

CHI-X EUROPE

Chi-X Europe Guidance Note 1

ERRONEOUS TRADES

Definition of “Erroneous Trade” – the execution of an order due to an error in terms of price, quantity, side or symbol for that security at the time of execution.

Note: This procedure includes any trades that have been executed directly on the MTF, and also negotiated trades that are brought onto the MTF, such as ccCFD Service trades.

Chi-X Europe Ltd (Chi-X) shall initiate a review of an erroneous trade if it determines in its sole discretion that circumstances warrant such a review, regardless of whether or not a request to do so has been received.

Following review, Chi-X will exercise its sole discretion (acting reasonably) to cancel or amend the price of an Erroneous Trade. The decision to cancel such Erroneous Trade will be made in a timely fashion. Participants will be informed of trade cancellations promptly.

Criteria used by Chi-X in determining whether a transaction is an Erroneous Trade include, but are not limited to:-

- Discussions with Relevant Parties.
- Analysis of market data.
- Analysis of market events.
- A percentage price movement away from the price of the last trade of this security on a Regulated Market or Multilateral Trading Facility of 5% or above.
- Any system errors and/or failures that impact market integrity
- Any negotiated transactions which do not comply with the pricing criteria defined in the Chi-X Rulebook
- Any Chi-Vision trades which do not comply with the ELP execution methodology as noted on the Chi-Vision order form and as amended from time to time

Chi-X will promptly confirm its decision to the Trade Busts Contacts for both parties to the Erroneous Trade by telephone with an electronic mail confirmation.

Chi-X will facilitate the cancellation of any Erroneous Trades.

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ERROR TRADE PROCEDURE FOR ON MTF TRADES and CHI-VISION TRADES

Definition – the execution of an order, entered in error (e.g. in terms of price, quantity, side or symbol) at the prevailing market price for that security at the time of the execution.

Note: Trades entered into the ccCFD Service do not follow this procedure. Please see Guidance Note 3 for more information.

A Participant may submit a request to cancel a trade before 17:00 trade day, by telephone to Chi-X Compliance +44 (0) 207 131 3399 or by email to compliance@chi-xeurope.com.

On receipt of the request, Chi-X Compliance will contact the other party to the trade and communicate the request that the trade be deemed an error and therefore be cancelled. The other party to the trade are under no obligation to agree to the trade cancellation request.

If the other party does not agree to the trade cancellation, the initiator of the request will be informed and the trade will stand.

If the other party agrees to the cancellation, Chi-X Compliance will facilitate the cancellation of the trade.

Note 1: Parties to the trade will remain anonymous unless they waive their right to anonymity.

Note 2: If the request has a percentage price movement away from the price of the last trade of this stock on a Regulated Market or Multilateral Trading Facility of 5% or above, Chi-X Europe Ltd, at its discretion, can deem the trade to be erroneous. In this scenario the erroneous trade procedures are followed (see Guidance note 1). Chi-X will not follow the erroneous trade procedures in this scenario if a period of 30 minutes or more has elapsed since the time of execution.

Note 3: An error trade may only be cancelled; an amendment is not permitted.

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ccCFD SERVICE CLIENT OPERATIONAL PROCEDURES

1. Incorrect stock, quantity or price

Where an order has been entered into the ccCFD Service where the economic details are incorrect, such as stock, quantity or price, and that order results in a trade, the trade cannot be cancelled. In order to correct the position, the client is obliged to enter an order which corrects the position. Any economic costs associated with the correcting trade are the responsibility of the client.

Both the original trade and the reversing trade are genuine economic transactions, and therefore will be trade reported by Chi-X.

2. Invalid Client/Clearing Member ID

If an order is received with an invalid Client or Clearing member ID, the order will automatically be rejected by Chi-X.

3. Incorrect (but valid) Client/Clearing Member ID

Orders where the Client or Clearing Member ID is incorrect (but still a valid ID recognised by Chi-X), the order will be processed by Chi-X. The client is obliged to re-assign the resulting position to the correct client or clearing member through the use of a ccCFD vs. ccCFD order (see below).

In the event that the client is unable to send a correcting order, Chi-X reserves the right to bust the trade. Any economic costs associated with the busting of the trade are the responsibility of the client.

4. ccCFD vs. ccCFD Orders

ccCFD vs. ccCFD orders incorporate no delta hedge, but instead represent two opposing ccCFD positions. Such orders do not represent economic movements and instead can only be used to re-allocate positions taken through earlier trades. These are likely to be used where the client ID or Clearing Member were incorrect in earlier trades.

ccCFD vs. ccCFD trades will not be trade reported by Chi-X.

5. Order Size Limit

Orders above the maximum order size limit will be rejected. The client may contact Chi-X Compliance and request that the limit be temporarily raised. This must be done prior to placing the order.

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SUSPENSION OF TRADING

Regulatory Suspensions

Chi-X will suspend trading on the MTF and in any security while it is subject to a regulatory suspension. This will impact that security as follows:

1. Any existing orders will remain in the order book;
2. Any new orders submitted to the MTF will be rejected;
3. Participants will be able to cancel their orders. No other amendments are permitted.
4. It will not be possible to bring negotiated trades onto the order book. The Chi-Vision Service will therefore be suspended. ccCFD orders which contain a security component will be rejected. ccCFD vs. ccCFD orders will continue to be accepted.

Non-Regulatory Suspensions

Chi-X will not normally suspend trading in any security which is subject to any non-regulatory suspensions, such as a volatility halt. However, certain order types, such as orders pegged to the market of listing, will not be available.

Pegged orders will be impacted as follows:

1. Any existing orders will remain in the order book;
2. New orders may be submitted but will immediately enter a held status;
3. Participants will be able to cancel their open orders. No other amendments are permitted.

Note: the above order behaviour impacts both pegged orders in the lit book, and also Chi-Delta orders. As all orders in Chi-Delta are pegged, all trading in this order book is halted during a non-regulatory suspension.

The Chi-Vision Service continues to operate during non-regulatory suspensions, however it is unable to interact with Chi-Delta, trading in which will be halted as noted above.

The ccCFD Service is unaffected by non-regulatory suspensions.

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SPONSORED ACCESS – INTRA DAY PARAMETERS CHANGES

Daily Limits File (DLF) and Symbol Override file (SOF)

Chi-X supports intra-day changes to Daily Limits File (DLF), the Symbol Override file (SOF) and the Restricted List File (RLF). The Sponsoring Participant is able to facilitate changes to these files by using FTP to send the amended files to Chi-X. The Sponsoring Participant should inform Chi-X Operations with a phone call on +44 20 7131 3300 or an email to operations@chi-xeurope.com. It is the responsibility of the Sponsoring Participant to ensure the accuracy of the file parameters.

Chi-X aims to implement any changes as soon as possible, but this can only be done on a best endeavours basis. When a change has been implemented Chi-X Operations will confirm to the Sponsoring Participant by email. The Sponsoring Participant should not assume that a change has been implemented until after this email has been received.

Chi-X will only support changes received by FTP as the accuracy of the levels and the accuracy of the file parameters are the responsibility of the Sponsoring Participant. Chi-X will not action changes based on a phone call.

Daily FX Rate File

Chi-X does not support intra-day changes to this file under any circumstances.

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CHI-VISION SERVICE CLIENT OPERATIONAL PROCEDURES

1. Confirmation Errors

It is the responsibility of the Chi-Vision client to ensure that confirmations it receives are correct in terms of stock, side, price and quantity. In the event that there is a discrepancy between the confirmation received and the order sent, it is the obligation of the Chi-Vision client to inform Chi-X Compliance within 30 minutes of the trade time. The Chi-Vision client is responsible for aggregating confirmations that relate to multiple fills of one order to facilitate this check.

An authorised trade contact at the Chi-Vision client should notify Chi-X Compliance by phone on +44 (0) 20 7131 3399 and this should be confirmed with an email to compliance@chi-xeurope.com.

In the event that Chi-X Compliance is informed of a discrepancy between an order and the resulting trade within 30 minutes of the trade time, Chi-X will investigate. If the claim is valid, Chi-X may bust the trade in accordance with the Chi-X Guidance Note 1: Erroneous Trades. Chi-X Compliance will inform both parties to the trade that it is to be bust by telephone and also by email.

If Chi-X Compliance is not informed of an inconsistency between a trade confirmation message and the resulting trade within 30 minutes of the trade time then the trade will be deemed as valid and Chi-X will follow the Chi-X Guidance Note 2: Error Trades (see above).

2. Order Amendments or Cancellations

Orders which have been sent to an ELP and where a response has not been received from the ELP are in a “held” status and cannot be cancelled or amended by the Client. Note: ELPs must respond to orders sent to them within a pre-determined time, otherwise Chi-X will deem such orders to be cancelled.

If a cancellation or amendment is received for an order which is in “held” status, and trade instructions are received from the ELP for that order within the pre-determined time, then that order will be brought onto the Chi-X MTF where it will become a trade.

3. Securities Available for Trading

The securities which are available for trading through Chi-Vision generally match those that can be traded on the Chi-X MTF, however, some market segments are completely excluded. Please see the Chi-X Exchange Guide for more information.

4. Suspension of access to Chi-Vision

Chi-X may suspend a Chi-Vision client's access to Chi-Vision if it believes that the Chi-Vision client is not complying with the terms of the Chi-Vision Client Agreement or the Chi-X rules.

5. Trading Calendar and Trading Hours

Chi-Vision will follow the trading calendar and trading hours that are followed by the Chi-X MTF.

6. Trade Timing

Trades arranged using the Chi-Vision software are deemed to be transacted at the time that they are received by the Chi-X MTF.

7. Trading Cut-Off

All trade instructions must be received by the time that Chi-X MTF closes for that market segment. Any trade instructions that are received by the Chi-X MTF after this time will be deemed invalid and the resulting trade will be invalidated.

8. Tick Sizes

All orders sent to Chi-Vision must comply with the Chi-X MTF tick sizes, as specified in the Chi-X Exchange Guide.

ELPs are permitted to trade at non-standard tick sizes (if matching at the mid-price) or to conservatively round tick sizes in order for all trade instructions to be priced at a suitable tick value. Conservatively round means that buy prices can be rounded down and sell prices can be rounded up.

9. Cancel on Disconnect

The Cancel on Disconnect profile applied to each Chi-Vision client will conform with the Cancel on Disconnect profile that is applied to that client when connecting to the Chi-X MTF.

10. Trading Contacts

The contact names listed in the Trading Profile Authorised Signatory List and the Trade Bust Contacts List that are maintained as part of their trading membership of the MTF Participant will be recognised as valid contact names for the Chi-Vision client. The Chi-Vision client is able to provide alternative contact names at their discretion.

11. Suspended Securities

Trades in Suspended securities will be rejected by the MTF.

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TRADE SUPPRESSION OF SELF-TRADES

Description

Trade suppression refers to a trade being matched on the Chi-X platform with the same participant on both the buy and sell side of the trade, but not sent to the CCPs for clearing and settlement.

Trades Eligible for trade suppression

Trades may be suppressed as follows:

- the same trading participant has traded both buy and the sell of the trade
- both sides are “principal” trades
- both sides are “house” trades

Trade Suppression Availability

Trade suppression is NOT available in the following markets:

- United Kingdom
- Ireland
- Spain

It is available in all other Chi-X market segments. Participants are able to select which markets they wish trade suppression to apply to.

General Comments

- Rule 42 from the Chi-X rulebook, which obliges all members to settle their transactions continues to apply.
- Trade Suppression is an optional service offered by Chi-X.
- It must be requested by each trading participant. The default option is that all trades are sent to the CCP.
- If trade suppression is requested, then all trades eligible for suppression will be suppressed. It is not possible for the trading participant to select which trades are suppressed.

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DESIGNATED LIQUIDITY PROVIDER OBLIGATIONS

In order to be classified as a Designated Liquidity Provider at Chi-X Europe, the following obligations must be met¹:

1. Quote Period

A Designated Liquidity Provider must maintain executable quotes in each security within the Pricing Obligations and Executable Size requirements in which it is registered for at least the specified **Quote Period** on Chi-X Europe for the Relevant Security Class. See section 6, below. Non-displayed orders do not qualify as executable quotes. This figure is applied over the course of each calendar month. The time is calculated as the sum of time that a Designated Liquidity Provider has a qualifying bid or offer displayed divided by twice the time for the continuous trading period on Chi-X Europe subject to the exceptions below.

This obligation does not apply in the following circumstances:

- In a security where there is a public holiday on a venue where the relevant security has its principal listing.
- In a security where there is a trading halt or auction on the venue where the relevant security has its principal listing.
- In a security which has been suspended from trading on Chi-X Europe.
- In the event of exceptional volatile market conditions following a notification to Liquidity Providers by Chi-X Europe.

2. Pricing Obligations

For a quote to qualify, a Designated Liquidity Provider must enter and maintain Bid and Offer prices that are no more than the specified percentage away from the Best Bid and Offer on the Chi-X Europe lit book for that security at that time. See section 6, below.

3. Executable Size

¹ Chi-X Europe, at its sole discretion, may choose to waive any obligation.

The aggregated quoted volume on the bid and offer within the Pricing Obligations must meet the minimum volume requirement, **Executable Size**, for the Relevant Class of Security. See section 6, below.

4. Registration and Minimum Term

A Trading Participant must register with Chi-X Europe Compliance the intention to act in the capacity of a Designated Liquidity Provider on a per stock basis and sign an agreement to meet the applicable requirements for the securities in which it intends to fulfil this function. A Designated Liquidity Provider arrangement will be for a Minimum Term of 30 days. Subject to the Minimum Term, should a Trading Participant wish to cease to act in this capacity it must inform Chi-X Europe immediately. In exceptional circumstances, a firm may request from Chi-X Europe a temporary withdrawal from its Liquidity Provider Obligations on a per stock basis. A Participant may submit a request by telephone to Chi-X Europe Compliance +44 (0)207 131 3399 or by email to compliance@chi-xeurope.com.

5. Failure to Comply with Designated Liquidity Provider Obligations

In the event of a failure to comply with the Designated Liquidity Provider Obligations, Chi-X Europe will contact the firm and request an explanation. In the event that Chi-X Europe determines there has been a significant failure to meet the obligations or it appears likely that the firm cannot comply with their obligations consistently going forward, Chi-X Europe has the right to de-register a firm from the status of liquidity provider for the securities concerned or all securities. The decision of whether the status of liquidity provider is removed is at the sole discretion of Chi-X Europe.

6. Relevant Class of Security

Security Class	Minimum Quote Period	Pricing Obligations	Executable Size²
EURO STOXX 50 index stocks	80%	0.25%	€5000

7. Trading Tariff and Prices

Please note that there will be no incentive for executions that occur through the Designated Liquidity Provider Scheme. Standard Chi-X Europe execution rebates and charges apply. Please refer to the Trading Tariff and Prices Schedule located on the Website for further details.

² Or the equivalent in the traded currency of the security, as determined by Chi-X Europe.