



**TRADITION (UK) LIMITED**  
**TRAD-X TRADING PLATFORM**

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**RULEBOOK**  
**(Agency Update)**  
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**PART 1 - GENERAL PROVISIONS****101 Definitions and Interpretation**

101.1 In these Rules, the following expressions shall have the meanings set out below:

<b>Algorithmic Trading</b>	means algorithmic trading within the meaning of Article 4(1)(39) of MiFID 2;
<b>Appeals Panel</b>	means a committee which shall be responsible for disciplinary matters and which shall comprise one (1) representative appointed by Tradition and a minimum of two (2) independent representatives, not affiliated with Tradition or any Participant involved in the disciplinary matter, appointed by the Committee;
<b>Authorised Clearing Participant</b>	means a Participant who is a clearing member of the Clearing House, or has in place a commercial relationship with such a clearing member in order to obtain access to the Clearing House;
<b>Authorised Representative</b>	means, in respect of a Participant or a Permitted Intermediary, any representative (and, for the avoidance of doubt, there may be multiple such Authorised Representatives for any given Participant or Permitted Intermediary) as may be notified to Tradition by the Participant or Permitted Intermediary, as the case may be, in writing (to <a href="mailto:trading.operations@tradition.com">trading.operations@tradition.com</a> ) by the individual appointed in accordance with Rule 205.2 from time to time;
<b>Board</b>	means the board of directors of Tradition;
<b>Clearing House</b>	means a financial institution acceptable to Tradition (and so designated by Tradition in accordance with Rule 102.2 from time to time) which provides clearing and settlement services in relation to transactions in financial instruments and which is recognised in the UK pursuant to an order made under Section 292 of the Financial Services and Markets Act 2000;
<b>Combination Order</b>	means an order which states that two or more orders must be executed simultaneously;
<b>Committee</b>	means the committee which shall be responsible for certain matters set out in these Rules and which shall be comprised of five (5) representatives (two (2) representatives to be appointed by Tradition and three (3) representatives to be elected by the Participants). The three (3) member representatives shall be elected by joint decision of the ten (10) Participants who are the highest users (by currency amount) of the Platform and Tradition shall co-ordinate such process. Such election of the member representatives to the Committee shall take place between 25 <sup>th</sup> and 31 <sup>st</sup> May of each calendar year and the appointment of such persons shall be for a period of one (1) calendar year;
<b>Customer</b>	means a person identified as such in the relevant Schedule to the Permitted Intermediary's Trad-X User Agreement (as may be updated from time to time in accordance with its terms) and in

respect of which the Permitted Intermediary confirms to Tradition that the Eligibility Criteria described in Rule 202 are satisfied, and on whose behalf the Permitted Intermediary may enter into a Transaction;

- Eligibility Criteria** means the criteria which determines eligibility to be a Participant and participate in the System, as set out in Rule 202, and/or to be a Permitted Intermediary, as set out in Rule 203;
- EMIR** means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, and related legislation, commonly, and collectively, known as the European Market Infrastructure Regulation;
- Eurex Clearing** means Eurex Clearing AG;
- Financial Instrument** means the financial instruments admitted to trading on the Platform from time to time and as described in more detail in a Financial Instrument Appendix;
- Financial Instrument Appendix** means the appendix or appendices to these Rules describing the Financial Instruments;
- FCA** means the Financial Conduct Authority of the UK, or any successor, substituted or replacement authority in the UK having regulatory oversight of multilateral trading facilities (MTFs);
- Insolvency Event** means, in relation to any Participant:
- (a) that an order is made by a court of competent jurisdiction, or a resolution is passed, for the liquidation, bankruptcy or administration of such Participant or a notice of appointment of a bankruptcy trustee or administrator of such Participant is filed with a court of competent jurisdiction;
  - (b) the appointment of a manager, receiver, administrative receiver, administrator, trustee or other similar officer of such Participant or in respect of any part or any of its assets;
  - (c) such Participant convenes a meeting of its creditors generally or makes or proposes any arrangement or composition with, or any assignment for the benefit of, its creditors generally (otherwise than in the course of a reorganisation or restructuring previously approved in writing by Tradition);
  - (d) such Participant is unable to pay its debts as they become due or admits in writing its inability to pay its debts as they are due or is insolvent;
  - (e) a petition is presented for the winding up of the

Participant, provided that an Insolvency Event shall not have occurred due to the filing of winding-up petition which is discharged, stayed or dismissed within thirty (30) days of commencement; or

(f) any action occurs in respect of any Participant in any jurisdiction which is analogous to any of those set out in sub-paragraphs (a), (b), (c), (d) or (e) immediately above;

<b>LCH</b>	means LCH Limited;
<b>Market Abuse</b>	has the meaning given to it in MAR;
<b>Market Abuse Regulation or MAR</b>	means Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse;
<b>Market Circular</b>	means a communication described as such and published (on the Tradition website or otherwise) and/or issued by Tradition (electronically or otherwise), and as may be addressed to Participants generally or to a specific category of Participants, relating to the Platform;
<b>Market Maker</b>	means a market maker within the meaning of Article 4(1)(7) of MiFID 2;
<b>Market Making Agreement</b>	means the document of the same name (including other documentation referenced therein) entered into between Tradition and a Participant acting as a Market Maker;
<b>Market Making Scheme</b>	means the scheme described within the Market Making Agreement;
<b>MiFID 2</b>	means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2016 on markets in financial instruments;
<b>MiFID 2 Transaction Reporting Obligations</b>	means the obligations described in Article 26 of MiFIR;
<b>MiFIR</b>	means Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012;
<b>Multilateral Trading Facility or MTF</b>	means a multilateral trading facility within the meaning of Article 4(1)(22) of MiFID 2;
<b>Order Input Collar</b>	means the technological function in the System which operates to prevent an order being entered into the System by a Participant, and so reject such order, where the order is more than 5bps through the then current mid-price on the Platform in the relevant tenor. In the absence of a then current mid-price on the Platform, the 5bps will be measured by reference to the Tradition Curve. For the avoidance of doubt, the Participants acknowledge that the Order Input Collar will not prevent Combination Orders which themselves would have been prevented by the Order Input Collar had they been

entered initially by the Participant but which instead are triggered by the entering of an initial order which is not itself prevented by the Order Input Collar;

<b>Non-Reporting Participant</b>	has the meaning ascribed to it in Rule 105.2;
<b>Participant</b>	means a person who has been admitted to participate on the Platform pursuant to the rules set out in Part 2 of these Rules;
<b>Permitted Intermediary</b>	means a person who has been admitted to participate on the Platform pursuant to these Rules and in particular, Rules 203 and 208;
<b>Platform</b>	means the Trad-X market operated by Tradition;
<b>Price List</b>	means the document issued by Tradition from time to time (in accordance with the provisions of the Trad-X User Agreement) detailing the fees and costs in relation to the Platform;
<b>Rules</b>	means these rules as the same may be amended, varied, extended, supplemented or replaced from time to time in accordance with Rule 103;
<b>System</b>	means the electronic trading system operated and administered by Tradition for the purpose of the Platform;
<b>Trad-X User Agreement</b>	means the agreement of the same name governing access by Participants to the System;
<b>Trading Day</b>	means a day on which the Platform is open for business as indicated in the relevant Financial Instrument Appendix;
<b>Tradition</b>	means Tradition (UK) Limited, a private limited company with its registered office at Beaufort House, 15 St Botolph Street, London EC3A 7QX and with registered number 00937647;
<b>Tradition Group Company</b>	means all subsidiary undertakings and parent undertakings of Tradition as well as any subsidiary undertakings of such parent undertakings and “parent undertaking” and “subsidiary undertaking” have the respective meanings ascribed to them in section 1162 of the Companies Act 2006;
<b>Tradition Curve</b>	means the yield curve maintained and developed by Tradition;
<b>Transaction</b>	means where, in respect of a Financial Instrument, a buy and a sell order are matched in the System such that a contract results in accordance with Title II of MiFID 2;
<b>UK</b>	means the United Kingdom of Great Britain and Northern Ireland

101.2 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.

101.3 Unless the context otherwise requires, words denoting the singular shall include the plural and vice versa.

101.4 Appendices to these Rules form part of, and are subject to, these Rules.

## **102 Application**

102.1 These Rules set out the terms and conditions which shall apply to participation in and trading on the Platform for all Participants in order to ensure orderly operation of the relevant market(s) operated by Tradition.

102.2 LCH and Eurex Clearing are the Clearing Houses used by the Platform and will clear all Financial Instrument transactions concluded in the System until such time as they may be removed or replaced with or augmented by another Clearing House, pursuant to the terms of these Rules.

## **103 Amendments and Market Circulars**

103.1 Subject to the remaining provisions of this Rule 103, Tradition has the right to amend, extend, vary or supplement the Rules (including the removal and appointment of any Clearing House) from time to time to the extent necessary or desirable in light of prevailing market conditions.

103.2 Participants shall be notified of any non-material changes at least ten (10) Trading Days prior to the effective date thereof other than those required to be made without delay by law or regulation. Tradition shall, in its discretion, acting reasonably, decide whether a change is "non-material".

103.3 Tradition will consult with Participants prior to making any material amendments, except those made in an emergency (in which case temporary amendments may be made pending consultation at the earliest possible opportunity) or those required to be made without delay by law or regulation, and Participants will have a minimum of ten (10) Trading Days to comment on proposed changes. Immediately following such consultation period, Tradition shall give to Participants notice of the changes and such changes shall become effective ten (10) Trading Days after such notification.

103.4 If any modification of the Rules materially adversely affects the rights or obligations of any Participant, that Participant may, within five (5) Trading Days of being notified of such modification, resign its participation and cease to be a Participant by giving notice in writing to Tradition.

103.5 Any amendments, extensions, variations or supplements to the Rules shall be notified to Participants by way of a Market Circular sent to Participants.

## **104 The Platform**

104.1 The Platform enables Participants to enter into Financial Instrument transactions electronically by use of the System in the manner provided in these Rules.

104.2 Subject to Appendix 1 and other relevant provisions of these Rules, the System will display all prices and automatically selects the best price in terms of highest bid and lowest offer prices and if there are two identical bid or offer prices then priority will strictly be given to the earlier price submitted to the System. A price is valid until deleted either by the Participant who submits it to the System or the end of the Trading Day. When Financial Instrument transactions are matched in the System by a 'bid' being matched against an 'offer' or an 'offer' being matched against a 'bid', whether entered by a Participant or on behalf of a Participant



by Tradition (through voice interaction), a trade will be deemed executed between the parties to the Financial Instrument transaction upon the terms of the matched 'bid' and 'offer'. The point of matching of 'bid' and 'offer' by the System shall be the definitive point at which there is an executed, valid and final trade on the System (subject to any other applicable provision of these Rules including, but not limited to, provisions dealing with error trades). Following deemed execution of a trade, each party to the trade agrees to submit the transaction for clearing at the Clearing House in accordance with, and subject to, the rules and regulations of the Clearing House.

- 104.3 Parties to Financial Instrument transactions shall remain anonymous to Participants on the System prior to the matching of a trade, but immediately following execution of a trade the Participants who are party to that trade shall be made known to one another by electronic confirmations from the System to the relevant Participants' systems ('straight-through-processing').
- 104.4 Tradition shall promptly, following matching of a trade, provide each Participant who is a party to such trade with electronic confirmations containing all relevant information on that trade including, but not limited to, stated time of the trade, size of the trade, the price at which the trade was executed, the currency of the trade and the counterparty (in BIC code form) to the trade. In the case of Transactions entered into by Permitted Intermediaries for and on behalf of underlying clients (whether Participants or Customers), Tradition shall provide the information described above to the Permitted Intermediary for onward dissemination to such underlying clients.
- 104.5 Tradition shall make available data relating to the quality of execution of transactions on the Platform, including details about price, costs, speed and likelihood of execution for individual Financial Instruments, to the public, in accordance with the requirements of MiFID 2 and subsidiary legislation.
- 104.6 Tradition, as operator of the Platform, is responsible for retaining records of all orders and Transactions entered into on the Platform for a minimum of 5 years.

## **105 Transaction Reporting**

- 105.1 Each Participant (and, as applicable, each Permitted Intermediary for and on behalf of its underlying clients (whether Participants or Customers)) which is subject to the MiFID 2 Transaction Reporting Obligations shall ensure that it complies with such obligations.
- 105.2 Tradition, as operator of the Platform, shall report Transactions which are executed by a Participant which is not subject to the MiFID 2 Transaction Reporting Obligations (a "**Non-Reporting Participant**"), provided always that:
- (a) such Non-Reporting Participant shall provide to Tradition, promptly upon request, all such information required by Tradition in order to report such Transaction in accordance with the requirements of MiFID 2; and
  - (b) Tradition, as operator of the Platform, is reporting such Transactions in its capacity as a traded venue and not for, or on behalf of, the Non-Reporting Participant, and shall have no liability to Non-Reporting Participants in respect of the reporting of any Transactions.

## **106 Governing Law and Jurisdiction**

- 106.1 These Rules shall be construed and applied in accordance with the laws of England and

Wales.

- 106.2 Except where these Rules provide expressly to the contrary, any dispute between a Participant and Tradition concerning these Rules, any transaction effected pursuant to these Rules, and any non-contractual obligations arising out of or in connection with these Rules, shall be governed by the laws of England and Wales and all such matters and disputes related to the same shall be subject to the exclusive jurisdiction of the English courts, to which all Participants submit.

**PART 2 - PARTICIPATION IN THE PLATFORM****201 Application Procedure**

- 201.1 Applications for admission to participate in the Platform shall be made through the submission to Tradition, at [trading.operations@tradition.com](mailto:trading.operations@tradition.com) of an application pack. As indicated in this Part 2, an applicant can make an application for admission as a Participant, as a Permitted Intermediary or as both.
- 201.2 The application must include all supporting information as stipulated in the application form, failing which the application will be returned to the applicant and will not be processed until fully completed.
- 201.3 All fully completed applications shall be determined by Tradition within ten (10) Trading Days of receipt and notice promptly provided to the applicant of such determination to the address so notified by the applicant in their application pack.

**202 Eligibility - Participants**

- 202.1 An application for admission to participate on the Platform as a Participant will only be considered if the applicant meets the following requirements:
- (a) the applicant:
    - (i) is of sufficient good repute;
    - (ii) has a sufficient level of trading ability, competence and experience;
    - (iii) has, where applicable, adequate organisational arrangements;
    - (iv) has sufficient resources for the role they are to perform, taking into account the different financial arrangements that the venue may have established in order to guarantee the adequate settlement of transactions; or
  - (b) the applicant is an investment firm (as defined under MiFID 2) or a credit institution (as defined under Directive 2013/36/EU) or otherwise licensed and supervised by a financial market supervisory authority in its country of incorporation, and pursuant to the applicable laws of that country be a credit institution or have a status equivalent to an EEA regulated investment firm.
- 202.2 Tradition shall use reasonable efforts and devote appropriate resources for the purpose of undertaking a diligent investigation of the circumstances of the applicant for the purpose of assessing compliance with the Eligibility Criteria.

**203 Eligibility – Permitted Intermediaries**

- 203.1 An application for admission to participate on the Platform as a Permitted Intermediary will only be considered if the applicant satisfies the requirements specified for Participants in Rule 202, and:
- (a) has in place all arrangements (whether legal, operational and/or technical) with its applicable underlying clients; and
  - (b) holds and maintains all applicable and necessary legal and regulatory permissions,

in each case in order for it to act in a capacity as a Permitted Intermediary for and on behalf of Participants and/or Customers, in the manner described in these Rules.

- 203.2 Tradition shall use reasonable efforts and devote appropriate resources for the purpose of undertaking a diligent investigation of the circumstances of the applicant for the purpose of assessing compliance with the Eligibility Criteria.

## **204 Participants Obligations**

- 204.1 Each Participant will be responsible for all orders and actions taken on the Participant's user account by the Participant's Authorised Representatives or any other officer, employee or agent of the Participant who possesses a valid access permission that would allow such person to submit an order or take any other action on the System (with the exceptions set out in these Rules or in the Trad-X User Agreement for the Participant).
- 204.2 A Participant must at all times have adequate systems and controls intended to minimise the risk of error in relation to offers or bids submitted to the Platform and to ensure that its conduct on the Platform complies with these Rules.
- 204.3 All Participants are responsible for ensuring that their staff are adequately trained to use the Platform.
- 204.4 Participants are responsible for settling Financial Instrument transactions executed on the Platform. In the event that Transactions are in relation to Financial Instruments which are to be cleared, Participants shall be bound by the rules and procedures of the Clearing House in the event of a settlement default provided that nothing in this Rule 204.4 shall prevent Tradition from taking any action in respect of any defaulting Participant which Tradition is permitted to undertake under these Rules.
- 204.5 Participants must not, in respect of any of their business on the Platform:
- (a) commit any act or engage in any course of conduct which creates or is likely to create a false or misleading impression as to the market in, or the price of, any Financial Instrument; or
  - (b) do or engage in any act or course of conduct which is likely to harm the integrity or stability of the System (including without limitation trading in a disruptive manner).
- 204.6 Participants must inform Tradition, as soon as reasonably practicable, upon the occurrence of any of the following:
- (c) becoming aware that they or any of their respective Participant's Authorised Representatives are unable to comply with these Rules;
  - (d) the occurrence of any Insolvency Event relating to the Participant;
  - (e) a material breach of these Rules upon becoming aware thereof; or
  - (f) ceasing to meet any of the Eligibility Criteria.

Subject to any other relevant provision of these Rules, all information and evidence provided to Tradition in accordance with this Rule 204.6 shall be kept confidential and not disclosed to any person other than the relevant Participant and Tradition.

- 204.7 Participants are responsible for retaining records of all orders and Transactions entered into on the Platform for a minimum of 5 years.
- 204.8 Participants must continue to meet the Eligibility Criteria at all times whilst a Participant.
- 204.9 Specific Participant obligations in relation to particular Financial Instrument types shall be set out in the applicable Financial Instrument Appendix from time to time.
- 204.10 Participants will be bound by these Rules and by any decision of the Committee, Appeals Panel or Tradition made pursuant to these Rules.

## **205 Access to the System**

- 205.1 Participants will be granted access to the System by Tradition in order to enter into Financial Instrument transactions.
- 205.2 Each Participant shall appoint at least one individual who is authorised by that Participant to make notifications in relation to the appointment, withdrawal or suspension of any of its Participant's Authorised Representative. Each Participant shall notify Tradition of the identity of the individual appointed for this purpose from time to time. All notifications to Tradition in relation to the appointment, withdrawal or suspension of a Participant's Authorised Representative shall be made by the identified individual and Tradition shall be entitled to ignore any notification made by any other individual.
- 205.3 Every Participant is obliged to apply for the issuance of a personal access code (user code) for every Participant's Authorised Representative who will be trading through the System and for every other employee who needs access to the System for other reasons (e.g. system management, back-office responsibilities). Participants are obliged promptly to notify Tradition of any changes in personnel who have been allocated a personal access code by Tradition so that access rights can be terminated or new access rights granted where necessary in the case of individual employees.
- 205.4 No Participant shall allow unauthorised third parties to use the System for any purpose. The personal access code allocated to a specific employee is personal to that individual and may not be used by other persons.
- 205.5 Tradition shall maintain in operation continuously during trading hours (and trading hours shall be, for each Financial Instrument, such hours as are stated in the relevant Financial Instrument Appendix) a support helpdesk to which Participants shall have access (by both phone and email) free of charge for support issues related to the System or to any particular trade.

## **206 Resignation, Suspension and Termination**

- 206.1 A Participant may resign its participation and cease to be a Participant by giving ten (10) Trading Days' prior notice in writing to Tradition (or such shorter period as may be required to comply with any applicable law or regulation). Tradition may, in addition, at its absolute discretion waive some or all of the notice period.
- 206.2 Participation may be suspended or terminated in accordance with Part 5 of these Rules. In addition, Tradition may immediately suspend a Participant's or an individual's access to the System or any part of the System or any Financial Instrument traded on the System or refuse to accept an order to the System or decline to allocate a personal access code to an individual in the event that Tradition, in its reasonable opinion, considers such action to be

necessary to preserve the security or integrity of the System, to prevent violation of laws or regulations or to protect other users of the System from fraud. Tradition shall, so far as reasonably practicable and permitted by applicable law, give affected users reasonable advance notice of any such action and the effective time and date of such action. A Participant may appeal a decision to suspend a Participant or individual pursuant to this Rule 206.2 in accordance with the provisions set out in Rule 503.3 and any such appeal will be heard in accordance with the provisions of Rule 504 (and for the avoidance of doubt the suspension shall remain in place during the determination of any appeal).

- 206.3 Resignation, suspension or termination of a Participant's participation shall be without prejudice to the obligations of the Participant under Rules 106, 204.7, 204.9, 204.10, 206.3, 206.4, 206.5, Part 5, Part 6 and Rules 701 and 703 which shall survive such resignation or termination of the participation and endure through any suspension.
- 206.4 In the event of resignation, suspension or termination of a Participant's participation, the Participant shall ensure that prior to the effective time and date of the resignation, suspension or termination (as the case may be), any unmatched orders and/or prices which may result in the conclusion of Financial Instrument transactions by such Participant have been cancelled. In the event of failure on the part of the Participant promptly to effect such cancellation, Tradition shall cancel the unmatched orders and/or prices. Following resignation, suspension or termination, the Participant shall continue to be liable to perform Financial Instrument transactions concluded by it prior to the resignation, suspension or termination (as the case may be).
- 206.5 At the time and date that the resignation, suspension or termination of the participation of a Participant becomes effective, Tradition shall be entitled to take all measures necessary to prevent the Participant concerned from entering into new Financial Instrument transactions on the Platform.

## **207 Market Making activities**

- 207.1 A Participant that is classified as a Market Maker may request from Tradition a Market Making Agreement to cover its market making activities for the purposes of MiFID 2.
- 207.2 The Participant acknowledges and agrees that Tradition may be requested by the FCA to provide (and thereafter Tradition shall so provide) any information the FCA reasonably requires to be satisfied that the applicable Market Making Agreement complies with the applicable provisions of MiFID 2.

## **208 Permitted Intermediary - Role and Responsibilities**

- 208.1 A Permitted Intermediary accesses and interacts with the Platform in its capacity as an agent for and on behalf of its underlying clients, whether such underlying clients are Participants or Customers. Transactions which result from a Permitted Intermediary's access to, and interactions with, the Platform, involve its underlying client, whether Participant or Customer, becoming counterparty to a Transaction (and not the Permitted Intermediary itself).
- 208.2 Subject to these Rules, it is permissible for a single legal entity (i.e. an entity as identified by a single LEI) to interact with the Platform in its capacity as both a Participant and a Permitted Intermediary, provided that it may only act in one capacity in relation to any given order.
- 208.3 Whenever acting in such capacity, Permitted Intermediaries must comply with all provisions of these Rules which refer to requirements upon a "Participant" as if the Rules referred to "Permitted Intermediary" (with references to "Participant" in the relevant and applicable Rules

being read to mean “Permitted Intermediary for and on behalf of each of its underlying clients, whether Participant or Customer” *mutatis mutandis*), save as otherwise specified in the applicable Rule.

- 208.4 Where a requirement in these Rules upon a Participant is beyond the direct control of the Permitted Intermediary because the requirement is in relation to a Transaction (which, thereby, the Permitted Intermediary is not a counterparty thereto), then the obligation of the Permitted Intermediary shall be to procure such compliance from its applicable underlying client (whether Participant or Customer), and the Permitted Intermediary hereby confirms to Tradition that it has all necessary measures in place with its underlying clients (whether Participant or Customers) in order to be able to so procure.
- 208.5 Where a Permitted Intermediary wishes to cease acting in such capacity in relation to a given underlying client, whether Participant or Customer, (a “**Retiring Permitted Intermediary**”) then it shall notify Tradition as soon as possible and, unless impossible, prior to the Permitted Intermediary ceasing to act in such capacity.
- 208.6 A Retiring Permitted Intermediary’s ceasing to act for a given underlying client, whether Participant or Customer, shall not affect its role as Permitted Intermediary in respect of any other underlying client, whether Participant or Customer (subject always to its continued compliance with these Rules, and its Trad-X User Agreement).

**PART 3 – FINANCIAL INSTRUMENT TRADED ON THE PLATFORM****301 Eligible Financial Instruments**

- 301.1 Tradition shall determine which Financial Instruments, from time to time, shall be admitted to trading on the Platform and the parameters for Financial Instrument transactions to be entered, and shall publish a list of such Financial Instruments on its website. Before admission of any Financial Instruments to trading on the Platform, Tradition shall ensure that such Financial Instruments are eligible for clearing, without any special, unusual or extraordinary procedures or costs, by the Clearing House.
- 301.2 Full details of Financial Instruments are set out in the applicable Financial Instrument Appendix.
- 301.3 Changes in the specifications of the Financial Instrument types available via the System shall be determined by Tradition and made known to all Participants in accordance with Rule 103.



**PART 4 - TRADING RULES****401 Financial Instruments and Trading Protocols**

401.1 Details of each Financial Instrument and its trading protocols (including, without limitation details of Product Types, Credit, Orders, Order Book, Clearing/Settlement and Trading Days/Timings) are set out in the applicable Financial Instrument Appendix.

**402 Trades are Firm**

402.1 Financial Instrument transactions effected through the System by a Participant's Authorised Representatives shall be binding on such Participant (or, in the case of a Permitted Intermediary's Authorised Representative, the applicable Participant or Customer), subject to any other provision of these Rules or the Trad-X User Agreement.

402.2 Participants shall be responsible for ensuring that they have the technological and operational arrangements and infrastructure in place to ensure the efficient and timely settlement of Transactions and shall be responsible for the settlement of such Transactions.

402.3 When requested, Participants shall provide Tradition with information about the settlement performance of Transactions effected through the Platform. Depending upon the nature of the Financial Instrument, this may include information on:

- (a) the proportion of the Participant's Transactions on the Platform that are subject of failed or delayed settlement;
- (b) the number of Transaction rejected for clearing by a Clearing House; and
- (c) the breakdown of counterparties with which any failed or delayed settlement has occurred.

402.4 Participants shall inform Tradition of any major issue affecting settlement of Transactions effected through the Platform (including without limitation: (i) failure of settlement systems either at the Participant or third parties; and (ii) action taken by settlement or clearing agents to restrict or limit the settlement of Transactions by the Participant.

402.5 When requested by Tradition, Participants shall confirm and provide evidence to demonstrate that a Transaction or range of Transactions has settled, including as appropriate the date and time of settlement of the Transaction.

**403 Error Trade Policy**

403.1 Tradition may cancel a Transaction where it has been entered into and it constitutes an Error Trade as described in Rule 403.2.

403.2 An Error Trade shall occur where, due to an issue with the System, a Financial Instrument transaction is entered into:

- (a) in the name of a Participant without the knowledge or authority of such a Participant;
- (b) by a Participant's Authorised Representative after a notification to disable access to the System in respect of that Participant's Authorised Representative has been received by Tradition in accordance with the applicable procedures set out in the Trad-X User Agreement; or

- (c) where the operation of the Credit Matrix functionality (as described within the applicable Financial Instrument Appendices) should have prevented such Financial Instrument transaction being entered into; or
- (d) as a result of an order entering the System as a result of a failure of the Order Input Collar; or
- (e) which is manifestly erroneous.

403.3 In the event that Tradition becomes aware of an Error Trade or is notified by a Participant of an Error Trade (such notification from a Participant to contain the information set out in Rule 403.5 and be sent in accordance with the provisions of Rule 403.4 and at least 30 minutes before the cut-off time for Tradition to send the Error Trade Cancellation Notice as set out in this Rule), Tradition shall issue a notice, containing the information required by Rule 403.6, to all affected Participants where it intends to cancel a Transaction pursuant to this Rule (a "**Error Trade Cancellation Notice**"). Tradition shall issue an Error Trade Cancellation Notice as soon as practicable following the Error Trade coming to its attention and in any event the Error Trade Cancellation Notice must be issued: (i) at least two (2) hours before the end of the operating times for the Clearing House (as may be defined in the Clearing House's applicable rules and procedures) on the applicable Trading Day, in the case of Transactions which are cleared; or (ii) at least 30 minutes before the end of the applicable Trading Day, in order for the procedures in Rules 403.7 to 403.11 to apply.

403.4 Any notification relating to an Error Trade must be made by a Participant to Tradition:

- (a) by email to the Trad-X dedicated cancellation email address at [trading.operations@tradition.com](mailto:trading.operations@tradition.com) or, where communicated by phone, then confirmed by email promptly (and in any event no later than ten (10) minutes after the end of such phone communication); and
- (b) all communications must be from a Participant's Authorised Representative.

403.5 All notifications from Participants relating to an Error Trade must contain:

- (a) Participant's primary contact details (name and direct line);
- (b) all specific details of the Transaction(s);
- (c) timestamps for each Transaction; and
- (d) Participant's reason for considering the Transaction to be an Error Trade.

403.6 An Error Trade Cancellation Notice issued by Tradition shall specify the affected counterparty(ies), Transaction details and timestamps.

403.7 Within thirty (30) minutes after the issue of an Error Trade Cancellation Notice by Tradition, the Participants party to the relevant Transaction may, jointly, agree that the Transaction does not constitute an Error Trade (a "**Good Trade**"). Good Trades shall not be cancelled but all Error Trades shall be cancelled by Tradition in accordance with this Part 4 of these Rules.

403.8 Where an Error Trade is to be cancelled, then Tradition shall notify the counterparty(ies) of the cancellation of the Transaction, the Transaction shall be cancelled and a cancellation notice sent out to all Participants in respect of each such cancelled Transaction.

403.9 No handling charge will be payable in respect of a cancellation caused by any Error Trade.

403.10 If there is insufficient time in the Trading Day for any of the provisions of this Rule 403 to be carried out, Tradition and the relevant Participants shall use all reasonable endeavours (including within and in accordance with the rules of the Clearing House) to ensure that such procedures are completed prior to the commencement of trading on the next Trading Day or, if this is not possible, as soon as practicable after commencement of trading on the next Trading Day after the Trading Day on which the error event occurred.

403.11 Where an Error Trade relates to an order which forms part of a Combination Order, all orders that form part of that Combination Order shall be cancelled in accordance with the error trade process set out in Rules 403.7 to 403.10.

#### **404 Suspension/Halting of Trading**

404.1 Notification of any suspension of trading of the Platform as a whole, or in respect of one or more Financial Instruments shall be made by Tradition by way of Market Circular as soon as reasonably practicable.

404.2 Subject always to Rule 404.5, Tradition may at any time suspend trading in whole or in respect of one or more Financial Instrument types, if Tradition, as operator of the Platform:

- (a) in its discretion, acting reasonably, considers such action necessary to maintain the integrity of the Platform or the fair and orderly trading on the Platform (including without limitation where there is a significant price movement in a given Financial Instrument on the Platform or a related trading venue during a short period);
- (b) is directed to do so by the FCA or other applicable competent regulatory authority; or
- (c) without limitation to the generality of the foregoing, where another venue has suspended or removed from trading a Financial Instrument and another competent authority has exercised its right to require Tradition, as operator of the Platform to suspend or remove from trading such financial instrument, where the suspension or removal is due to:
  - (i) suspected market abuse;
  - (ii) a take-over bid;
  - (iii) the non-disclosure of inside information about the issuer or financial instrument infringing Articles 7 and 17 of MAR regarding inside information;

404.3 Tradition shall, as soon as practicable, revoke the suspension of trading in whole or in respect of one or more Financial Instrument types if, in its opinion acting reasonably, the reason for such suspension has ceased to exist.

404.4 If trading in specific Financial Instrument types is suspended in whole or in part, no new orders or prices may be entered in respect of such Financial Instrument type for the duration of the suspension and all orders which are not matched prior to the time of suspension shall be cancelled.

404.5 Tradition shall:

- (a) not exercise any power under these Rules to suspend or remove from trading any Financial Instrument which no longer complies with these Rules, where such a step would be likely to cause significant damage to the interest of investors or the orderly functioning of the Platform; and

- (b) where it does suspend or remove from trading a Financial Instrument, also suspend or remove any derivatives that relate or are referenced to that Financial Instrument, where necessary to support the objectives of the suspension or removal of the underlying Financial Instrument, and in such circumstances make public such decision in accordance with these Rules,

unless Tradition is so directed by the FCA or other applicable competent regulatory authority.

#### **405 Market Surveillance**

- 405.1 Tradition shall maintain in place systems to monitor compliance with the Rules, disorderly trading conditions and conduct that may involve Market Abuse. Tradition shall enforce compliance with these Rules and may take all measures necessary, in accordance with and subject to the provisions of these Rules, to ensure orderly trading and the smooth operation of the System.
- 405.2 In order to ensure an orderly system functionality, the commencement of trading may, at the order of Tradition, be postponed for the entire System or trading hours may be extended or shortened, provided that Tradition shall be under an obligation to restore normal trading and normal trading hours as soon as reasonably practicable.
- 405.3 In the event of technical problems that may lead to violation of laws or regulation, error trades or breaches of security, or may materially impact the performance or impact the integrity or stability of the System, Tradition may, for an individual Participant or all Participants, temporarily suspend access to or trading through the System, to the extent required as a result of such technical problems.
- 405.4 In the event of measures being taken which materially affect the operation of the System, the Participants affected thereby shall, to the extent possible, be promptly notified via the System or - in the case of a System failure - by other suitable electronic means (including, without limitation, by way of Market Circular).
- 405.5 If participation in trading through the System is not possible for individual Participants due to technical disruptions, the System shall continue to be available to other Participants, but Tradition shall be obliged to rectify such technical disruptions as soon as reasonably practicable.

#### **406 Market Controls**

- 406.1 Tradition, as operator of the Platform, reserves the right, in order to facilitate compliance with its regulatory obligations, to take all necessary steps and action to:
- (a) reject orders that exceed predetermined volume and price thresholds (as may be specified in Financial Instrument Appendices from time to time) or which are clearly erroneous;
- (b) ensure that an Algorithmic Trading system cannot create or contribute to disorderly trading conditions on the Platform;
- (c) ensure any disorderly trading conditions which do arise from the use of an Algorithmic Trading system are capable of being managed, including without limitation through the use of systems to limit the ratio of unexpected orders-to-Transactions that may be entered into the System by a Participant;

- (d) ensure the flow of orders is capable of being slowed down if there is a risk of the System's capacity being reached;
- (e) limit and enforce the minimum tick size which may be executed on the Platform (and which maybe specified in Financial Instrument Appendices from time to time); and
- (f) require that Participants carry out appropriate testing of Algorithmic Trading systems within appropriate testing environments prior to deployment in 'live' use on the Platform.

406.2 Without limitation to its rights described elsewhere in this Part 4 of these Rules, Tradition may, in exceptional cases, cancel, vary or correct any Transaction.

#### **407 Algorithmic Trading**

407.1 Participants engaging in Algorithmic Trading on the Platform shall flag orders generated by such Algorithmic Trading in order for Tradition to be able to identify the following:

- (a) different algorithms used for the creation of orders; and
- (b) the Participant initiating those orders.

#### **408 Voiding of Transactions Not Accepted for Clearing**

408.1 Where a Transaction concluded on the Platform (which shall be considered as electronic) is not accepted by the applicable Clearing House, Tradition, as operator of the Platform, shall void such Transaction. Where the non-acceptance is due to a technical or clerical problem, the Transaction can be submitted for clearing once more within one hour from the previous submission in the form of a new Transaction but with the same economic terms, provided that both counterparties have agreed to the second submission. Participants acknowledge that Tradition, as operator of the Platform, shall not be subject to the requirements of Article 8 of MiFID 2 for the submission to clearing of the second Transaction.

**PART 5 - POWERS OF TRADITION AND THE APPEALS PANEL****501 Tradition - Disciplinary Action**

501.1 Tradition may:

- (a) take disciplinary action against a Participant in respect of any act or omission that amounts to a material breach of these Rules in accordance with the procedures made under Rule 503 below; and
- (b) suspend or restrict a Participant's activities on the Platform on an interim basis when a matter is under investigation, provided that such suspension or restriction shall only be put in place where there is a reasonable suspicion that the Participant has committed a material breach of these Rules.

**502 Tradition - Sanctions**

502.1 Tradition may, in its absolute discretion, impose sanctions on a Participant for a material breach of the Rules constituting either or both of the following:

- (a) temporary suspension; and
- (b) termination of participation.

**503 Tradition - Procedures**

503.1 To achieve its overall aim to ensure the fair and orderly trading of Financial Instruments on the Platform, Tradition will operate procedures designed to identify breaches of, and ensure Participant compliance with, the Rules, including without limitation scrutiny of trading data and reports.

503.2 In the event of any alleged breach or suspected breach by a Participant of these Rules, Tradition shall notify the Participant of the commencement of an investigation along with reasonably sufficient information to allow the Participant to assess the alleged breach, save where such notification is precluded by applicable law or regulation. Where sufficient information exists regarding the cause of the alleged breach or suspected breach, such notification may include a request to the Participant to take such remedial action so as to ensure the alleged breach or suspected breach does not recur.

503.3 Tradition will investigate the facts of each case, seeking to understand why the alleged Rule breach occurred and will assess whether any remedial action the Participant has taken (pursuant to Rule 503.2) is adequate to prevent similar future occurrence.

503.4 In each case, Tradition shall determine whether impose any of the sanctions in Rule 502 in relation to a breach of the Rules. In coming to such a determination, Tradition shall take into account a number of factors, including without limitation:

- (a) the nature and seriousness of the Rule breach and the duration and frequency of misconduct;
- (b) how the Rule breach came to light (e.g. whether flagged by the Participant under investigation);
- (c) the actual or potential market impact of the Rule breach, and any other repercussions;

- (d) the extent to which the Rule breach was deliberate or reckless;
- (e) the compliance history of the Participant under investigation, and specific history regarding the Rule breach in question and whether any warning notices have previously been issued to the Participant in relation to the Rule;
- (f) consistent and fair application of the Rules (any precedents of similar Rule breaches); and
- (g) the responsiveness and conduct of the Participant in relation to the matter under investigation.

503.5 Upon conclusion of its investigation, Tradition will decide what action is necessary in each instance and shall communicate such decision promptly to the Participant (including if any action is to be taken). In addition (or in the alternative) to the sanctions described in Rule 502, Tradition may, as an initial step, request that the Participant concerned (where this has not already been done pursuant to Rule 503.2) takes remedial action so as to ensure the breach does not recur. Alternatively, Tradition may decide to issue a warning notice to the Participant concerned. Tradition shall ensure that any sanction imposed upon a Participant is proportionate to the Rule breach in question and, where the sanction is a temporary suspension, such suspension shall cease when the Participant has carried out remedial action to Tradition's reasonable satisfaction. For the avoidance of doubt and subject to any other relevant provision of these Rules (including without limitation Part 6 of these Rules), any investigation, action or sanction shall remain confidential.

503.6 During its investigation, Tradition shall permit the Participant reasonable opportunity to submit petitions and/or information in relation to the alleged breach and Tradition shall take such submissions into account in reaching a conclusion as to any necessary action.

503.7 A Participant shall cooperate with Tradition in the investigation of potential breaches by providing reasonable assistance to Tradition including the provision of information reasonably requested by Tradition, subject to regulatory and confidentiality restrictions.

503.8 For the avoidance of doubt, a Participant shall be under no obligation to comply with a request to take remedial action made pursuant to Rule 503.2 or 503.5.

503.9 A Participant may appeal a decision of Tradition related to disciplinary action within ten (10) Trading Days of receiving notice of the decision, specifying the grounds upon which the Participant is appealing and the reasons why it believes its participation should not be suspended/terminated. Appeals will be heard and decided by the Appeals Panel.

#### **504 Appeals Panel – Procedures**

504.1 Following a referral to the Appeals Panel pursuant to Rule 503.7, the Appeals Panel shall convene and make a determination, by majority vote, on the matter within twenty (20) Trading Days of receipt of notice of appeal from the Participant. Such determination shall be to uphold, quash or amend the original decision that is the subject of the appeal.

504.2 A Participant shall cooperate with the Appeals Panel in the determination of the appeal by providing reasonable assistance to the Appeals Panel including the provision of information reasonably requested by the Appeals Panel, subject to regulatory and confidentiality restrictions.

504.3 The Appeals Panel's determination shall be final and binding upon the relevant Participant and Tradition.



**PART 6 - COOPERATION WITH REGULATORY AUTHORITIES**

**601 Cooperation with Regulatory Authorities**

- 601.1 Tradition, which is the operator of the Platform, is authorised and regulated by the FCA in the UK. Tradition will report to the FCA any significant breaches of the Rules, disorderly trading conditions and conduct that may involve Market Abuse, or other information in relation to its operation of the Platform, in each case only as are required to be reported to the FCA under applicable law or regulation.
- 601.2 In addition to its obligations to the FCA, Tradition will assist in any investigation conducted in relation to trading on the Platform, whether by the FCA or another competent or regulatory authority.

**PART 7 - OTHER PROVISIONS****701 Fees and Costs**

701.1 Fees and costs shall be as set out in, and Participants shall pay such fees and charges in accordance with, the Price List, and upon the terms set out in the Trad-X User Agreement.

**702 Participant Cooperation**

702.1 Participants shall provide all reasonable assistance to Tradition (including without limitation providing information or access to systems, personnel and premises) as may be required to enable Tradition to carry out its obligations under these Rules or under applicable law or regulation.

**703 Notice**

703.1 Except as otherwise specified in these Rules (including, without limitation, a Market Circular), any notice or other communication in connection with these Rules (each, a **“Notice”**) shall be:

- (a) in writing in English; and
- (b) delivered by hand, fax, registered post or by courier using an internationally recognised courier company.

703.2 The address and facsimile number (and the department or officer, if any, for whose attention the communication is to be made) of Tradition for any Notice is:

Address: Beaufort House, 15 St Botolph Street, London, EC3A 7QX. For the attention of Executive Director, Trad-X

Fax: +44 207 454 9405. For the attention of Executive Director, Trad-X

703.3 The address and facsimile number (and the department or officer, if any, for whose attention the communication is to be made) of a Participant is the address and facsimile number so notified by the applicant in their application pack, as may be amended by notification to Tradition from time to time by not less than five (5) Business Days' notice.

703.4 A Notice shall be effective upon receipt and shall be deemed to have been received:

- (a) at the time of delivery, if delivered by hand, registered post or courier; or
- (b) at the time of transmission in legible form, if delivered by fax.

703.5 Where any Notice is be sent by email in accordance with these Rules, that Notice shall be effective upon receipt and shall be deemed to have been received when the email has been delivered to, and received by, the email servers of the recipient.

## APPENDIX 1: FINANCIAL PRODUCTS TRADEABLE ON THE PLATFORM: EURO INTEREST RATE SWAPS

### 1 EUR Interest Rate Swaps – Product Types

- 1.1 The following product types shall be eligible for admission to and capable of being traded on the Platform:
- (a) Euro interest rates swaps 1 to 50 years annual bond basis (30/360) on the fixed side versus 3 mth EURIBOR (reference page EURIBOR01) on the floating side;
  - (b) Euro interest rates swaps 1 to 50 years annual bond basis (30/360) on the fixed side versus 6 mth EURIBOR (reference page EURIBOR01) on the floating side;
  - (c) 3mth v 6mth single currency basis spreads 1 to 50 years (traded as two swaps described above) with the spread between the fixed rates representing the spread dealt;
  - (d) BUND, BOBL and SCHATZ spreads are cockdated Euro interest swaps annual bond basis (30/360) on the fixed side versus 6 mth EURIBOR (reference page EURIBOR01) dated from the maturity of the futures contract maturing on the maturity of the “Cheapest To Deliver” of the contract (“Stub” at the front) dealt with a futures hedge of corresponding size, quoting the front two contracts;
  - (e) ‘Gadgets’, being Euro interest rate swaps dated from spot to specified outright maturity dealt with a future hedge of corresponding size, quoting the front two contracts.

### 2 EUR Interest Rate Swaps –Credit Matrix Functionality

- 2.1 The Platform shall provide a credit management tool (the “**Credit Matrix**”) to provide functionality for Participants to manage, in accordance with this paragraph 2, credit limits in respect of its trading activities on the Platform.
- 2.2 Full details and functional descriptions of the Credit Matrix can be found in the Trad-X technical document entitled “*Trad-X Participant Management Console*” (version 1.2 dated 26 March 2014 as may be updated from time to time by Tradition). Note that the Credit Matrix includes functionality relating to customers (meaning Participants on the Trad-X Platform which are authorised by a Participant to transmit orders on its behalf or are authorised by a Participant directly to transmit orders to the Platform via the Participant’s methods of access to the Trad-X Platform) which will not be used by Participants until such point as such functionality is required and these Rules amended accordingly.
- 2.3 By way of summary, the Credit Matrix shall provide the following functionality:
- (a) “House Limit”: a maximum value (assigned by the Participant by reference to (i) Gross Notional; (ii) Gross DV01; or (iii) the stricter of Gross Notional and Gross DV01) of Transactions which the Participant may execute on the Platform on a given Trading Day.
  - (b) “House Limit Kill Switch”: a control toggle allowing a Participant to disable all trading activity for the Participant, overriding any credit limit values in place for that Participant. This will not affect Transactions entered into prior to activation of the House Limit Kill Switch.

- (c) “CCP Limits”: a maximum value (assigned by the Participant by reference to (i) DV01; (ii) Notional; or (iii) the stricter of DV01 and Notional, and in each case by further reference to (a) Gross; (b) Net; or (c) the stricter of Gross and Net) of Transactions which the Participant may execute on the Platform in relation to a given Clearing House. Once the limit is reached, no further Transactions which are to be cleared by that Clearing House will be permitted.
- (d) “CCP Kill Switch”: a control toggle allowing a Participant to disable all trading activity on the Platform for the Participant in relation to activity with a particular Clearing House. This will not affect Transactions entered into prior to activation of the CCP Kill Switch.
- (e) “Participant-to-Participant Kill Switch” (aka “FCM Kill Switch”): a control toggle allowing a Participant to disable all trading activity for the Participant on the Platform in relation to a given Participant. This will not affect Transactions entered into prior to activation of the FCM Kill Switch.

2.4 Customisable Alerts: a set of fully customisable alerts to alert Participants in relation to credit limit usage of (i) House Limit; and (ii) CCP Limits (on an “ALL” or “Participant-by-Participant” basis) which can be set for values between 1% and 100% of assigned credit values.

### 3 EUR Interest Rate Swaps - Orders

3.1 Prices can be offered for certain contract types (as indicated on the Platform website), which shall remain valid, until changed or cancelled by the Participant. Unless the Participant elects otherwise, orders entered in the System and not matched will be automatically cancelled at the end of the Trading Day.

#### 3.2 *Price Conditions*

- (a) **Limit**: The order will be executed at a price that is no worse than that specified by the Participant.
- (b) **Market**: The order will execute against any available orders in the opposite side of the book, on a price-time priority, until the order is fully executed or all liquidity exhausted, whichever comes first. Persistent market orders (i.e. Day, GTC, etc) will not be accepted. For the avoidance of doubt, market orders will only be accepted if their Time In Force is FOK/IOC.
- (c) **Linked**: The orders will be priced with reference to the yield of a futures contract plus/minus a spread specified by the Participant. Linked orders cannot be FOK/IOC.

#### 3.3 *Time In Force*

- (a) **Day**: The order will be valid during the current normal trading session only.
- (b) **GTD**: The order will participate in all normal trading sessions incurred until and including the specified date. The order is cancelled at the end of the Trading Day on which it was submitted.
- (c) **GTT**: The order will participate in all normal trading sessions until the date-time specified is reached, at which time the order will be cancelled, even if the current (active) trading session has not finished. The order is cancelled at the end of the Trading Day on which it was submitted.

- (d) GTC: The order will participate in all normal trading sessions until cancelled by the Participant. The order is cancelled at the end of the Trading Day on which it was submitted.
- (e) IOC: All or part of the order will be executed immediately upon receipt. Any portions not executed immediately will be automatically cancelled.
- (f) FOK: The order will be executed in full immediately upon receipt, or cancelled. For the avoidance of doubt, if the order is not executable in full and immediately it will be cancelled, but full executions may be achieved through more than one fill.

3.4 In relation to this paragraph 3, note that:

- (a) Orders priced at the market will only be accepted if their "Time In Force" is FOK or IOC
- (b) Orders priced at a Limit Price will be accepted with any of the above "Time In Force" values, including IOC/FOK
- (c) Linked orders will only be accepted if they have a "Time In Force of Day", "GTD", "GTT" or "GTC"

#### **4 EUR Interest Rate Swaps - Order Book**

The Order Book contains all orders entered in the System by the Participants. The Participants may view in the Order Book all orders per term and Financial Instrument transaction including information as to the contract size. If an order is matched it will be removed from the queue and only live orders will be shown in the System. Orders not matched by the end of the Trading Day will be cancelled and Participants must therefore re-enter their orders into the System on the following Trading Day or specify the period of time they would like the order to remain in the System when entering the order.

#### **5 EUR Interest Rate Swaps - Clearing and Settlement**

- 5.1 The Platform operates on the basis that Financial Instrument transactions shall be effected only between Authorised Clearing Participants.
- 5.2 The System functions enable the Participants to negotiate the contract components of the relevant Financial Instrument transaction.

#### **6 EUR Interest Rate Swaps - Trading Days and Timings**

- 6.1 Trading on the Platform for Euro Interest Rate Swaps shall take place on each Business Day, other than such days when Eurex or the Clearing House is closed for business. Tradition reserves the right to determine additional Trading Days after prior announcement thereof to the Participants. For the purposes of this paragraph 6.1, "**Business Day**" means every weekday in London other than Good Friday, Christmas Day and New Year's Day.
- 6.2 Trading on the Platform will be available between 07:00 and 18:00 (GMT/BST) or for such other periods as may be determined by Tradition and made known to all Participants in accordance with Rule 103.

**Business Trading Protocol**

1. Tradition Voice Broker (the “**Tradition Broker**”) role: the Tradition Broker may input, amend, cancel orders on a Participant’s Authorised Representative’s behalf once Tradition has received authorisation from that Participant’s Authorised Representative.
2. Tradition’s operations team will have the authorisation to cancel unmatched orders on behalf of a Participant, following authorisation from that Participant’s Authorised Representative, in accordance with the Rules from time to time.
3. The Tradition Broker cannot be responsible for delays in carrying out a request by the Participant’s Authorised Representative that results in the trade being filled electronically or a trade being missed. The Tradition Broker will use reasonable endeavors to fill the request in a responsible and timely manner.
4. A voice order from a Participant’s Authorised Representative to a Tradition Broker to hit an electronic bid or take an electronic offer (hybrid order) will not, in itself, be a guarantee to trade. The Tradition Brokers will use reasonable endeavors to get the order filled but the only guarantee to trade on an electronic price is the Participant’s Authorised Representative trading direct through the API or GUI – which is itself subject to system latency and electronic communications delays.
5. Unless size or rate is specified a voice order to hit the electronic price (“yours” or “mine the screen 10yr” for example) will result in the Tradition Broker hitting the best bid or taking the best offer in following sizes:

2y	100 million
5y	50 million
10y	25 million
30y	10 million

Note: Sizes on curves are calculated on the longer leg. Sizes on butterflies are on the body.

6. Where ever possible the Participant’s Authorised Representative should specify rate and size when submitting a voice order to be executed electronically – refer to point 5 above.
7. Minimum size on electronic orders will be Euro 1 million.
8. Futures spreads (Bund/Bobl/Schatz) – futures crosses are automatically executed at the bid side of the futures contract and swap rate calculated automatically (to 5 decimal places) using the standard conversion factor. Lot size is calculated using standard market convention. Futures trades will be sent for manual processing to agree all details.
9. Price and Time: Best bid/best offer will always be displayed in time order. This also includes implied orders.
10. Default duration ratios for flies and spreads. All Participants agree to use Trad-X default duration calculator which is rounded down to the nearest Euro 0.1million.
11. It is the Participant’s Authorised Representative’s (and ultimately the Participant’s) sole responsibility to monitor its own electronic trading flow and execution. Neither Tradition, nor

the Tradition Broker, is responsible for reporting the electronic trades that Participants have executed on Trad-X, except as otherwise stated in the Rules.

12. Trad-X midpoint calculation – midpoint on Trad-X will be calculated using the middle of the best bid/best offer spread regardless of size weighting.
13. Rounding decimal places – Tradition cannot modify orders sent in from Participants and require submission of orders with no more than 4 decimal places in 0.0005 increments.
14. All electronic Trad-X trades will be identified on Markitwire by TRAD ESTP.

## APPENDIX 1A: FINANCIAL PRODUCTS TRADEABLE ON THE PLATFORM: EURO INTEREST RATE SWAPS – THE EUREX ORDER BOOK

### 1 **Eurex Interest Rate Swaps – Introduction and Product Types**

1.1 The Platform's Eurex Order Book ("**EOB**") is a central-limit order book dedicated to certain product types which are cleared by Eurex Clearing and set out below. The EOB provides a dedicated and uniquely diverse liquidity pool for these Financial Instruments. The Rules contained in this Financial Instrument Appendix apply solely to such Financial Instruments, unless indicated otherwise.

1.2 The following product types shall be eligible for admission to and capable of being traded on the EOB:

- (a) Euro interest rates swaps 1 to 50 years annual bond basis (30/360) on the fixed side versus 3 mth EURIBOR (reference page EURIBOR01) on the floating side;
- (b) Euro interest rates swaps 1 to 50 years annual bond basis (30/360) on the fixed side versus 6 mth EURIBOR (reference page EURIBOR01) on the floating side;
- (c) 3mth v 6mth single currency basis spreads 1 to 50 years (traded as two swaps described above) with the spread between the fixed rates representing the spread dealt;
- (d) BUND, BOBL and SCHATZ spreads are cockdated Euro interest swaps annual bond basis (30/360) on the fixed side versus 6 mth EURIBOR (reference page EURIBOR01) dated from the maturity of the futures contract maturing on the maturity of the "Cheapest To Deliver" of the contract ("Stub" at the front) dealt with a futures hedge of corresponding size, quoting the front two contracts;
- (e) 'Gadgets', being Euro interest rate swaps dated from spot to specified outright maturity dealt with a future hedge of corresponding size, quoting the front two contracts,

in each case with a minimum order size of EUR 1 million.

### 2 **Eurex Interest Rate Swaps – Credit Matrix Functionality**

Any Credit Matrix functionality operated in relation to Euro Interest Rate Swaps (and as described in Appendix 1 (and in particular paragraph 2 thereof)) shall apply equally to the EOB.

### 3 **Eurex Interest Rate Swaps - Orders**

3.1 Prices can be offered for certain contract types (as indicated on the Platform website), which shall remain valid, until changed or cancelled by the Participant. Unless the Participant elects otherwise, orders entered on the EOB in the System and not matched will be automatically cancelled at the end of the Trading Day.

#### 3.2 *Price Conditions*

- (a) Limit: The order will be executed at a price that is no worse than that specified by the Participant.



- (b) Market: The order will execute against any available orders in the opposite side of the book, on a price-time priority, until the order is fully executed or all liquidity exhausted, whichever comes first. Persistent market orders (i.e. Day, GTC, etc) will not be accepted. For the avoidance of doubt, market orders will only be accepted if their Time In Force is FOK/IOC.
- (c) Linked: The orders will be priced with reference to the yield of a futures contract plus/minus a spread specified by the Participant. Linked orders cannot be FOK/IOC.

### 3.3 *Time In Force*

- (a) Day: The order will be valid during the current normal trading session only.
- (b) GTD: The order will participate in all normal trading sessions incurred until and including the specified date. The order is cancelled at the end of the Trading Day on which it was submitted.
- (c) GTT: The order will participate in all normal trading sessions until the date-time specified is reached, at which time the order will be cancelled, even if the current (active) trading session has not finished. The order is cancelled at the end of the Trading Day on which it was submitted.
- (d) GTC: The order will participate in all normal trading sessions until cancelled by the Participant. The order is cancelled at the end of the Trading Day on which it was submitted.
- (e) IOC: All or part of the order will be executed immediately upon receipt. Any portions not executed immediately will be automatically cancelled.
- (f) FOK: The order will be executed in full immediately upon receipt, or cancelled. For the avoidance of doubt, if the order is not executable in full and immediately it will be cancelled, but full executions may be achieved through more than one fill.

### 3.4 In relation to this paragraph 3, note that:

- (a) Orders priced at the market will only be accepted if their "Time In Force" is FOK or IOC
- (b) Orders priced at a Limit Price will be accepted with any of the above "Time In Force" values, including IOC/FOK
- (c) Linked orders will only be accepted if they have a "Time In Force of Day", "GTD", "GTT" or "GTC"

## 4 **Eurex Interest Rate Swaps - Order Book**

The EOB contains all orders entered in the System by the Participants. The Participants may view in the EOB all orders per term and Financial Instrument transaction including information as to the contract size. If an order is matched it will be removed from the queue and only live orders will be shown in the System. Orders not matched by the end of the Trading Day will be cancelled and Participants must therefore re-enter their orders into the System on the following Trading Day or specify the period of time they would like the order to remain in the System when entering the order.

## 5 Eurex Interest Rate Swaps - Clearing and Settlement

- 5.1 The Platform operates on the basis that Financial Instrument transactions shall be effected only between Authorised Clearing Participants.
- 5.2 The System functions enable the Participants to negotiate the contract components of the relevant Financial Instrument transaction.

## 6 Eurex Interest Rate Swaps - Trading Days and Timings

- 6.1 Trading on the Platform for Euro Interest Rate Swaps shall take place on each Business Day, other than such days when Eurex is closed for business. Tradition reserves the right to determine additional Trading Days after prior announcement thereof to the Participants. For the purposes of this paragraph 6.1, "**Business Day**" means every weekday in London other than Good Friday, Christmas Day and New Year's Day.
- 6.2 Trading on the Platform will be available between 07.00 and 18.00 (GMT/BST) or for such other periods as may be determined by Tradition and made known to all Participants in accordance with Rule 103.

## APPENDIX 2: FINANCIAL PRODUCTS TRADEABLE ON THE PLATFORM: INTEREST RATE SWAPS AUCTIONS

### 1 IRS Auctions – Timings, Characteristics and Process

- 1.1 Auctions on the Platform for Interest Rate Swaps shall take place on such days and at such times as Tradition may notify to Participants by way of FIX API message or notification via the Katana GUI, from time to time. Tradition shall notify Participants of an Auction no later than within 30 minutes of the commencement of the Trading Day on which the Auction shall take place. In relation to Auctions on the Platform, the Trading Day shall commence at 07.15 (GMT/BST).
- 1.2 An Auction shall be:
- (a) at a fixed price, with such fixed price being specified by Tradition immediately prior to the Auction's commencement, or in the case of ISDAFIX Auctions, once the price has been published by ISDA;
  - (b) with a minimum quantity and for a defined time (in multiples of 1 minute, with a minimum value of 1 minute), in each case as specified by Tradition at the same time as the Auction is notified to Participants pursuant to paragraph 1.1.
- 1.3 Multiple Auctions (including without limitation CCP Auctions) for different product types may be undertaken concurrently.
- 1.4 Tradition shall establish the fixed price for an Auction by reference to the mid-point of continuous trading in relation to the product type in question on the Platform, by reference to the Tradition Curve or by reference to some other benchmark level (for example, the price published by ISDA in the case of ISDAFIX Auctions), in each case at the point immediately prior to the commencement of the Auction or when such benchmark level is published, if later.
- 1.5 At any time there may be multiple Auctions in respect of different product types.
- 1.6 At any time during an Auction, Tradition may, by notifying all Participants, terminate such Auction, whereupon all unmatched orders residing in the System shall be cancelled. For the avoidance of doubt, orders matched prior to the termination of the Auction will not be affected.
- 1.7 At any time prior to the commencement of an Auction, Tradition may, by notifying all Participants, cancel such Auction.

### 2 IRS Auctions – Product Types

All product types eligible for trading on the Platform (as described in any Appendix to the Rulebook, as may be amended in accordance with this Rulebook from time to time) shall be eligible to be the subject of an Auction hereunder.

### 3 IRS Auctions – Credit Matrix Functionality

The Platform shall implement such Credit Matrix functionality in relation to Auctions as may be put in place by Participants in relation to continuous Interest Rate Swap trading as set out in Appendix 1 (and in particular paragraph 2 thereof).

#### 4 IRS Auctions - Orders

4.1 During the Auction, Participants may enter new orders, amend existing orders, or cancel an order. Because of the fixed price nature of an Auction, an order's price characteristic cannot be amended. Similarly, an order cannot be amended such that the minimum quantity requirement would no longer be met.

#### 4.2 *Price Conditions*

Due to the fixed price nature of an Auction, market orders are not possible. Limit orders are permitted, but only at the fixed price set for the Auction and mispriced limit orders will be rejected by the Platform accordingly.

#### 4.3 *Order Characteristics*

- (a) FOK: The order will be executed in full immediately upon receipt, or cancelled. For the avoidance of doubt, if the order is not executable in full and immediately it will be cancelled, but full executions may be achieved through more than one fill.
- (b) AON: The order will be executed in full and not partially, but will remain on the Order Book awaiting fill or cancellation at the end of the Auction.
- (c) IOC: The order will be executed either partially or fully immediately upon receipt, or such unfilled part will be cancelled.
- (d) Resting order: The order will be executed either partially or fully and will remain of the Order Book awaiting fill or cancellation at the end of the Auction.

#### 5 IRS Auctions – Dark Order Book

5.1 In an Auction the Order Book contains all orders entered in the System by the Participants, but remains “dark” to all Participants, operating purely as a matching engine for Orders inputted during the Auction by the Participants, matching strictly on a “First In First Out” time priority basis. If an order is matched it will be removed from the underlying Order Book. Orders not matched by the end of the Auction will be cancelled. There is no market data dissemination of orders entered into the System during an Auction.

5.2 When the System matches orders, an execution message will be sent immediately from the System to each counterparty to the trade.

#### 6 IRS Auctions - Clearing and Settlement

6.1 The Platform operates on the basis that Financial Instrument transactions shall be effected only between Authorised Clearing Participants.

6.2 The System functions enable the Participants to negotiate the contract components of the relevant Financial Instrument transaction, with the exception of price in the case of an Auction transaction.

#### 7 Definition

For the purpose of this Appendix:

**Auction** means the functionality on the System for an order matching facility at a fixed price and for defined periods to be determined by Tradition in accordance

with this Rulebook, during which Participants may submit orders to a “dark order book” to be matched against other orders, but provided that ongoing market data dissemination shall not be made in respect of submitted orders, unless and until such order is matched with another order submitted to the System.

**CCP Auction**

means an Auction which involves the matching and execution of identical swaps in opposing directions with opposing central counterparty clearing houses (CCPs), so as to allow Participants to reconcile outstanding positions in different CCPs and manage their collateral exposure with such CCPs.

### APPENDIX 3: FINANCIAL PRODUCTS TRADEABLE ON THE PLATFORM: INTEREST RATE OPTION AUCTIONS

#### 1 IRO Auctions – Timings, Characteristics and Process

- 1.1 IRO Auctions on the Platform for Interest Rate Options shall take place on such days and at such times as Tradition may notify to Participants by way of notification via the GUI, from time to time. Tradition shall notify Participants of an IRO Auction in advance of the commencement of such IRO Auction, including details of which product types will be the subject of the IRO Auction(s). In relation to Auctions on the Platform, the Trading Day shall commence at 07.15 (GMT/BST).
- 1.2 An IRO Auction shall be:
- (a) at fixed prices for each instrument specified by Tradition by way of notification via the GUI at the IRO Auction's commencement, with those auction prices being modifiable by Participants subject to rules and restrictions described in paragraphs 3.2 and 3.5;
  - (b) with a per-instrument minimum quantity and for a defined time (with each IRO Auction being extendable by Tradition during such IRO Auction), in each case as specified by Tradition by way of notification via the GUI at the same time as the IRO Auction is notified to Participants pursuant to paragraph 1.1.
- 1.3 At any time there may be multiple IRO Auctions in respect of different product groups running concurrently. When no auction is running for a given product group, the Platform functions as an information-only whiteboard for that product group.
- 1.4 Tradition shall establish the fixed prices for an IRO Auction at the point immediately prior to the commencement of the IRO Auction.
- 1.5 At any time during or before an IRO Auction, Tradition may terminate such IRO Auction, whereupon all unmatched orders residing in the System shall be cancelled, and the Participant's GUI display will revert to non-auction mode (the 'reference view'). For the avoidance of doubt, orders matched prior to the termination of the IRO Auction will not be affected.

#### 2 IRO Auctions – product types

- 2.1 The following product types shall be eligible for admission to and capable of being traded on the Platform subject to the judgement of Tradition in relation to market conditions and system considerations (each an "**Interest Rate Option**" product):
- (a) Swaptions;
  - (b) CMS Spread Options;
  - (c) Caps and floors; and
  - (d) Cancellable swaps.

#### 3 IRO Auctions - Orders

- 3.1 During an IRO Auction, Participants may enter new orders, amend existing orders, or cancel an order. The Trading Operations team will not be able to enter or amend orders on behalf of Participants, but may cancel an order on behalf of a Participant where requested, in

exceptional circumstances. An order cannot be amended such that the minimum quantity requirement would no longer be met.

### 3.2 *Price Conditions*

A Participant who has a bid (offer) at the auction price can modify that order's price up (down) which will have the effect of changing the auction price for that instrument for all Participants. If the Participant cancels the so-modified order within a defined time limit and there are no other orders at the new auction price and there have been no matches at the new level since the change to this level then the auction price reverts to its previous level. The time limit after which the new auction price does not revert is set by Tradition in line with market expectations, and notified to Participants via the GUI.

Changes to an order's price are restricted to increments/decrements of a price rounding quantum defined for each instrument. All Participants are notified via the GUI of any change to auction prices. There is no upper limit to a bid price change (or lower limit to an offer price change). The GUI mechanism for modification is limited to a single mouse click per increment or decrement to eliminate the risk of gross pricing errors.

As a result of a change to the auction price a Participant may have a resting order which is worse than the current auction price (a worse-than-market (WTM) order). The Platform supports WTM orders so that such an order is considered valid and the Participant may choose to leave it in the Order Book or modify it to bring it in line with the new auction level. Participants can also enter new orders at WTM levels subject to the limitations that: (i) there must be at least one live order from any Participant at the current auction level for the instrument concerned; and (ii) that the order is within a per-instrument limit relative to the current auction level (that limit being set by Tradition at the commencement of the auction and notified to Participants via the GUI). Participants can also modify an order to worsen its price within the same worst-possible limit. Participants cannot change the auction price by worsening an order's price.

### 3.3 *Order Characteristics*

Resting order: The order will be executed either partially or fully and will remain on the Order Book awaiting fill or cancellation until the end of the IRO Auction.

### 3.4 *Time Priority*

Orders will be placed in the Order Book strictly in order of price and time entered. Orders which are amended by a Participant will lose their original time priority and be re-time-stamped at the time of the amendment, save in the case of a reduction in the size of an order (subject to meeting any minimum size requirements for the instrument in this IRO Auction), in which case the order will retain its original time priority.

### 3.5 *Stack Sweeping and Auction Price reset to last matched level*

Where the Order Book contains multiple WTM bids (offers) at different levels a Participant can sell (buy) down (up) to a specified price and in a maximum size that they choose acting as the aggressor ('sweeping the stack'). Where the price of a WTM order is better than the aggressor's price, the aggressor gets best fill and the match is made at the WTM price level with matches made in best price first order. Any residual aggressor size becomes a resting order at the level of the last match (which may be less aggressive than the submitted sweep price). If no match results from the aggressor's order submission, the order becomes a resting order at the current auction price. The last (and so worst) price level of a stack sweep

match becomes the new auction price for that instrument. The resetting of the auction price in this way is not subject to there being a resting residual order or price reversion time limit.

### 3.6 *Interim Credit Check Process*

As an interim administrative process until such time as Interest Rate Options become a cleared product in accordance with the terms of this Rulebook, all matched transactions will (prior to becoming executed trades) be subject, on a transaction-by-transaction basis, to each counterparty to a matched transaction confirming the completion of satisfactory credit assessments in relation to the other counterparty. Promptly following a transaction being matched in the System, Tradition will contact, by telephone or such other medium (including electronic messaging) as may be acceptable to Participants, the counterparties to the transaction, and:

- (a) if: (i) a counterparty to a matched transaction communicates that the other counterparty has failed the credit assessment; or (ii) within 10 minutes of Tradition having contacted the counterparties, both counterparties have not communicated a successful credit assessment, then Tradition will facilitate the cancellation of such trade (a **Failed Credit Transaction**). Participants who are counterparties to such Failed Credit Transactions acknowledge and agree that such transactions shall be cancelled; or
- (b) if both counterparties communicate, within 10 minutes of Tradition having contacted the counterparties, that they have successfully completed their credit assessment of the other counterparty, then the matched transaction shall stand.

### 3.7 *Binary blocking*

A Participant can request that Tradition impose a binary block, or remove an existing binary block, on matching with another Participant. Tradition will implement or remove that binary block as soon as reasonably possible subject to the restriction that this cannot be done when an auction is running.

### 3.8 *CSA Assumption and Price Adjustments*

The IRO Auction prices reflect a same-currency cash collateral CSA paying overnight interest in that currency. Any price adjustment requested or required by counterparties in relation to there being a different bilateral CSA will be negotiated between the parties to the transaction by the broking desk. If a mutually acceptable adjustment cannot be agreed then the transaction will be cancelled between the counterparties. For the avoidance of doubt, Tradition will have no obligation to find a substitute counterparty to the transaction.

## 4 **IRO Auctions – Dark Order Book**

- 4.1 In an IRO Auction the Order Book contains all orders entered in the System by the Participants, but remains “dark” to all Participants, operating purely as a matching engine for Orders inputted during the IRO Auction by the Participants, matching strictly on a best price and “First In First Out” time priority basis. If an order is matched it will be removed from the underlying Order Book or, if partially matched, have its size reduced without losing its time priority and remain in the Order Book. Residual orders that fall below the minimum size for that instrument will be cancelled. Orders not matched by the end of the IRO Auction will be cancelled. The System will issue acknowledgments to a Participant in relation to its order entries, order amendments or order cancellations. There is no market data dissemination of orders entered into the System during an IRO Auction, but during the IRO Auction, some



details of executed trades (without counterparty details) may be published to all Auction participants in the Public Blotter.

- 4.2 When the System matches orders, a matched transaction message will be sent immediately from the System to each counterparty to the trade and the interim credit check process described in paragraph 3.6 shall apply, following which (other than in the case of a Failed Credit Transaction) an electronic confirmation message will be sent by Tradition to each counterparty to the trade.
- 4.3 The System supports the concept of half market size for groups of instruments in certain markets. This recognises that the market-acceptable minimum size for the Platform can in some cases be half the normal market-acceptable minimum for voice markets. Where such support is enabled by Tradition for an auction, the GUI will indicate whether an interest is in this reduced platform minimum size or at least the normal voice market size.
- 4.4 Notwithstanding the “dark” nature of the IRO Auctions, the existence of live interests in the IRO Auction will be indicated via the GUI. Indications of the existence orders at the current auction price are visible to all Participants as well as to Tradition Brokers. These indications do not reveal the direction (buy/sell) of auction-price orders except that where a Participant changes the auction price, the direction of the order can be inferred by the direction of the price change. The existence of WTM offers (bids) is only visible to Participants with auction-price bids (offers) who are also able to determine the price level. Where there is a choice or reverse market resulting from a matching block this is indicated to all Participants. A reverse market can result from a stack sweep skipping over a blocked order.
- 4.5 Individual Participant’s Authorised Representatives (i.e. traders) working for the same institution who are associated as being in the same team during on-boarding will be able to see all details of and to manage (modify or cancel) each other’s orders.

## 5 IRO Auctions - Clearing and Settlement

- 5.1 Notwithstanding the provisions of Chapter 1, Rules 2.2 and 4.2, Chapter 2 Rule 3.4 and Chapter 4 Rule 1.1 of the Rulebook, Interest Rate Options traded on the System will not be cleared by a Clearing House and Tradition shall have no obligations in relation to the clearing and/or settlement of such Interest Rate Option Financial Products transactions. Each Participant to a matched Interest Rate Option Financial Product transaction shall be solely responsible for ensuring bilateral settlement with its trading counterparty.

## 6 Definitions

- 6.1 For the purpose of this Appendix:

**Interest Rate Options** mean the products described in this Appendix.

**IRO Auction** means, in relation to Interest Rate Option products, the functionality on the System for an order matching facility at a fixed price and for defined periods to be determined by Tradition in accordance with this Rulebook, during which Participants may submit orders to a “dark order book” to be matched against other orders, but provided that ongoing market data dissemination shall not be made in respect of submitted orders, unless and until such order is matched with another order submitted to the System.

**GUI** means the Graphic User Interface used by a Participant, from time to time, to interact with any IRO Auction.

**Public Blotter**

means the display on the GUI of partial details of auction matches made on the System in the current trading session.

## APPENDIX 4: FINANCIAL PRODUCTS TRADEABLE ON THE PLATFORM: STERLING INTEREST RATE SWAPS

### 1 GBP Interest Rate Swaps – Product Types

1.1 The following product types shall be eligible for admission to and capable of being traded on the Platform:

- (a) GBP 1y to 50y Semi/Semi and all combinations of spreads and 'flies;
- (b) GBP 1y to 50y 6v3s basis and all combinations of spreads and 'flies (done as a single basis (floating/floating) swap); and
- (c) GBP matched maturities of all liquid UK government gilts.
- (d) 'Gadgets', being GBP interest rate swaps dated from spot to specified outright maturity dealt with a future hedge of corresponding size, quoting the front two contracts.

### 2 GBP Interest Rate Swaps – Credit Matrix Functionality

2.1 Any Credit Matrix functionality operated in relation to Euro Interest Rate Swaps (and as described in Appendix 1 (and in particular paragraph 2 thereof)) shall apply equally to Sterling Interest Rate Swaps.

### 3 GBP Interest Rate Swaps - Orders

3.1 Prices can be offered for certain contract types (as indicated on the Platform website), which shall remain valid, until changed or cancelled by the Participant. Unless the Participant elects otherwise, orders entered in the System and not matched will be automatically cancelled at the end of the Trading Day.

#### 3.2 *Price Conditions*

- (a) Limit: The order will be executed at a price that is no worse than that specified by the Participant.
- (b) Market: The order will execute against any available orders in the opposite side of the book, on a price-time priority, until the order is fully executed or all liquidity exhausted, whichever comes first. Persistent market orders (i.e. Day, GTC, etc) will not be accepted. For the avoidance of doubt, market orders will only be accepted if their Time In Force is FOK/IOC.
- (c) Linked: The orders will be priced with reference to the yield of a futures contract plus/minus a spread specified by the Participant. Linked orders cannot be FOK/IOC.

#### 3.3 *Time In Force*

- (a) Day: The order will be valid during the current normal trading session only.
- (b) GTD: The order will participate in all normal trading sessions incurred until and including the specified date. The order is cancelled at the end of the Trading Day on which it was submitted.

- (c) GTT: The order will participate in all normal trading sessions until the date-time specified is reached, at which time the order will be cancelled, even if the current (active) trading session has not finished. The order is cancelled at the end of the Trading Day on which it was submitted.
- (d) GTC: The order will participate in all normal trading sessions until cancelled by the Participant. The order is cancelled at the end of the Trading Day on which it was submitted.
- (e) IOC: All or part of the order will be executed immediately upon receipt. Any portions not executed immediately will be automatically cancelled.
- (f) FOK: The order will be executed in full immediately upon receipt, or cancelled. For the avoidance of doubt, if the order is not executable in full and immediately it will be cancelled, but full executions may be achieved through more than one fill.

3.4 In relation to this paragraph 3, note that:

- (a) Orders priced at the market will only be accepted if their "Time In Force" is FOK or IOC
- (b) Orders priced at a Limit Price will be accepted with any of the above "Time In Force" values, including IOC/FOK
- (c) Linked orders will only be accepted if they have a "Time In Force of Day", "GTD", "GTT" or "GTC"

#### **4 GBP Interest Rate Swaps - Order Book**

The Order Book contains all orders entered in the System by the Participants. The Participants may view in the Order Book all orders per term and Financial Instrument transaction including information as to the contract size. If an order is matched it will be removed from the queue and only live orders will be shown in the System. Orders not matched by the end of the Trading Day will be cancelled and Participants must therefore re-enter their orders into the System on the following Trading Day or specify the period of time they would like the order to remain in the System when entering the order.

#### **5 GBP Interest Rate Swaps - Clearing and Settlement**

- 5.1 The Platform operates on the basis that Financial Instrument transactions shall be effected only between Authorised Clearing Participants.
- 5.2 The System functions enable the Participants to negotiate the contract components of the relevant Financial Instrument transaction.

#### **6 GBP Interest Rate Swaps - Trading Days and Timings**

- 6.1 Trading on the Platform for Sterling Interest Rate Swaps shall take place on each Business Day, other than such days when ICE Futures Europe (LIFFE) or the Clearing House is closed for business. Tradition reserves the right to determine additional Trading Days after prior announcement thereof to the Participants. For the purposes of this paragraph 6.1, "**Business Day**" means every weekday in London other than Good Friday, Christmas Day and New Year's Day.

- 6.2 Trading on the Platform will be available between 07:00 and 18:00 (GMT/BST) or for such other periods as may be determined by Tradition and made known to all Participants in accordance with Rule 103.

### Business Trading Protocol

1. Tradition Voice Broker (the “**Tradition Broker**”) role: the Tradition Broker may input, amend, cancel orders on a Participant’s Authorised Representative’s behalf once Tradition has received authorisation from that Participant’s Authorised Representative.
2. Tradition’s operations team will have the authorisation to cancel unmatched orders on behalf of a Participant, following authorisation from that Participant’s Authorised Representative, in accordance with the Rules from time to time.
3. The Tradition Broker cannot be responsible for delays in carrying out a request by the Participant’s Authorised Representative that results in the trade being filled electronically or a trade being missed. The Tradition Broker will use reasonable endeavors to fill the request in a responsible and timely manner.
4. A voice order from a Participant’s Authorised Representative to a Tradition Broker to hit an electronic bid or take an electronic offer (hybrid order) will not, in itself, be a guarantee to trade. The Tradition Brokers will use reasonable endeavors to get the order filled but the only guarantee to trade on an electronic price is the Participant’s Authorised Representative trading direct through the API or GUI – which is itself subject to system latency and electronic communications delays.
5. Unless size or rate is specified a voice order to hit the electronic price (“yours” or “mine the screen 10yr” for example) will result in the Tradition Broker hitting the best bid or taking the best offer in following sizes:
 

2y	50 million
5y	20 million
10y	10 million
30y	5 million

Note: Size on curves are calculated on the longer leg. Size on butterflies are on the body.
6. Where ever possible the Participant’s Authorised Representative should specify rate and size when submitting a voice order to be executed electronically – refer to point 5 above.
7. Minimum size on electronic orders will be GBP 1 million.
8. Price and Time: Best bid/best offer will always be displayed in time order. This also includes implied orders.
9. Default duration ratios for flies and spreads. All Participants agree to use Trad-X default duration calculator which is rounded down to the nearest GBP 0.1million.

10. It is the Participant's Authorised Representative's (and ultimately the Participant's) sole responsibility to monitor its own electronic trading flow and execution. Neither Tradition, nor the Tradition Broker, is responsible for reporting the electronic trades that Participants have executed on Trad-X, except as otherwise stated in the Rules.
11. Trad-X midpoint calculation – midpoint on Trad-X will be calculated using the middle of the best bid/best offer spread regardless of size weighting.
12. Rounding decimal places – Tradition cannot modify orders sent in from Participants and require submission of orders with no more than 5 decimal places in 0.00125 increments.
13. All electronic Trad-X trades will be identified on Markitwire by TRAD ESTP.

**APPENDIX 5: FINANCIAL PRODUCTS TRADEABLE ON THE PLATFORM: US DOLLAR  
INTEREST RATE SWAPS****1 USD Interest Rate Swaps – Product Types**

1.1 The following product types shall be eligible for admission to and capable of being traded on the Platform:

- (a) **USD Spread Over** these are the combination spot dated interest rates swaps 1 to 50 years Semi-Annual bond basis (30/360) on the fixed side versus 3 mth LIBOR (reference page LIBOR01) on the floating side dealt with of a hedge of benchmark treasuries of corresponding size; and
- (b) **USD Interest Rate Swaps** 1 to 50 years Semi-Annual bond basis (30/360) on the fixed side versus 3 mth LIBOR (reference page LIBOR01) on the floating side;

**2 USD Interest Rate Swaps –Credit Matrix Functionality**

2.1 Any Credit Matrix functionality operated in relation to Euro Interest Rate Swaps (and as described in Appendix 1 (and in particular paragraph 2 thereof)) shall apply equally to US Dollar Interest Rate Swaps.

**3 USD Interest Rate Swaps - Orders**

3.1 Prices can be offered for certain contract types (as indicated on the Platform website), which shall remain valid, until changed or cancelled by the Participant. Unless the Participant elects otherwise, orders entered in the System and not matched will be automatically cancelled at the end of the Trading Day.

**3.2 Price Conditions**

- (a) **Limit:** The order will be executed at a price that is no worse than that specified by the Participant.
- (b) **Market:** The order will execute against any available orders in the opposite side of the book, on a price-time priority, until the order is fully executed or all liquidity exhausted, whichever comes first. Persistent market orders (i.e. Day, GTC, etc) will not be accepted. For the avoidance of doubt, market orders will only be accepted if their Time In Force is FOK/IOC.
- (c) **Linked:** The orders will be priced with reference to the yield of a benchmark treasury plus/minus a spread specified by the Participant. Linked orders cannot be FOK/IOC.

**3.3 Time In Force:**

- (a) **Day:** The order will be valid during the current normal trading session only.
- (b) **GTD:** The order will participate in all normal trading sessions incurred until and including the specified date. The order is cancelled at the end of the Trading Day on which it was submitted.
- (c) **GTT:** The order will participate in all normal trading sessions until the date-time specified is reached, at which time the order will be cancelled, even if the current (active) trading session has not finished. The order is cancelled at the end of the Trading Day on which it was submitted.

- (d) GTC: The order will participate in all normal trading sessions until cancelled by the Participant. The order is cancelled at the end of the Trading Day on which it was submitted.
- (e) IOC: All or part of the order will be executed immediately upon receipt. Any portions not executed immediately will be automatically cancelled.
- (f) FOK: The order will be executed in full immediately upon receipt, or cancelled. For the avoidance of doubt, if the order is not executable in full and immediately it will be cancelled, but full executions may be achieved through more than one fill.

3.4 In relation to this paragraph 3, note that:

- (a) Orders priced at the market will only be accepted if their "Time In Force" is FOK or IOC;
- (b) Orders priced at a Limit Price will be accepted with any of the above "Time In Force" values, including IOC/FOK; and
- (c) Linked orders will only be accepted if they have a "Time In Force of Day", "GTD", "GTT" or "GTC".

#### 4 USD Interest Rate Swaps - Order Book

- 4.1 The Order Book contains all orders entered in the System by the Participants. The Participants may view in the Order Book all orders per term and Financial Instrument transaction including information as to the contract size. If an order is matched it will be removed from the queue and only live orders will be shown in the System. Orders not matched by the end of the Trading Day will be cancelled and Participants must therefore re-enter their orders into the System on the following Trading Day or specify the period of time they would like the order to remain in the System when entering the order.
- 4.2 Notwithstanding the default price/time priority rule set out in Rule 104.2, the System operates a "**Spread Over Stack Priority**" rule, to reward Participants in relation to USD Spread Over trading.
- 4.3 The Spread Over Stack Priority rule has the following characteristics:
  - (a) Where a Participant trades USD Spread Over (fill or partial-fill), in a given instrument, in at least the minimum screen size (currently 25k dv01), it can enter a new order for such instrument, at the then-current Trad-X BBO price, with such order taking immediate top-of-the-stack priority notwithstanding existing orders at the same price which were entered earlier.
  - (b) The Participant may only take advantage of the Spread Over Stack Priority rule within 5 seconds from its last trade. A new order entered after the 5 seconds time period will have the normal price/time priority stack position.
  - (c) Priority is always given to the last participant who traded that instrument.
  - (d) A Participant cannot take advantage of the Spread Over Stack Priority rule if the applicable instrument trades again before that Participant has taken advantage of the rule by entering a new order at BBO. Any order entry by that Participant would be subject to the normal price/time priority stack position.



- 4.4 Implied Price Display: in line with market convention, and until such point as applicable law and regulation requires otherwise, where a Participant's interaction with the Platform results in the creation of an "implied order" (i.e. where two or more orders are created from a single originating order input by a Participant) which is valued in  $1/16^{\text{th}}$ s or 0.0625 (the "**Sixteenths Price**") the price of such implied order shall be displayed by the Platform to the nearest  $1/8^{\text{th}}$  or 0.125, by rounding down (in the case of an implied bid) or by rounding up (in the case of an implied offer) to the nearest  $1/8^{\text{th}}$  or 0.125 (the "**Eighths Price**"). Where such implied orders (as resting orders in the order book) are aggressed by a Participant at the Eighths Price, the Platform will automatically execute the transaction at the (price improved) Sixteenths Price.

## 5 USD Interest Rate Swaps - Clearing and Settlement

- 5.1 The Platform operates on the basis that Financial Instrument transactions shall be effected only between Authorized Clearing Participants. Due to requirements of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank Act**") and related regulations, the Financial Instrument transactions pursuant to this Appendix may only be effected between Non-US Persons.
- 5.2 The System functions enable the Participants to negotiate the contract components of the relevant Financial Instrument transaction.
- 5.3 To the extent permitted by applicable law and regulation, both Participants to a matched Financial Instrument transaction may, jointly, instruct a clearing connectivity provider to route such Financial Instrument transactions to direct bilateral settlement between such Participants, and not for clearing via a Clearing House.

## 6 USD Interest Rate Swaps - Trading Days and Timings

- 6.1 Trading on the Platform for USD Interest Rate Swaps shall take place on each Business Day, other than such days deemed to be New York holidays. Trad-X reserves the right to determine additional Trading Days after prior announcement thereof to the Participants. For the purposes of this paragraph 6.1, "**Business Day**" is every weekday that is not a holiday in New York.
- 6.2 Trading on the Platform will be available between 08.00 and 17.00 (GMT/BST) or for such other periods as may be determined by Trad-X and made known to all Participants in accordance with Rule 103.

## 7 Definition

**Non-US Persons** means a Participant which is not a US Person, as such term is defined in the CFTC Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations 78 FR 45292 of 26 July 2013.

**Business Trading Protocol**

1. Trad-X Voice Broker (the “**Trad-X Broker**”) role: the Trad-X Broker may input, amend or cancel orders on a Participant’s Authorized Representative’s behalf once Trad-X has received authorization from that Participant’s Authorized Representative.
2. Trad-X’s operations team will have the authorization to cancel unmatched orders on behalf of a Participant, following authorization from that Participant’s Authorized Representative, in accordance with the Rules from time to time.
3. The Trad-X Broker cannot be responsible for delays in carrying out a request by the Participant’s Authorized Representative that results in the trade being filled electronically or a trade being missed. The Trad-X Broker will use reasonable endeavors to fill the request in a responsible and timely manner.
4. A voice order from a Participant’s Authorized Representative to a Trad-X Broker to hit an electronic bid or take an electronic offer (hybrid order) will not, in itself, be a guarantee to trade. The Trad-X Brokers will use reasonable endeavors to get the order filled but the only guarantee to trade on an electronic price is the Participant’s Authorized Representative trading direct through the API or GUI – which is itself subject to system latency and electronic communications delays.
5. Unless size or rate is specified a voice order to hit the electronic price (“yours” or “mine the screen 10yr” for example) will result in the Trad-X Broker hitting the best bid or taking the best offer in following sizes:

2y	200 million
3y	150 million
4y	100 million
5y	100 million
6y	100 million
7y	75 million
8y	75 million
9y	50 million
10y	50 million
12y	50 million
15y	25 million
20y	25 million
25y	25 million
30y	25 million

Note: Sizes on curves are calculated on the longer leg. Sizes on butterflies are on the body and are therefore twice the above amounts i.e. 5x7x10 would be 150 million.

6. Where ever possible the Participant's Authorized Representative should specify rate and size when submitting a voice order to be executed electronically – refer to point 5 above.
7. Minimum size on electronic orders will be USD 25kDV01 in Spread Over, 15kDV01 in Outright SB million.
8. Spread Overs trades – Treasuries are automatically chosen to be crossed at the offer side of the treasury with the IRS rate being calculated automatically (to 5 d.p.). Lot sizes calculated using standard market convention. Treasury details will be included on Markitwire confirmation for processing. For the avoidance of doubt, no Treasuries will be traded on Trad-X and all Treasuries trades will occur on different venues.
9. Price and Time: Best bid/best offer will always be displayed in price/time order. This also includes orders that create a separate order from two or more other orders ("implied orders"). Spread over will have "last trade stack priority" (see Financial Instrument Appendix 1).
10. Default duration ratios for flies and spreads. All Participants agree to use Trad-X default duration calculator which is rounded down to the nearest USD 0.1million.
11. It is the Participant's Authorized Representative's (and ultimately the Participant's) sole responsibility to monitor its own electronic trading flow and execution. Neither Trad-X, nor the Trad-X Broker, is responsible for reporting the electronic trades that Participants have executed on Trad-X, except as otherwise stated in the Rules and failure to report the trades shall have no effect on the validity of the order execution.
12. Trad-X midpoint calculation – midpoint on Trad-X will be calculated using the middle of the best bid/best offer spread regardless of size weighting.
13. Rounding decimal places – Trad-X cannot modify orders sent in from Participants and require submission of orders with no more than 5 decimal places in 0.125 bp increments except that for spread over trades minimum increments will be 0.25 bp.
14. All electronic Trad-X trades will be identified on Markitwire by TRAD ESTP.(Ldn) or TRAD ES NY (Nyc).