



Kyte Broking Ltd

Organised Trading Facility

Rulebook V 2.1- Oct2019



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1 Overview

- 1.1 The KBL OTF is a trading venue of Kyte Broking Limited (“KBL”). KBL is the operator of the KBL OTF and is authorised by the Financial Conduct Authority.
- 1.2 The KBL OTF consists of one or more Market Segments, each with defined Trading Systems and rules for Transactions in Instruments to be Arranged and Executed.
- 1.3 The scope of Financial Instruments made available for trading on the KBL OTF is set out in section 18 (Market Segment Rules) of these rules.

2 OTF Rules

- 2.1 These are the rules of the KBL OTF. The rules are supplemented by specific rules that are applicable to each Market Segment (“Market Segment Rules”). The Market Segment Rules are set out in section 18 of these rules.
- 2.2 In the event of any conflict or inconsistency between the rules and the Market Segment Rules, the Market Segment Rules shall take precedence. Together, the rules and Market Segment Rules (as amended from time to time) are referred to as the OTF Rules.
- 2.3 KBL may issue a Market Notice, operational procedures and information amending or supplementing the OTF Rules from time to time.
- 2.4 The OTF Rules form part of the contractual arrangements between KBL and the Client. The rules supplement the Terms of Business. In the event of a conflict between the provisions of the Terms of Business and the OTF Rules, the OTF Rules shall prevail.
- 2.5 These OTF Rules set out the terms and conditions that apply to each Client’s access to the KBL OTF and the exercise of Trading Privileges on one or more Market Segments. A Client or Responsible Person may only exercise Trading Privileges on the Market Segments for which it has been granted access from time to time. The ability of a Client or Responsible Person to access the KBL OTF does not of itself constitute membership of, nor does it confer rights of participation in, the KBL OTF.
- 2.6 A Client or Responsible Person shall comply with the OTF Rules and conduct all activity in relation to the KBL OTF in a manner consistent with the OTF Rules. Compliance with the OTF Rules is a condition for access to Trading Privileges. Acceptance of the OTF Rules and agreement to comply with the OTF Rules shall be deemed to be communicated each time such services are requested by a Client or Responsible Person.
- 2.7 Trading Privileges are granted exclusively to a Client or Responsible Person and each Client acknowledges and agrees that it will take full responsibility for its access to, or use of the KBL OTF, and compliance with these OTF Rules.

3 Definitions and Interpretation

In these rules, the following terms shall have the following meanings:

Affirmation Hub means a third party service designated by KBL to route Transactions to a CCP and which may provide Clients with the opportunity to affirm the Transactions¹.

Applicable Law means, with respect to any Person, any statute, law, regulation, rule or guidance of any Regulatory Authority applicable to such Person, including, but not limited to, FSMA and the FCA Handbook and, to the extent applicable to such Person, similar foreign laws or regulations;

Algorithmic trading means algorithmic trading within the meaning of article 4(1)(39) of MiFID II;

Arrange means the bringing together of buying and selling interests on the KBL OTF;

Business Day means any day on which the OTF or a Market Segment is open for trading;

CCP means an approved central counterparty clearing house which provides clearing and settlement in relation to transactions in financial instruments;²

Client means a person approved to participate in the OTF, meeting the eligibility criteria and having completed all the admission requirements;

Cleared Instrument means an instrument that clients intend to submit to a CCP for clearing;

Clearing Member means a member of a CCP that is authorised to clear trades in financial instruments for itself or others³;

Committee means the Membership and Rules Committee responsible for certain matters within the OTF including, but not limited to, maintenance of the OTF Rulebook, deciding which instruments should be admitted to trading, halting trading or

suspending instruments, and issuing market notices and investigations;

Confirmation means a record of the terms of a Transaction as required by Applicable Law;

Designated Market Maker has the meaning given to it in section 17 on the rulebook;

Eligibility criteria means the criteria that determine eligibility to be a Client and access the KBL OTF;

Emergency means any occurrence which, in the reasonable opinion of the Committee, requires immediate action, including: any potential market abuse or otherwise abusive behaviour; any circumstances which may materially affect the performance of any OTF Instrument, including failure of the payment system or bankruptcy or insolvency of any other Person; any action taken by any Regulatory Authority or any other market, facility or system which may have a direct impact on trading on the OTF or clearing or settlement of an OTF Instrument; and any other circumstance which may have a severe, adverse effect upon the functioning of the business or the OTF;

Error Trade means a transaction executed at a price which is substantially different from the prevailing market price for the Instrument and which appears to have been entered in error; or a transaction executed in a size, volume or notional amount which is substantially different from the normal market size for the Instrument and which appears to have been entered in error; or a transaction executed on other terms which appears to have been undertaken in error or otherwise detrimental to a fair and orderly market.

¹ Market Notice 2018.2

² Market Notice 2018.2

³ Market Notice 2018.2

Execute means the act of concluding a Transaction;

FCA means the UK Financial Conduct Authority and any successor thereto;

FCA Handbook means the FCA's rules and guidance, as amended from time to time;

FSMA means the UK Financial Services and Markets Act 2000;

Indication of Interest 'IOI' means a Trade Request that does not include all the necessary information to execute the Transaction on the OTF;

Insolvency means, in respect of a Person: (i) that an order is made by a court of competent jurisdiction, or a resolution is passed, for the liquidation, bankruptcy or administration of the Person or a notice of appointment of a bankruptcy trustee or administrator of the Person is filed with a court of competent jurisdiction; (ii) the appointment of a manager, receiver, administrative receiver, administrator, trustee or other similar officer of the Person or in respect of any part or any of its assets; (iii) the Person 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 the Person); (iv) the Person is unable to pay its debts as they become due or admits in writing its inability to pay its debts as they are due; (v) a petition is presented for the winding up of the Person, provided that Insolvency shall not be deemed to have occurred due to the filing of a winding-up petition which is discharged, stayed or dismissed within thirty (30) days of commencement; or (vi) any action occurs in respect of the Person in any jurisdiction which is analogous to any of those set out in sub-paragraphs (i) through (v);

Instrument means a financial or other instrument made available for trading on the KBL OTF;

KBL means Kyte Broking Limited, a private limited company with its registered office at 55 Baker Street, London W1U 8EW with company registration number 02781314;

Market Abuse means Market Abuse Regulation or Regulation (EU) No 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse;

Market Maker Programme has the meaning given to it in section 17 of the rulebook;

Market Notice means a communication described as such and published on the KBL website and/or issued by KBL;

Market Segment has the meaning given to it in Rule 2.1;

Market Segment Rules has the meaning given to it in Rule 2.2;

Matched Principal Trading means matched principal trading within the meaning of Article 4(1)(38) of MiFID II;

MiFID II means the Directive of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC;

Order means a Trade Request with all transaction components included and that the Client wishes to execute a Transaction on the OTF (including, without limitation, actionable indications of interest 'AIOI' within the meaning of MiFID II);

OTF means a discretionary electronic, voice and other trading system for the trading of financial instruments that constitutes an "organised trading facility" as defined in Article 4(1)(15) of MiFID and the operation of which is subject to regulation by the FCA;

OTF Data means all data relating to trade requests, IOIs, orders, transactions, prices and volumes displayed on, generated by or derived from the OTF; together pre- and post- trade data;

OTF Rules has the meaning given to it in Rule 2.2;

Package Transaction means a transaction which involves the execution of two or more

component transactions and which is executed between two or more counterparties, where each component bears meaningful economic or financial risk which is related to all other components and where the execution of each component is simultaneous and contingent upon the execution of all other components;

Person means any natural person, association, partnership, limited liability company, joint venture, trust or corporation;

Regulatory Authority means any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity with authority or jurisdiction over the trading of, or Persons engaged in the trading of, OTF instruments made available for trading on the OTF;

Responsible Person means any individual that acts on a Client's behalf with respect to activities and conduct on the OTF;

Settlement Rules means the rules issued by the KBL OTF pertaining to the settlement of transactions;

Settlement System means the settlement systems through which transactions are to be settled;

Static Data means the information and documentation required for each Client and Responsible Person including express consent form, client sensitive data, eligible counterparty data, standard settlement instructions and other information required from time to time;

Terms of Business means our Terms of Business (available at www.kytebroking.com), as amended from time to time;

Trade Request means a buying or selling interest communicated by a Client or Responsible Person in the form of an Order or an IOI;

Trading Privileges means the privileges granted to a Client or Responsible Person to access the KBL OTF for the purpose of submitting Trade Requests in respect of Instruments made available on one of more Market Segments;

Trading System means a system through which Trade Requests can be submitted, Arranged or Executed on a Market segment;

Transaction means the conclusion of a contract in an Instrument on the KBL OTF;

Transaction Reporting means the obligations described in Article 26 of MiFIR;

UK means the United Kingdom of Great Britain and Northern Ireland.

4 Eligibility and Access

4.1 To be eligible to use the KBL OTF Clients must be accepted as such and must not be a natural person or a retail client (as defined in Article 4(1)(12) of MiFID II). KBL must further be satisfied that clients have met and will continue to meet the following requirements:

- (a) Either:
 - (i) Clients are an EEA-regulated investment firm or credit institution (each as defined in MiFID II) 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;ⁱ or
 - (ii) Clients are fit and proper to use the KBL OTF, with adequate organisational arrangements in place and a sufficient level of trading ability and competence;

And:

- (b) have agreed to comply, and will continue to comply, with the OTF Rules, the Terms of Business and Applicable Law when using the KBL OTF and otherwise in connection with it;
- (c) have the legal capacity to trade in OTF instruments on the KBL OTF;
- (d) have the financial resources sufficient to support the trading activity undertaken;
- (e) have appropriate arrangements for the orderly settlement of transactions in OTF instruments;
- (f) have all registrations, authorisations, approvals and/or consents required by Applicable Law in connection with trading in OTF instruments;
- (g) have designated one or more Responsible Persons;
- (h) Responsible Persons have adequate experience, knowledge and competence to transact in OTF instruments;
- (i) meet the onboarding requirements for connection to the relevant Market Segment;
- (j) have adequate internal controls that are reasonably designed to promote fair and orderly trading on the KBL OTF, minimise trading errors, preserve the integrity and stability of the KBL OTF and prevent breaches of the Rules and of Applicable Law; and
- (k) agree to meet such other criteria as KBL may reasonably specify from time to time.

5 Application Procedure

- 5.1 Applications for admission to participate on the KBL OTF shall be made through the completion of an OTF application pack.
- 5.2 The application pack, which incorporates supporting documentation, is available upon request from tradingagreements@kytebroking.com.
- 5.3 The OTF application pack includes the requirement to provide certain express consents required under MiFID II, to identify all Responsible Persons and to provide certain data to facilitate trade execution, confirmation and settlement.

6 Client Obligations

- 6.1 Clients will be responsible for all orders and actions taken on their account by Client's Responsible Persons or any other officer, employee or agent of the Client possessing a valid access permission that would allow such person to submit an order on to the KBL OTF.
- 6.2 Clients must at all times have adequate systems and controls intended to minimise the risk of error in relation to offers or bids submitted (including cancellations and modifications).
- 6.3 Clients shall ensure that only Client's Responsible Persons are able to access and use the KBL OTF. No Client shall allow unauthorised third parties to use the Trading System or access the KBL OTF for any purpose.
- 6.4 Clients are responsible for ensuring that their staff are adequately trained to use the KBL OTF, including all segments for which Responsible Persons have been granted Trading Privileges.
- 6.5 Clients are responsible for settling Transactions executed on the KBL OTF. In the event that such Transactions are in relation to Instruments that are to be cleared, Clients shall be bound by the rules and procedures of the relevant CCP.
- 6.6 Clients must not, in respect of any of their business on the KBL OTF:
- (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 Trading System (including without limitation trading in a disruptive manner).
- 6.7 Clients must inform KBL, as soon as reasonably practicable, upon the occurrence of any of the following:
- (a) (becoming aware that they or any Responsible Persons are unable to comply with these Rules;
 - (b) the occurrence of any Insolvency relating to the Client;
 - (c) a material breach of these Rules; or
 - (d) ceasing to meet any of the Eligibility Criteria.
- 6.8 Clients will synchronise the business clocks used to record the date and time of any reportable event in accordance with MiFID II.
- 6.9 Clients are responsible for retaining records of all orders and transactions entered into on the KBL OTF for a minimum of 5 years.
- 6.10 Clients must continue to meet the Eligibility Criteria at all times whilst a Client.

6.11 Clients will be bound by these Rules and by any decision of the Membership and Rules Committee or KBL made pursuant to these Rules.

7 Suspension or Termination

7.1 KBL may, in its sole and absolute discretion, suspend, impose conditions on or terminate access the KBL OTF in the following circumstances:

- (a) any Client or Responsible Persons is in breach of the OTF Rules, the Terms of Business, or Applicable Law;
- (b) failure to pay any dues, assessments or fees due to us within thirty (30) calendar days of the date of the applicable invoice;
- (c) insolvency;
- (d) failure to meet any of the eligibility criteria for admission as a Client;
- (e) in the event of an Emergency;
- (f) where such action is, in KBL's reasonable opinion, necessary to preserve the security or integrity of the KBL OTF and/or to protect its users; or
- (g) for any other reason specified in these Rules.

7.2 Notice may be given to cease being a Client of the KBL OTF by giving not less than 5 business days' notice in writing.

7.3 From the time a client's suspension or termination is effective:

- (a) all rights and privileges terminate, including the ability of your Responsible Persons to access the KBL OTF;
- (b) all unmatched orders must immediately be withdrawn by Responsible Persons
- (c) Clients will remain liable for:
 - (i) any contractual obligations relating to any transactions in OTF instruments entered into by Responsible Persons;
 - (ii) the payment of any fees, costs, or charges incurred prior to such suspension or termination;
 - (iii) acts and omissions made by Responsible Persons; and
 - (iv) compliance with any reasonable requests for information in relation to any period as a Client of the KBL OTF; and
- (d) any other consequences specified in these Rules may apply.

8 Execution on the KBL OTF

8.1 Trade Requests should be identifiable as either an Order or an IOI and may be submitted by:

- (a) Voice to a broker; or
- (b) Through a GUI or API.

8.2 When a Trade Request is submitted to buy or sell an OTF instrument, discretion will be exercised as to whether to execute some or all of it through the KBL OTF or by other means (Order Discretion), in accordance with the Order Execution Policy, which is published on the KBL website (www.kytebroking.com/kyte-regulatory). However, if it is specified that the Trade Request should be executed through the KBL OTF, it will be treated as a specific instruction to do so. The OTF Rules apply where any Trade Request (or part thereof) is executed through the KBL OTF and from the point at which the Trade Request (or part thereof) is submitted to the KBL OTF. Otherwise, the Terms of Business apply.

8.3 Where a Trade Request is executed through the KBL OTF, discretion will be exercised by deciding whether, when and how much of the order to match with another order and on what terms at a given time (Execution Discretion). This discretion will be exercised on a case by case basis consistent with the KBL Order Execution Policy, including the trading interests in the system and the different execution mechanisms that are available. The execution mechanisms could include voice trading and/or use of an electronic system to enable the matching of Trade Requests. Clients agree to the exercise of discretion in accordance with the Order Execution Policy.

8.4 Discretion will also be exercised by deciding whether to retract some or all of an order from the KBL OTF. If discretion is applied in this way, these rules will cease to apply once the order has been withdrawn from the KBL OTF and Terms of Business will apply instead.

8.5 In certain circumstance Clients may seek to execute a Package Transaction involving the execution of one or more legs on the KBL OTF and one or more contingent legs on another trading venue or over the counter. The placing and management of the order away from the KBL OTF will be undertaken by the Client or the broker depending on the components of the trade and client preference.

8.6 Once an Order has been matched, KBL may enter into a Transaction with other Clients on a matched principal basis. Under matched principal trading neither Client's identity will be disclosed as KBL will act as counterparty to both. Alternatively, once an Order has been matched, KBL may effect a Transaction between two Clients so that each is party to the Transaction and has obligations to the other. In this case, KBL may act as agent for one or both Clients, binding one to another, but KBL will not itself be party to the Transaction. In this case, KBL will disclose Client details to one another.

8.7 Clients are responsible for satisfying obligations under each Transaction entered into on the KBL OTF, including through any Responsible Persons. In addition, in relation to derivatives, this may include an obligation to exchange margin with one another in accordance with Applicable Law. In this case, Transactions will be settled in accordance with the rules and procedures of any relevant clearing or Settlement Systems.

8.8 Clients are responsible for compliance with all Applicable Laws in relation to Transactions entered into through the KBL OTF. Cash or OTF instruments will only be transferred to KBL that are due and payable and KBL will not hold any cash or investments in accordance with the FCA's client assets or custody rules. Where Clients enter into a Transaction with another Client, cash or other collateral will be transferred directly to the other Client or the bank or custody account specified.

8.9 Trade requests may be amended, cancelled or withdrawn using any of the submission methods set out in Rule 8.1, subject to the limitation that no trade Request may be amended, cancelled or withdrawn if it has been executed.

8.10 Where a Client disconnects from a trading system, which is being accessed through a GUI or API, Trade Requests in the relevant Instruments can be cancelled and withdrawn. Clients should note that any cancellation of Trade Requests will not be automatically processed for Instruments operating under a voice protocol.

9 Financial Instruments

9.1 KBL shall determine which Instruments shall be admitted to and made available for trading on the KBL OTF and the parameters for Transactions to be entered into.

9.2 The list of tradable Instruments may be changed, suspended or removed at any time, subject to Applicable Law.

9.3 KBL will decide which Instruments can be traded through the KBL OTF based on a number of criteria including:

- (a) the ability to enter into such Transactions and Clients' desire to do so;
- (b) whether, in the view of KBL, there is sufficient liquidity to trade them through the KBL OTF;
- (c) whether there is sufficient information in the public domain about the terms of the Instruments and how to value them and (where applicable) their underlying asset and how to determine their price.

9.4 The list of Instruments to be made available for trading on the KBL OTF shall be set out in the Market Segment Rules (section 18) and published on the KBL OTF website.

10 Trading Rules and Fair and Orderly Trading

10.1 Orders will be taken by phone or electronically in accordance with the OTF Rules and the KBL Terms of Business and negotiations will be undertaken by message, telephone or electronically.

10.2 Clients will comply with the requirements for electronic access and order submission.

10.3 The use of algorithms to submit messages to the KBL OTF is not permitted.

10.4 Clients will not provide direct electronic access (as defined in MiFID II) to the KBL OTF to any Person.

10.5 Limits may be imposed on the number, volume and/or value of Trade Requests entered into through the KBL OTF, and/or the price at which Trade Requests are entered. Trade Requests will be rejected if these exceed applicable thresholds and/or which are clearly erroneous.

10.6 Trading may be halted or constrained in an OTF Instrument at the request of a Regulatory Authority or if there is a significant price movement in that Instrument on the KBL OTF during a short period. In exceptional circumstance, Transactions may also be cancelled, varied or corrected.

10.7 KBL may take action it reasonably considers to be appropriate in relation to any issues identified in the KBL OTF Trading Privileges may be withdrawn or adjusted or the trading system may be shut down if KBL reasonably considers it to be necessary to do so.

10.8 Clients agree to comply with the requirements for the physical and electronic security of the system, access to it and the data that passes through it and Clients will take all reasonable steps to ensure that Responsible Persons do so. In particular, Clients will notify KBL of the list of Responsible Persons, and any changes in those personnel, and they will use any logins and passwords that are provided. Clients are responsible for any activity that occurs pursuant to the use of logins and passwords provided to any Responsible Person.

10.9 Where a Transaction in respect of a Cleared Derivative that is concluded on the KBL OTF is not accepted by the applicable CCP, the KBL OTF shall void such Transaction.

11 Conduct Obligations

11.1 If Clients have been categorised as a Professional Client, KBL has a duty to take all sufficient steps to obtain the best possible result. In this case, when KBL exercises execution discretion, KBL will act in accordance with our Order Execution Policy for which the KBL OTF will be an execution venue.

11.2 Where execution discretion is exercised, discretion is exercised in accordance with the OTF Rules, which have been designed to achieve the best possible result. Information on the quality of execution will be published on the KBL website in accordance with MiFID II.

11.3 The provisions on conflicts of interest in Terms of Business apply to the operation of the KBL OTF.

11.4 The costs and charges for using the KBL OTF are as set out on the KBL website.

11.5 All telephone and other conversations and any electronic communications may be recorded and such recordings may be monitored. A copy of a recording can be made available on request for up to five years, and on the FCA's request for up to seven years, from the date of the conversation. The recordings may also be used as evidence in the event of a dispute or investigation.

11.6 A confirmation will be provided detailing the terms of any transaction executed through the KBL OTF in accordance with the Terms of Business.

11.7 Clients will provide such information as may be reasonably required in order to comply with any obligations under Applicable Law in relation to the Transactions entered into. Information related to any Trade Requests, or other information generated in connection with the use of the KBL OTF, may be provided to the FCA or any other regulator in accordance with Applicable Law.

12 Monitoring and Surveillance

12.1 KBL will monitor Orders, cancellations and transactions to check for statistical patterns, identify infringements, disorderly trading and conduct that may indicate market abuse or systems disruptions, including by the following means:

- (a) Notifications;
- (b) Ad hoc requests for information;
- (c) Audit rights;
- (d) Investigations; and
- (e) Pre- and post-trade monitoring.

12.2 KBL has arrangements in place to prevent disorderly trading and breaches of regulatory requirements, which may include limits on the number of Orders sent to the KBL OTF, mechanisms to manage volatility and pre- and post-trade controls. KBL, or the request of a competent authority, may:

- (a) request information about Clients' organisational arrangements and trading controls;
- (b) withdraw trading privileges or suspend access to the KBL OTF;
- (c) cancel unexecuted Orders submitted where there appears to be an error or following a suspension; and
- (d) cancel or revoke a Transaction in case of malfunction of the KBL OTF's mechanisms to manage volatility or the operational functions of the KBL OTF.

12.3 If KBL considers that a Client has failed to comply with any of the Rules, an investigation may be undertaken. Clients will cooperate with any such investigation and provide such information as may be requested. In the event of failure to comply, access may be suspended to the KBL OTF and membership terminated.

12.4 KBL is required to notify the FCA of any significant breaches of the Rules or disorderly trading conditions or conduct that may indicate market abuse, to supply them and any other relevant authority with information and to assist them in investigating and prosecuting the same.

12.5 KBL may take disciplinary action against a Client in respect of any act or omission that amounts to a material breach of these rules and suspend or restrict a Client's (or some or all of the Client's Authorised Representatives) Trading Privileges on the KBL OTF 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 Client has committed a material breach of these Rules.

12.6 KBL may, in its absolute discretion, impose sanctions on a Client (or some or all of the Client's Authorised Representatives) for a material breach of the Rules constituting either or both of the following:

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

12.7 In the event of any alleged breach or suspected breach by a Client of these Rules, KBL shall notify the Client of the commencement of an investigation along with sufficient information to allow the Client to assess the alleged breach, save where such notification is precluded by applicable law or regulation.

12.8 KBL will investigate the facts of each case. In each case, KBL shall determine whether to impose any of the sanctions in relation to a breach of the Rules. In coming to such a determination, KBL 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 Client 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 Client under investigation, and specific history regarding the Rule breach in question and whether any warning notices have previously been issued to the Client in relation to the Rule; and
- (f) the consistent and fair application of the Rules (any precedents of similar Rule breaches).

12.9 Upon conclusion of its investigation, KBL will decide what action is necessary in each instance and shall communicate such decision promptly to the Client.

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

13 Error Trades Policy

13.1 KBL can review a Transaction on request from a Client or at its own discretion. The review will be carried out by the Membership and Rules Committee (the Committee).

13.2 The Committee has the right to cancel or adjust any Transaction which is an Error Trade in the interest of maintaining a fair and orderly market.

13.3 A request for review of a Transaction by a Client must be made within 15 minutes from the time of execution of the relevant Transaction and by e-mail to **compliance@kytebroking.com**.

13.4 Review requests received after 15 minutes from the time of execution of the Transaction will only be considered where there are unusual or mitigating circumstances resulting in the delay in requesting a review.

13.5 When exercising discretion in relation to a review request, the Committee will take into account the circumstances of the request, and each request will be reviewed on a case-by-case basis.

13.6 After receiving the review request, KBL shall promptly inform, by telephone or email, each other counterparty to the Transaction that the Transaction is subject to a review request.

13.7 To determine whether a Transaction constitutes an Error Trade, the Committee may contact/consult other Clients and other market participants and may consider any relevant information, including but not limited to:

- (a) the last traded price on the venue in the relevant Instrument;

- (b) any existing or recent quotes, orders or trades in the relevant Instrument on the venue at the time of execution of the relevant Transaction;
- (c) the price of the same or related instrument in another market;
- (d) market conditions at the time of the relevant Transaction including levels of activity and volatility; and
- (e) any other factor which the Committee may deem relevant.

13.8 If the relevant Transaction is determined to be an Error Trade, the counterparties shall take such action as the Committee requires to put into effect any adjustment or cancellation. Failure by any Client to comply with any instruction from the Committee to cancel or adjust an Error Trade is a breach of the OTF Rules.

13.9 The decision of the Committee will be final.

13.10 The unavailability of counterparty credit shall not by itself render a trade an Error Trade.

14 Transparency and Transaction Reporting

14.1 KBL is required to publish pre-trade transparency information about Orders submitted to the KBL OTF by certain Clients, subject to use of any pre-trade transparency waivers for which any Transactions executed across the KBL OTF may be eligible. Details of the waivers that have been granted are set out on the website.

14.2 KBL is also required to publish post-trade transparency information about transactions entered into on the KBL OTF, subject to any rights to defer or limit publication. Details of the deferrals that have been granted are set out on the website.

14.3 Transparency information is published through the website 15 minutes after publication and is free of charge. The data may be disaggregated on request.

14.4 Clients are responsible for undertaking their own transaction reporting requirements as required by Applicable Law.

14.5 If a Client is not required by Applicable Law to submit a Transaction Reporting but KBL, as the operator of an OTF is required to submit such a report in respect of a Transaction to which the Client is party, then the Client must provide all information requested to complete and submit such report on a timely basis and ensure that such information is accurate, current and complete.

14.6 KBL may not be permitted to execute a Transaction for any Client unless the relevant legal entity identifier (LEI) code has been provided.

14.7 KBL may enter into contractual relationships with third party service providers to transmit transaction reporting and transparency information to the relevant competent authority and the market and may transmit such information through an ARM or APA or CTP or another provider.

15 OTF Data and Information

15.1 KBL may make market data regarding Trade Requests, Transactions and any other related information available to Clients and other persons at such times and in such manner (whether through the KBL OTF, financial information service provider or otherwise) as it may determine from time to time.

15.2 All OTF Data or related information provided to Clients in connection with its use of the KBL OTF is proprietary to KBL (or the service provider, as applicable).

15.3 Clients are not permitted to retransmit, redistribute, or otherwise disclose such data or information to any third party, including without limitation in aggregated format, or to incorporate it into a benchmark, without KBL's (or, as applicable, the relevant service provider's) prior agreement, except as required by Applicable Law.

16 Clearing and Settlement Arrangements

16.1 Clients shall settle each Transaction in accordance with the terms of the Confirmation through the settlement arrangements agreed with or specified by KBL from time to time.

16.2 Where Clients contract directly with each other in relation to a Transaction, each Client is responsible for settlement of every Transaction it enters into irrespective of any arrangements it has made with any third party and whether the Client acted as principal or agent in relation to the Transaction.

16.3 Each Transaction relating to a Cleared Instrument shall be cleared through the CCP indicated in the Market Segment Rules.⁴

16.4 For each Transaction relating to a Cleared Instrument, the Client must have a clearing account with the relevant CCP or with a Clearing Member of such CCP.⁵

16.5 Any Transaction executed on the KBL OTF which is rejected for clearing by the relevant CCP shall be void; however, when the rejection is due to a technical or clerical problem, KBL will submit a new Transaction with the same economics terms for clearing as soon as practicable. KBL, as an operator of the OTF, shall not be subject to the requirements of Article 8 of MiFIR for the submission to clearing of the second Transaction.

16.6 KBL, as an operator of the OTF will send the information related to each Transaction for any Cleared Instrument executed on the KBL OTF to the relevant CCP through an Affirmation Hub immediately after the execution of the Transaction.

16.7 Clients must ensure that they auto-affirm the Transactions in the Affirmation Hub to enable automatic submission to the relevant CCP.

16.8 Transactions are for standard settlement for the Instrument as determined by KBL and communicated to Clients by email or other durable medium and confirmed in the Confirmation.

16.9 A Client selling Instruments is responsible for ensuring the delivery of the Instruments or the Underlying (or the documents of title thereto together with transfer documentation) to the other party no later than the contractual settlement date and a Client buying Instruments is responsible for ensuring the transfer of money to the other party no later than contractual settlement date and in each case in accordance with procedures that may be specified by KBL.

16.10 Partial settlements are permitted at the absolute discretion of KBL.

16.11 The following provisions shall apply when any of the counterparty to a Transaction or a Transaction itself is subject to CFTC Regulations:

16.11.1 For the purpose of this rule 16.11 (inclusive), the following terms shall have the meaning prescribed below:

CEA means the Commodity Exchange Act, as amended from time to time;

CFTC means the Commodity Futures Trading Commission or any successor thereto;

CFTC Regulations means any rules and regulations issued by the CFTC;

⁴ Market Notice 2018.2

⁵ Market Notice 2018.2

DCO means a CFTC-registered derivative clearing organization;

Exempt DCO means any clearing organization that has been exempted from the DCO registration by the CFTC;

FCM means Futures Commission Merchant as defined under the CFTC Regulations;

Swap Transaction means an Instrument that meets the “swap” definitions under the CFTC Regulations;

US Person means any Client who has been classified and notified by the KBL OTF to be a US Person.

16.11.2 Any Swap Transactions executed by a U.S. Person on the KBL OTF will be subject to the following clearing - related requirements:

(a) if the Swap Transaction is a “customer” position subject to section 4d of the CEA and intended to be cleared, Client must have arrangement to clear the Swap Transaction through an FCM at a DCO; and

(b) if the Swap Transaction is a “proprietary” position under CFTC Regulation 1.3(y) and intended to be cleared, Client must have arrangement to clear the Swap Transaction through a DCO or an Exempt DCO.

(c) if a Swap Transaction executed on the KBL OTF is subject to clearing requirement under Part 50 of the CFTC Regulation, and is entered into by a person who falls under Section 2(h)(1) of the CEA, Client must have arrangement to clear the Swap Transaction either through a DCO or an Exempt DCO, provided that, consistent with (a) above, if the Swap Transaction is a “customer” position subject to Section 4d of the CEA, Client must ensure that the clearing arrangement is made through an FCM at a DCO, and cannot be cleared through an Exempt DCO.ⁱⁱ

17 Market Maker Programmes

17.1 KBL may from time to time adopt one or more schemes under which one or more Clients may be approved to pursue a Market Making Strategy and designated as market makers (“Designated Market Makers”) with respect to one or more Products (a “Market Maker Programme”).

17.2 The criteria of each Market Maker Programme will be made publically available and any Client will be able to apply to be a Designated Market Maker.

17.3 No Clients other than Designated Market Makers will be permitted to pursue a Market Making Strategy on the KBL OTF.

17.4 A Market Maker Programme may provide for one or more of the following:

(a) Additional eligibility criteria or other requirements, including minimum net capital, that any such Designated Market Maker must satisfy;

(b) The procedure by which Client may apply for and obtain designation as a Designated Market Maker;

(c) The obligations of a Designated Market Maker, including without limitation any applicable minimum bid and offer commitments;

(d) The benefits accruing to a Designated Market Maker which may include, without limitation, reduced transaction fees; and

(e) The requirement that a Designated Market Maker agrees to abide by the OTF Rules and the rules of the Market Maker Programme.

18 Market Segment Rules – Hybrid Segment

18.1 These are the Market Segment Rules for the hybrid segment of the KBL OTF. These are to be read in conjunction with, and form part of, the OTF Rules.

18.2 The following definitions apply in these Market Segment Rules, in addition to the definitions contained in section 2 of these Rules:

“Hybrid Products” means the Financial Instruments and Transactions set out below.

“Voice Order Book” means a Trading System that, subject to discretion, matches Trade Requests based upon or incorporating voice negotiation.

“Hybrid Order Book” means a Trading System that, subject to discretion, matches Trade Requests based upon electronic input of interests, negotiation and matching.

18.3 The Segment MIC code for the Hybrid segment is KBLM.

18.4 Trading is permitted in the following instruments and, subject to the discretion of the broker, the following Order types are permitted for each Instrument:

Asset Class – Fixed Income Security (Bond)

Product	Order types (for all products)
AT1, T1, Cocos, Prefs	All or None (AON) Good for Day (GTD) Good till cancelled (GTC) Fill or Kill (FOK) Once Cancels Other (OCO) Limit Order
AT1, T1, Cocos, Prefs (New Issue)	
Hybrids	
Sub Insurance/Fins	
T2	
SSA	
Senior Financials	
FRNs	
HY, X-OVER	
Emerging Markets excl. Middle East	
Middle East Sovereigns	
G20, NOK, CHF IG	
All Government Bonds (ex JPN)	
Japanese Govt. Bonds	
Illiquid Issues	

ECV Systemⁱⁱⁱ

Product	Order Types (for all products)
Emerging Markets Sovereigns Bonds	Auction Orders
Emerging Markets Corporates Bonds	All or None (AON)
	Good for Day (GTD)
	Limit Order
	Hidden & Visible order

Asset Class – OTC Derivatives Equity Variance Swaps, Exotics and Total Return Swap

Product	Order types (for all products)
Equity Variance Swap	All or None (AON) Good for Day (GTD) Good till Cancelled (GTC) Fill or Kill (FOK) One cancels Other (OCO) Limit Order Request for Quote (RFQ)
Exotics – Index Underlying	
Exotic – Single Stocks Underlying	
Total Return Swap – GC baskets	
Total Return Swap – Single names	
Total Return Swap – Non-GC basket	
Total Return Swap – including dividend payment	
Total Return Swap – interaction with > clients	

Asset Class – Structured Products, Secondary Market Transactions

Product	Order types (for all products)
Equity Variance Swap	Not applicable

Asset Class – Interest Rate Derivatives⁶

Product	Order types (for all products)
Fixed to Float Swap Float to Float Swap	Outright – pay/receive Strategy/Spread All or None (AON) Good for Day Good till Date (GTD) Good till cancelled (GTC) Fill or Kill (FOK) One Cancels Other (OCO) Market Order Limit Order
Basis Swap	
Swaptions	

18.5 Trade requests may be submitted as IOIs or Orders.

18.6 The following submission mechanisms are available in the Hybrid segment:

Protocol	Sub-Protocol
Electronic	GUI, API
Voice	Telephone
Voice	Instant messaging
Voice	Email

18.7 The negotiation⁷, matching and execution methodology in the Hybrid segment is voice and electronic.

⁶ Market Notice 2018.2

⁷ Market Notice 2018.2

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- i Market Notice 2019.2
 - ii Market Notice 2019.2
 - iii Market Notice 2019.3