

iSwap UK MTF Trade Review and Error Policy

Appendix 3 to the ISWAP UK MTF Venue Rulebook - Trade Review and Error Policy

Appendix 3 – Trade Review and Error Policy

1. Objective

This Policy is issued pursuant to the iSwap UK MTF Venue Rulebook, the Market Appendices and the Agreements. The purpose of this Policy is to set out the policies and procedures that iSwap UK (Operator) may consider and employ when handling Trade cancellations and Trades executed on the iSwap UK Venue in error. The aim is to ensure that such Trades are dealt with in a quick, efficient, transparent and fair way for the parties involved with the least possible disruption to the integrity of the market at large.

In the event of conflict between the iSwap UK MTF Venue Rulebook, the Market Appendices and the Agreements, the following order of precedence shall apply to the extent of any inconsistency: 1. this Policy; 2. the Rulebook and 3. the Agreements.

2. Additional Definitions

In this Policy, terms not defined shall have the meanings given to them in the iSwap UK MTF Venue Rulebook. In addition, the following words and expressions have the following meanings:

Error Orders: An Order that exceeded the Market Level Parameters or Maximum Overlap at the time a User attempted to submit it, including Implied Orders that exceed the Market Level Parameters or Maximum Overlap at the time they are generated.

Error Trade: A Trade outside the Market Level Parameters or the result of an Error Order.

Fair Market Price: will be determined according to the context of the market at the time the Order was entered onto the iSwap UK Venue and is the price of an Eligible Instrument that is derived by calculating the average of prices obtained by:

- a) Referencing applicable Trades, Orders and the Market Mid-Price of the Order Book; and
- b) Referencing the mid of indicative prices published by ICAP via its market data vendors

Market Level Parameters: a deviation from Fair Market Price in relation to any relevant Eligible Instrument of:

- a) For GBP OIS maturities of up to and including 2 years, greater than 1 basis point; and
- b) For GBP OIS maturities of greater than 2 years, greater than 1.5 basis points.

Maximum Overlap: Maximum overlap of bid and offer orders in basis points, which may be rejected by the platform, to prevent disruptive trading.

Market Alert: A message sent via the platform to all connected Market Authorised Users

3. Trade Reviews

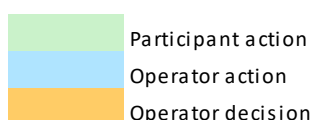
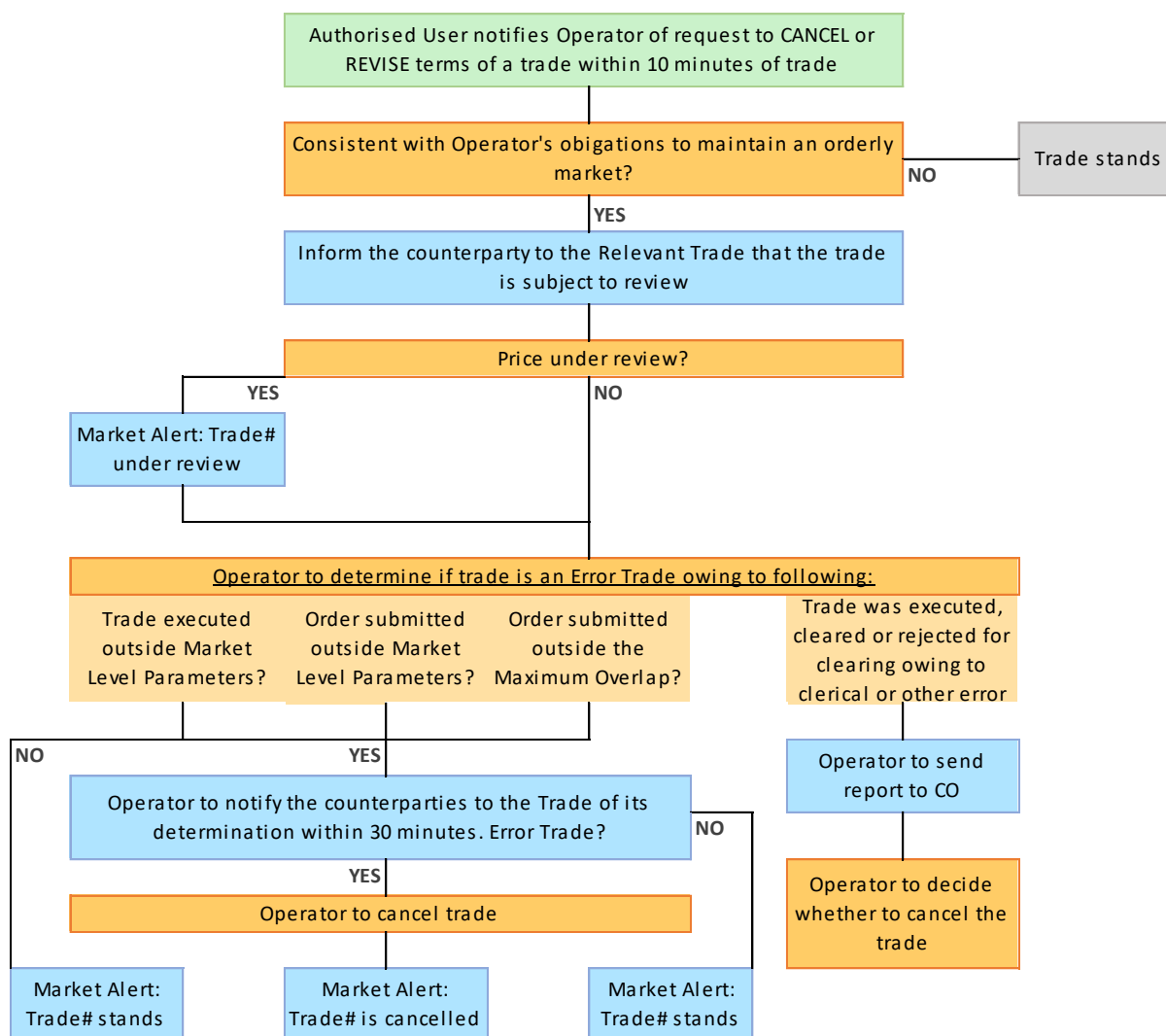
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3.1 General

- 3.1.1 Where a Participant has entered into a Trade in error, it may request that the Operator review the transaction.
- 3.1.2 A Participant (the "Requesting Participant") shall notify the Operator of a request to cancel or revise the terms of a Trade (the "Relevant Trade") within 10 minutes from the time of execution of the Relevant Trade. If the Operator receives such a request later than 10 minutes from the time of execution, the Requesting Participant acknowledges that the Operator may, in its sole discretion, decline to review the transaction.
- 3.1.3 Where the Requesting Participant is the Broker Participant, the Operator will confirm with the Member Participant, who is the counterparty to the Trade, that the review should proceed.

3.2 Market Control Procedure

- 3.2.1 After receiving the request the Operator shall, provided that the review is consistent with the Operator's obligations to maintain an orderly market on the iSwap UK Venue, promptly inform the counterparty to the Relevant Trade (the "Other Participant") that the Relevant Trade is subject to a review and if the trade price is under review send a Market Alert.
- 3.2.2 Market Control will take the following actions as defined in Trade Cancellation Flow Diagram below.



3.2.3 If a Market Alert was sent subject to 3.2.1 then Market Control will send a second Market Alert, depending upon their determination, informing Participants that either trade stands or is cancelled.

4. Errors

3.4 Determination of Error Trades

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- 4.1.1 Operator will determine whether the Trade was executed outside the Market Level Parameters using the Fair Market Price as determined by Market Control.
- 4.1.2 If such Trade was executed outside the Market Level Parameters, the Operator will inform the Participants that such Trade is an Error Trade.

4.2 Determination of Error Orders

- 4.2.1 Operator will determine whether the Order submitted was outside the Market Level Parameters using the Fair Market Price as determined by Market Control.
- 4.2.2 If such Order was submitted outside the Market Level Parameters, the Operator will inform the Participants that any resulting Trade is an Error Trade.
- 4.2.3 Operator will determine whether the Order submitted was outside the Maximum Overlap as determined by Market Control.
- 4.2.4 If such Order was submitted outside the Maximum Overlap, the Operator will inform the Participants that any resulting Trade is an Error Trade.

4.3 Determination of clerical or other error

- 4.3.1 Operator will determine whether a Trade was executed, cleared or rejected for clearing as a result of errors including but not limited to,
 - i. the trading system, a Participant or Broker Participant made a material mistake or that a mistake occurred as a result of a malfunction in the trading system or by human error;
 - ii. the trading system, a Broker Participant or a Participant made a clerical or operating error or omission that caused a transaction to be rejected from clearing and void ab initio; or
 - iii. a Clearing Firm or DCO rejected a leg of a Package Transaction for clearing because of the sequencing of submission for clearing of the legs of the applicable Package Transaction.

5. Cancellation of Error Trades

4.4 Procedure for cancelling Error Trades

- 4.4.1 If the Operator determines that a Trade is an Error as determined in 4.1.1, 4.2.1 or 4.2.3 it shall notify the counterparties to such Trade of its determination. The Operator shall use its reasonable endeavours to notify the counterparties to the Error Trade as promptly as possible but no later than 30 minutes from the time of execution of the Error Trade. If a counterparty has not been notified that a Trade has been determined to be Error Trade within 30 minutes of execution, such Trade shall not be considered an Error Trade.

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- 4.4.2 The counterparties to an Error as determined in 4.1.1, 4.2.1, 4.2.3 or 4.3.1 shall take all such action required to effect the cancellation of the Error Trade. Failure by any Member Participant to comply with any instruction from the Operator to cancel, revise or reverse an Error Trade shall constitute a material breach of the Rulebook and the Agreements and the Operator shall be permitted to unilaterally cancel the Error Trade in accordance with Rule 16 of the Rulebook.
- 4.4.3 Where Market Control has determined that the error is as determined in 3.5.1 (i), a report will be sent to the Compliance Officer describing the review to allow the Compliance Officer to evaluate the error
- 4.4.4 If Operator determines that an error has occurred as determined in 3.5.1 (i) the Operator may, in its sole discretion, decide to cancel or not cancel the trade.

Release of Counterparty Names

- 1.1 The Operator reserves the right to disclose at any time the name of the underlying counterparties to any Trade or series of Trades in an implied chain, in order to aid the fair settlement of the cancellation or reversal of a Trade (including, either before or after the procedure outlined in paragraph 4 and 5 has been followed and whether or not the counterparties to any Trade have agreed to the cancellation).

6. Authority Regarding Cancellations, Price Adjustments and New or Offsetting Transactions

Operator has authority to cancel any transaction or adjust the price of any transaction executed, or to execute or require the execution of a new or offsetting transaction: (i) when Operator determines in its sole discretion such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Market or by system defects; or (ii) at any time Operator determines, in its sole discretion, that allowing a transaction to stand as executed may have a material adverse effect on the integrity of the market. All decisions of Operator regarding cancellations of transactions or the adjustment of transaction prices and the execution of new or offsetting transactions shall be final.