

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

(THE ACT)

AND

IN THE MATTER OF
CME AMSTERDAM B.V.

ORDER

(Section 151A)

WHEREAS CME Amsterdam B.V. (the **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 (formerly known as NEX Amsterdam B.V.) is a limited liability company organized under the laws of the Netherlands. 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. CME Group acquired NEX Group plc and its group companies, including the Applicant, on November 2, 2018;
2. The Applicant is authorized by the Dutch Minister of Finance as a “market operator” (**Market Operator**) and supervised and regulated by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the **AFM** or **Foreign Regulator**) with permission to operate the BrokerTec EU Regulated Market platform (the **BrokerTec EU RM**), a regulated market, and the EBS Direct and EBS Institutional FX platforms (together, the **EBS MTF**), a multilateral trading facility (**MTF**);
3. On March 12, 2019, the Dutch Minister of Finance authorized the Applicant to act as the Market Operator of the the BrokerTec EU RM and EBS MTF (each a **Facility** and together, the **Facilities**) in the Netherlands and the AFM has commenced supervision and regulation of the Applicant on an ongoing, active basis;
4. The Markets in Financial Instruments Directive 2014/65/EU of the European Parliament and of the

Council (**MiFID**) requires that multilateral trading by European Union (**EU**)/European Economic Area (**EEA**) participants takes place on a trading venue (i.e., a “regulated market”, a “multilateral trading facility” or an “organized trading facility”, as those terms are defined under MiFID);

5. The Applicant operates the Facilities for, among other things, trading fixed income securities, foreign exchange (**FX**) derivatives and other financial instruments. The Facilities are made up of different trading platforms, but the subjects of this order are (1) the BrokerTec EU RM, which trades European repurchase securities collateralized by European government bonds (and repurchase securities on European and U.S. corporate bonds and mortgage backed securities (collectively **EU Repos**) and total return swaps to be offered later in 2022) and European government bonds (**EGBs**), and (2) the EBS MTF, which trades FX derivatives, FX Swaps and Non-Deliverable Forwards (collectively with EU Repos and EGBs, the **MTF Instruments**). The Applicant may add other types of financial instruments in the future, subject to obtaining the required regulatory approvals;
6. As a Market Operator, the Applicant must comply with the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*, **Wft**), MiFID, the Markets in Financial Instruments Regulation, other applicable regulation in the EEA (such as Regulation (EU) No 596/2014 – Market Abuse Regulation), the rules pertaining to this legislation and the applicable guidance from the AFM and De Nederlandsche Bank (the **Applicable Rules**), which include, among other things, rules on (i) the conduct of business (including rules regarding client categorization, communication with clients and other investor protections and client agreements) (ii) market conduct (including rules applicable to firms operating a trading venue) and (iii) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest);
7. The AFM requires the Applicant to comply at all times with a set of threshold conditions for authorization and ongoing requirements, including requirements that the Applicant has sound business and controlled business operations to be authorized and that it has appropriate resources for the activities it carries on. Breach of a threshold condition could lead to enforcement action or the Applicant’s authorization being revoked by the AFM;
8. In addition to complying with detailed AFM rules and guidance governing the organization and conduct of the Applicant’s business, the Applicant is required to act in accordance with Section 4:90 of the Wft, which requires the Applicant to act honestly, fairly and professionally and refrain from actions that are detrimental to the integrity of the market. Additionally, pursuant to Section 4:14(2)(a) of the Wft, in conjunction with Article 29a(2) of the Decree on Conduct of Business Supervision (*Besluit Gedragstoezicht Financiële ondernemingen Wft*) and Article 15(5) of MiFID II, the Applicant must establish adequate risk management policies and procedures and adopt effective arrangements to manage the risks relating to its activities, processes and systems;
9. The Applicant is subject to prudential requirements, including minimum regulatory capital and liquidity requirements, and is capitalized in excess of regulatory requirements;
10. A Market Operator is required under the Applicable Rules to set rules, conduct compliance reviews, monitor Participants’ trading activity and take enforcement action against Participants when appropriate. Pursuant to Section 4:26 of the Wft, the Applicant is required to report to the AFM where (a) there is a significant breach of the Applicant’s rules; (b) there are disorderly trading conditions or (c) the Applicant identifies conduct that may involve market abuse. Furthermore, the Applicant has established, publishes, maintains and implements transparent and non-discriminatory rules, based on objective criteria, governing access to its facility (as required under Article 18(3) of MiFID). The Facilities are required under the EU Market Abuse Regulation Article 16(1) to “establish and

maintain effective arrangements, systems and procedures aimed at preventing and detecting insider dealing, market manipulation and attempted insider dealing and market manipulation”;

11. The Applicant has instituted procedures and controls to collect information, examine participants’ records, supervise trading on the Facilities, maintain sufficient compliance staff, establish procedures for and conduct audit trail reviews, perform automated real-time market monitoring and market surveillance and establish an automated trade surveillance system to evaluate participants’ compliance with the Applicant’s rules and applicable law;
12. The Applicant is required by MiFID to ensure that its fee structure is sufficiently granular to allow users to predict the payable fees on the basis of at least the following elements: (a) chargeable services, including the activity which will trigger the fee, (b) the fee for each service, stating whether the fee is fixed or variable, and (c) rebates, incentives or disincentives. MiFID also requires the Applicant to publish objective criteria for the establishment of its fees and fee structures, together with execution fees, ancillary fees, rebates, incentives and disincentives in one comprehensive and publicly accessible document on its website;
13. The BrokerTec EU RM has in place a clearing agreement with LCH S.A. to clear EU Repos and EGBs. For the EBS MTF, settlement takes place between the counterparties. Although the EBS MTF’s rules require counterparties to settle any deals, the Applicant is not involved in, nor is it responsible for, settlement or clearing and counterparties make their own bilateral arrangements;
14. The Applicant requires that its participants be “eligible counterparties” or “professional clients,” each as defined in MiFID. Additionally, each prospective participant must:
 - (a) in respect of EBS MTF:
 - (i) enter into a valid and effective customer agreement with the Facility;
 - (ii) satisfy the Applicant’s internal client on-boarding requirements including, but not limited to, “know your client” procedures;
 - (iii) agree to adhere, on an on-going basis, to the terms of the Applicant’s rules, customer agreements, user guides and any guidance or other requirements of the Applicant;
 - (iv) have the legal and regulatory capacity to undertake trading in derivatives on a trading venue;
 - (v) have adequate organisational procedures and controls to limit erroneous trades and the submission of erroneous orders to the Facility, including, but not limited to, the ability to cancel unexecuted orders;
 - (vi) meet the technical specifications and standards required by the Applicant;
 - (vii) be an investment firm or credit institution (each as defined by MiFID and Directive 2013/36/EU of the European Parliament and of the Council, respectively) or other person which (A) is of sufficiently good repute, (B) has a sufficient level of trading ability, competence and experience, and (C) has sufficient resources for their role as a participant; and
 - (viii) satisfy any additional eligibility criteria set out in the Applicant’s rules;
 - (b) in respect of BrokerTec EU RM:

- (i) satisfy the Applicant's internal client on-boarding requirements including committing to and remaining in compliance with customer agreements and the Applicant's rules;
 - (ii) be an investment firm or credit institution (each as defined by MiFID and Directive 2013/36/EU of the European Parliament and of the Council, respectively) or other person which (A) is of sufficiently good repute, (B) has a sufficient level of trading ability, competence and experience, and (C) has sufficient resources for their role as a participant;
 - (iii) have the legal and regulatory capacity to undertake trading in derivatives on an RM;
 - (iv) comply with BrokerTec EU RM's operational parameters annex;
 - (v) have adequate arrangements for entering into transactions, order management, clearing (if relevant) and settlement of orders;
 - (vi) have adequate organisational procedures and controls to limit erroneous trades and the submission of erroneous orders to the Facility, including, but not limited to, the ability to cancel unexecuted orders;
 - (vii) meet the technical specifications and standards required by the Applicant; and
 - (viii) satisfy any additional eligibility criteria set out in the Applicant's rules;
15. 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;
16. 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. A 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;
17. Because the Facilities set requirements for the conduct of their participants, they are considered by the Commission to be an exchange. The Facilities are also considered by the Commission to be derivatives trading facilities;
18. Because the Applicant intends to provide Nova Scotia Participants with direct access to trading the MTF Instruments on the Facilities, the Commission will consider the Applicant to be carrying on business as an exchange or a derivatives trading facility in Nova Scotia and will be required to be recognized as such or exempted from recognition pursuant to section 30J of the Act;
19. 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;

20. 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
21. 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 authorization as the Market Operator of one or more multilateral trading facilities or regulated markets (collectively, the **Facilities**) with the Dutch Minister of Finance and will continue to be subject to the supervision and regulatory oversight of the AFM.
2. The Applicant will continue to comply with the ongoing requirements applicable to it as a Market Operator authorized by the Dutch Minister of Finance and supervised and regulated by the AFM.
3. The Applicant will promptly notify the Commission if its authorization as a Market Operator has been revoked, suspended, or amended by the Dutch Minister of Finance, or the basis on which its authorization as a Market Operator 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 30J 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 an "eligible counterparty" or "professional client", each as defined in MiFID.
6. For each Nova Scotia User provided direct access to the Applicant's Facilities, the Applicant will require, as part of its application documentation or continued access to the Applicant's Facilities, 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 Facilities.
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 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 FX derivatives, total return swaps or debt securities without prior Commission approval.
10. The Applicant will only permit Nova Scotia Users to trade those securities which are permitted to be traded in the Netherlands under applicable securities laws and regulations.

Submission to Jurisdiction and Agent for Service

11. 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.
12. 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

13. The Applicant will notify staff of the Commission promptly of:
 - (a) any authorization to carry on business granted by the AFM 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 AFM where it is required to report such non-compliance to the AFM;
 - (e) any known investigations of, or disciplinary action against, the Applicant by the AFM 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

14. 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 Facilities 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 AFM, or, to the best of the Applicant's knowledge, whom have been disciplined by the AFM with respect to such Nova Scotia Users' activities on the Applicant's Facilities and the aggregate number of all participants referred to the AFM 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 Facilities 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

15. 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.