

CHI-X EUROPE

Chi-X Europe Sponsored Access Service Guide

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System response times may vary for a number of reasons including market conditions, trading volumes and system performance.

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1 DOCUMENT SCOPE

This document is intended to summarise the Sponsored Access product of Chi-X Europe (Chi-X). It also outlines the technical on-boarding process and the application process for those Participants wishing to become Sponsoring Participants (“Sponsors”) and Sponsored Clients. For more detailed information on procedures and processes please contact Chi-X.

1.1 Version History

Date	Version	Changes
15/10/2008	1.0	Initial draft
20/10/2008	1.1	Various changes to Section 2.2.2
07/10/2008	1.2	Draft status removed. Changes to Sections 2.2 and 2.3
24/11/2009	1.3	Additional Mandatory Control to Section 2.2.2 and additional Optional control added in Section 2.2.4
12/03/2009	2.0	Introduction of concept of two models of Sponsor controls. Two new optional controls in Section 2.2.4. Addition of Appendix A.
06/04/2009	2.1	Change to sections 2.2.2 and 2.2.3.
24/04/2009	2.2	Change to sections 2.2.1, 2.2.2, 2.2.3, 2.2.4
26/05/2009	2.3	Section 2.2.1, “Static Data Validation”. Replaced “inbound trade report” with “inbound order”. Section 2.2.3 Para 2. Amended text to read “order acknowledgements/order cancels/order revisions/trades” from “orders/cancels/revisions/trades”
11/06/2009	3.0	Removed reference to Sponsored Client Mode of operation
14/07/2009	4.0	Final legal review
20/08/2009	4.1	Amended Item 1 in Section 2.2.2

2 CHI-X EUROPE SPONSORED ACCESS

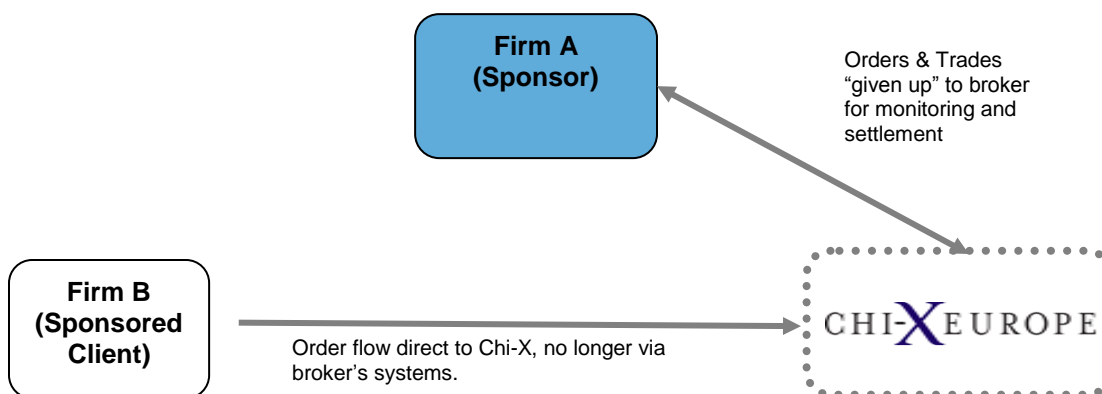
2.1 Introduction

Chi-X Europe (Chi-X) Sponsored Access is defined as being when a firm (the “Sponsored Client”) connects directly from their trading infrastructure into Chi-X whilst utilising the membership of another firm (the “Sponsoring Participant” or “Sponsor”).

Note: Chi-X has a number of validation criteria that can be applied on the Sponsor’s behalf to the incoming order flow but the ultimate responsibility for the Sponsored Client’s trading activity rests with its Sponsor.

Chi-X was granted regulatory approval to offer a Sponsored Access product in October 2008.

Fig 1: Business Flow



2.2 Service Features

2.2.1 Mandatory validation criteria applied by Chi-X

Chi-X Sponsored Access will apply the following *mandatory* validation criteria to all inbound orders:

1. **Static Data Validation:** The details of the security on an inbound order are validated.
2. **Price checking:** Chi-X Sponsored Access shall apply the price range checking to inbound orders. For details of the nature of the price checking please refer to the Chi-X Exchange Guide available here:

3. ***Cancellation on disconnect:*** By default, all Sponsored Clients shall have their open orders cancelled once Chi-X detects a session break has occurred.
4. ***Alert Thresholds based on Daily Consideration Thresholds:*** Chi-X shall alert (by email) the Sponsor once 70% of the Daily Consideration Threshold is reached. These alerts shall be based on the total traded consideration of all the Sponsored Client's trading sessions.
5. ***Enforcement of trading halts:*** If the Session Consideration Threshold has not been breached but a new order would cause the Threshold to be breached the new order shall be rejected but open orders would remain. Once the Threshold is reached Chi-X shall decline new orders (See Section 2.2.2 for more information).

NB: It is the Sponsor's responsibility to monitor the potential consideration of open orders.

6. ***Per Order consideration thresholds:*** Chi-X shall reject orders that breach the relevant Order Consideration Threshold.
7. ***Automatic decline of incoming orders if corresponding AMDF feed is not connected:*** If an AMDF feed disconnects, the ability for the Sponsored Client to enter new orders on the sessions contributing to the AMDF in question shall be stopped. Sponsors must indicate on the Order Form whether open orders are cancelled by default or left open. New orders are not allowed until the session is re-established and the Sponsor is able to do so by contacting Chi-X Compliance.

2.2.2 Mandatory Data Required from Sponsoring Participants

In order for Chi-X to successfully validate incoming orders from Sponsored Clients the Sponsor must supply the following data to Chi-X each day in the agreed manner (See Section 3.4). It is the Sponsor's entire responsibility to ensure all the mandatory data is accurate and provided in accordance with Chi-X's specifications.

1. ***Session Consideration Thresholds:*** A Sponsor must convey to Chi-X absolute consideration limits at a per FIX session level. The risk controls are imposed at the point of entry and the Sponsored Client is only permitted to enter limit orders. All orders would be treated as being tradable at the order's limit price, the value of incoming orders would be converted to the base currency as chosen by the Sponsor (on the Order Form) and compared to the remaining amount of maximum traded consideration before being allowed into the Chi-X order book. Any subsequent actions to this order (cancellation, revision, trades) shall be tracked and the value for remaining traded consideration adjusted appropriately.
2. ***Daily Consideration Thresholds:*** A Sponsor must identify a Daily Consideration Threshold in the base currency for each of their Sponsored Clients. If a Sponsored Client has a single session this will be the same as the Session Consideration Threshold. If a Sponsored Client has more than one session, the Daily Consideration Threshold is expressed as a series of Session Consideration Thresholds in the daily file.
3. ***Per Order consideration thresholds:*** Sponsors must also provide a per order consideration threshold for each of their Sponsored Clients.

Where any of the above controls are to be amended intra-day by contacting Chi-X Compliance, the request from the Sponsor will only be deemed complete once confirmed by Chi-X to the Sponsor as received and implemented.

4. ***FX file***: Sponsors must provide a file with the FX rates they wish to be applied.

2.2.3 Mandatory All Messages Drop Feed (AMDF) for Sponsoring Participants

A further mandatory requirement for Participants wishing to become a Sponsor is that they integrate and conform to Chi-X's All Messages Drop Feed (AMDF).

This is a FIX 4.2 based interface that permits a Sponsor to see in real-time all order acknowledgements/order cancels/order revisions/trades that their Sponsored Clients undertake. Chi-X would segregate each Sponsored Client into its own drop feed instance. So a Sponsor with four Sponsored Clients would need four AMDF feeds.

2.2.4 Operational Controls for Sponsoring Participants

1. ***Ability to Request Disconnection/Halt Trading of Sponsored Sessions***: A Sponsoring Participant can control the ability of its Sponsored Client to trade by one of the following options: revoking access explicitly through the AMDF feed (see section 2.2.3), disconnecting the relevant AMDF feed, or by contacting Chi-X Compliance.
2. ***Ability to Remove Trading Permissions Intra-day***: If a Sponsor wishes to remove trading access to a Sponsored Client intraday then they are able to do so by contacting Chi-X Compliance.
3. ***Ability to Amend Trading Permissions Intra-day***: If a Sponsor wishes to amend trading access to a Sponsored Client intraday then they are able to do so by contacting Chi-X Compliance.
4. ***Ability for Sponsor to automatically remove trading access via AMDF interface***: A Sponsor can inform Chi-X (via the AMDF interface) that it wishes all Sponsored sessions contributing to that AMDF instance to cease trading and have open orders cancelled back.

Where any of the above controls are to be amended manually by contacting Chi-X Compliance the request from the Sponsor will only be deemed complete once confirmed by Chi-X to the Sponsor as received and implemented.

2.2.5 Optional Controls for Sponsoring Participants

If requested by the Sponsor, Chi-X can apply the following *optional* criteria to Sponsored Client order-flow:

1. ***Restricted stocks lists***: If a Sponsor wishes to limit trading in individual names, then this information can be supplied to Chi-X. Orders in these names would be rejected back to the Sponsored Client. The Restricted Stock Lists are specified in a stand alone file submitted

each day (See Section 3.4 for more information). Sponsoring Participants are able to amend the restricted stock list intra-day by submitting a revised file, and notifying Chi-X Compliance.

2. **Order per day limit:** A Sponsor can optionally set a maximum number of orders that a Sponsored Client session is permitted to enter per trading day. When the limit is reached Chi-X shall place the session into “decline orders” mode and cancel open orders. The Order per day limit is specified on the Order Form for a Sponsored Client and can be updated by notifying Chi-X Compliance.
3. **Enforcement of dealing capacity:** A Sponsor can elect for Chi-X to enforce dealing capacity at the FIX session level. The Enforcement of dealing capacity is specified on the Order Form for a Sponsored Client and can be updated by notifying Chi-X Compliance.

Where any of the above controls are to be implemented or amended manually by contacting Chi-X Compliance the request from the Sponsor will only be deemed complete once confirmed by Chi-X to the Sponsor as received and implemented.

2.3 Supported Stocks

The following link refers to Chi-X’s reference data files;

<http://www.chi-xeurope.com/chixtsl.txt>

<http://www.chi-xeurope.com/chixdtl.txt>

These files are also available via FTP should a sponsor elect to download them this way.

The specification document for these files is here:

<http://www.chi-xeurope.com/document-library/chi-x-europe-guide-to-reference-data-file-formats-v1.0-.pdf>

2.4 Service Timings

Sponsored Access is available in line with the general market hours of Chi-X.

2.5 Costs

2.5.1 Service Costs

Chi-X does not apply any charges to Sponsored Clients.

For information on charges to the Sponsor please refer to the following link:

<http://www.chi-xeurope.com/trading/trading-tariff-and-prices.asp>

2.5.2 Infrastructure Costs

If Sponsored Clients elect to co-locate in the Chi-X facility, then they or their Sponsor must contract directly with the facility provider (Equinix). Chi-X can assist in facilitating discussions but will not offer space directly to either Sponsors or Sponsored Clients. The cross-connects for co-located Sponsored Clients will be billed to their Sponsor.

If Sponsored Clients wish to connect into Chi-X via remote leased line circuits, please see list of supported carriers at the following link:

<http://www.chi-xeurope.com/get-connected/connectivity.asp>

3 APPLICATION AND GO-LIVE PROCESS

3.1 Pre-Requisites

In order for a firm to become a Sponsor they must be a Trading Participant of Chi-X Europe

3.2 Documentation

The Sponsor is required to complete a Sponsored Access Subscription Form. The Sponsor must also complete a Sponsored Access Order Form for each Sponsored Client.

Please note, additionally Sponsors are also bound to comply with the Sponsored Access section within the Chi-X Rulebook.

3.3 Technical Conformance Process

3.3.1 For Sponsored Clients

The Sponsored Client must undertake application conformance before they are given access to the Chi-X platform.

3.3.2 For Sponsors

The Sponsor must undertake conformance to ensure integration of the AMDF feed.

3.4 Mechanism for transferring Control Parameters

Chi-X will give Sponsors the ability to push files (via FTP) that permit them to parameterise controls referred to earlier in this document. Such files must be received in the agreed format and by the time specified in the file specification document. For a copy of this please contact the Chi-X Connectivity Team.

3.5 Useful Contacts

To find out additional information about this service, please contact Chi-X Sales at:

Email: sales@chi-xeurope.com

For Compliance queries please contact Chi-X Compliance at:

Telephone: +44 (0) 20 7131 3399

e-mail: Compliance@chi-xeurope.com

For technical queries and to arrange testing, please contact Chi-X Connectivity at:

Telephone: +44 (0) 20 7131 3364

e-mail: connectivity@chi-xeurope.com

Please see the following link for a full list of contact information at Chi-X:

<http://www.chi-xeurope.com/contact-us/contact-form-and-addresses.asp>

APPENDIX A: SUMMARY OF SPONSORED ACCESS FEATURES.

Service Feature/Requirement for Sponsor	Available
Static Data Validation	✓
Price checking	✓
Ability to Request Disconnection/Halt Trading of Sponsored Sessions	✓
Ability to Remove Trading Permissions Intra-day	✓
Ability to amend Trading Permissions Intra-day	✓
Cancellation on disconnect	✓
Alert Thresholds based on total traded consideration	✓
Enforcement of trading halts when trading consideration limits are breached	✓
Automatic decline of incoming orders if corresponding AMDF feed is not connected	✓
Restricted list stocks	✓
Enforcement of Order Capacity	✓
Session Level Traded Consideration Controls	✓
Full range of FIX order types	- ¹
Requirement for Sponsor to provide a Forex file to facilitate currency conversion.	✓

¹ Limit orders only.