

Market Making Agreement between BrokerTec Europe Limited and Market Makers for the BrokerTec EU MTF

PARTIES

- 1 **BrokerTec Europe Limited** (registered in England and Wales under company number 02645715) whose registered office is at London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW, UK (the “**Operator**”); and
- 2 each Participant that meets the requirements set out in Recital 1.1 below (each a “**Market Maker**”),

(together, the “**Parties**”).

1 Background

- 1.1 Under article 17(3) of MiFID II, an investment firm pursuing a “market making strategy” is required to enter into a market making agreement with the trading venue on which they are carrying out algorithmic trading where (in accordance with article 1(1) of the Market Making CDR), during half the trading days over a one month period, in execution of its market making strategy, they (i) post firm, simultaneous two-way quotes of comparable size and competitive prices; and (ii) deal on their own account in at least one financial instrument on one trading venue for at least 50% of the daily trading hours of continuous trading at the respective trading venue, excluding opening and closing auctions.
- 1.2 In the event of conflict between the MTF Rulebook, the Operational Parameters Annex and this Agreement, the following order of precedence shall apply to the extent of any inconsistency: 1. the Operational Parameters Annex, 2. the applicable Product Appendix, 3. the MTF Rulebook, and 4. this Agreement.

IT IS HEREBY AGREED AS FOLLOWS:

2 Definitions and Interpretation

Agreement	This agreement between the Parties
Algo-Trading CDR	Commission Delegated Regulation (EU) 2017/589 of 19 July 2016 supplementing MiFID II with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading, or in the event of a No Deal Brexit, Commission Delegated Regulation (EU) 2017/589 as retained in UK law under the EUWA.
Average Bid	The average of all Bids in a range defined as being no lower than 100% of the spread between the best Bid/Offer away from the best Bid
Average Offer	The average of all Offers in a range defined as being no higher than 100% of the spread between the best Bid/Offer away from the best Offer
API	The MTF’s application programming interface

Comparable Size	The sizes of two quotes do not diverge by more than 50% from each other. The minimum size of the quotes shall be 1 million notional or as otherwise defined in the MTF Rulebook
Competitive Prices	Quotes posted at or within a maximum bid-ask range set by the Operator which is imposed on every Market Maker, which is the spread calculated per Instrument intra-day during each Trading Day as being the difference between the Average Bid and Average Offer
Customer Agreement	The agreement between the Operator and the Market Maker to access the MTF
Exceptional Circumstances	As defined in clause 5.4 of this Agreement
Firm Quote	A quote that under the MTF Rulebook can be matched against an opposite quote
Instrument	An instrument available to trade on the MTF that is subject to this Agreement
Market Maker	A Participant carrying out Market Making Activity
Market Making Activity	The activities conducted in a Participant's capacity as a Market Maker pursuant to this Agreement
Market Maker Eligibility Criteria	The eligibility criteria set out in clause 3.1
Market Making CDR	Commission Delegated Regulation (EU) 2017/578 of 13 June 2016 supplementing MiFID II with regard to regulatory technical standards specifying the requirements on market making agreements and schemes, or in the event of a No Deal Brexit, Commission Delegated Regulation (EU) 2017/578 as retained in UK law under the EUWA.
MTF	The BrokerTec EU Multilateral Trading Facility (as defined in article 4(1)(22) of MiFID II, or in the event of a No Deal Brexit, as defined in the FCA Rules) operated by the Operator
MTF Rulebook	The rules governing the operation of the MTF in force from time to time and any amendment made thereto
Regulatory Authority	The FCA, or any other competent authority that can validly exercise its powers over the Operator and/or the Market Maker
Simultaneous Two Way Quote	A quote posted in such a way that both the bid and ask-price are present in the Order Book at the same time
Term	As defined in clause 6.1
Trigger Date	The date on which it is determined that the Participant satisfies the conditions in Article 1 of the Market Making CDR

All capitalised terms not otherwise defined in this Agreement shall have the meaning ascribed to them in the MTF Rulebook. In this Agreement, words in the singular include the plural and vice versa. A reference to persons in this Agreement shall include a reference to legal persons and natural persons as the context requires. Headings are for ease of reference only and do not form part of the Agreement. Reference to statutory provisions shall include any amendment, modification or re-enactment or re-making thereof.

3 Eligibility

- 3.1 The Market Maker shall meet and shall continue to meet all of the following Market Maker Eligibility Criteria when carrying out Market Making Activity:
- a. satisfies the Eligibility Criteria in the MTF Rulebook;
 - b. has API capability which would allow it to connect to the MTF in order to satisfy the requirements in clause 5.1b; and
 - c. is eligible to participate in the UK gilt repo market.
- 3.2 The MTF shall be open for trading from 7:00am to 5:15pm London time on each Trading Day.

4 Instruments

- 4.1 The initial Instruments subject to this Agreement will be UK gilt repo offered for trading on the MTF.
- 4.2 The Operator may add or remove Instruments to or from the scope of this Agreement from time to time at its absolute discretion.

5 Market Maker obligations

- 5.1 The Market Maker shall:
- a. act, and ensure that its employees act, in compliance with the MTF Rulebook;
 - b. fulfil its quotation obligation by posting Firm, Simultaneous Two-way Quotes of Comparable Size and at Competitive Prices in respect of each Instrument for at least 50% of daily trading hours each month during which continuous trading takes place (excluding opening and closing auctions and calculated for each Trading Day); and
 - c. pay the standard brokerage fees for Transactions in the Instruments as referred to in the Customer Agreement.
- 5.2 The Market Maker's obligation in relation to each Instrument covered under this Agreement is a separate obligation and the rights and obligations of the parties under this Agreement apply separately to each individual Instrument type.
- 5.3 In order to assist the Market Maker to understand its obligations, the Operator shall use its best endeavours to provide reports to Market Makers on their daily quotation obligations, sent to the Market Maker as one email at the end of each month.
- 5.4 The obligation to provide liquidity on a regular and predictable basis shall not apply in any of the following circumstances (together, the "**Exceptional Circumstances**"):
- a. a situation of extreme volatility, triggering volatility mechanisms for the majority of Instruments or underlyings of Instruments traded on a trading segment of the MTF in relation to which the Market Maker's obligation applies;
 - b. war, industrial action, civil unrest or cyber sabotage;
 - c. disorderly trading conditions where the maintenance of fair, orderly and

transparent execution of trades is compromised;

- d. where the Market Maker's ability to maintain prudent risk management practices is prevented by any of the following:
 - (i) technological issues, including problems with a data feed or other system that is essential to carry out a Market Making Activity;
 - (ii) risk management issues in relation to regulatory capital, margining and access to clearing;
 - (iii) the inability to hedge a position due to a short selling ban;
 - e. the suspension period referred to at Article 9(4) of MiFIR.
- 5.5 After any and all such Exceptional Circumstances cease, the Market Maker should resume trading as soon as reasonably practicable (as detailed in the relevant policy issued by the Operator from time to time).
- 5.6 The Market Maker must, as soon as reasonably practicable, inform the Operator's Customer Support team of the start and stop of any Exceptional Circumstances and the reason for them. The Market Maker must maintain records of the relevant Exceptional Circumstances and provide the same to the Operator on request.
- 5.7 The Operator shall communicate to Market Makers that their obligations are suspended during Exceptional Circumstances that are MTF system- or market-wide, and shall communicate when those Exceptional Circumstances cease and trading shall resume.
- 5.8 The Market Maker shall satisfy its surveillance, compliance and audit obligations under the Algo-Trading CDR and Applicable Law.
- 5.9 The Market Maker shall flag any Firm Quote submitted to the MTF under this Agreement, in order to distinguish that quote from other order flows.
- 5.10 The Market Maker shall maintain records of all Firm Quotes and transactions relating to its Market Making Activities in accordance with MiFID II, which must be clearly distinguished from other trading activities of the Market Maker and shall make those records available to the MTF and the FCA on request.

6 Commencement and Term

- 6.1 This Agreement shall be operative from the Trigger Date and shall continue until terminated in accordance with clauses 8 or 9 (the "Term").

7 Sanctions for Non-Compliance

- 7.1 In accordance with its obligations under Article 48(3) of MiFID II, the Operator shall monitor and enforce compliance by Market Makers with the requirements of this Agreement.

8 Suspension or Termination of Market Making Activity

- 8.1 The Operator may at its absolute discretion and without liability immediately suspend or terminate the participation of a Market Maker in Market Making Activity if, at any

time:

- a. the Market Maker's participation as a Participant of the MTF has been restricted, suspended or terminated in accordance with the MTF Rulebook; or
- b. the Market Maker ceases to meet the Market Maker Eligibility Criteria; or
- c. the Operator determines in its absolute discretion that the Instruments will no longer be available for trading on the MTF.

8.2 The Operator may at its absolute discretion and without liability terminate the Market Making Activity of the Market Maker by giving no less than one (1) month's notice to the Market Maker.

8.3 The Operator will notify the Market Maker of a decision to restrict, suspend or terminate its Market Making Activities.

9 Resignation

9.1 Where a Market Maker has given notice of its intent to resign from participation on the MTF in accordance with the MTF Rulebook, its Market Making Activities will automatically terminate on the date that the resignation is effective.

9.2 Subject to article 1 of the Market Making CDR, a Market Maker may otherwise terminate:

- a. this Agreement on written notice to the Operator;
- b. its obligations in regards to clause 5.1b in regards to individual Instruments, subject to termination of a maximum of five (5) such Instruments per week (such termination to be effective the day after notice is provided); or
- c. its obligations in regards to clause 5.1b in regards to more than five (5) Instruments, by giving no less than one (1) months' notice to the Operator.

10 Taxes and Fees

10.1 The Market Maker shall pay any applicable taxes, fees, duties, or levies that arise in connection with its trading of Instruments on the MTF.

11 Confidentiality

11.1 Without prejudice to any rights granted to the Operator in any other agreements, the Operator will treat as confidential any information received from the Market Maker in relation to its business on the MTF and participation in the Market Making Activity, except where:

- a. the information is already in the public domain at the time of disclosure;
- b. the information enters the public domain other than by a breach of any obligation of confidentiality;
- c. disclosure of the information is required by Applicable Law, including any tax authority or Regulatory Authority having jurisdiction (provided that, where legally permitted and practicable, prior notice of such disclosure shall be provided to the Market Maker as soon as practicable in order to permit the

Market Maker to seek a protective order or take other appropriate action to safeguard the information);

- d. disclosure is made in the interests of co-operation with any regulatory investigation conducted by a relevant Regulatory Authority;
- e. disclosure is made for the protection of the market and the maintenance of high standards in integrity and fair dealing; or
- f. the Market Maker has consented to the disclosure in writing.

12 **Amendments and Notices**

12.1 The Operator may, in its absolute discretion, at any time, amend the terms of this Agreement. The Market Maker will be informed of any such change by the issuing of a Market Notice.

12.2 Such changes referred to at clause 12.1 above will be effective at such time as specified in the relevant Market Notice. Unless otherwise required by a Regulatory Authority or by Applicable Law, any such change shall not apply retrospectively.

13 **Governing Law**

13.1 This Agreement is governed by and shall be construed in accordance with the laws of England. Non-contractual obligations (if any) arising out of or in connection with this Agreement (including its formation) shall also be governed by the laws of England.