

IN THE MATTER OF
THE SECURITIES ACT, R.S.N.S. 1989, CHAPTER C.418, AS AMENDED (THE ACT)

AND

IN THE MATTER OF
BROKERTEC EUROPE LIMITED

ORDER

(Section 151A)

WHEREAS BrokerTec Europe Limited (**Applicant**) has filed an application on behalf of the Facilities (as defined below), dated June 29, 2022 (the **Application**), with the Nova Scotia Securities Commission (**Commission**) requesting an order for the following relief (collectively, the **Requested Relief**):

- (a) exempting the Facilities from the requirement to be recognized as an exchange and as a derivatives trading facility under section 30J of the Act pursuant to section 151A of the Act; and
- (b) exempting the Facilities from the requirements in National Instrument 21-101 *Marketplace Operation* (**NI 21-101**) pursuant to section 15.1(1) of NI 21-101, the requirements of National Instrument 23-101 *Trading Rules* (**NI 23-101**) pursuant to section 12.1 of NI 23-101 and the requirements of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (**NI 23-103**) pursuant to section 10 of NI 23-103;

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant is a limited liability company organized under the laws of England & Wales. The ultimate parent company of the Applicant is CME Group Inc. (**CME Group**), a publicly traded for-profit corporation organized under the laws of Delaware and listed for trading on the NASDAQ National Market;
2. CME Group provides electronic trading globally in futures, options, cash and over-the-counter markets and also offers clearing and settlement services across asset classes, and is the parent company of the four CME Group Exchanges: Chicago Mercantile Exchange Inc., Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc., and Commodity Exchange, Inc., and the cash markets businesses of EBS (for FX) and BrokerTec (for fixed income), of which the Applicant forms a part;
3. CME Group acquired NEX Group plc and its group companies, including the Applicant, on November 2, 2018;
4. On December 1, 2001, the U.K. Financial Conduct Authority (the **FCA** or **Foreign Regulator**), a financial regulatory body in the United Kingdom (**U.K.**), authorized the

Applicant to act as the operator of the BrokerTec MTF, a multilateral trading facility (MTF). The Applicant currently has approval from the FCA to offer the following products for trading on the BrokerTec MTF: certificates representing certain security; commodity futures; commodity options and options on commodity futures; contracts for differences (excluding a spread bet and, a rolling spot forex contract and a binary bet); debentures; futures (excluding a commodity future and a rolling spot forex contract); government and public securities; options (excluding a commodity option and an option on a commodity future); rights to or interests in investments (contractually based investments); rights to or interests in investments (security); units; and warrants;

5. The Applicant is currently seeking approval from the FCA to operate the EBS UK MTF (each of the BrokerTec MTF and the EBS UK MTF are hereinafter referred to as a **Facility**, and together as the **Facilities**), a separate MTF for trading foreign exchange (**FX**) over-the-counter (**OTC**) derivatives;
6. The subjects of this order are the Facilities, which trade: (a) for the Brokertec MTF: repurchase agreements collateralized by U.K. gilts and U.K. covered bonds (**Gilt Repos**), repurchase agreements collateralized by Australian government bonds (**Australian Repos**), and repurchase agreements collateralized by corporate bonds (**Corporates**); and (b) for the EBS UK MTF: FX non-deliverable forwards (**FX NDFs**, and together with Gilt Repos, Australian Repos and Corporates, the **MTF Instruments**). The Applicant may add other types of financial instruments in the future, subject to obtaining the required regulatory approvals;
7. Each of the Facilities support a central limit order book, known as BrokerTec CLOB and EBS Market. Additionally, the BrokerTec MTF supports a request-for-quote trading platform, known as BrokerTec Quote;
8. The Applicant is subject to regulatory supervision by the FCA and is required to comply with the FCA's Handbook (**FCA Rules**), which includes, among other things, rules on (a) the conduct of business (including rules regarding client categorization, communication with clients and other investor protections and client agreements), (b) market conduct (including rules applicable to firms operating an MTF), and (c) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest). The FCA requires the Applicant to comply at all times with a set of threshold conditions for authorization, including requirements that the Applicant has sound business and controlled business operations and that it has appropriate resources for the activities it carries on. The Applicant is subject to prudential regulation, including minimum regulatory capital requirements, and is capitalized in excess of regulatory requirements. The Applicant is required to maintain an independent compliance function, which is headed by the Applicant's Chief Compliance Officer, an FCA-approved person. The Applicant's Compliance Department is responsible for identifying, assessing, advising, monitoring and reporting on the Applicant's compliance risk (i.e., the risk that the Applicant fails to comply with its obligations under the Financial Services and Markets Act 2000, the retained EU law version of the Markets in Financial Instruments Regulation (600/2014), the rules pertaining to this legislation, the applicable guidance from the FCA and the FCA standards);

9. An MTF is obliged under the FCA Rules to have requirements governing the conduct of participants, to monitor compliance with those requirements and report to the FCA (a) significant breaches of MTF rules, (b) disorderly trading conditions, and (c) conduct that may involve market abuse. The Applicant will also notify the FCA when a participant's access is terminated, and may notify the FCA when a participant is temporarily suspended or subject to condition(s). As required by FCA rules, the Applicant has implemented a trade surveillance program. As part of the program, the Applicant's Compliance Department conducts real-time market monitoring of trading activity on the Facilities to identify disorderly trading and market abuse or anomalies. The trade surveillance program is designed to maintain a fair and orderly market for the Facilities' participants;
10. BrokerTec CLOB and EBS Market are available to participants via CME Group's Globex technology, which can be accessed through a graphical user interface (GUI) or Financial Information eXchange application programming interface (FIX). BrokerTec Quote is available to participants via a technology platform provided by an external vendor, Adaptive Financial Consulting Limited, which can also be accessed via a web delivered GUI or FIX;
11. An MTF must submit all trades that are required to be cleared to a clearing house for clearing. The Applicant provides direct connectivity to LCH Limited to clear Gilt Repos. The Applicant is not involved in, nor is it responsible for, settlement or clearing of Australian Repos, Corporates or FX NDFs and the counterparties to such trades make their own bilateral arrangements;
12. The Applicant requires that its participants be "professional clients" or "eligible counterparties," as defined by the FCA in COBS 3 of the FCA Rules and are investment firms or credit institutions (each as defined in the FCA Rules) or other persons who (a) are of sufficiently good repute, (b) have a sufficient level of trading ability, competence and experience; and (c) have sufficient resources for their role as a participant. Each prospective participant must: have the legal and regulatory capacity to undertake trading in the relevant MTF Instruments on a Facility, satisfy the Applicant as to their adequate arrangements for entering into transactions in the MTF Instruments, order management, clearing (if relevant) and settlement of all orders submitted to the Facilities, have adequate organizational procedures and controls to limit error trades and the submission of erroneous orders to the Facilities, including, but not limited to, the operation of a kill functionality, meet the technical specifications and standards required by the Applicant for participation on the Facilities, including for those participants accessing the Facilities via an API, and satisfy any participant eligibility criteria set out in the Facilities' rulebooks, including any applicable product appendix;
13. Additionally, participants on the Facilities are responsible for all the acts, omissions, conduct and activity of their authorised employees and must ensure that their authorised employees have sufficient training, are properly supervised and have adequate experience, knowledge and competence to participate on the Facilities in accordance with the Applicant's customer agreements and the Applicant's rules;
14. All participants that are located in Nova Scotia, including participants with their headquarters or legal address in Nova Scotia (e.g., as indicated by a participant's Legal

Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non- Nova Scotia branches of Nova Scotia legal entities), as well as any trader physically located in Nova Scotia who conducts transactions on behalf of any other entity (**Nova Scotia Participants**) are required to be registered under Nova Scotia securities laws, exempt from registration or not subject to registration requirements. An Nova Scotia Participant is required to immediately notify the Applicant if it ceases to meet any of the above criteria represented by it on an ongoing basis;

15. Because the Facilities set requirements for the conduct of their participants and surveil the trading activity of their participants, they are considered by the Commission to be exchanges. The Facilities are also considered by the Commission to be derivatives trading facilities;
16. Because the Applicant has participants that are Nova Scotia Participants, it is considered by the Commission to be carrying on business as an exchange or a derivatives trading facility in Nova Scotia and is required to be recognized as such or exempted from recognition pursuant to section 30J of the Act;
17. Nova Scotia Participants may include financial institutions, asset managers, dealers, government entities, pension funds and other well-capitalized entities that meet the criteria for a professional client or eligible counterparty described above;
18. The Facilities provide certain Nova Scotia Participants with significant access to liquidity for which, at least for certain types of transactions, there is no appropriate alternative platform; and
19. The Applicant has no physical presence in Nova Scotia and does not otherwise carry on business in Nova Scotia except as described herein.

AND WHEREAS the Applicant has acknowledged to the Commission that the scope of the Requested Relief and the terms and conditions imposed by the Commission set out in Schedule "A" to this order may change as a result of the Commission's monitoring of developments in international and domestic capital markets or the Applicant's or the Facilities' activities, or as a result of any changes to the laws in Nova Scotia affecting trading in derivatives or securities;

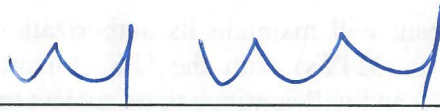
AND WHEREAS based on the Application, together with the representations made by and acknowledgments of the Applicant to the Commission, the Commission has determined that the granting of the Requested Relief would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that, (i) pursuant to section 151A of the Act, the Facilities are exempt from the requirement to be recognized as an exchange and as a derivatives trading facility under section 30J of the Act, and (ii) pursuant to sections 15.1(1) of NI 21-101, 12.1 of NI 23-101 and 10 of NI 23-103, the Facilities are exempt from the requirements in NI 21-101, NI 23-101 and NI 23-103,

PROVIDED THAT the Applicant complies with the terms and conditions contained in Schedule "A".

DATED at Halifax, Nova Scotia this 29th day of June, 2022.

NOVA SCOTIA SECURITIES COMMISSION



Paul E. Radford, Q.C.
Chair

SCHEDULE "A"

TERMS AND CONDITIONS

Regulation and Oversight of the Applicant

1. The Applicant will maintain its authorizations as an operator of one or more multilateral trading facilities (MTFs) with the U.K. Financial Conduct Authority (FCA) in the United Kingdom (U.K.) and will continue to be subject to the regulatory oversight of the FCA.
2. The Applicant will continue to comply with the ongoing requirements applicable to it as an operator of an MTF authorized with the FCA.
3. The Applicant will promptly notify the Commission if its authorization as an operator of an MTF has been revoked, suspended, or amended by the FCA, or the basis on which its authorization as an operator of an MTF has been granted has significantly changed.
4. The Applicant must do everything within its control, which includes cooperating with the Commission as needed, to carry out its activities as an exchange or a derivatives trading facility exempted from recognition under section 151A of the Act in compliance with Nova Scotia securities law.

Access

5. The Applicant will not provide direct access to a participant in Nova Scotia including a participant with its headquarters or legal address in Nova Scotia (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non- Nova Scotia branches of Nova Scotia legal entities), as well as any trader physically located in Nova Scotia who conducts transactions on behalf of any other entity (Nova Scotia User) unless the Nova Scotia User is appropriately registered as applicable under Nova Scotia securities laws or is exempt from or not subject to those requirements, and qualifies as a "professional client" or an "eligible counterparty", as defined by the FCA in COBS 3 of the FCA's Handbook.
6. For each Nova Scotia User provided direct access to the Applicant's MTFs, the Applicant will require, as part of its application documentation or continued access to the Applicant's MTFs, the Nova Scotia User to represent that it is appropriately registered as applicable under Nova Scotia securities laws or is exempt from or not subject to those requirements.
7. The Applicant may reasonably rely on a written representation from the Nova Scotia User that specifies either that it is appropriately registered as applicable under Nova Scotia securities laws or is exempt from or not subject to those requirements, provided the Applicant notifies such Nova Scotia User that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote or otherwise uses the Applicant's MTFs.
8. The Applicant will require Nova Scotia Users to notify the Applicant if their registration as applicable under Nova Scotia securities laws has been revoked, suspended, or amended by the Commission or if they are no longer exempt from or become subject to those requirements and,

following notice from the Nova Scotia User and subject to applicable laws, the Applicant will promptly restrict the Nova Scotia User's access to the Applicant's MTFs if the Nova Scotia User is no longer appropriately registered or exempt from those requirements.

Trading by Nova Scotia Users

9. The Applicant will not provide access to a Nova Scotia User to trading in products other than derivatives or debt securities without prior Commission approval.

10. With respect to debt securities, the Applicant will only permit Nova Scotia Users to trade a debt security that is a foreign security or a debt security that is denominated in a currency other than the Canadian dollar as such terms are defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, including:

- (a) debt securities issued by the United States (U.S.) government (including agencies or instrumentalities thereof);
- (b) debt securities issued by a foreign government;
- (c) debt securities issued by corporate or other non-governmental issuers (U.S. and foreign); and
- (d) asset-backed securities (including mortgage backed securities), denominated in either U.S. or foreign currencies.

11. The Applicant will only permit Nova Scotia Users to trade those securities which are permitted to be traded in the U.K. under applicable securities laws and regulations.

Submission to Jurisdiction and Agent for Service

12. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Applicant in Nova Scotia, the Applicant will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Nova Scotia and (ii) an administrative proceeding in Nova Scotia.

13. The Applicant will file with the Commission a valid and binding appointment of an agent for service in Nova Scotia upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the Applicant's activities in Nova Scotia.

Prompt Reporting

14. The Applicant will notify staff of the Commission promptly of:

- (a) any authorization to carry on business granted by the FCA is revoked or suspended or made subject to terms or conditions on the Applicant's operations;

- (b) the Applicant institutes a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the Applicant or has a proceeding for any such petition instituted against it;
- (c) a receiver is appointed for the Applicant or the Applicant makes any voluntary arrangement with creditors;
- (d) the Applicant marketplace is not in compliance with this Order or with any applicable requirements, laws or regulations of the FCA where it is required to report such non-compliance to the FCA;
- (e) any known investigations of, or disciplinary action against, the Applicant by the FCA or any other regulatory authority to which it is subject; and
- (f) the Applicant makes any material change to the eligibility criteria for Nova Scotia Users.

Semi-Annual Reporting

15. The Applicant will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a semi-annual basis (by July 31 for the first half of the calendar year and by January 31 of the following year for the second half), and at any time promptly upon the request of staff of the Commission:

- (a) a current list of all Nova Scotia Users and whether the Nova Scotia User is registered under Nova Scotia securities laws or is exempt from or not subject to registration, and, to the extent known by the Applicant, other persons or companies located in Nova Scotia trading on the Applicant's MTFs as customers of participants (**Other Nova Scotia Participants**);
- (b) the legal entity identifier assigned to each Nova Scotia User, and, to the extent known by the Applicant, to Other Nova Scotia Participants in accordance with the standards set by the Global Legal Entity Identifier System;
- (c) a list of all Nova Scotia Users whom the Applicant has referred to the FCA, or, to the best of the Applicant's knowledge, whom have been disciplined by the FCA with respect to such Nova Scotia Users' activities on the Applicant's MTFs and the aggregate number of all participants referred to the FCA since the previous report by the Applicant;
- (d) a list of all active investigations since the last report by the Applicant relating to Nova Scotia Users and the aggregate number of active investigations since the last report relating to all participants undertaken by the Applicant;
- (e) a list of all Nova Scotia applicants for status as a participant who were denied such status or access to the Applicant since the last report, together with the reasons for each such denial; and
- (f) for each product,

(i) the total trading volume and value originating from Nova Scotia Users, and, to the extent known by the Applicant, from Other Nova Scotia Participants, presented on a per Nova Scotia User or per Other Nova Scotia Participant basis; and

(ii) the proportion of worldwide trading volume and value on the Applicant's MTFs conducted by Nova Scotia Users, and, to the extent known by the Applicant, by Other Nova Scotia Participants, presented in the aggregate for such Nova Scotia Users and Other Nova Scotia Participants;

provided in the required format.

Information Sharing

16. The Applicant will provide such information as may be requested from time to time by, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

