clearing and settlement.** The CCP will administer the clearing and settling of Trades on the Market and its rules (see <http://www.euromcf.nl/>) will govern clearing and settlement in addition to Chapter 6 (*CLEARING AND SETTLEMENT*) of these Rules.

## 2 DEFINITIONS

In these Rules:

**Affiliate**, in relation to a person, means an undertaking in the same Group as that person.

**Application Form** means the application form the Operator requires applicants for participation in the Market to complete.

**Authorised** means entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State to operate in the financial markets without reference to a Directive and entities authorised or regulated to operate in the financial markets by a non-Member State, and **Authorisation** and other derivatives shall have the same meaning.

**Authorised Personnel** means Trading Representatives and Designated Representatives.

**Away Market** means any other Regulated Market or MTF on which the Securities are traded and designated by the Operator in its Trading Procedures at that time.

**BBO** means the Best Bid and Offer on the Market as determined by the Operator at that time for the particular Security.

**BCD** means the Banking Consolidation Directive, relating to the taking up and pursuit of the business of credit institutions, as recast by the Capital Requirement Directive, Directive 2006/48/EC.

**Business Day** means every weekday of the year other than the UK public holidays and any other day designated by the Operator in the Trading Procedures.

**CCP** means European Multilateral Clearing Facility N.V. and any other central clearing counterparty approved by the Operator.

**Clearing Participant** means a clearing participant of the CCP.

**Client** means a client of a Participant.

**Criteria for Participation** means the criteria for participation in the Market set out in Rule 4.1 (*Criteria for Participation in the Market*).

**Designated Representative** means a director, officer or other relevant employee registered with the Operator by the Participant, who has, either alone or with others, overall responsibility for liaison with the Operator and the conduct of the Participant's business on the Market.

**DMA** means direct market access.

**DMA Client** means a Client of a Participant who has been granted direct market access to the System by the Participant under an agreement between the Client and the Participant.

**Directive** means MiFID or the BCD.

**Displayed Order** means an Order with the fields required in the Trading Procedures that can be displayed in the System.

**Documentation** means the Rules, the Trading Procedures, the Market Data Conditions, the Participant Agreement, other system documentation, and any Market Notice, notice, order, guidance or other procedures issued or implemented by the Operator from time to time and accordingly notified to the Participant.

**EBBO** means the European Best Bid and Offer as determined by the Operator at that time for the particular Security.

**Emergency Circumstance** means any of the circumstances outlined in Rule 5.20 (*Suspension of trading – Emergency Circumstance*).

**Executive Panel** means the panel constituted under Rule 8.9 (*Executive Panel*) to deal with disciplinary matters.

**Fee** means any fee, charge or levy to be paid by a Participant to the Operator pursuant to Documentation.

**Fee Schedule** means the Operators schedule of Fees, as may be amended from time to time by way of a Market Notice.

**Firm** means a corporation, partnership, association, sole proprietorship or other legal entity, but not a natural person.

**FSA** means the UK Financial Services Authority.

**FSA Handbook** means the FSA's Handbook of rules and guidance.

**FSMA** means the Financial Services and Markets Act 2000 and any rules, regulations and guidance published under the FSMA, including the FSA Handbook.

**Force Majeure** means circumstances beyond the Operator's reasonable control, including (but without limitation) war, insurrection, riots, civil or military conflict, sabotage, labour unrest, strike, lock-out, fire, water damage, act of God, accident, explosion, mechanical breakdown, failure of computer or communications equipment, and interruption of power supplies.

**Group** has the meaning set out in section 421 of the FSMA.

**Iceberg Order** has the meaning set out in the Trading Procedures.

**Loss** means loss, delay, damage or injury (including any indirect or consequential loss whatsoever, economic loss, loss of opportunity for profit or loss of data), whether it could have been foreseen or not.

**Market** means the Operator's electronic system for the trading in Securities, comprising, amongst others, the System and the provision of notices, trade and other data and information.

**Market Abuse** has the meaning set out in Part VIII of the FSMA, as supplemented by relevant provisions of the FSA Handbook.

**Market Notice** means a notice given to Participants or Authorised Personnel in accordance with these Rules.

**Member State** means a member state of the European Economic Area.

**MiFID** means the Markets in Financial Instruments Directive, Directive 2004/39/EC.

**MiFID Regulation** means Regulation 1287/2006/EC.

**MTF** has the meaning set out in MiFID Art. 4.15.

**NEURO Dark** is the Operator's electronic system for matching Non-displayed Orders on a continuous basis using the criteria set out in the Trading Procedures.

**Non-displayed Order** is an Order that is not displayed to any Participant other than the one who entered it into the System and the Operator itself.

**Opening Hours** means the hours that the Market is open for business, as specified in the Trading Procedures.

**Operator** means NASDAQ OMX Europe Limited.

**Order** means any order within the parameters set out in Chapter 5 (*TRADING*) which has been entered into the System but has not been filled or cancelled.

**Participant** means any Firm admitted as a participant by the Operator, whose participation has not been terminated, and is subject to the Rules and other Documentation.

**Participant Agreement** means the agreement entered into between the Operator and the Participant.

**Pegged Order** means an Order to buy or sell a Security at a price relative to the BBO or the EBBO.

**Price Sensitive Information** means information which is not public knowledge which may lead to substantial movements in the price of any Security.

**Procedures** means any of the procedures issued by the Operator pursuant to these Rules.

**PTM Levy** means the levy (if any) payable to the UK Panel on Takeovers and Mergers.

**Regulated Market** has the meaning set out in MiFID Art. 4.14.

**Regulatory Authority** means any department, agency, office or tribunal of a nation or state or a supranational organisation, body or authority or any other person, body or authority which regulates or supervises the services or activities of the Operator in any EEA nation or state.

**Regulatory Panel** means the panel constituted under Rule 8.14 (*Regulatory Panel*) to hear appeals from decisions of the Operator's compliance department or the Executive Panel.

**Rules** means the rules set out in this document, as amended by the Operator from time to time.

**SCAN Order Routing Strategy** means a reactive routing strategy whereby Orders will be routed to an Away Market to match the EBBO once only and if unfilled will be submitted to the Operator's System or any other order routing strategy with the same functionality offered by the Operator from time to time.

**Security or Securities** means each of the shares or other securities traded on the Market from time to time as listed in the Trading Procedures.

**SOR or Smart Order Routing** means the functionality in the Operator's System whereby Orders can be routed through the SOR Broker to Away Markets to match the EBBO.

**SOR Broker** means any Authorised entity appointed by the Operator for the purpose of SOR who will be a Participant and a member of any or all of the Away Markets.

**SOR Terms and Conditions** means the SOR Broker's terms and conditions for Smart Order Routing.

**STGY Order Routing Strategy** means a reactive routing strategy whereby an Order will be routed to an Away Market to match the EBBO until it is filled or any other order routing strategy with the same functionality offered by the Operator from time to time.

**System** means the Operator's electronic system for order-driven trading.

**Trade** means transactions in Securities effected on the Market by Participants.

**Trading Procedures** means the Operator's trading procedures setting out further information and requirements for using the Operator's System, as may be amended from time to time.

**Trading Representative** means a person who is authorised by the Participant to access the System on behalf of the Participant and to trade on the Market.

### 3 GENERAL

3.1 **Spirit of the Rules.** These Rules shall at all times be observed, interpreted and given effect in such a way to promote and maintain the following objectives:

- (a) the good reputation of the Operator, the Market and the Participants;
- (b) a fair and orderly market with high standards of integrity;
- (c) protecting investors; and
- (d) compliance by Participants with the rules of applicable Regulatory Authorities.

Where there is no express provision in these Rules governing a matter, the Operator shall take reasonable steps to regulate the conduct of business on its Market, in accordance with these objectives.

3.2 **Compliance with Documentation.** A Participant must at all times comply with the Documentation while it remains a Participant in the Market and for a period of the later of:

- (a) 12 months after termination of its participation; or
- (b) until such time as all Trades in its name having been settled and completed and the Participant has no outstanding debts to the Operator or other Participants.

3.3 **Compliance with all applicable laws.** A Participant and its Authorised Personnel shall at all times comply with all applicable laws (including taxation laws) rules, regulations, procedures, directions and instructions of any Regulatory Authority or other authority (including any other Regulated Market, MTF or clearing house) that apply to the conduct of the Participant's business on the Market. A Participant and its Authorised Personnel shall not engage in any conduct which is likely to bring the Operator or the Market into disrepute.

3.4 **Obligations of DMA Clients.** A Participant shall require that its DMA Clients will at all times comply with all applicable laws, rules and regulations and the Rules of the Operator.

3.5 **Systems and controls.** Participants must maintain adequate systems and controls to ensure that their business in respect of the Market is conducted at all times in accordance with these Rules.

3.6 **Provisions relating to Trade taxes.** A Participant shall at all times comply with all applicable laws regarding the reporting of such Trades and the collection, reporting and payment of stamp duty reserve tax (as defined in the UK Finance Act 1986) and other taxes on Trades. A Participant shall be solely responsible for applying for any exemptions from liability for stamp duty reserve tax.

3.7 **Responsibility for personnel.** A Participant is responsible for the conduct, errors, acts and omissions of all its personnel (whether or not they are Authorised Personnel) in relation to any business conducted on the Market, as if such conduct, errors, acts and omissions were that of the Participant.

3.8 **Training of staff.** A Participant shall have adequate arrangements to ensure that all staff involved in the conduct of business on the Market (who may or may not be Authorised Personnel) are suitable, adequately trained and properly supervised.

3.9 **Legal effect of the Documentation.** The illegality or invalidity of any provision of the Documentation under the laws of any jurisdiction shall not affect the legality or validity of any other provision, nor shall it affect the legality or validity of the Documentation under the laws of any other jurisdiction.

- 3.10 **Waivers.** Any failure or delay by the Operator or a Participant in exercising a right or remedy provided by the Documentation shall not constitute a waiver of the right or remedy or other rights or remedies of the Operator or that Participant. A single or partial exercise of any such right or remedy by the Operator or a Participant shall not preclude a further exercise of the right or remedy or the exercise of another right or remedy by the Operator or that Participant.
- 3.11 **Rights and remedies cumulative.** Except where the Documentation provides otherwise, the rights or remedies contained in the Documentation are cumulative and not exclusive of rights or remedies provided by law.
- 3.12 **Enforcement.** Except where the Rules provide otherwise, no person other than the Operator or a Participant shall have any right under the Contracts (Rights of Third Parties) Act 1999 or otherwise to enforce any term of the Rules.
- 3.13 **Governing law.** The Rules and other Documentation shall be governed by and construed in accordance with English law.

## 4 PARTICIPATION

4.1 **Criteria for Participation in the Market.** A Firm applying to participate must:

- (a) be fit and proper;
- (b) be Authorised in each country from which it proposes to carry on business on the Market and have all necessary regulatory licences, authorisations, permissions and consents or be properly exempt from such requirements to be Authorised;
- (c) have financial resources which are the higher of (i) the financial resources requirements determined from time to time by the Operator; and (ii) the financial resources requirements of its Regulatory Authority (or each of its Regulatory Authorities);
- (d) have adequate arrangements in place for the clearing and settlement of all Trades entered into on the Market, via a Clearing Participant of, or directly with, a CCP;
- (e) provide, upon request, such evidence of the experience and competence of each Trading Representative it intends to grant access to the System and to trade on the Market; and
- (f) meet such technical and systems requirements necessary for use of the System and to comply with the Rules as may be prescribed by the Operator from time to time, including, without limitation, in relation to its risk management procedures and systems and the security of its technical system.

4.2 **Evidence.** An applicant must demonstrate that it meets the Criteria for Participation at the time of application, and on an ongoing basis once it becomes a Participant. The Operator may require an applicant or Participant to provide such evidence as it reasonably deems appropriate.

4.3 **Application.** An applicant shall:

- (a) complete and sign the Application Form and Participant Agreement; and
- (b) provide any other information in the form that the Operator may from time to time reasonably require.

The Operator may prescribe a form of Participant Agreement that is specific to applicants from one or more jurisdictions and may from time to time vary the information and form in which the information is to be provided under this Rule 4.3.

4.4 **Accuracy of information.** An applicant for participation shall take all reasonable steps to ensure that all information and documents provided to the Operator under these Rules, any information or documents provided to the CCP from time to time under any CCP rule, any information or documents provided to the SOR Broker from time to time under the SOR Terms and Conditions or any information or documents provided pursuant to a request or direction made by the Operator or the CCP or the SOR Broker are complete, fair and accurate or, in the case of financial statements, give a true and fair view.

4.5 **Confidentiality.** The Operator shall keep confidential all information received and obtained under the Rules, subject to such disclosure as is required to ensure compliance with all applicable laws, regulations and rules and, in particular, to ensure the maintenance of its permission to operate an MTF under the FSMA.

4.6 **Approval of applications.** The Operator will determine whether an applicant is eligible for participation, and meets the Criteria for Participation. The Operator may make inquiries or require the applicant to verify the information it submits. As a condition of approval of an

application, the Operator may require the applicant to submit additional financial or other information reasonably required to determine eligibility.

- 4.7 **Designated Representatives.** A Participant must register at least one person with the Operator as a Designated Representative. That person may also be a Trading Representative. A person may only be registered as a Designated Representative to one Participant at any one time, except where the Participants are members of the same Group.
- 4.8 **Usernames and passwords.** Each Participant who submits a port request form will be assigned a username and password to access the System. A separate username and password will be assigned per port requested. A Participant shall be liable for all activity resulting from the use of such usernames and passwords. A Participant shall be responsible for any access obtained to, and all Orders submitted to, the Market, and Trades matched in the System in its name to the point at which the Participant has notified the Operator in accordance with Rule 4.9 (*Unauthorised use of usernames and passwords*) and the Operator has had a reasonable time to react to such notification. A Participant shall be bound by all such Orders and Trades, regardless of whether or not they were authorised by the Participant.
- 4.9 **Unauthorised use of usernames and passwords.** A Participant must notify the Operator immediately, in accordance with the Trading Procedures, once it becomes aware of:
- (a) any unauthorised disclosure or use of any password assigned to it;
  - (b) any unauthorised access to the System; or
  - (c) the need to deactivate any password assigned to it.
- 4.10 **Direct market access.** Participants may allow their Clients direct access to the System by allocating or providing one or more usernames and passwords to their Clients, subject to Rule 4.8 (*Usernames and passwords*) and Rule 3.4 (*Obligations of DMA Clients*). A Participant shall be responsible for any access obtained to, and all Orders submitted to, the Market by its Clients, and Trades resulting from those Orders. A Participant shall be bound by all such Orders and Trades, regardless of whether or not they were authorised by the Participant.
- 4.11 **Participant to monitor use of the System.** A Participant must ensure that it has adequate systems and controls in place:
- (a) to monitor trading associated with the usernames and passwords assigned by the Operator, including those allocated or provided to DMA Clients by the Participant; and
  - (b) to comply with all applicable laws, rules and regulations and the Rules of the Operator.
- 4.12 **Ability to request information.** A Participant who provides DMA to a Client shall, on the Operator's request, provide the Operator with enough information to determine whether particular Orders or Trades were undertaken by the Participant itself or by one or more DMA Clients. The Operator may pass these details to the FSA and any other Regulatory Authority.
- 4.13 **Deactivating username and password.** The Operator may deactivate a username and password:
- (a) if asked to do so by a Participant's Designated Representative;
  - (b) if a Participant's right to participate in the Market has been suspended, revoked or terminated by the Operator or the Participant;
  - (c) if the Participant has breached the Rules; or
  - (d) to preserve the integrity of the Market.

- 4.14 **PTM Levy.** A Participant must pay the appropriate PTM Levy for itself and for its Clients. Each Participant must assess whether and at what rate the PTM Levy is payable on any of its Trades on the Market, or on its trading executed through any other Regulated Market, MTF or over the counter.
- 4.15 **Changes in contact details.** A Participant shall notify the Operator in writing, giving at least 14 days advance notice (where possible), of any of the following:
- (a) a change of name of the Participant;
  - (b) if the Participant is a company, changes in the officers, directors or senior managers of the company previously notified to the Operator;
  - (c) any change of contact details;
  - (d) any change in the Participant's Designated Representatives; or
  - (e) any other material changes in the Participant's organisation, financial situation, or ownership.
- 4.16 **Termination by Participant.** A Participant may terminate its participation upon 15 days written notice, whereupon the participation shall terminate on the last day of a month. All Trades to which the Participant is a party must be delivered, settled and, where relevant, cleared, and all Orders must be cancelled at the date of termination.

## 5 TRADING

- 5.1 **Access.** Participants may submit Orders to the System to buy and sell Securities in accordance with the Rules. Participants are required to have adequate systems and controls in place to ensure that those Authorised Personnel and DMA Clients who submit Orders to the System do so in accordance with the Documentation.
- 5.2 **Smart Order Routing.** Orders for certain Securities may be routed through the SOR Broker to any Away Market for those Securities, if the Participant has elected that it may be routed away. The Operator will list the Securities and Order types for which SOR is available in the Trading Procedures.
- 5.3 **Orders are firm.** Unless otherwise provided for by these Rules, Orders submitted to the System are binding on the Participant in whose name they have been submitted, until such time as they are cancelled or executed.
- 5.4 **Orders.** An Order will not be accepted for execution on the Market unless it includes the following details:
- (a) Security, size and price;
  - (b) purchase or sale;
  - (c) time in force;
  - (d) Displayed Order or Non-displayed Order;
  - (e) the Participants identifier as provided to the Participant by the Operator;
  - (f) whether the Participant is trading for own account, or trading for the account of Clients; and
  - (g) any other information specified by the Operator as set out and under the Trading Procedures from time to time. If the Participant wishes the Order to be routed to an Away Market, it must choose SOR. If the Participant does not elect SOR, the Order will be matched in the Operator's System.
- 5.5 **Corporate actions.** When submitting Orders, Participants must ensure that the prices they submit take into account any corporate actions in respect of the relevant Security.
- 5.6 **Order visibility.** Participants must specify whether the Orders are Displayed, Non-displayed or Iceberg Orders. Except in the case of an Order that qualifies for, and is entered into NEURO Dark, all Orders, regardless of visibility, shall be contained in the same order book within the System and may be matched with each other.
- 5.7 **Iceberg Orders.** Participants submitting an Iceberg Order must define what portion of the Order will be displayed in the order book. The displayed portion must be greater than zero. The displayed portion will be matched first. Once a displayed portion has been matched, another portion of the non-displayed portion will be displayed, and so on, until the whole Order has been matched or is cancelled.
- 5.8 **Non-displayed Orders.** An Order for shares may not be displayed if it is large in scale compared to the normal market size for the share in question. An Order is large in scale if it is equal to or larger than the minimum size of Order specified in Table 2 of Annex II of the MiFID Regulation. An Order that qualifies for, and is entered into NEURO Dark will not be displayed.
- 5.9 **Non-compliant Non-displayed Orders.** The System will reject or the Operator may cancel any Non-displayed Order that does not comply with Rule 5.8 (*Non-displayed Orders*).

- 5.10 **Pegged Orders.** Participants may peg the price of an Order to the same side, or the opposite side, of the EBBO spread, or to the midpoint of the EBBO spread in accordance with the Trading Procedures. Pegged Orders will only be accepted once the Operator calculates the EBBO for the relevant Security.
- 5.11 **Trading sessions.** Orders for Securities may only be submitted to the System during Opening Hours. During Opening Hours, the System shall match buy and sell Orders in accordance with a trading algorithm on a continuous basis using the criteria set out in the Trading Procedures.
- 5.12 **European Best Bid and Offer and Best Bid and Offer.** The Operator shall calculate an EBBO for such Securities, and in accordance with such method, as it determines under the Trading Procedures. The Operator shall also calculate a BBO for all Securities traded on the Market.
- 5.13 **Order matching – Smart Order Routing.** If a Participant has elected SOR, and the Order is marketable on an Away Market based on the European best bid or offer, the System will route the Participant's buy or sell Order through the SOR Broker to a relevant Away Market with the European best bid or offer (as the case may be) for the relevant Security. If only part of the Participant's Order is matched to that EBBO, the System will route the rest of the Order to the market (the Market or an Away Market) with the next best bid or offer. Orders that have not been routed away will be added to the Operator's order book. Once an SOR Order is resting in the order book, it will only be routed through the SOR Broker to a relevant Away Market with the European best bid or offer (as the case may be) for the relevant Security if:
- (a) the Order is marketable based on the EBBO; and
  - (b) the Participant is using the STGY rather than the SCAN Routing Strategy.
- 5.14 **Tick sizes.** The Operator may stipulate tick sizes for each Security, and may amend these from time to time in accordance with the Trading Procedures.
- 5.15 **Orders not carried overnight.** The Operator will, at the end of each trading session, cancel all Orders in its order book.
- 5.16 **Errors – systems and controls.** Participants shall maintain appropriate systems and controls to limit errors by their Authorised Personnel and DMA Clients. The Operator may ask a Participant to explain the reason for submitting an error, and may take action in accordance with Rule 8.5 (*Sanctions - Participants*) and Rule 8.6 (*Sanctions – Authorised Personnel*) if it is not satisfied with the Participant's explanation.
- 5.17 **Errors – cancellation of Orders.** In accordance with the Trading Procedures, Participants may ask the Operator to cancel Orders, explaining what the mistake was and why the Order should be cancelled. The Operator will investigate any Orders that are clearly erroneous. The Operator reserves the right to cancel any Order at its absolute discretion.
- 5.18 **Cancellation or reversal of Trades.** If a Participant submits an Order in error, but that Order is matched before it is cancelled, the Participant may, in accordance with the Trading Procedures, ask the Operator to cancel or reverse the Trade providing the other Participant party to the Trade agrees. A Participant is under no obligation to agree to the cancellation or reversal of an executed Trade.
- 5.19 **Trade formation.** A Trade between the buying and selling Participant shall arise in respect of each Order, or part of an Order matched in the System. The CCP shall become party to two matching Trades with the Clearing Participants of the buyer and the seller in accordance with the CCP's rules.
- 5.20 **Suspension of trading – Emergency Circumstance.** The Operator may suspend trading in any or all Securities for such period as the Operator thinks fit:

- (a) to preserve an orderly or proper market in such Securities; or
- (b) if it detects any activity which in its opinion amounts to Market Abuse; or
- (c) if the Securities are suspended from trading on the relevant Regulated Market; or
- (d) if any event or series of events occurs which prevents or threatens to prevent the operation of the Market; or
- (e) if any part of the System malfunctions or fails to operate; or
- (f) if any part of any communication system (including any part of the internet, or intranet) linking parts of the System or Participants or other persons routinely linked to the System malfunctions, is subject to a material degradation of service, or fails; or
- (g) if the relevant CCP or payment or settlement system provider fails; or
- (h) if required to do so by the FSA; or
- (i) if an event constituting Force Majeure occurs.

5.21 **Extension of trading.** Where the Operator has suspended trading for any period of time or delayed the opening of trading for a period of one hour or more as a consequence of an Emergency Circumstance, the Operator may in the exercise of its sole discretion order an extension of trading hours for such time as it deems appropriate.

5.22 **Circumstances falling short of Emergency Circumstances.** The Operator may determine that circumstances falling short of an Emergency Circumstance, but which may materially affect the normal operation or functioning of the Market or the ability of Participants to trade on or through it exist. In such circumstances, it may:

- (a) limit in any way or delay or bringing forward the opening or closing time of the Market or change the Business Days that the Market operates; or
- (b) limit the number of electronic connections or bandwidth provided to a Participant; or
- (c) deny Participants access to the System at certain times or on certain days or completely until further notice; or
- (d) limit the number or volume of Trades in any way or prevent Trades in or through any one or more electronic connections; or
- (e) a combination of any or all of the above,

for any period of time as the Operator considers necessary until the Operator is satisfied that normal trading can be resumed, and shall notify Participants accordingly.

5.23 **Notice of suspension.** The Operator will notify Participants of the suspension of trading on the Market of a Security, stating the period of such suspension of trading (if known). The Operator will notify Participants when trading in a Security resumes.

5.24 **Treatment of suspended Security Orders by the Operator.** If trading in Securities is suspended:

- (a) subsequent Orders submitted to the System for the affected Securities will be rejected by the System; and
- (b) Participants may contact the Operator and choose whether to cancel existing unexecuted Orders in such Securities or let any or all of them rest in the System until trading resumes. In the event a Participant does not contact the Operator, the

Operator will let any existing unexecuted orders rest in the System until trading resumes.

- 5.25 **Failure of a Participant's system.** If the Operator determines that a Participant's system is malfunctioning, or that its connection to the System has failed, it may cancel the Participant's Orders then present in the System. The Operator shall give the Participant prior notice of such cancellation where reasonably practicable, or otherwise promptly thereafter.
- 5.26 **Records of transactions.** A Participant shall keep complete records of all Orders submitted to the System and resulting Trades in accordance with any regulatory requirements applicable to the Participant.

## 6 CLEARING AND SETTLEMENT

- 6.1 **Obligation to settle.** Participants must settle every Trade in the standard place for settlement for the relevant Security (as set out in the Trading Procedures) in accordance with the rules of the CCP and the rules of the relevant clearing and settlement system. Securities must be delivered free from charges or other encumbrances.
- 6.2 **Timing.** All Trades are for standard settlement for the relevant Security. Buyers shall pay for Securities against delivery. The Operator may fine a Participant for failure to deliver Securities or pay on time. However, late delivery or payment shall not of itself constitute a repudiation of the Trade.
- 6.3 **Clearing memberships.** A Participant who is a Clearing Participant of the CCP must comply with its rules.
- 6.4 **Termination of clearing services.** A Clearing Participant must tell the Operator before it terminates a contract to clear a Participant's Trades.

## 7 COMPLIANCE

- 7.1 **Ability to comply with the Rules.** A Participant shall notify the Operator of any material change in its circumstances (whether financial or otherwise) which has currently, or may in the future, affect the Participant's ability to comply with these Rules or to perform its contractual obligations owed to any party in connection with its business arising from its participation in the Market.
- 7.2 **Notice of Rule breaches.** A Participant must immediately inform the Operator of any matter or circumstance which causes or has a real likelihood of causing it to materially breach any of the Rules or other Documentation. A Participant shall report any actual Rule breach to the Operator promptly on becoming aware of it.
- 7.3 **Prohibited conduct.** A Participant, Trading Representative or Designated Representative, either individually or in conjunction with any other person (regardless of whether that person is a Participant or not) must not act or attempt any act or engage in any course of conduct (or fail to act when required to by these Rules or by any law or regulation) which is or is likely to:
- (a) constitute Market Abuse;
  - (b) be damaging to the integrity or reputation of the Operator or the fair, proper or efficient operation of the Market or any CCP; or
  - (c) be the cause or contributory cause of the Participant or any other Participant breaching these Rules.
- 7.4 **Provision of information by Participants.** The Operator may require a Participant or proposed Participant to provide it with such information or records as it reasonably considers necessary to ensure that the Participant complies with these Rules and the Operator complies with applicable laws and regulations, including FSA rules. The Operator may keep information or records it creates or which come into its possession under these Rules for such period as it considers appropriate. A Participant and its Authorised Personnel shall not knowingly or recklessly provide information which is false, misleading or inaccurate or which contains any material omission.
- 7.5 **Recording of phone calls and emails.** The Operator may record and keep all telephone calls or electronic communications made over fixed communication lines connected to its equipment and keep it for such period as it deems appropriate. Such recordings shall be and remain the Operator's sole property.
- 7.6 **Transaction reports by the Operator.** The Operator may disclose any information regarding Orders submitted or Trades executed, any other activities conducted on the Market or relating to the affairs of Participants, former Participants, Clients, Trading Representatives and Designated Representatives and their dealings on the Market to the FSA or to any other Regulatory Authority.
- 7.7 **Distribution of market data.** The Operator may publish details about Trades entered into by Participants to comply with the requirements of the Directives, the MiFID Regulation and the FSA Handbook.
- 7.8 **Notices.** A Market Notice or any other notice may be given under these Rules by the Operator to any Participant, any Trading Representative, any Designated Representative or other person in writing. The Operator may send the notice in any of the following ways, at its sole discretion, unless previously agreed otherwise in writing with the recipient:
- (a) personally;

- (b) by sending it by first class post (and air mail if overseas);
- (c) by facsimile transmission; or
- (d) by electronic mail.

If sent to an address, facsimile number or electronic mail address, the Operator shall send it to the last address or number known to the Operator.

7.9 **Effectiveness of notices.** A Market Notice shall have effect on the date stated in it. A Participant shall be bound by a Market Notice even if, for any reason, the Participant did not receive it. Without evidence of earlier receipt, any notice other than a Market Notice, given by the Operator shall be deemed to have been duly given:

- (a) if delivered personally, when it is left at such person's last known address;
- (b) if sent by first class mail other than air mail, one Business Day after posting it;
- (c) if sent by air mail, three Business Days after posting it;
- (d) if sent by facsimile transmission or by electronic mail facility, upon transmission by the Operator.

## 8 INVESTIGATIONS AND SANCTIONS

8.1 **Definitions.** For the purposes of this Chapter,

- (a) **conduct** includes any act or behaviour, including any omission or failure to act when required to do so under these Rules or under any applicable law or regulation, attempted acts, or the encouragement of others to commit any act or omission; and
- (b) **investigation** means any investigation, inspection, enquiry or question which the Operator considers should be undertaken into any aspect of the conduct of the Participant, its Authorised Personnel, its other personnel or any of its Clients, arising from or in connection with activities on the Market, or to determine whether the Documentation is being or has been complied with; and
- (c) **records** shall include all documents, records, information or other material (including electronic data) in the possession, power, custody or control of the Participant; and
- (d) **respondent** means the Participant, Trading Representative or Designated Representative who receives a warning notice pursuant to Rule 8.10 (*Warning notice*).

8.2 **Investigations.** The Operator may investigate any suspected or actual conduct of Participants, their Authorised Personnel or their Clients which appears to be in breach of the Documentation. Subject to Rules 8.4 (*Disclosure to regulators*), 8.5 (*Sanctions – Participants*) and 8.6 (*Sanctions – Authorised Personnel*), the fact that an investigation is ongoing or has been undertaken will be kept confidential.

8.3 **Records and information.** At the Operator's request, a Participant shall provide the Operator with any records concerning or in any way relevant to its business on the Market and/or Trades to:

- (a) demonstrate that the Documentation and any applicable laws or regulation is being or has been complied with;
- (b) demonstrate that the Participant satisfies the Criteria for Participation; or
- (c) protect the integrity of the Market.

Participants shall provide all reasonable assistance to the Operator in its investigations.

8.4 **Disclosure to regulators.** The Operator may (or must in certain circumstances) pass any information or records it obtains under these Rules to the FSA or to any other Regulatory Authority. The Operator may also pass to the FSA or to any other Regulatory Authority information regarding any investigation or disciplinary proceedings instituted or disciplinary measure taken under these Rules.

8.5 **Sanctions - Participants.** If (i) the Operator believes that a Participant has committed an Offence (as defined in Rule 8.7 (*Offences*)); or (ii) a Participant is the subject of an investigation or any disciplinary action by the Operator or any other Regulatory Authority or any Regulated Market or MTF; or (iii) the Operator reasonably believes that the Participant is likely not to be able to continue to satisfy the Criteria for Participation; or (iv) the Operator considers it reasonably necessary in all the circumstances to preserve the integrity and reputation of the Operator and the Market, the Operator (acting through its compliance department or through an Executive Panel) may, at its discretion:

- (a) direct the Participant to remedy a breach of the Documentation within a set time period;
- (b) reprimand the Participant publicly or privately;

- (c) impose a fine on the Participant up to a maximum level of £100,000;
- (d) publish its findings, including the name of the Participant found to be in breach, with such content, in such media and at such time(s) as the Operator may in its sole discretion decide is appropriate;
- (e) suspend the Participant's activities on the Market for such period, as the Operator deems fit, being not less than one Business Day and not more than six months;
- (f) limit the scope of the Participant's activities on the Market;
- (g) terminate its Participant Agreement;
- (h) prohibit the Participant or its Authorised Personnel from participating in any further arrangements with the Operator in the future; or
- (i) sanction via a combination of any of the above.

8.6 **Sanctions – Authorised Personnel.** If the Operator finds that a Trading Representative or a Designated Representative has committed an Offence (as defined in Rule 8.7 (*Offences*)), or has been publicly sanctioned by any other Regulatory Authority or any Regulated Market or MTF, the Operator (acting through its compliance department or through an Executive Panel) may, at its discretion:

- (a) where an Offence has been committed, impose any of the sanctions referred to in Rule 8.5 (*Sanctions – Participants*) on the Participant;
- (b) suspend (indefinitely or for a fixed term) his rights to access and use the System, and if applicable, his registration as a Designated Representative;
- (c) impose other conditions or restrictions on his rights to access and use the System and if applicable, his registration as a Designated Representative; and
- (d) revoke his rights to access and use the System and if applicable, his registration as a Designated Representative.

8.7 **Offences.** The following are Offences for the purposes of Rule 8.5 (*Sanctions - Participants*) and Rule 8.6 (*Sanctions – Authorised Personnel*):

- (a) failure to comply with a Rule or other Documentation;
- (b) providing false or misleading information to the Operator; or
- (c) failure to pay any fines when due.

8.8 **Costs.** Where the Operator determines that a Participant, Trading Representative or Designated Representative has breached any provision of the Documentation, the Operator may require him to pay all or part of its costs of the relevant investigation and disciplinary proceedings.

8.9 **Executive Panel.** The compliance department of the Operator may direct Participants and Authorised Personnel to remedy breaches within set time periods and reprimand them in private. Any other sanction shall be imposed by an Executive Panel. An Executive Panel shall consist of at least three senior and experienced staff at the Operator who are not involved in investigating the alleged Offence.

8.10 **Warning notice.** The Operator will give the respondent 15 Business Days written notice of any proposed sanction, unless it considers it necessary to take action sooner in the interest of market integrity or if it is required to do so by a Regulatory Authority. The notice will set out

the act or omission in question, the Rule or other Documentation allegedly breached and the grounds for alleging the breach.

- 8.11 **Appeal.** If the respondent wishes to challenge the proposed sanction, it may within 15 Business Days of service of the warning notice, lodge an appeal.
- 8.12 **Decision notice.** If the respondent does not lodge an appeal within 15 Business Days, the Operator shall issue a decision notice, which shall be final and binding on the respondent.
- 8.13 **Fines.** If any fine imposed by the Operator is not paid within 30 days of any date for payment notified by the Operator, the Operator may in its sole discretion impose any of the sanctions referred to in Rule 8.5 (*Sanctions - Participants*) or Rule 8.6 (*Sanctions – Authorised Personnel*), as applicable.
- 8.14 **Regulatory Panel.** The Operator shall appoint a Regulatory Panel to consider matters referred to it in accordance with the appeal procedures. A Regulatory Panel may determine its own procedure for considering an appeal but such procedure shall take account of the following:
- (a) the Regulatory Panel shall conduct the appeal in a manner that is fair and impartial;
  - (b) the appeal will be decided at a hearing;
  - (c) the Operator (through its compliance department or any representative appointed by him for the purpose) shall be entitled to be heard (whether orally or in writing) on an appeal;
  - (d) the Regulatory Panel shall provide written reasons for its decisions;
  - (e) Regulatory Panel proceedings shall take place in London and shall be conducted in English. The Regulatory Panel may have evidence in a language other than English translated at the expense of the party providing that evidence; and
  - (f) the parties may be legally represented at a hearing of the Regulatory Panel.
- 8.15 **Constitution of the Regulatory Panel.** The Regulatory Panel shall consist of three members of the Operator's board, and shall include at least two non-executive directors. The executive director will not have had any involvement in the Executive Panel decision. The Regulatory Panel shall elect a chairman from one of its members.
- 8.16 **Regulatory Panel decision.** A Regulatory Panel may make any finding, decision or determination, or impose any sanction, which the Operator could have made or imposed in connection with the determination from which the appeal is made. In addition, the Regulatory Panel may:
- (a) confirm, overturn or vary the decision appealed from or any part of it;
  - (b) require the Executive Panel to reconsider the decision appealed from or such aspects of the decision as the Regulatory Panel may direct; and
  - (c) make any order as to the payment of the costs of the appeal and the costs of the investigation and disciplinary proceedings in respect of which the appeal was brought.
- The decision of a Regulatory Panel shall be final.
- 8.17 **Summary suspension and termination.** The Operator acting by an Executive Panel may immediately suspend a Participant and disconnect or disable the Participant's access to the System for any period (definite or indefinite), which it deems necessary to protect the interests of the Operator, the other Participants or Clients or to ensure an orderly market, upon the occurrence of any of the following events:

- (a) the Participant becoming insolvent or being unable to pay its debts as they fall due or making an arrangement with, or an assignment in favour of, its creditors or ceasing to carry on its business or any part of its business;
- (b) any petition being presented, any resolution passed or any order made for the appointment of an administrator over the Participant or for the winding up, dissolution or liquidation of the Participant or the occurrence of any equivalent proceeding under the law of any jurisdiction;
- (c) a receiver, administrative receiver, manager or other encumbrancer being appointed over or taking possession of the Participant's undertaking, property or assets or any part of them or the occurrence of any equivalent appointment under the law of any jurisdiction;
- (d) the Operator determining, in its reasonable discretion, that the Participant's continued use of the System or participation on the Market would be detrimental to the Market, other Participants or Clients;
- (e) the Operator, in its reasonable discretion, determining that the Participant does not or is likely not to continue to satisfy the Criteria for Participation;
- (f) without prejudice to (g) below, the Participant, having breached any provision of the Documentation or any obligation under any agreement with the Operator, failing to remedy such breach within the time specified in a notice from the Operator specifying the nature of the breach; or
- (g) the Participant having failed to pay any fees, charges, penalties or levies payable to the Operator.

8.18 **Revoke suspension.** The Operator acting by the Executive Panel may revoke any suspension made under these Rules, if it determines, in its sole discretion, such step would be appropriate.

8.19 **Disconnection.** Without prejudice to the Documentation and any other rights the Operator may have, the Operator may disconnect or disable the Participant's access to the System if necessary or desirable to enable or assist the Operator to remedy any defect or error in the System or any part thereof, provided that the Operator shall reconnect or reinstate the Participant's access to the System or the relevant part (as the case may be) as soon as practicable after remedying any such defect or error.