EBS Dealing Rules – Appendix – EBS Market

1. Definitions and Interpretation

Capitalised terms in this Appendix have the same meaning as in the Dealing Rules, unless otherwise specified. In addition, these terms have the following corresponding meanings:

Automatch	An Automatch may occur when a Dealable Bid is submitted which is greater than or equal to a Dealable Offer or a Dealable Offer is submitted which is less than or equal to a Dealable Bid when the Participants that submitted the Bid and Offer have mutual credit.
EBS Best Price	The best Bid and Offer on EBS Market for a specific currency pair at any one point in time (regardless of bilateral credit).
EBS Market Participant Eligibility Criteria	The document so named setting out the eligibility criteria that Participants are required to comply with in order to trade on EBS Market.
Hit	Has the meaning given to it in Rule 2.5.5.
Latency Floor	Has the meaning given to it in Rule 2.8.2.a).
Local Quotes	Quotes from the same matching engine that the Taker resides in.
Loop Order	Has the meaning given to it in Rule 2.6.4.
Maker	A Counterparty who places a Bid or Offer which is executed through EBS Market, or, if a Transaction is effected by Automatch, the Participant(s) who placed the passive Bid or Offer in relation to which a Transaction was effected.
Market View Information	Has the meaning given to it in Rule 2.11.5.
MidPD	Has the meaning given to it in Rule 2.6.5.
Minimum Quote Life or **MQL**	The time, as determined by the Operator, that a Quote is held at the EBS Ai Server before it can be interrupted by a Participant.
Order Book	The facilities made available by the Operator for the submission of Orders and the effecting of Deals and Transactions on EBS Market.
Pip Discretion Order	Has the meaning given to it in Rule 2.6.1.
Price Discretion Order or **PD**	Has the meaning given to it in Rule 2.6.2.
Remote Quotes	Quotes that are submitted from matching engines different from the one the Taker is connected to.
Scaling Factor	Has the meaning given to it in Rule 2.13.1.b).
Schedule	The schedule to this Appendix.
Taker	Means, in relation to any Transaction on EBS Market, either: (1) the Participant(s) to a Transaction who accepted the Bid or Offer made by a Counterparty, whether as a buyer or seller; or (2) if a Transaction is effected

	by Automatch, the Participant(s) who placed the aggressive Bid which immediately/directly led to a Matching of the Participant's requirements.
Volatility Factor	Has the meaning given to it in Rule 2.13.1.a).
Work the Balance	Means that in the event that none or only some of an Order is filled, the balance is submitted into the Order Book as a Quote.

All capitalised terms not otherwise defined in these Dealing Rules shall have the meaning ascribed to them in the Customer Agreements. In these Dealing Rules, words in the singular include the plural and vice versa and words in one gender include any other gender. A reference to persons in these Dealing Rules shall include a reference to legal persons and natural persons as the context requires. Headings are for ease of reference only and do not form part of these Dealing Rules. Reference to statutory or regulatory provisions or instruments shall include any amendment, modification or re-enactment or re-making thereof.

2.1. Participants are permitted to trade on EBS Market directly in their own name or through a Prime Bank utilising the Prime Dealing Service.

2.2. **Eligibility Criteria**

2.3. Participants on EBS Market are required to comply with the EBS Market Participant Eligibility Criteria.

2.4. **Dealing on EBS Market**

2.4.1. EBS Market is designed to facilitate the matching of Orders on an Order Book. A Match creates a Transaction that can result in a Deal or multiple Deals. Participants are legally bound by any Transaction.

2.4.2. Each Deal consists of a Maker and Taker. Deals may consist of two unique Counterparties or may comprise different Trader IDs of the same Counterparty when intrafloor dealing is enabled. Intrafloor dealing is enabled as default on EBS Market. A Match between the same Trader IDs is not permitted.

2.5. **Orders**

The Operator supports the following Order types for all Participants accessing EBS Market via a GUI.

2.5.1. **Quotes** can be Bids or Offers. Quotes are a means for an Authorised Employee to express a limit price (or better) at which he is willing to transact. Quotes are limit Orders that reside in the Order Book and may be subject to a Minimum Quote Life. Quotes that do not immediately result in a Match are considered passive and enter the Order Book. Quotes that immediately result in a Match do not enter the Order Book.

2.5.2. There are three matching engines for EBS Market which are located in London, New York and Tokyo. Once a Quote enters the Order Book at the local matching engine, except those Quotes that result in an immediate Match, EBS Market distributes that Quote or the remaining unmatched balance of the Quote to the other two matching engines.

2.5.3. Quotes can Match:
  a)   immediately:
    i.   with other Quotes as an Automatch Taker; or
    ii.   with a Pip Discretion Order as a Maker; or
  b)   subsequently:
    i.   with other aggressive Quotes as a Maker;
    ii.   with Hits as a Maker;
    iii.   with a Pip Discretion Order as a Maker; or
    iv.   with a Pip Discretion Order as a Taker.

2.5.4. Quotes that do not result in a Match will remain active in the Order Book until:

a) interrupted in accordance with Rule 2.7;

b) interrupted due to loss of connectivity, Ai, or GUI heartbeat disconnect;

c) interrupted due to the end of the weekly trading session;

d) interrupted due to the end of the trading session for instruments that have a designated open/close;

e) an auto interrupt is triggered;

f) a time to live is specified and expires;

g) a successive managed Order replaces a prior Order;

h) removed by the Operator in accordance with Rule 2.14.2; or

i) Matched in full.

2.5.5. **Hits** on EBS Market can be buy or sell instructions. Hits can be defined as 'IOC' (Immediate or Cancel) Orders that do not reside in the Order Book. A 'Hit' will be Matched if the Order Book contains an opposite active Order at an equal or better price at time of the Match. A Hit will Match immediately or will be cancelled if the target liquidity is missed or no longer available. If Work the Balance is set to "partial", then a Quote for the unmatched balance will be initiated only when some portion of the Hit has been satisfied. If Work the Balance is set to "always", then a Quote for the unmatched balance will be initiated regardless of whether the Hit was partially filled or totally missed.

2.5.6. Hits can Match immediately:

a) with passive Quotes as a Taker; or

b) with a Pip Discretion Order as a Taker.

2.5.7. The unmatched balance of Hits which have enabled 'Work the Balance' and subsequently Match will Match as a Quote in accordance with Rule 2.8.

2.6. **Advanced Order Types**

2.6.1. **Pip Discretion** is a compound Order and can only be applied to a Quote. For each Quote an Authorised Employee may define a Dealable range up to/down from the shown limit price that is displayed in the Order Book. The full Quote amount is visible in the Order Book at the limit price but the Pip Discretion range defined by the Authorised Employee is not visible.

2.6.2. **Price Discretion (PD)** is a compound Order and can only be applied to a Quote. PD offers the ability via EBS Ai for an Authorised Employee to attach a hidden aggress price range to an active Quote. There is an EBS Market defined maximum discretionary price range per currency pair which is contained in the EBS Guide to Currency Pair Parameters.

2.6.3. Quotes with Pip or Price Discretion can Match:

a) Immediately:

i. with Quotes as an Automatch Taker; or

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with an existing Pip Discretion Order as a Maker; or

b) subsequently:

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with Quotes as a Maker;
with Hits as a Maker;
with a Pip Discretion Order as a Maker; or
with a Pip Discretion Order as a Taker.

2.6.4. **Loop Orders** can be either a Bid loop and/or Offer loop. In the case of a Bid loop, if 'given', an Offer will be automatically activated. In the case of an Offer loop, if 'paid', a Bid will be automatically activated. The loop sequence and number of loops is determined by the Authorised Employee. A Loop Order may be designated as partial or full. The partial or full designation will determine whether the take profit leg is triggered upon any or all of the amount having been dealt.

2.6.5. **MidPD** – For each Bid/Offer an Authorised Employee may define a Dealable range up to/down from the shown limit price that is displayed in the Order Book that is equal to half the tick increment of the pair. The full Quote amount is visible in the Order Book at the limit price but the MidPD range defined by the Authorised Employee is not visible. If two opposing Quotes are trading at their lowest granularity and both Participants have enabled MidPD, then a Match would occur at half the standard tick size of the pair. The Match would not be published in market data.

2.6.6. **Iceberg Orders** allow Participants to minimise the market impact of their Orders by only displaying a portion of their overall Order. The hidden size remains in the Order Book and is subject to being dealt.

a) Iceberg Orders consist of a shown amount and hidden amount, for which the minimum required and maximum permitted values differ by currency pair. These may be found in the EBS Guide to Currency Pair Parameters.

b) The Matching of Iceberg Orders is as per Rule 2.8.1. An Authorised Employee may apply Size and/or Time Randomization algorithms (defined below) to each Order. Randomization algorithms may be turned on or off by Order.

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Size Randomization is an EBS Market algorithm that minimises the market impact of an Iceberg Order. The shown amount will be replenished for a random size ranging from the minimum required shown amount for the pair, up to the original shown amount of the Order.
Time Randomization is an EBS Market algorithm that minimises the visibility of Order replenishment, with a configurable upper limit value from 1 second to 9 seconds. Following the full satisfaction of the shown amount of an Iceberg Order, replenishment will occur after a randomized time interval expires (100 millisecond increments).

c) The hidden amount of an Iceberg Order is in the Order Book and available for Matching at all times, and the market cannot trade through the Order level until the total Order amount is fully satisfied.

d) If no other inventory is available at the price level, the Time Randomization algorithm is superseded and replenishment will occur immediately.

2.7. **Interrupt Rules**

2.7.1. A request to interrupt a Quote can be submitted at any time during the lifetime of the Quote, subject to Minimum Quote Life limitations. Upon receipt of the interrupt at the matching engine, no additional Matches will be initiated against the outstanding balance of the Quote. Matches which have been initiated by EBS Market prior to the receipt of the interrupt message cannot be interrupted.

2.7.2. EBS Customer Support may cancel a Participant's Quote.

2.8. **EBS Market – The Matching Process**

2.8.1. Each Participant must establish a relationship with its Counterparties, satisfy itself of the creditworthiness of its Counterparties and extend credit to them as it sees fit. For a Match to be made in EBS Market between two Participants, mutual credit must exist between those Participants. If credit has not been established with or given by another Participant, or when credit given by or to another Participant is exhausted, the prices submitted by each Participant will not be Dealable prices for the other.

2.8.2. Once an Order is submitted, EBS Market will immediately attempt to Match the instruction with a Bid/Offer of better or equal price. Each Match attempt is prioritised in shown price, time priority order, subject to Latency Floor (described below). Local Quotes that do not Match immediately are inserted into the Order Book ahead of Remote Quotes at the same price.

    a) "**Latency Floor**" is an augmentation to the EBS Market Matching process aimed at ensuring that speed as a stand-alone strategy is not a pre-requisite for success on EBS Market. Latency Floor consists of a random batching window of 1, 2 or 3 milliseconds, whereby all messages submitted within this period are collected and then randomly released to the matching engine. By adding a randomised message batching window ahead of Orders being processed by the matching engine, the Operator is able to prevent low single digit millisecond differences in hardware and communication path, amongst other things, from being a meaningful advantage between Participants.

2.8.3. Once Hits and Quotes have been Matched, any successful Deal will depend on the available Credit Limits remaining for each Trading Floor. If there is insufficient mutual credit to complete the Deal for the full size of the Deal, the size of the Deal will be reduced to the amount of mutual credit available. In order for a Deal to complete, the size of the Deal must not be greater than the amount of available credit given by the Counterparty who has the lower amount of credit available for the other.

2.8.4. When a Match or multiple Matches occur EBS Market initiates processing to complete each Deal. This Deal processing, which is unique to EBS Market's distributed matching logic, includes the following validations:

    a) Verification at the Maker's local matching engine that the Maker Order is still available,

    b) Verification that sufficient credit exists between the two Counterparties.

2.8.5.   If a Match does not result in a Deal in the case of Quotes, EBS Market will reactivate the Taker Order into EBS Market in price, time priority, which will be maintained. In the case of Hits, EBS Market will attempt to re-Match with existing Quotes of better or equal price.

2.8.6. Once a Match takes place, credit is reduced for each Counterparty with the other for the size of the Deal. If there is no successful Deal, then the credit of the two Parties is unaffected.

2.8.7. The Participant may reduce the amount of outbound credit consumed by Deals involving Continuous Linked Settlement ("CLS") eligible currencies. Using the CLS Credit Exposure Percentage a Participant can assign a percentage anywhere between 0-100 thus enabling a reduction of credit line consumption by a given amount. It is the sole responsibility of the Participant to set and monitor this percentage.

2.9. Deal Status

2.9.1. A Deal is done when the Deal confirmation is processed on the Taker side. If for any reason EBS Market fails to process all Deal messages or fails to process all Deal messages in a timely fashion as defined by EBS Market that Deal shall be determined as being in an unverified state. In such cases EBS Customer Support will contact all Counterparties to the trade and notify them of the status of the trade – "Done" or "Not Done".

2.9.2. Where a Deal is in doubt or unverified due to EBS Market disruption, the Participant must contact EBS Customer Support as the first point of contact for all questions related to issues of Deal status. The Operator is responsible for determining whether such a Deal was completed or not, in accordance with Rule 2.9.1. The determination of the EBS Customer Support team is final and will supersede any previous or subsequent system status.

2.10.   Deal Queries

2.10.1. All queries classified as 'Deal queries', for example off-market trades or miss-Hits, should be resolved bilaterally in accordance with standard market convention (such as via conversational direct dealing or telephone). An "off-market" Transaction may occur, most often during particularly active periods in the market, when a Participant attempts to submit buy or sell Orders but may be filled at a rate which they consider to be materially away from the prevailing market level when they attempted to execute the Transaction. A "miss-Hit" may occur where a Participant may inadvertently submit amounts or prices in the wrong currency, or mistakenly enter incorrect amounts leading to Deals which result in unintended risk positions with one or more Counterparties.

2.11.   Additional Rules for Ai Trading

EBS Ai is an alternative means of accessing EBS Market. EBS Ai is a message-based interface that supports a two-way message exchange between EBS Market and the Participant's application.

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2.11.1. Order Throughput and Outstanding Active Orders

a)   The EBS Ai Server limits the number of Orders that can be submitted within a rolling time window (throughput limit) defined by the Operator and the maximum number of Orders which can remain outstanding in EBS Market at a given time. Once the throughput limit is reached for a given time window, additional Orders are rejected until at least one Order is dealt or cancelled, or until the time window has passed. Limits are subject to change and may vary depending on the instruments traded through EBS Market and will be communicated to all Participants prior to the commencement of trading.

2.11.2. Validations

a)   Price validation is an EBS Ai configurable item and will depend upon the values of the EBS Ai parameters such as PriceCheck, WideDifferenceCheck and LargeDifferenceCheck. Orders are screened to ensure that they are not inverted or quoted outside of the acceptable range for the Product. Orders with off-market prices are rejected by the EBS Ai Server. "Off-market" Transactions are defined according to parameters which are set out in the EBS Ai Developers Guide.

2.11.3. Maximum Trade Size

a)   There is a limit on the size of a single Order that can be accepted at the EBS Ai Server. Orders exceeding that limit are rejected by the EBS Ai Server. The limit is set out in the EBS Ai Developers Guide. The Operator will notify Participants who are using EBS Ai as and when limits are changed.

2.11.4. Link Integrity/Certification

a)   The EBS Ai Server requires that the EBS Ai Client Application follows the published protocol closely (as set out in the EBS Ai Developers Guide). Any protocol errors are interpreted as Participant system failures. Any failure of the EBS Ai Client Application (including a protocol error) will cause the EBS Ai Server immediately to interrupt all active Quotes and reset the connection with the EBS Ai Client Application in order to protect the Participant. A failure by the EBS Ai Client Application to maintain heartbeats will also cause the EBS Ai Server to immediately interrupt all active Quotes and reset the connection with the EBS Ai Client Application.

b)   All Participants using the EBS Ai service are required to connect to the EBS Customer Lab and pass the relevant conformance and certification tests as defined by the Operator prior to connecting to the live production environment.

2.11.5. Market View Information

a)   EBS Ai provides a feed of market data known as "Market View Information". The Market View Information is available as a credit-screened update and is published to each Participant Access Code at intervals determined by the Operator. EBS Ai

Market View Information in excess of 24 hours may only be stored if authorised by the Operator.

b) In the case of the Prime Dealing Service whereby a Participant may be utilising multiple Prime Banks, only one Market View Information feed may be enabled.

2.12. Credit and Settlement

2.12.1. It is the responsibility of the Administrator (or Prime Bank in the case of the Prime Dealing Service) to maintain Credit Limits with each Counterparty with whom the Participant wishes to Deal. It is also the responsibility of the Administrator to enter settlement instructions in respect of each currency pair the Participant wishes to transact.

2.12.2. In the case of the Prime Dealing Service the Administrator must also maintain Credit Limits between the Prime Bank and the Prime Customer. An Authorised Employee on a Trading Floor can Deal with a Counterparty if there is sufficient mutual credit to Deal in the Minimum Deal Size in any Product.

2.12.3. Where new Participants are granted access to EBS Market, it is for the Administrator to review the status of these prospective Counterparties for credit purposes and for the Participant (in the case of the Prime Dealing Service, the Prime Bank) to consider allocating Credit Limits to each such Counterparty or group of Counterparties. It is also the responsibility of the Administrator to review the credit status of existing Counterparties.

2.12.4. In accordance with the Customer Agreement, each Participant must use reasonable endeavours to maintain Credit Limits with other Participants of EBS Market. The Operator may, at its discretion, suspend access to EBS Market where it determines that minimum mutual Counterparty credit access is not sufficient. In the case of the Prime Dealing Service, in accordance with the Prime Bank Master Agreement, each Prime Bank must use reasonable endeavours to maintain Credit Limits with Participants of EBS Market.

2.12.5. EBS Market provides warning messages indicating when the credit used for a Counterparty or group of Counterparties has reached a certain percentage of the Credit Limit for that Counterparty or group of Counterparties. This percentage is set by the Administrator. EBS Market will provide a message when the Credit Limit allocated to a Counterparty or group of Counterparties has been exhausted or is insufficient to allow a Deal to take place for the Minimum Deal Size.

2.13. Risk Management

2.13.1. In addition to the ability to manage risk through the operation of pre-screened credit, a Participant trading NDFs will be able to manage risk in two further ways:

a) **Volatility Factor** – the Administrator may assign a percentage for every NDF currency pair or tenor. EBS Market default will be 100%.

b) **Scaling Factor** – an Administrator may assign a scaling factor (a rational number greater than zero), for each currency pair or tenor. Alternatively an Administrator may choose to utilise the square root of time to maturity (in days) for all currency pairs or tenor. The default Scaling Factor will be set to 1.0.

2.13.2. Regardless of whether the Participant chooses to use the Volatility Factor or the Scaling Factor, EBS Market provides warning messages indicating when the credit used for a Counterparty has reached a certain percentage of the Credit Limit for that Counterparty in accordance with Rule 2.12.5.

2.14. **Participant Support Obligations**

2.14.1. If an Authorised Employee suspects a problem with EBS Market which it considers may affect its use of EBS Market, that Authorised Employee must immediately:
a) remove all of its Quotes from EBS Market; and
b) contact EBS Customer Support.

2.14.2. The Operator may require, at its sole discretion that:
a) all Quotes submitted by that Trading Floor be removed;
b) all Authorised Employees of that Trading Floor stop using EBS Market; and / or
c) the Participant provides information in connection with the issue to EBS Customer Support.

2.15. **Trading Policies and Guidelines**

2.15.1. The Schedule, which forms part of the Dealing Rules and which will be updated from time to time, specifies in more detail, Rules relating to:
a) Capacity and Access of EBS Market;
b) Trading Rules on EBS Market; and
c) The Operator's Monitoring Disruptive Behaviour on EBS Market.

Schedule: EBS Market Trading Policies and Guidelines

This Schedule applies to all Participants' use of EBS Market.

1. **CAPACITY/ACCESS**

   1.1. EBS Ai Servers

   1.1.1. Each EBS Ai Server allows a maximum of three trading sessions. There are no restrictions on the number of servers/sessions a Participant can purchase.

   1.2. Order Capacity

   1.2.1. The Operator throttles the maximum number of Order submissions in a rolling 5 second window and restricts the number of Orders outstanding across each individual session. The Operator throttles the maximum order submission size.

   1.2.2. Default settings
   - a) 10 Order submits per rolling 5 seconds / 20 outstanding Orders
   - b) Maximum Order submission size = 5m base currency

   1.2.3. Order capacity may be increased for firms:
   - a)   exceeding the minimum fill ratio targets; and
   - b)   not appearing on the disruptive behaviour watch list (see Section 3)

   A fee can be charged to the Participant for additional capacity

   1.3. Cancel and Replace

   1.3.1. An Order can be amended by reducing size or changing the rate. For the purpose of throughput calculations single amendments account for a 50% reduction in the throughput overhead:
   - a) Reduce size = 0.5 quote overhead
   - b) Change rate = 0.5 quote overhead
   - c) Reduce size & change rate = 1 quote overhead
   - d) Increase size & change rate = 1 quote overhead

Amended Orders do not influence the fill ratio calculations; an amended Order is equal to a new Quote.

1.4. EBS Market Data

1.4.1.EBS Live

    a)   Each Participant is eligible to consume two EBS Live connections per side per region (choosing L1 and/or L2). Additional connections will be provided for legitimate operational reasons. There will be no distribution advantage.

1.4.2.EBS Ai Market View

    a)   Each Participant is eligible to consume one Market View per region, regardless of the number of Prime Banks.

2. TRADING RULES

2.1. MQL – Minimum Quote Lifespan

2.1.1.The Operator systemically enforces an MQL on selected currency pairs. The MQL applies to all Quotes submitted via the Ai interface, irrespective of Order Book position.

2.1.2.Where applicable the MQL for a currency pair can be found in the EBS Guide to Currency Pair Parameters.

2.1.3.The introduction or recalibration of an MQL in a currency pair shall be communicated by the Operator with not less than 24 hours notice.

2.2. Fill Ratio Definition

2.2.1.The Operator monitors and measures two fill ratio metrics:

    a)   Quote Fill Ratio

    b)   Hit Fill Ratio

Penalties will be applied to Participants who fail to meet a minimum target. A communication of such failure will be provided by the Operator, on 30 days notice.

2.2.2.Quote Fill

Quote Fill Ratio ("QFR") metrics are monitored daily and communicated to Participants at a minimum on a weekly basis in the event that the agreed minimum threshold is not achieved. The threshold calculations are aggregated across all Trader IDs and Deal codes to achieve an institution wide metric by currency pair. For institutions that support multiple trading entities and strategies, the Operator reserves the right to calculate fill ratio metrics at and ID / Code level basis.

Dealt Quotes / Quote submit = % Fill ratio

Self matched Deals will be excluded for the purposes of the Quote Fill Ratio calculations.

2.2.3. Hit Fill

Currently, the Operator has a target minimum Hit fill ratio. It is not considered acceptable practice for a Participant to use Hit submits as a method of bypassing the Quote Fill Ratio requirements or for loading/flooding the infrastructure.

Dealt Hit / Hit submit = % Hit fill ratio

Self matched Deals will be excluded for the purposes of the Hit Fill ratio calculations.

2.2.4. Fill Ratio targets are subject to change. This Rule 2.2 forms the general rule and the Operator will continue to monitor and review the market ecology.

2.2.5. Exceptional market conditions, such as holiday periods, will be taken into account by the Operator in calculating compliance with the Fill Ratio targets.

2.3. Fill Ratio Targets and Penalties

2.3.1. Quote Fill Ratios and Hit Fill Ratios are specified in the Guide to Currency Pair Parameters on EBS Market.

2.3.2. **Quote Fill Target** = The calculation of the Quote Fill target considers all Quotes Submitted within a pre-defined number of price increments either side of the EBS Best Price. The number of increments taken into consideration for each currency pair is specified in the Guide to Currency Pair Parameters on EBS Market.

2.3.3. **Key Liquidity Provider** = Customers who are deemed to be an EBS Key Liquidity Provider ("**KLP**") will be subject to a lower threshold QFR. KLP Quote Fill Ratios are specified in the Guide to Currency Pair Parameters on EBS Market.

    a)   A Key Liquidity Provider is defined as a customer who has maintained continuous two-sided Quotes within a pre-defined number of price increments either side of the EBS Best Price for at least 80% of the time during the Key Liquidity Hours for a pair over the previous quarter.

    b)   KLP qualification/disqualification will be reviewed on a quarterly basis and customers notified accordingly.

    c)   The Key Liquidity Hours and number of increments taken into consideration for each currency pair is specified in the Guide to Currency Pair Parameters.

Enforcement/penalties for non-compliance:

    a)   Formal written notification of contravention of the EBS Dealing Rules. This may take the form of an e-mailed report notifying the Customer that a specific code/ID is in breach of the QFR over the previous 5 day average.

    b)   Upon a second breach of the QFR the Operator will impose a 1 Trading Day suspension of access to trading in that currency pair from the code/ID in breach.

c) Upon a third breach of the QFR the Operator will impose a further 5 Trading Days suspension of access to trading in that currency pair from the code/ID in breach. This will be accompanied by a formal notification by e-mail or letter.

d) Upon a fourth breach of the QFR the Operator will impose a further one week suspension of access to trading in that currency pair and a 1 day suspension of access to all other currency pairs from the code/ID in breach. This will be accompanied by a formal notification by e-mail or letter.

e) Upon a fifth breach of the QFR the Operator will impose a further one week suspension of access to trading all currency pairs from the Code/ID in breach. This will be accompanied by a formal notification by e-mail or letter and referral to EBS Senior Management.

f) At this time a meeting may be required between the Participant and EBS Senior Management to discuss further measures, inter alia:

   i. imposing higher MQL for non-compliance on all EBS Market major currency pairs;

   ii. restricting throughput capacity; and

   iii. suspension from EBS Market.

Failure to attend will result in immediate suspension from EBS Market.

2.3.4. **Hit Fill Target** = the current minimum target for each currency pair is specified in the Guide to Currency Pair Parameters on EBS Market. This percentage target will be reviewed on a regular basis and if a change is required shall be communicated by the Operator with not less than 24 hours' notice.

Enforcement/penalties for non-compliance:

a) Formal written notification of contravention of these Dealing Rules

b) The Operator reserves the right to restrict throughput capacity

c) Ability to aggress via Quote Submit only (i.e. disabling of the Hit Submit order type)

d) Suspension from EBS Market

3. MONITORING DISRUPTIVE BEHAVIOUR

3.1. Behaviours

The Operator currently monitors and measures behaviour that may be considered disruptive. Repeated occurrences of the following behaviours will be communicated to Participants and which will constitute a breach of these Dealing Rules.

3.1.1. Pulsing

Pulsing results from Quote submissions followed by immediate interrupts (e.g. <1000msecs) repeatedly at the same price level or between two price levels, for an extended period of time. The Quotes are short in duration and do not result in a Deal.

3.1.2. Flashing

    a)   Flashing at top of book results when a Quote:
- i.   Is submitted at 'flash height' (configurable by the Operator) or more (pips) better than the EBS Best Price on the same side of the market,
- ii.   Is interrupted within 'flash time' (configurable by the Operator),
- iii.   Is not involved in any Deals, and
- iv.   The EBS Best Price at interruption is not better than the Quote price

    b)   The criteria for monitoring flashing are:
- i.   Flash height (varies by pair), e.g. >= 0.1pip, 0.5pips, 1.0pips
- ii.   Flash time (varies by pair), e.g. <= 500ms / <=750ms / <=1000ms

    c)   Premature Quote Interrupts (PQIs) result from any Quote submission which is:
- i.   Interrupted within a 'flash time', and
- ii.   Not involved in any Deals

3.1.3. Self Match / Wash Trades / Painting the Tape

    a)   Self matching is prohibited for all matching against orders that have been in the market <250ms.

    b)   Self matching, if considered disruptive by the Operator, is also prohibited and may be systemically prevented.

    c)   "Painting the tape" is prohibited trading activity whereby apparently unrelated parties collude to buy and sell a particular currency pair among themselves to create artificial trading activity at one or more price levels.

3.1.4. Out of Region Quoting

The Operator has observed disruptive quoting patterns originating from Americas/EMEA during core Asia trading hours 2300 – 0600 (GMT). Accordingly, the Operator has introduced Distributed Quote Interrupt ("DQI") to hold Quote Interrupt messages until one or more of the other two regional matching engines confirm that there is no Deal pending for that Quote. A new Quote Fill Ratio target will be communicated to selected Participants who are deemed to be disruptive during these hours. The Operator's expectation is that where a Participant has a regional presence in Asia, Quote Submits should originate from that location. Should they wish to continue to Quote from NYC / London during these hours there will be minimum expectation to Deal. This Fill Ratio will be enforced at a Deal code level during this time period for all non-Asia based codes quoting during Asia trading hours.

3.1.5. Passive Hits inside the spread / Pinging / Firing in the Dark

The speculative entry of multiple Hit Submits within the spread at multiple price points in order to ascertain the presence and level of hidden orders is prohibited.

3.1.6. Passive Hits outside the spread / Warming up / Priming / Quote stuffing

The entry of multiple Quote or Hit submits outside of the spread and without genuine intent to trade to seek to gain technological advantage and/or to obfuscate the market view of other Participants is prohibited.

3.1.7. Spoofing

The entry of relatively short lived orders at or near the top of the Order Book in an attempt to affect the execution of opposite interest is prohibited.

3.1.8. Order Book Shaping/Layering

It is prohibited to enter multiple Orders which are designed to give a false impression of liquidity and depth and which do not have genuine intent to trade.

3.1.9. Laddering / Price stepping / Price topping / Momentum ignition

The submission of a sequence of Orders and/or executions to create actual or apparent active trading with the intent to raise or depress the price to induce a sale or purchase by other Participants is prohibited.