



42 Financial Services

Organised Trading Facility

RULEBOOK

Of January 2018

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1 Interpretation and Definitions

1.1 Interpretation

- 1.1.1 Unless the context otherwise requires, headings are inserted for convenience only and do not affect the construction of the Rulebook.
- 1.1.2 These Rules supplement and form part of the Agreements. In the event of conflict between the Agreements and these Rules, these Rules shall take precedence.
- 1.1.3 References to statutes, statutory instruments, rules of a regulatory authority or provisions thereof shall be construed as references to any of the foregoing as they may be amended, extended varied or replaced from time to time.
- 1.1.4 Unless the context otherwise requires, words denoting the singular shall include the plural and vice versa. Words used in the masculine gender include the feminine and neuter. A reference to persons in this Rulebook shall include a reference to legal persons and natural persons as the context requires.
- 1.1.5 42FS operates an OTF offering trading in Inter-Dealer Broker and in energy commodity products. The OTF is a hybrid platform which incorporates the Trayport Limited's Global Vision Broker Trading System, OTF Marvin Broker Trading System and teams of brokers. All Transactions executed through the OTF are arranged by a 42 Financial Services broker.
- 1.1.6 Any reference to times in this Rulebook shall be to local Prague time.
- 1.1.7 Unless specified otherwise, this Rulebook governs Orders submitted by Clients through both the Electronic Trading system and the Voice Trading System of FTFS OTF.

1.2 Definitions

- 1.2.1 **42FS Broker:** 42FS as a broker acting on behalf of its clients.
- 1.2.2 **42FS OTF:** The Organised Trading Facility operated by 42FS and which is authorised by Czech National Bank.
- 1.2.3 **Affiliates:** In respect of any party, Persons who control, are controlled by or are under the common control of such party.
- 1.2.4 **Agreements:** The agreement(s) governing the Client's access to and use of the 42FS OTF, which may include without limitation any of the following items which apply to the Client: 42FS Trading System Terms and Conditions, any other associated electronic terms concerning use of the 42FS OTF, the client classification letter, the brokerage letter and any documents referred to therein. For the avoidance of doubt the Agreements shall include this Rulebook.
- 1.2.5 **Applicable Law:** Any statute, law, regulation, rule or guidance of any Regulatory Authority applicable to such Person, including similar foreign laws or regulations.
- 1.2.6 **Applicant:** A Person who has applied to become a Client in accordance with this Rulebook.
- 1.2.7 **Auction:** The process for trading Products set forth in Section 6.7.3 of the Rules.
- 1.2.8 **BAFIN:** means German Federal Financial Supervisory Authority.
- 1.2.9 **Business Day:** Days between and including Monday to Friday and do not include public holidays and weekends.
- 1.2.10 **Default Event:** Where an event or circumstance leads the 42FS to determine in its sole discretion that Client is or appears to be unable or likely to become unable to meet its obligations in respect of an Order or Trade or to comply with any other obligation under the Rules or the Agreements, or breaches a law relevant to its business as a Client.
- 1.2.11 **Direct Electronic Access or DEA:** means an arrangement where a Client permits a person to use its trading code so the person can electronically transmit Orders relating to an eligible instrument directly to the OTF and includes arrangements which involve the use by a person of the infrastructure of the Client, or any connecting system provided by the Client to transmit the Orders (direct market access) and arrangements where such an infrastructure is not used by a person (sponsored access).
- 1.2.12 **Documentation:** The agreement(s) between two Clients containing the underlying terms and conditions that govern the contractual obligations in respect of Trades in the Eligible Instrument between those two Clients.
- 1.2.13 **Eligibility Criteria:** The criteria for eligibility for Participation on 42FS OTF as set out in this Rulebook.
- 1.2.14 **Eligible Instrument:** The instrument or instruments available to trade on the 42FS OTF (also **42FS OTF Product(s)**) in accordance with this Rulebook, except shares or securities equivalent to shares and depositary receipts for shares.

- 1.2.15 **Emergency:** Any occurrence or circumstance which threatens or may threaten such matters as the fair and orderly trading in, or the liquidation of or delivery pursuant to, Eligible Instrument, and which, in the opinion of 42FS, requires immediate action, including: any manipulative or attempted manipulative activity; any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions; any circumstances which may materially affect the performance of Eligible Instrument, including default, bankruptcy or insolvency of any Client; any action taken by any Regulatory Authority, regulated market, OTF or any other market, facility or clearing organization which may have a direct impact on trading on the 42FS OTF or clearing and settlement of an Eligible Instrument; and any other circumstance which may have a severe, adverse effect upon the functioning of 42FS.
- 1.2.16 **Erroneous Order:** An Order submitted to 42FS OTF in error either as to price, quantity, currency, direction, Eligible Instrument, or symbol.
- 1.2.17 **Error Trade:** A Trade made on the 42FS OTF in error as to price, quantity, currency, direction or OTF Product. Without limitation, the unavailability of counterparty credit shall not by itself render a Trade an Error Trade.
- 1.2.18 **Hybrid Broking Model:** A model whereby 42FS OTF can provide both voice and electronic brokerage services.
- 1.2.19 **Implied Order:** A synthetic order generated by the 42FS OTF from Client Orders that are already submitted into the Order Book.
- 1.2.20 **Indication of Interest:** A non-firm expression of trading interest by a Client, Sponsored Access Firm or Registered Trader containing the following: buy or sell interest, quantity and price.
- 1.2.21 **Instrument Type:** The grouping of Eligible Instruments within a Product.
- 1.2.22 **Insolvency Event:** Where a Client or its parent company (whether direct or indirect) or ultimate holding company:
- a) is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more creditors with a view to rescheduling its indebtedness; or
 - b) has assets whose value is less than their liabilities; or
 - c) has a moratorium declared in respect of their indebtedness; or
 - d) is subject to any similar events or analogous proceedings in other relevant jurisdictions.
- 1.2.23 **Market Abuse Regulation:** The European Parliament and Council Regulation on Market Abuse (No. 596/2014/EC) as amended or replaced from time to time..
- 1.2.24 **Market Notice:** A notice published or issued by 42FS to Clients from time to time in accordance with the Rulebook.
- 1.2.25 **Match or Matched:** The Match of a buy Order with a sell Order on the 42FS OTF in accordance with this Rulebook.
- 1.2.26 **MIC Code:** A market identifier code.

- 1.2.27 **MiFID II:** The European Parliament and Council Directive on Markets in Financial Instruments (No. 2014/65/EC) as amended or replaced from time to time.
- 1.2.28 **MiFIR:** The European Parliament and Council Regulation on Markets in Financial Instruments (No. 600/2014/EC) as amended or replaced from time to time.
- 1.2.29 **OTF:** A Organised Trading Facility as defined by article 4 (1) (23) MiFID II in which the execution of orders is carried out on a discretionary basis.
- 1.2.30 **Nominee:** A Person nominated by a Client to become a Sponsored Access Firm.
- 1.2.31 **Operator:** 42FS in its capacity as the authorised provider of the 42FS OTF.
- 1.2.32 **Order:** Any bid or offer to buy or sell a OTF Product according to the Rules (including bids and offers submitted in connection with an Auction), and includes any modification to or cancellation of such a bid of offer, but does not include an Indication of Interest.
- 1.2.33 **Order Book:** The 42FS OTF facilities made available by the 42FS for the submission of Orders and the Match of Trades.
- 1.2.34 **Client:** A person authorised by the 42FS to participate on 42FS OTF in accordance with the Rulebook Section 4. Participation who is able to submit Orders to the 42FS OTF and whose admission has not been terminated.
- 1.2.35 **Client representative:** means any employee, director, officer, partner, agent or other representative of a Client who has been authorised by the relevant Client and 42FS to access the OTF.
- 1.2.36 **Participation:** A Client's activity on 42FS OTF.
- 1.2.37 **Person:** Any natural person or legal person - association, partnership, limited liability company, joint venture, trust or corporation.
- 1.2.38 **Product:** means a bilateral or cleared, financial or physical contract (including but not limited to swaps, forwards, contracts for difference and options) made available for trading by 42FS on the OTF.
- 1.2.39 **OTF Product Market:** The overall grouping of the relevant Eligible Instruments listed for trading on the 42FS OTF as detailed in the relevant OTF Product Appendix.
- 1.2.40 **Product Appendix/Appendices:** The Appendix/Appendices to the Rulebook. The Appendices form part of the Rulebook and are updated from time to time on 42FS website.
- 1.2.41 **Registered Trader:** A user of the 42FS OTF being a Client's authorised employee, officer, agent, affiliate or designee as notified to the 42FS by Client
- 1.2.42 **Regulator:** means Czech National Bank.
- 1.2.43 **RTS 7:** means the European Commission's Regulatory Technical Standards on organisational requirements of regulated markets, multilateral trading facilities and organised trading facilities enabling or allowing algorithmic trading through their systems.
- 1.2.44 **RTS 22:** means the European Commission's Regulatory Technical Standards for the reporting of transactions to the competent authorities.

- 1.2.45 **Rules:** The rules set out in this 42FS OTF Rulebook and any Market Notice each as may be amended from time to time.
- 1.2.46 **Rulebook:** The Rules governing the operation of the 42FS OTF in force from time to time and any amendment made thereto.
- 1.2.47 **Sponsored Access Firm:** A third party (other than a natural person) that is authorised by a Client to submit Orders into the OTF in such Client's name.
- 1.2.48 **Trade or Transaction:** Any sale or purchase of an Eligible Instrument / OTF Product that takes place on the 42FS OTF.
- 1.2.49 **Trading Day(s):** The day(s) on which the 42FS OTF is made available to Clients.
- 1.2.50 **Trading Hours:** The hours during a Trading Day(s) which the 42FS OTF is scheduled to operate in respect of such OTF Product(s).
- 1.2.51 **Terms of Business:** Terms of Business (also Agreement) in place between 42FS and the relevant Client(s), as may be supplemented or amended from time to time.
- 1.2.52 **Transaction:** means a completed contract arising from the matching of orders on the OTF.
- 1.2.53 **Voice:** means communication by means of telephone, instant messenger or email.
- 1.2.54 **Website:** means www.42fs.com.

2 General Provisions

- 2.1 42FS acts honestly, fairly and professionally in accordance with the best interests of its Client and comply with the principles set out in regulatory obligations. 42FS understands the financial instruments which offers, assesses the compatibility of the financial instruments with the needs of the Clients to whom it provides investment services, also taking account of the target market of 42FS. 42FS appropriate informs Clients or potential Clients with regard to the investment firm and its services, the financial instruments, execution venues and all costs and related charges. All information, addressed by 42FS to clients or potential clients are performed on a fair, clear and not misleading principles.

3 Trading Facility

- 3.1.1 The Trading Facility is provided by 42FS for purposes of permitting access to the OTF (42FS OTF).

4 Participation

4.1 Application Procedure

- 4.1.1 An Applicant may apply to become a Client of the 42FS OTF at any time by submitting a written application (including by email), including all relevant supplementary materials, in the form and manner required by 42FS.
- 4.1.2 Participation is open to Applicants who meet the Eligibility Criteria (Section 5. of the Rules) and who commit to these Rules, the Agreements and any guidance or other requirements of 42FS.
- 4.1.3 42FS may require the Client to demonstrate that the Eligibility Criteria are met, as outlined in Section 5 of the Rules.
- 4.1.4 42FS may in its absolute discretion approve or reject applications or approve an application subject to such conditions and/or restrictions as it considers appropriate.
- 4.1.5 42FS shall notify the Applicant of its decision in writing (including by email) with Participation becoming effective on such date and at such time as 42FS may specify.
- 4.1.6 Where an application is approved, Clients will be authorised and permissioned to participate on the 42FS OTF as detailed in the above notice.
- 4.1.7 Clients shall not permit or allow any third party (whether an Affiliate of the Client or otherwise) to access the 42FS OTF, for example via Sponsored Access or Direct Market Access, unless authorised to do so by the 42FS.
- 4.1.8 42FS may consider an application from a Client who wishes to provide Sponsored Access to the 42FS OTF for one or more of its clients. To enable 42FS to assess such a request, Clients will be required to complete a questionnaire in respect of their underlying client. 42FS may refuse such application or impose conditions on any approval granted in respect of such application. 42FS shall also have the power to rescind or modify any such approval after being

granted. Client shall be required to enter into a Sponsored Access agreement with 42FS in a form determined by 42FS.

4.1.9 42FS will make available a list of Clients upon request.

5 Eligibility

5.1. General Rules

5.1.1 The Client may not be a natural person or a retail client, shall meet and shall continue to meet all of the following Eligibility Criteria throughout its Participation:

- (a) Satisfy 42FS's internal client on-boarding requirements, and be classified by 42FS as an Eligible Counterparty or Professional Counterparty ; and
- (b) Is either regulated investment firm or credit institution, or satisfy 42FS as required that it is fit and proper to become a Client, with adequate organisational arrangements in place and sufficient level of trading ability and competence; and
- (c) Have Terms of Business (Agreement) in place with 42FS; and
- (d) Have all registrations, authorisations, approvals and/or consents required by Applicable Law in connection with trading in the OTF Products on the 42FS OTF; and
- (e) Have adequate experience, knowledge and competence to trade OTF Products on the 42FS OTF (including Client's Registered Traders); and
- (f) Is authorised to trade the OTF Products on the 42FS OTF as a principal or trade on own account without any regulatory limitations other than standard limitations; and
- (g) Satisfy 42FS as to its adequate arrangements for entering into Trades, Order management, clearing (if relevant) and settlement of all Trades executed on the 42FS OTF; and
- (h) Have adequate internal controls that are reasonably designed to promote fair and orderly trading on the 42FS OTF, minimise trading errors, preserve the integrity and stability of the 42FS OTF and prevent breaches of the Rules and of Applicable Law; and
- (i) Be able to provide 42FS (if requested) with such information as 42FS may require in relation to the validity of any Order or Trade; and
- (j) Have adequate organisational procedures and controls to limit Error Trades and the submission of Erroneous Orders to the 42FS OTF; and
- (k) Be able to satisfy the technical specifications and standards required by 42FS for Participation on the 42FS OTF; and
- (l) Have appropriate arrangements for the orderly settlement of Trades the Eligible Instruments on the 42FS OTF; and
- (m) Meet such further Eligibility Criteria as 42FS may prescribe from time to time with regard to Participation.

5.1.2 42FS OTF may institute such investigation to verify information by the Client as it deems necessary. 42FS OTF may require the Client or one or more representatives of the Client to attend for an interview by 42FS OTF.

5.2 Sponsored Access Firms

5.2.1 Only a Client who is a regulated investment firm or credit institution may wish to authorise one or more Persons (Nominee) to be granted access to the 42FS OTF to act as Sponsored Access Firms. 42FS may permit the Client to authorise the Nominee to act as a Sponsored Access Firm, subject to continued compliance by the Client and the Nominee with Section 4.1 of the Rules.

5.2.2 The nominating Client represents and warrants to 42FS in respect of each Nominee that:

- (a) all Orders from the Nominee will pass through the nominating Client's pre-trade controls;
- (b) it has carried out due diligence on the Nominee verifying that the Nominee has adequate systems and controls in place, including pre- and post-trade controls, such that the Nominee's access to, and use of, the 42FS OTF does not adversely affect compliance with the Rules, lead to disorderly trading or facilitate conduct that may involve market abuse;
- (c) it will provide 42FS with such documentation and access to its systems and procedures as 42FS reasonably requires pursuant to its obligations under Applicable Law;
- (d) it has the authority, at 42FS's request, to adjust or withdraw any Order submitted under the Trader IDs assigned to the Nominee and to the Nominee's 42FS OTF Registered Traders;
- (e) it shall cooperate, and shall procure the Nominee's cooperation, in any testing, due diligence or other review process that 42FS reasonably requests in connection with Nominee's access to, and use of, the 42FS OTF through an automated trading system.

5.2.3 By agreeing to act as a Sponsored Access Firm, the Nominee agrees:

- (a) to be bound by the duties and responsibilities of a Sponsored Access Firm and to be subject to, and to comply with, the Rules;
- (b) to cooperate promptly and fully with 42FS in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules; and
- (c) to be deemed to have represented and warranted to 42FS and to its nominating Client that it has all registrations, licenses and consents required by its constituent documents and by Applicable Law to transact in the Eligible Instruments on the 42FS OTF.

5.2.4 42FS shall promptly notify a Client in writing (including by email) of its approval of, refusal to approve, or imposition of limits or conditions on the approval of, the authorisation of a Nominee as a Sponsored Access Firm.

5.2.5 42FS may, in its sole discretion, refuse, revoke, limit, condition or suspend a Nominee's authorisation as a Sponsored Access Firm if 42FS is not satisfied that such Nominee's access

to, or use of, the 42FS OTF would be consistent with the Rules for the fair and orderly operation of the 42FS OTF.

- 5.2.6 A Client that seeks to terminate the authorisation of a Sponsored Access Firm shall notify 42FS in writing (including by email), providing such information as 42FS may require. 42FS shall terminate such Sponsored Access Firm's and its 42FS Trader's access to the 42FS OTF as promptly as practicable.

5.3 Registered Traders

- 5.3.1 Each Client shall designate one or more Registered Traders, and shall procure the designation of one or more Registered Traders by each of its Sponsored Access Firms, in accordance with such procedures and Eligibility Criteria as may be established by 42FS for such purpose.
- 5.3.2 Each Registered Trader must consent, in a form that is satisfactory to 42FS, to abide by the Rules, the Agreements and Applicable Law prior to accessing the 42FS OTF.
- 5.3.3 For the avoidance of doubt, any Client or Sponsored Access Firm that is permitted by 42FS to access the 42FS OTF through an automated trading system shall designate such automated trading system as a Registered Trader, in which case the consent referred to in Section 5.3.2 shall be given by the Client or Sponsored Access Firm on behalf of such automated trading system.
- 5.3.4 Each Client shall ensure on an ongoing basis that:
- (a) none of its or its Sponsored Access Firm's Registered Traders are subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto); and
 - (b) each of its and its Sponsored Access Firm's Registered Traders is technically proficient and conducts its business on the 42FS OTF in a fair and orderly manner.
- 5.3.5 42FS may in its sole discretion revoke, suspend, condition or limit the designation of a Registered Trader and shall promptly notify the relevant Client of such action.
- 5.3.6 Each Client is responsible for monitoring the list of its Registered Traders and must provide prompt notice to 42FS of any changes to the list of its Registered Traders.
- 5.3.7 To request the termination of the designation of an individual as a Registered Trader, a Client must follow the procedures established by 42FS for such purpose, provided that a Client may at any time instruct 42FS to immediately terminate the designation of one or more of its Registered Traders.
- 5.3.8 Each Client shall be held accountable for the actions of its and its Sponsored Access Firm's Registered Traders on the 42FS OTF.
- 5.3.9 A Client may, from time to time, designate a Person or automated trading system as a DMA (Direct Market Access) Registered Trader in accordance with such procedures and eligibility criteria as may be established by 42FS for such purpose, and each DMA Registered Trader so

designated shall be subject to all of the obligations, responsibilities and requirements imposed on Registered Traders pursuant to the Rules.

5.4 Responsible Persons

- 5.4.1 A Client may designate one or more Responsible Persons in accordance with such procedures and eligibility criteria as may be established by 42FS for such purpose.
- 5.4.2 A Client's Responsible Person(s), if any, shall be responsible for any and all communications between such Client and 42FS and any and all notices or other communications sent to such Responsible Person(s) by 42FS will be binding on such Client.

5.5 Trader IDs

- 5.5.1 42FS shall issue each Registered Trader with a Trader ID, provided that no Trader ID will be assigned to a Registered Trader without the consent of the relevant Client and, as applicable, the relevant Sponsored Access Firm.
- 5.5.2 Each Order entered into the 42FS OTF by a Registered Trader must contain such Registered Trader's Trader ID.
- 5.5.3 Each Client shall be responsible for controlling and monitoring the use of Trader IDs issued to its and its Sponsored Access Firm's Registered Traders.
- 5.5.4 No Person may use a Trader ID to place any Order except as permitted by these Rules, nor may any Person knowingly permit or assist the unauthorised use of a Trader ID.
- 5.5.5 Each Client, on behalf of itself and each of its and its Sponsored Access Firm's Registered Traders, is responsible for ensuring that no Trader ID is used by any Person not authorised by the Rules.
- 5.5.6 Each Client shall ensure the accuracy of the registration information of its and its Sponsored Access Firm's Registered Traders at all times.
- 5.5.7 Each Client shall notify 42FS promptly upon becoming aware of:
 - (a) any unauthorised disclosure or use of any Trader ID assigned to it or any of its or its Sponsored Access Firm's Registered Traders and of any other reason for deactivating a Trader ID; and
 - (b) any unauthorised access to the 42FS OTF by any Person using a Trader ID assigned to such Client or its or its Sponsored Access Firm's Registered Traders.
- 5.5.8 Each Client shall be bound by any actions taken through the use of a Trader ID assigned to its or its Sponsored Access Firm's Registered Traders, including the submission of Orders and execution and settlement of Trades, whether or not such actions were taken or authorised by such Client, Sponsored Access Firm or Registered Trader, as the case may be, except in respect

of any unauthorised use resulting from the failure of 42FS to maintain the security of the relevant Trader ID(s).

5.6 Hybrid Broking Model

- 5.6.1 42FS operates an OTF. The OTF is a hybrid platform which incorporates the electronic platforms (Trayport, Marvin) and teams of brokers. All Transactions executed through the OTF are arranged by a 42FS broker.
- 5.6.2 42FS provides services utilising a Hybrid Broking Model for Eligible Instruments. Where the 42FS OTF is a part of such services the following sub-clauses apply.
- 5.6.3 Orders and indications of interest may be entered into the OTF through: the electronic platforms (Trayport, Marvin), telephone, direct line, email, Bloomberg chat or instant messenger.
- 5.6.4 Registered Traders may submit Orders onto the 42FS OTF front end application or via an Application Program Interface (API) with all such Orders being governed by these Rules.
- 5.6.5 42FS Broker may submit Orders onto the 42FS OTF Order Book on behalf of Clients. In such case:
 - (a) 42FS Broker shall, if accepted an Order in his discretion, submit all Orders as soon as reasonably practicable after instructions to place the Orders are received.
 - (b) 42FS Broker shall not, if accepted an Order in his discretion, amend, delete, cancel, correct, or otherwise alter any Orders on the Order Book submitted by a Registered Trader, unless discretion of the Broker will be utilized.
 - (c) All such Orders and resulting Trades shall be governed by these Rules.
- 5.6.6 Orders submitted to the 42FS OTF are available to the 42FS Broker for voice broking. In such case:
 - (a) Any resulting voice trades shall be governed by these Rules.
 - (b) Where an Order is no longer available for execution on the 42FS OTF it is the Client's responsibility to remove such Orders if the Broker did not apply his discretion to remove such Order.
- 5.6.7 42FS Broker may use information on the 42FS OTF as a price discovery mechanism for its voice broking facilities. In such case any resulting voice trades shall be governed by the Rules.
- 5.6.8 42FS Broker may receive a fee for its services.
- 5.6.9 42FS Broker is not able to enter Orders on behalf of non-Clients.

5.7 Client Obligations

- 5.7.1 Client will at all times ensure its continuing compliance with these Rules and all Applicable Laws and regulations.
- 5.7.2 Client must notify 42FS in writing the names of those individuals authorised by the Client to be Registered Traders of the 42FS OTF.
- 5.7.3 In respect of business conducted on the 42FS OTF, a Client shall be responsible for all the acts, omissions, conduct and activity of its Registered Traders.
- 5.7.4 Client must ensure its Registered Traders have sufficient training, are adequately supervised and have adequate experience, knowledge and competence to participate on the 42FS OTF in accordance with the Rules.
- 5.7.5 Client will be bound by any and all Orders submitted and any resultant Trades entered into by their Registered Traders or 42FS Broker acting on Client's behalf and request.
- 5.7.6 Client is responsible for complying with any security measures and procedures for authentication requested by 42FS from time to time and ensuring that only Registered Traders have access to the 42FS OTF.
- 5.7.7 Each Client will co-operate with 42FS and any relevant Regulator during any investigation that is conducted in relation to access to and trading on the 42FS OTF. Such co-operation shall include, providing access to information, documents, and any other reasonable request within the control of the Client, save to the extent the Client may be restricted in doing so by law or regulation.
- 5.7.8 Client shall bear its own costs and expenses in connection with any such investigation. Client shall indemnify 42FS in full in respect of all costs and expenses reasonably incurred in connection with any investigation in so far as those costs relate to an investigation or any part of an investigation which relates to the Client's activity on 42FS OTF except to the extent that any such costs arise as a consequence of the fraud, negligence or wilful default of 42FS or as a consequence of any breach by 42FS.
- 5.7.9 Client shall notify 42FS, as soon as reasonably practicable, upon becoming aware of the occurrence (or likely occurrence) of any of the following events:
- (a) Client, or one or more of its Sponsored Access Firms or its or their Registered Traders, has breached or is otherwise unable to comply with the Rules - immediately upon becoming aware;
 - (b) A change in the Client's ability to meet the Eligibility Criteria - immediately upon becoming aware;
 - (c) Any material changes to the information provided to 42FS by such Client, including the identity of its Registered Trader(s), Sponsored Access Firm(s), and/or Responsible Person(s), such as a change of name, contact details, legal status - at least five Business Days in advance of any change taking effect ;

- (d) Any material damage to, failure or inadequacy of, the systems, facilities or equipment the Client uses to connect to the 42FS OTF - immediately upon becoming aware;
- (e) To the extent that such event could reasonably have an effect on Client's use of the 42FS OTF, the commencement of any judicial or administrative proceeding by a governmental agency or the imposition of any fine, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any governmental agency - immediately upon becoming aware;
- (f) Any refusal of admission to, or involuntary withdrawal of any application for membership in any regulated market, OTF or other trading platform involving, arising from, or related to, the trading of any OTF Product or any eligible instrument that is related to, the economic equivalent of, or the underlying product or asset that is the subject of, a OTF Product;
- (g) Insolvency Event;
- (h) Any merger, acquisition, consolidation, combination, sale or any other material change of ownership of the Client - immediately upon becoming aware.

5.7.10 In order to comply with Article 7 of RTS 7, each Client shall, before gaining access to the 42FS OTF and at least once a year, provide 42FS with confirmation that it complies with the standards set out below in connection with arrangements for use of 42FS's electronic order submission systems. Each Client must have in place.

- (a) adequate pre-trade controls on price, volume, value and usage of the system and post-trade controls on trading activities taking into account the nature, scale and complexity of its business;
- (a) suitably qualified staff in key positions including all trading and trading manager roles;
- (b) adequate resources and expertise to carry out technical and functional conformance testing in connection with use of the 42FS OTF;
- (c) a policy of use of the kill functionality;
- (d) in the case of any Client who provides Direct Electronic Access to its own clients, suitable risk management conditions applicable to those clients.

5.7.11 At least once a year, 42FS shall conduct a risk-based assessment of the compliance of Clients with the standards set out in section 5.7.10. above and may undertake additional revisions of Clients' compliance with the standards following the annual risk-based assessment.

5.8 Suspension, Termination or Resignation of Participation

- 5.8.1 42FS may at its absolute discretion and without liability restrict, suspend or terminate the Participation of a Client (and/or its Registered Traders) if, at any time:
- (a) Client, its Sponsored Access Firm(s) and/or its or their Registered Traders are in breach of the Rules, Agreements or Applicable Law(s);
 - (b) Client has failed to pay any dues, assessments or fees due to 42FS within thirty calendar days of the date of the applicable invoice;
 - (c) Client suffers an Insolvency Event;
 - (d) Client suffers a Default Event;
 - (e) Client is subject to relevant enforcement or other proceedings by the Regulator;
 - (f) Client ceases to meet the Eligibility Criteria;
 - (g) In the event of an Emergency;
 - (h) In any other circumstances where 42FS considers that restriction, suspension or termination is necessary to ensure or maintain orderly trading on the 42FS OTF.
- 5.8.2 42FS will notify Client in writing (including by email) of a decision to restrict, suspend or terminate its Participation.
- 5.8.3 Where a Client has given notice of its intent to resign from Participation on the 42FS OTF, the resignation is not effective and the Rules will continue to bind the Client until:
- (a) All of the Client's outstanding Orders have been Matched, cancelled or withdrawn. The former Client must immediately withdraw all unmatched Orders submitted by such former Client, its Sponsored Access Firms and its and their Registered Traders, failing which 42FS shall promptly cancel such unmatched Orders;
 - (b) All outstanding obligations of the Client, its Sponsored Access Firms, and its and their Registered Traders with respect to Trades have been performed;
 - (c) All other outstanding obligations of the Client under the Rules (including without limitation the settlement of any outstanding dues, fees, assessments or fees) have been performed.

5.9 Sanctions

- 5.9.1 42FS may sanction a Client, a Sponsored Access Firm, or one or more of its and their Registered Traders, as part of its obligation to ensure the fair and orderly trading in the Eligible Instruments on the 42FS OTF.
- 5.9.2 The sanctions imposed may include, without restriction, the following:
- (a) A written warning;
 - (b) Temporary suspension;
 - (c) Imposition of conditions on access to the 42FS OTF;
 - (d) Public dissemination of the activity in question;
 - (e) Submitting a report of the activity in question to a Regulatory Authority;
 - (f) Termination of Client' access to the 42FS OTF.

6 Trading Rules

6.1 General Information

- 6.1.1 42FS shall determine in its absolute discretion the OTF Products and OTF Product Markets listed for trading on the 42FS OTF and may, at any time and in its sole discretion, amend the OTF Products and OTF Product Markets listed for trading.
- 6.1.2 Registered Traders can view on the 42FS OTF the OTF Products which they are authorised to trade.
- 6.1.3 The 42FS OTF will be available for trading on the Trading Days as determined by 42FS and detailed in the applicable OTF Product Appendix. Trading is not permitted outside the Trading Day.
- 6.1.4 42FS shall from time to time determine the Trading Days and Trading Hours in respect of each OTF Product Market (or, if different, for each OTF Product listed for trading on the 42FS OTF).
- 6.1.5 42FS may announce, at its discretion, that commencement of the Trading Day be postponed, or that a Trading Day be extended beyond its scheduled duration.
- 6.1.6 Where possible, Clients will be given reasonable notice of any change to Trading Days.
- 6.1.7 42FS shall ensure that each OTF Product Market has a MIC Code attributed to it and shall notify Clients of any changes or amendments to such MIC Code.
- 6.1.8 The 42FS OTF allows trading on a name give up basis only.
- 6.1.9 Additional details relating to the execution of Trades in a particular OTF Product Market are set out in the applicable OTF Product Market Appendix to the Rulebook.

6.2 Orders

- 6.2.1 Clients and Sponsored Access Firm will be bound by all Orders and/or any other information inputted by its Registered Traders or by 42FS Broker acting on the Client's behalf and request.
- 6.2.2 As applicable, Orders may be entered electronically or, as agreed in advance with an employee of 42FS submitted by telephone, email, instant message or through such other medium as may be agreed from time to time.
- 6.2.3 Provided that the Registered Trader is permitted to trade the OTF Product, the Registered Trader may submit an Order on the 42FS OTF in respect of that OTF Product.
- 6.2.4 Subject to the 42FS OTF being available for trading, an Order may be submitted at any point during the Trading Day.
- 6.2.5 All Orders shown on the Order Book are firm and available to be Matched and therefore, when Matched, a binding contract is immediately formed between the counterparties.
- 6.2.6 Orders may be amended or cancelled by the Registered Trader who submitted them (or by 42FS Broker authorised to act as the Registered Trader's agent) at any point prior to being

Matched. An Order which has been Matched cannot be cancelled except in accordance with the Rules.

- 6.2.7 Clients must withdraw their Orders from the 42FS OTF immediately if they are no longer available for execution.
- 6.2.8 Orders are anonymous to other Registered Traders unless the Order belongs to their Client firm. 42FS Brokers have full market visibility and therefore see all Orders and Trade details including counterparties.
- 6.2.9 Each Order submitted into the 42FS OTF must be in the form, and contain the information, required by 42FS, otherwise such Order may not be accepted.
- 6.2.10 Each Order submitted into the 42FS OTF may be subject to certain limitations established by 42FS from time to time, including, without limitation, limits on: the number and/or size of Orders that may be submitted by a Client (or its Sponsored Access Firms or its or their Registered Traders); the number of OTF Products that a Client (or its Sponsored Access Firms or its or their Registered Traders) may trade through the 42FS OTF; the maximum daily price fluctuation for one or more OTF Products; and the frequency with which a Client (or its Sponsored Access Firms or its or their Registered Traders) may refresh a bid or offer.
- 6.2.11 Depending on the method by which an Order is submitted, an Order may contain one or more of the following designations:
 - (a) **Good for Day**- means an Order which will be available for matching on 42FS OTF on the business day on which the order is submitted. Volume of the Order is introduced in the order book.
 - (b) **Good Till Cancelled**- means an Order which will be available for matching on 42FS OTF until cancelled by Client. Volume of the Order is introduced in the order book.
 - (c) **Good Till Date**-means an Order which will be available for matching on 42FS OTF until the end of the Business Day on which was submitted during trading hours, specified in the Order. Volume of the Order is introduced in the order book.
 - (d) **Hidden Size**- A reserve order includes a mandatory limit, an overall volume and an initial peak volume. The initial peak volume is the visible part of the reserve order and is introduced in the order book. The remaining volume of the order is stored in an order management facility. The initial peak volume is introduced in the order book with the original timestamp of the reserve order according to price/time priority. In continuous trading, as soon as the peak volume has been completely executed and a hidden volume is still available, a new peak volume (optionally with randomised volume) is entered into the book with a new timestamp, and the volume in the order management facility is reduced respectively. Minimum size of the Order in an OMF: 5 MWh.
 - (e) **Stop Order**- Stop orders are stored in an order management facility. Only when the stop limit that is defined at order entry is reached, the stop order is automatically placed as a market or limit order in the order book with the actual timestamp and visible to the market. A stop order is not executable when stored in the order management facility. A

buy stop order is triggered when the last traded price is equal to or higher than the specified stop limit. A sell stop order is triggered when the last traded price is equal to or lower than the specified stop limit. Each modification of a stop order leads to the allocation of a new timestamp.

(f) **Any other** Other type specified as acceptable by 42FS OTF management from time to time.

6.2.12 All unfilled Limit Orders in respect of a given OTF Product are removed from the Order Book at the end of the trading session for such OTF Product.

6.3 Use of discretion

6.3.1 Orders and indications of interest are processed on a discretionary basis and can only be matched and executed by a 42FS broker. 42FS brokers use their discretion to match Orders and execute Transactions.

6.3.2 In the operation of its OTF, 42FS may exercise discretion in the following circumstances:

(a) When deciding to place or to retract an Order on the 42FS OTF;

(b) When deciding not to match specific Order with Order available in the system at a given time provided that it is in compliance with specific instructions received from a Client and its best execution obligations.

6.3.3 42FS has discretion to cancel any Transaction in circumstances where 42FS, acting reasonably and after due investigation, believes that an error has been made in connection with such Transaction

6.3.4 When matching Orders within the electronic systems (Trayport, Marvin) 42FS's brokers may review potential matches and exercise discretion as to whether to execute or not. Whilst the negotiation is in progress, the initiating Order is shown to the market as "pending negotiation". During this process, a broker may determine whether to match Orders, conduct further negotiations or reject the match. No Transaction can be executed without a broker's intervention.

6.4 Order Size

6.4.1 Depending on the OTF Product, Order size entered and displayed on the 42FS OTF may be expressed with a standard market size multiplier having been applied.

6.4.2 42FS may, at its sole discretion, set a minimum and/or maximum Order size, and any incremental sizes, for any 42FS OTF Product. Any Order not fulfilling minimum or exceeding the maximum Order size requirements will be rejected by the 42FS OTF.

6.5 Implied Orders

- 6.5.1 42FS is solely responsible for calculating the price and size of the Implied Order, calculated with reference to the price and size of the Orders of the 42FS OTF Product referred to by the 42FS OTF in creating the Implied Order.
- 6.5.2 An Implied Order is indicated as such on the 42FS OTF.

6.6 Indications of Interest

- 6.6.1 An Indication of Interest is a non-binding indication of interest in an OTF Product that is not executable.
- 6.6.2 An Indication of Interest may be submitted into the 42FS OTF, provided that the Client submitting the Indication of Interest has a reasonable basis for the quantity and/or price submitted and maintains records evidencing such reasonable basis.

6.7 Methods of Execution

- 6.7.1 **Order Book.** Except as otherwise provided in the Rules, Orders submitted will be, depending on the OTF Product, matched in the manner described in the relevant documentation published by 42FS for such OTF Product in 42FS Order execution policy.
- 6.7.2 **Join the Trade.** For certain OTF Products, a workup (“**Join the Trade**” or “**JTT**”) session may commence after a Trade is executed in the Order Book.
 - (a) During a JTT session, Clients to the triggering transaction and other Clients are invited to participate in the transaction to buy or sell additional quantities of the same OTF Product at the previously executed price level.
 - (b) The operation of the Order Book may or may not be suspended with respect to an OTF Product that is subject to a JTT session, but any pre-existing orders in the Order Book that are equal to or better than the price of a triggering transaction will be automatically included in the JTT session.
 - (c) Orders in the Order Book that are not filled during the JTT session will remain in the Order Book unless and until cancelled or expired.
- 6.7.3 **Auction.** The 42FS OTF also supports an auction functionality that matches the trading interest of buyers and sellers at pre-disclosed, transparent, static prices. This functionality is segmented into a fixing component and a matching component.
 - (a) **Fixing:** Under the fixing component, 42FS will give Clients prior notice that a fixing session will occur during which 42FS OTF Registered Traders may submit indicative bids and offers for a given OTF Product. Once this session commences, 42FS OTF Registered Traders may submit undisclosed, indicative bids and offers in the minimum size and during the time identified by 42FS in the notice. Upon the expiration of the fixing session, 42FS shall calculate the fixing price for the OTF Product based upon the average of the best bid and

offer in the Order Book during the fixing session, and shall disseminate such fixing price to all Clients.

- (b) **Matching:** After the expiration of the fixing session and the dissemination by 42FS of the fixing price, a matching session will commence. Once a matching session commences, Clients may submit firm bids and offers for the OTF Product at the matching session price. All such bids and offers must be in the minimum size and be submitted during the time identified by 42FS in a notice to Clients. The matching session is open to all Clients however Orders submitted by Clients that participated in a fixing session, if any, will receive priority over Clients that did not so participate. A matching session will end if the OTF Product trades in the Order Book at a price that is better than the matching session price for such Product.

6.8 Order Matching

- 6.8.1 Orders which are available to a Client for Matching are highlighted on the 42FS OTF.
- 6.8.2 Unless otherwise specified, Orders shown on the Order Book will be Matched using the following criteria in order of precedence:
- (a) Price; and
 - (b) Time (based on the time the Order is shown on the Order Book).
- 6.8.3 All Orders which have not been Matched are cancelled at the end of each Trading Day.
- 6.8.4 Detailed factors of the Order Matching policy is described in document 42FS OTF Order execution policy.
- 6.8.5 Electronic trading system – there is no automatic matching algorithm. The electronic trading system has built in functionality which require the broker to click on the matched orders in the electronic trading system (both Marvin and Trayport). At this point, broker has discretion to execute the transaction or to intervene or edit the arrangements.
- 6.8.6 Voice trading system - broker will exercise discretion in deciding how to execute the order by considering the execution factors and the characteristics of the Client.

6.9 Confirmations

- 6.9.1 42FS shall promptly, following execution of a Trade, provide each Client that is a counterparty to such Trade with a confirmation in accordance with the procedures established by 42FS for such purpose.

6.10 Prohibited Trading Practices

6.10.1 It shall be a violation of the Rules for a Client, its Sponsored Access Firm, or any of its or their Registered Traders, to engage in any of the following activities, either directly or through the use of an automated trading system:

- (c) Making any fraudulent or misleading communications in relation to one or more OTF Products or OTF Product Markets or otherwise engaging in any action that creates, or is likely to create, a misleading impression of one or more OTF Products or OTF Product Markets; or
- (d) Causing, or entering into, any artificial, fictitious or non-competitive Trade on the 42FS OTF (except as may be otherwise permitted by the Rules) or submitting an Order with fictitious economic terms into the 42FS OTF; or
- (e) Causing, or entering into, any Trade on the 42FS OTF for the purpose of avoiding taking a bona fide position exposed to market risk; or
- (f) Engaging in any action which is likely to upset the equilibrium of the market for an OTF Product or creating conditions in which prices do not reflect fair market values;
- (g) Engaging in any action which is likely to damage the fairness, stability or integrity of the 42FS OTF or to bring the 42FS OTF or 42FS into disrepute; or
- (h) Manipulating, or attempting to manipulate, the market for an OTF Product or otherwise engaging in any action that appears to have the primary purpose of causing market confusion or frustrating the orderly operation of the 42FS OTF; or
- (i) Causing the OTF or 42FS to be in breach of Applicable Law(s).

6.10.2 No Client, Sponsored Access Firm or any of its or their Registered Traders shall make any knowing misstatement of material fact to 42FS or any of 42FS's directors, officers, employees or agents.

6.11 Market Surveillance

6.11.1 42FS shall maintain arrangements to monitor compliance with the Rules and to identify disorderly trading conditions and any conduct that may be in violation of Section 6.10 (Prohibited Trading Practices).

6.11.2 42FS will enforce compliance with the Rules and may take such actions as permitted by the Rules to facilitate fair and orderly trading on the 42FS OTF.

6.12 Suspension of Trading

6.12.1 42FS will monitor the operation of the 42FS OTF during the Trading Day. 42FS may in its absolute discretion at any time suspend, postpone or extend trading on the 42FS OTF as a whole, or in respect of one or more OTF Products or OTF Product Markets, where 42FS

considers such action necessary to maintain the stability or integrity of the 42FS OTF, to ensure fair and orderly trading and system functionality, to avoid violation of Applicable Law, erroneous trades or breaches of the 42FS OTF's security as a result of technical problems and as otherwise required by Applicable Law or pursuant to an order of a Regulatory Authority or court of competent jurisdiction.

- 6.12.2 Whilst access to or trading on the 42FS OTF in an OTF Product or OTF Product Market is suspended in whole or in part, no new Orders can be submitted into the 42FS OTF in respect of such OTF Product or OTF Product Market for the duration of the suspension and all unfilled Orders in the Order Book at the time of suspension shall be cancelled.
- 6.12.3 Trading shall recommence in accordance with the Rules, once 42FS determines that the suspension shall be lifted.
- 6.12.4 42FS will notify Clients upon any prohibition, removal or suspension and, in respect of suspension of the 42FS OTF, will to the extent practicable and/or required by regulation, keep Clients informed regarding its availability.

6.13 Credit Setting and Restrictions

- 6.13.1 Each Client is solely responsible for
 - (a) Determining its credit settings and/or restrictions; and
 - (b) Notifying 42FS of any applicable settings or restrictions, which take effect upon confirmation from the 42FS that they have been implemented.
- 6.13.2 With respect to each OTF Product to be traded on the 42FS OTF, Client shall inform the 42FS of the following:
 - (a) Whether they are able to trade OTF Products bilaterally and, if so, the details of the counterparties with whom they are willing to trade; and
 - (b) Whether they are able to trade OTF Products that are nominated for clearing and, if so, the details of the Clearing Houses at which they may clear.
- 6.13.3 An Order will only be available to be Matched by counterparties which have credit, as indicated on the 42FS OTF. If a restriction is in place which prevents a Match, the Registered Trader will need to manually select the Order which is next in priority.

7 Regulatory Requirements

7.1. Pre-Trade Transparency

- 7.1.1. 42FS OTF will make public current bid and offer prices and the depth of trading interests at those prices which are advertised through their systems for bonds, and structured finance

products, emission allowances and derivatives traded on 42FS OTF. That requirement shall also apply to actionable indication of Interests.

7.1.2. 42FS OTF may, in its absolute discretion, apply to the regulator for waivers in accordance with article 9.1 of MIFIR from the requirement to make public the information relating to bid and offer prices and depth of trading on a pre-trade basis under article 8(1) of MIFIR.

7.1.3. Where the waiver has been granted, the pre-trade data will not be made public by 42FS OTF. Details of applicable waivers are available on request.

7.1.4. Pre-trade data relating to all Orders placed on the 42FS OTF other than those specified in rule 7.1.3. above will be published on electronic trading system on a continuous basis during the normal Trading Hours of the 42FS OTF in accordance with the requirements of article 8.1 of MIFIR. Pre-trade data will consist of the following information with respect to each Order placed on 42FS OTF:

- (a) type of order
- (b) price of order
- (c) order volume
- (d) time of order
- (e) asset class of OTF product
- (f) OTF product type/identifier

7.2 Contractual Position

7.2.1 Once Matched, the relevant Clients have entered into a valid, legal and binding Trade, governed by the terms of the Documentation in place between the Clients.

7.2.2 For the avoidance of doubt, to the extent any terms in respect of a Trade in any of the OTF Products are not displayed on the 42FS OTF or otherwise set out in the Rulebook, such terms shall be agreed, and disputes determined, in accordance with the terms and conditions set out in the Documentation.

7.2.3 If the Clients do not have Documentation in place, the Matched Trade shall nonetheless remain a valid, legal and binding contractual obligation and the Clients shall determine how to perform the obligations in respect of the Trade.

7.2.4 42FS Broker will, in good faith, if requested, seek to facilitate determination between the Clients and help the Clients to clarify the obligations owed.

7.3 Trade Cancellation

- 7.3.1 42FS may cancel Trade(s) in its absolute discretion, including without limitation where 42FS as Operator of 42FS OTF considers that the Trade(s) appears to be:
- (a) Contrary to Applicable Law and market conventions, or
 - (b) Prejudicial to fair and orderly trading 42FS OTF, or
 - (c) Prejudicial to Clients and disruption or distortion to the integrity of the 42FS OTF, or
 - (d) Contrary to the Agreements, or
 - (e) Indicative of market or system abuse or misuse, or
 - (f) Create a conflict of interest between any parties, including 42FS, or
 - (g) A transaction nominated for clearing where it is rejected by the relevant clearing house,
 - (h) An Error Trade.
- 7.3.2 Each error situation shall be assessed by 42FS on its individual circumstances, taking into account all relevant market factors. 42FS shall have a unilateral right to cancel Trade(s), whether it has received a notification from Client or not.
- 7.3.3 42FS must comply with legal and regulatory obligations to provide OTF system operating in a way that Error Trades are dealt with in a quick and efficient way for the Clients involved and any other parties affected by the Error Trade(s).
- 7.3.4 It is the responsibility of each Client to ensure that Orders submitted to the 42FS OTF are accurate. The responsibility of reporting a Trade(s) which a Client considers to be an Error Trade(s) rests solely with the Registered Traders of the 42FS OTF. Client(s) must notify 42FS of a potential Error Trade(s) by sending email to compliance@42fs.com and/or OTF@42fs.com as soon as practicable, and in any event within 30 minutes of the execution of the Trade.
- 7.3.5 42FS may determine to review a Trade(s) based also on its own independent analysis of market. 42FS shall determine whether or not Trade(s) will be subject to review. In the absence of a timely request for review from Client(s), during volatile market conditions, upon the release of significant market news, or in any other circumstance in which 42FS deems it to be appropriate, 42FS may determine that a Trade(s) shall not be subject to review.
- 7.3.6 42FS shall notify the relevant Client(s) as soon as practicable that Trade(s) is under review. The relevant Client(s) shall provide any supporting information in such manner and within such time as 42FS may reasonably request to aid the resolution of the matter.
- 7.3.7 All notifications from Client(s) relating to Error Trade(s) must contain:
- (a) Client's primary contact details (name and direct line);
 - (b) All specific details of the Trade(s);
 - (c) Timestamps for each Trade; and
 - (d) Client's reason for considering Trade(s) to be an Error Trade(s).

- 7.3.8 42FS will review Trade(s) and determine whether the price of the relevant Trade(s) is less than 10 percent higher or lower (or as defined in relevant OTF Product Appendix) than:
- (a) The most recent price of a transaction in the OTF Product executed according to the Rules; or
 - (b) The settlement price for the OTF Product established by a clearing house that accepts such OTF Product for clearing; or
 - (c) if the prices referred above occurred more than one Business Day before the date on which the Trade is under review, the price for such OTF Product reported by a trade repository.
- 7.3.9 If the price of a Trade(s) under review is within range as defined above 42FS may refuse to cancel Trade(s) under review and will issue notice to affected Clients indicating that Trade(s) shall stand as executed.
- 7.3.10 42FS will make the final decision, at its sole discretion, on whether Trade(s) is or is not an Error Trade(s).
- 7.3.11 Error Trade(s) will be cancelled by 42FS. However, 42FS is not under any obligation to cancel Trade(s) at the request of a Client, including where the Clients both agree to such cancellation.
- 7.3.12 An Error Trade Cancellation Notice issued by 42FS shall specify the affected Clients, Trade details and timestamps.
- 7.3.13 Within 30 minutes after the issue of an Error Trade Cancellation Notice by 42FS, relevant Clients to the Trade(s) may, jointly, agree that the Trade(s) does not constitute an Error Trade(s) (also **Good Trade**). Good Trade(s) shall not be cancelled.
- 7.3.14 42FS shall have no liability for losses resulting from Trade(s) cancellations. All decisions of 42FS regarding the cancellation of Trade(s) shall be final, subject to Good Trade (as defined in 7.3.13).
- 7.3.15 If 42FS deems it necessary, it may inform the Relevant Regulator(s) of any of its refusals or cancellations.

7.4 Trade Capture and Confirmation

- 7.4.1 Registered Traders are notified of any Orders Matched immediately via the 42FS OTF.
- 7.4.2 Clients must notify 42FS immediately upon receipt if they are not in agreement with any Trade details.

7.5 Clearing and Settlement

- 7.5.1 Clients are responsible for the clearing (where relevant) and settlement of all Trades traded on the 42FS OTF. 42FS accepts no responsibility or liability for the clearing or settlement of any Trades executed on the 42FS OTF.

- 7.5.2 Clients must ensure they have the facility to clear (where relevant) and settle all Trades traded on the 42FS OTF in accordance with regulatory requirements.
- 7.5.3 Clearing and settlement requirements and arrangements vary according to the OTF Products traded on the 42FS OTF.
- 7.5.4 Settlement of all Trades not eligible for clearing shall take place directly between the Clients involved in accordance with the terms of those contracts.

7.6 Trade Publication

- 7.6.1 42FS will, where applicable, required by Applicable Law, make public the price, volume and time of Trades on the 42FS OTF.

7.7 Transaction Reporting

- 7.7.1 42FS OTF will comply with its transaction reporting obligations under applicable laws and regulations in relation to transactions executed for Clients on 42FS OTF. To enable 42FS OTF to comply with its obligations under applicable law, Clients agree to promptly deliver to 42FS OTF data and other information that 42FS OTF may from time to time request to enable it to complete and submit transaction reports to the CZECH NATIONAL BANK and ESMA, which shall include a notification as to whether the Order is a Hedging Order. Without such information in respect to commodity derivatives transactions, 42FS OTF shall assume that the relevant Order is a hedging Order for purpose of Article 57 of MIFID II.

7.8 Post-trade transparency

- 7.8.1 Where applicable and required by Applicable Law 42FS on the Website and/or through market data providers publishes the Trades as close to real-time as technically possible, by stating the name of the respective OTF Product Markets and the OTF Products listed for trading on the 42FS OTF together with the respective price, size and time of the Trade.
- 7.8.2. 42FS may, in its absolute discretion, apply to the regulator for authorisation in accordance with article 11.1 (a), (b) and (c) of MIFIR to defer the publication of the price, volume and time of Transactions on a post-trade basis required under article 10 of MIFIR. In addition, REMIT Products are carved out from requirements of MIFIR generally. Where a deferral has been granted, post- trade data will be made public by 42FS OTF on a deferred basis. Details of applicable deferrals are available on request.

7.9 Taxes and Fees

7.9.1 Clients are liable for the payment of any applicable taxes, fees, duties, or levies that arise in connection with the trading of Eligible Instruments on the 42FS OTF.

7.10 Commodity derivatives position limits

7.10.1 Position limits will be set by the BAFIN for each of the OTF products that is a commodity derivate. A list of the relevant OTF product and the relevant position limits will be maintained and published by 42FS OTF on the Website.

7.10.2 42FS OTF will monitor applicable position limits.

7.10.3 42FS OTF is required to apply position management controls to client trading in OTF Products in accordance with Article 57(8) of MiFID II.

7.10.4 In connection with 42FS OTF's obligations to monitor position limits and apply position management controls on 42FS OTF, Clients agree that:

(a) It is their responsibility to monitor and ensure their compliance with any applicable position limits in OTF Products and that placing and Order with 42FS OTF will not result in a breach of any applicable position limits

(b) They shall notify 42FS OTF if they have an exemption from the commodity position limit regime

(c) If they are a Non-Financial Counterparty for the purposes of EMIR, Clients shall notify 42FS OTF whether or not such an Order is for the purposes of reducing the risk of their business an objectively measurable way in accordance with article 57 MiFID II. Without such notification, 42FS OTF shall be entitled to assume that the relevant Order was placed for the purpose of reducing the Client's risk relating to their business in an objectively measurable way.

(d) Upon request Clients will promptly any information required by 42FS OTF relating to either:

(1) the size of a position entered into by the client on 42FS OTF

(2) the beneficial or underlying owners of the position

(3) any concert arrangements

(4) any related assets or liabilities in the underlying market

- (e) 42FS OTF reserves the right, in its absolute discretion, to reject all or part of any order placed on 42FS OTF where such order would result in the client breaching any applicable position limit
- (f) 42FS OTF reserves the right, in its absolute discretion, to direct that only Orders reducing the size of a Client's open position in an OTF Product will be accepted by 42FS OTF in order to ensure an applicable position limit is not exceeded
- (g) Client shall, upon direction from 42FS OTF, reduce their open position in any OTF Product by executing transactions on 42FS OTF to the extent necessary to ensure that any applicable position limit is not exceeded, within such time as 42FS OTF may prescribe

7.11 Commodity position limit reporting

- 7.11.1 42FS OTF is required to report certain information relating to Clients' positions to the Czech National Bank and ESMA in accordance with the requirements of Article 58 of MIFID II.
- 7.11.2 42FS OTF will send or make available to Clients a position report detailing of the positions in OTF Products held by such Client on basis in accordance with Article 58 of MIFID II. It is Client's responsibility to immediately inform 42FS OTF of any discrepancies between the Client's records of open positions traded on 42FS OTF and the position report sent by 42FS OTF. The position report sent or made available by 42FS OTF shall be deemed to be correct and agreed by the Client unless objections or discrepancies are notified to 42FS OTF by 2 p.m. on the Business Day following receipt of the report by the Client.
- 7.11.3 In the event of discrepancy between a position report sent to 42FS OTF by a Client and a position report generated by 42FS OTF and sent or made available to such Client, 42FS OTF shall in its absolute discretion be entitled to rely on the position report generated by 42FS OTF to meet its obligations to submit position reports to the Czech National bank under Article 58 of MIFID II, unless the Client objects to such position report in accordance with rule 7.11.2 above.

7.12 Information and Data

- 7.12.1 42FS may offer access to data feeds and/or other market information as part of its services. A separate charge or charges may be levied for such services offered by 42FS.

8 Miscellaneous

8.1 Confidentiality

- 8.1.1 42FS will treat as confidential any information received from a Client in relation to its business on the 42FS OTF, except where:
- (a) The information is publicly available; or
 - (b) Disclosure is required by Applicable Law or any tax authority or Regulator having jurisdiction; or
 - (c) Disclosure is made in the interests of co-operation with any regulatory investigation conducted by a relevant Regulator; or
 - (d) Disclosure is made for the protection of the market and the maintenance of high standards in integrity and fair trading; or
 - (e) The Client has consented to the disclosure in writing.

8.2 Cooperation with Regulators

- 8.2.1 42FS will report any significant breaches of the Rules, disorderly trading conditions or conduct which gives rise to a suspicion of market abuse to the Regulator.
- 8.2.2 42FS will provide full assistance to, and may also supply any relevant information without delay to the Regulator.
- 8.2.3 42FS will comply with all relevant laws and regulations, and any request of the relevant Regulator.
- 8.2.4 Each Client shall provide (and shall procure that its Sponsored Access Firms provide) all reasonable assistance to the Regulator or other regulatory authority in connection with any investigation of alleged market abuse or breach of Applicable Law.

8.3 Limitation of Liability

- 8.3.1 Except as provided below (or, as between 42FS and a Client, as may have been previously agreed in writing between 42FS and such Client), neither 42FS, nor any affiliate of 42FS, nor any of their respective managers, officers, directors, employees, equity holders, agents, consultants or service providers (each of the foregoing, as applicable, the “Disclaiming Party” and, collectively, “Disclaiming Parties”), shall be liable to any Person for any losses arising out of or in connection with:
- (a) any failure, malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption, termination, or any other event, in connection with the furnishing, performance, operation, maintenance, use of or inability to use all or any part of any of the systems and services of 42FS, or services, equipment or facilities used to support such

systems and services, including without limitation, electronic order entry and delivery, trading through any means, electronic communication of market data or information, workstations used by Clients, Sponsored Access Firms or Registered Traders, price reporting systems and any and all terminals, communications networks, central computers, software, hardware and firmware relating thereto; or

- (b) Any failure or malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption or termination, or any other event, of any system or service of 42FS, or services, equipment or facilities used to support such systems or services, caused by any third parties including, but not limited to, independent software vendors and network providers; or
- (c) Any errors or inaccuracies in information provided by 42FS or any of 42FS's systems, services or facilities; or
- (d) Any unauthorised access to or unauthorised use of any of 42F's systems, services, equipment or facilities by any Person.

8.3.2 The foregoing limitation of liability shall apply whether a claim is based on breach of contract, tort, including, without limitation, negligence, strict liability, negligent misrepresentation, restitution, breach of statutory duty, breach of warranty or otherwise and whether the claim is brought directly or as a third-party claim.

8.3.3 Under no circumstances shall 42FS be liable to a Client, a Sponsored Access Firm or any other Person for any indirect, special, incidental, consequential, exemplary loss or punitive damages of any kind, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranties or otherwise, including, without limitation, any loss of revenue, loss of actual or anticipated profits, loss of contracts, loss of the use of money, loss of anticipated savings, loss of business, loss of opportunity, loss of market share, loss of goodwill, loss of reputation or loss of, damage to or corruption of data, however suffered or incurred, regardless of whether 42FS has been advised of the possibility of such damages or whether such damages otherwise could have been foreseen or prevented.

8.4 No Warranties

8.4.1 42FS OTF (which includes without limitation all the information contained in the 42FS OTF's ancillary systems as well as all other market information) is provided „as is“, without warranties, express or implied (except as expressly stated herein), including, but not limited to, any implied conditions or warranties of merchantability or fitness for a particular use or purpose, any implied warranty arising from trade usage, course of dealing or course of performance, and of any other warranty or obligation with respect to the 42FS OTF or any software or other materials made available to a Client, Sponsored Access Firm, Registered Trader or any other Person and all other such warranties are hereby disclaimed.

8.5 Force Majeure

- 8.5.1 Notwithstanding any other provision of the Rules, User Agreements or Terms of Business, 42FS shall not be obligated to perform its obligations under the Rules, User Agreements or Terms of Business, or any other agreement with a Client (including the Client Agreement), or to compensate any Person for losses occasioned by any delay or failure of performance, to the extent a delay or failure of performance is the result of circumstances that 42FS determines, in its sole discretion, may have an adverse effect upon the functions and facilities of the 42FS OTF, including but not limited to, acts of God, fire or other natural disasters, bomb threats, acts of terrorism or war or severely inclement weather.

8.6 Extension or Waiver of Rules

- 8.6.1 42FS may, in its sole discretion, waive, or extend the time period for performing, any act or acts designated by the Rules, but only to the extent such waiver or extension is not inconsistent with Applicable Law.

8.7 Complaints

- 8.7.1 In the event that a Client, Sponsored Access Firm or Registered Trader is unsatisfied by the service provided by 42FS, it may inform 42FS's Compliance Department, which will assess whether the complaint has merit and escalate the matter within 42FS as appropriate.

- 8.7.2 Contact details for making a complaint are as follows:

(a) By post:

42 Financial Services a.s.
Compliance Department
Klimentská 46
110 02 Praha 1
Czech Republic

(b) By email:

compliance@42fs.com

8.8 Amendment of the Rules and Notices

- 8.8.1 42FS may amend or repeal any Section of the Rules and/ or adopt new Sections of the Rules. Any such amendment or repeal of Section or adoption of a new Section of the Rules, shall, upon the effective date of such amendment, repeal or adoption, as applicable, be binding on all Clients, Sponsored Access Firms and Registered Traders.

- 8.8.2 Each Client must provide 42FS with its current electronic mail address and telephone number and the electronic mail address and telephone number of any Registered Trader who may use a Trader ID assigned to such Client. Each Client must immediately (and in any event within 24 hours) update the contact information described in this paragraph (a) whenever it changes.
- 8.8.3 Communications from 42FS to Clients may be transmitted by electronic mail or posted on 42FS' website. Communications made to a Client shall also be deemed to have been made to each of its Sponsored Access Firms, Registered Traders and other employees and agents, and each Client, Sponsored Access Firm and Registered Trader shall be responsible for conveying such communications to such Persons as appropriate

8.9. Additional documentation

8.9.1. Additional information is provided separately and can be accessed at Website. These additional documents are:

- (a) 42FS OTF Conflict of interest policy
- (b) 42FS OTF Order execution policy
- (c) 42FS OTF Product schedule
- (d) 42FS OTF Electronic user guide