

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

**-AND-**

**IN THE MATTER OF**  
**FINANCIAL & RISK TRANSACTION SERVICES IRELAND LIMITED**

**ORDER**  
**(Section 151A)**

**WHEREAS** Financial & Risk Transaction Services Ireland Limited (**FRTSIL** or the **Applicant**) has filed an application on behalf of the Refinitiv Multilateral Trading Facility (the **Facility** or **MTF**) dated August 27, 2019 (the **Application**) with the Nova Scotia Securities Commission (the **Commission**) pursuant to section 151A of the Act requesting an order (the **Order**)

(a) exempting the MTF from the requirement to be recognized as an exchange and as a derivatives trading facility under Section 30J of the Act; and

(b) exempting the MTF from the requirements in National Instrument 21-101 – *Marketplace Operation* (**NI 21-101**) pursuant to Section 15.1(1) of NI 21-101 and the requirements in National Instrument 23-101 – *Trading Rules* (**NI 23-101**) pursuant to Section 12.1 of NI 23-101;

**AND WHEREAS** the Facility is currently operated by Refinitiv Transaction Services Limited (**RTSL**), is located in the United Kingdom, and is subject to the regulatory oversight of the UK Financial Conduct Authority;

**AND WHEREAS** it is the Applicant's intention to assume operation of the Facility and migrate its operations to Ireland by the end of September 2019;

**AND WHEREAS** the Applicant has represented to the Commission that:

1. FRTSIL received authorization on March 28, 2019 from the Central Bank of Ireland (**CBI**), the Irish financial services regulator, under Part 2 of the Irish European Union ("**Markets in Financial Instruments**") Regulations 2017 ("**2017 Regulations**") as an investment firm, to act as the operator of the MTF;
2. The following types of investment are offered for trading on the Facility: foreign exchange FX forwards (swaps), FX forwards (outrights), FX swaps, FX non-deliverable forwards (**NDFs**) and FX options;
3. On January 3, 2018, the Markets in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council) (**MiFID II**) entered into

force as implemented in the Republic of Ireland with the transposition into national law of the 2014 Regulations, The 2017 Regulations, together with the Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014 of the European Parliament and of the Council) (**MiFIR**) which is directly applicable in the Republic of Ireland, contain the key requirements governing the regulatory framework for the operator of a multilateral trading facility;

4. Without the Requested Relief, participants in Nova Scotia will be precluded from trading with EU/EEA participants on the MTF, a EU regulated trading venue;
5. The MTF comprises two trading segments known as Forwards Matching and FXall RFQ. All trading segments are governed by the MTF Rule Book (**Rules**) applicable to the MTF as a whole. Each trading segment further has its own Rules specific to that trading segment. A client who enters into a Participant Agreement in respect of the MTF (a **Participant**) must comply with both the Rules applicable to the Facility as a whole, and the Rules applicable to the specific trading segment to which the Participant is authorized and wishes to access. Trading on the Facility is offered in the financial instruments listed in the following table:

Trading Segment	Financial Instruments (as defined in MiFID II)
Forwards Matching	FX forwards (swaps)
FXall RFQ	FX forwards (outrights), FX swaps, FX NDFs, FX options

These Financial Instruments are admitted in various currency pairs;

6. The Applicant is subject to regulatory supervision by the CBI, pursuant to an authorization to operate a multilateral trading facility granted March 28, 2019.
7. Accordingly, the Applicant is required to comply with the CBI's regulatory framework, which includes, 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 multilateral trading facility), and (iii) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest). The CBI requires the Applicant to comply at all times with a set of threshold conditions for authorization, including requirements that the Applicant is "fit and proper" to be authorized 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 a permanent and effective compliance function. The Applicant's Compliance Department is responsible for implementing and maintaining adequate policies and procedures designed to ensure that the Applicant (and all associated staff) comply with their obligations under the CBI rules. These policies and procedures are set forth in the FRTSIL Compliance Manual and associated internal policies and procedures;

8. The MTF is obliged to have requirements governing the conduct of Participants, to monitor compliance with those requirements and report to the CBI (a) significant breaches of the Facility's Rules, (b) disorderly trading conditions, and (c) conduct that may involve market abuse. The Applicant may also notify the CBI when a Participant's access is terminated, temporarily suspended or subject to condition(s). As required, 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 MTF to identify disorderly trading and market abuse or anomalies. The trade surveillance program is designed to maintain a fair and orderly market for MTF participants;
9. Participants may only connect to the Facility using a connection method permitted by FRTSIL. These connection methods are described more fully in the rules relevant to each specific trading segment. The Forwards Matching trading segment currently permits connections through a Refinitiv GUI application and the Matching application programming interface (API) for FX Forwards. Participants may allow remote-manned use of Refinitiv APIs if the Participant ensures that the API applications in use at the remote site are at all times monitored and managed from that remote monitoring site. The Facility offers publicly available pricing plans based on trading segment, rate engine or pricing tool selected. The rate stated is purely for the MTF transaction component and does not include any pricing for the rates engine or pricing tools used;
10. Participants are responsible for ensuring the prompt exchange and processing of transaction confirmations directly with their counterparties in accordance with market practice. Failure to settle transactions will constitute a breach of the Facility Rules. Participants are also responsible for ensuring that transactions are not required to be cleared pursuant to applicable law. If Participants are required or choose to clear a transaction, they are responsible for making the necessary arrangements;
11. The Applicant requires that all Participants meet the criteria of an Eligible Counterparty, either "per se" or "elective" as defined in Regulation 38 of the European Union (Markets in Financial Instruments) Regulations 2017. Each prospective participant must (i) comply and ensure that its authorized traders comply, and, in each case, continue to comply, with the Rules and applicable law (ii) have a sufficient level of trading ability, skill, competence and experience to conduct activities on the Facility; (iii) must be of adequate financial soundness; (iv) have adequate organizational arrangements commensurate with meeting their own regulatory obligations (v) have in place adequate systems and controls to ensure their on-going compliance with the Rules and management of their trading activities, and (vi) must satisfy any other criteria that FRTSIL may reasonably require from time to time;
12. FRTSIL offers direct access to trading on the MTF to two participants that are located in Nova Scotia – one a Canadian financial institution and the other a well capitalized non-regulated entity. FRTSIL intends to offer direct access to "qualified parties" (as such term is defined in Commission Blanket Order No. 91-501 In the Matter of Over-the-Counter Trades in Derivatives) resident in Nova Scotia that execute a Participant Agreement with FRTSIL agreeing to comply with the Rules and all applicable laws

pertaining to the use of the MTF (**Nova Scotia Participants**) and qualify as an “eligible counterparty” (either “per se” or “elective”), as defined in Regulation 38 of the European Union (Markets in Financial Instruments) Regulations 2017. Nova Scotia Participants are required to notify immediately the Applicant if they cease to meet the criteria of an Eligible Counterparty. Participants must also supply any information requested by the Facility or Applicant to enable monitoring of responsibilities with respect to eligibility and operational criteria;

13. The Facility also requires information to be provided regarding the operational functions of the participants, including the qualifications required of staff in key position and pre and post-trade controls;
14. Nova Scotia Participants may include financial institutions, asset managers, dealers, government entities, pension funds and other well-capitalized entities that meet the criteria described above;
15. The MTF provides certain Nova Scotia Participants with significant access to liquidity for which, at least for certain types of transactions, there is no appropriate alternative platform;
16. Because the Facility sets requirements for the conduct of its participants and surveils the trading activity of its Participants, it is considered by the Commission to be an exchange. The Facility is also considered by the Commission to be a derivatives trading facility;
17. Since the Applicant seeks to provide Nova Scotia Participants with direct access to trading on the Facility, the Facility 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 151A of the Act;
18. The Facility has no physical presence in Nova Scotia and does not otherwise carry on business in Nova Scotia except as described herein;

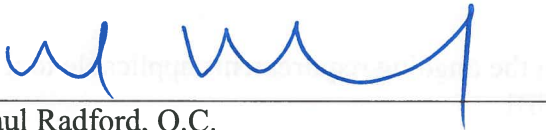
**AND WHEREAS** the Applicant has acknowledged to the Commission that the scope of the requested relief and the terms and conditions imposed by the Commission set out in Schedule "A" to this order may change as a result of the Commission's monitoring of developments in international and domestic capital markets or the Applicant or the Facility's 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, pursuant to section 151A of the Act, the Facility is exempt from (a) the requirement to be recognized as an exchange and as a derivatives trading facility under Section 30J of the Act; and (b) the requirements in NI 21-101 pursuant to Section 15.1(1) of NI 21-101 and the requirements in NI 23-101 pursuant to Section 12.1 of NI 23-101;

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

DATED at Halifax, Nova Scotia this 18<sup>th</sup> day of September, 2019



Paul Radford, Q.C.

Chair

Nova Scotia Securities Commission

## **Schedule A**

### **Terms and Conditions**

#### **Regulation and Oversight of the Applicant**

1. The Applicant will maintain its permission to operate as a multilateral trading facility (MTF) with the Central Bank of Ireland (CBI) and will continue to be subject to the regulatory oversight of the CBI.
2. The Applicant will continue to comply with the ongoing requirements applicable to it as the operator of an MTF authorized by the CBI.
3. The Applicant will promptly notify the Commission if its permission to operate an MTF has been revoked, suspended, or amended by the CBI, or the basis on which its permission to operate 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 and 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 (**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” (either “per se” or “elective”), as defined by Regulation 38 of the European Union (Markets in Financial Instruments) Regulations 2017.
6. For each Nova Scotia User provided direct access to its MTF, the Applicant will require, as part of its application documentation or continued access to the MTF, 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 MTF.
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

MTF if the Nova Scotia User is no longer appropriately registered or exempt from those requirements.

9. The Applicant must make available to Nova Scotia Users appropriate training for each person who has access to trade on the Applicant's facilities.

#### **Trading by Nova Scotia Users**

10. The Applicant will not provide access to an Nova Scotia User to trading in products other than swaps, as defined in section 1a(47) of the United States Commodity Exchange Act as amended, without prior Commission approval.

#### **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.

#### **Disclosure**

13. The Applicant will provide to its Nova Scotia Users disclosure that:
  - (a) rights and remedies against the Applicant may only be governed by the laws of the Republic of Ireland, rather than the laws of Nova Scotia and may be required to be pursued in the Republic of Ireland rather than in Nova Scotia; and
  - (b) the rules applicable to trading on MTF may be governed by the laws of the Republic of Ireland rather than the laws of Nova Scotia.

#### **Prompt Reporting**

14. The Applicant will notify staff of the Commission promptly of:
  - (a) any material change to its business or operations or the information provided in the Application, including, but not limited to material changes to:
    - (i) the regulatory oversight by the CBI;
    - (ii) the corporate governance structure of the Applicant;



- (iii) the access model, including eligibility criteria, for Nova Scotia Users;
  - (iv) systems and technology; and
  - (v) the clearing and settlement arrangements for the Applicant;
- (b) any change in the Applicant's regulations or the laws, rules and regulations in the Republic of Ireland relevant to the financial instruments available for trading on the Applicant's MTF where such change may materially affect its ability to meet the terms of this Order;
- (c) any condition or change in circumstances whereby the Applicant is unable or anticipates it will not be able to continue to meet any of the relevant rules and regulations of the CBI, as set forth in the regulatory guidance issued by the CBI or applicable legislation (including the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) and related Irish and European legislation, the Markets in Financial Instruments Regulation (EU) No 600/2014, applicable anti-money laundering, financial sanctions and market abuse legislation).
- (d) any known investigations of, or any disciplinary action against the Applicant by the CBI or any other regulatory authority to which it is subject;
- (e) any matter known to the Applicant that may materially and adversely affect its financial or operational viability, including, but not limited to, any declaration of an emergency pursuant to the Applicant's rules;
- (f) any default, insolvency, or bankruptcy of a participant of the Applicant known to the Applicant or its representatives that may have a material, adverse impact upon the Applicant; and
- (g) any material systems outage, malfunction or delay.
15. The Applicant will promptly provide staff of the Commission with the following information to the extent it is required to provide to or file such information with the CBI:
- (a) details of any material legal proceeding instituted against the Applicant;
  - (b) notification that the Applicant has instituted 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; and
  - (c) the appointment of a receiver or the making of any voluntary arrangement with creditors.



## Quarterly Reporting

16. The Applicant will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a quarterly basis (within 30 days of the end of each calendar quarter), 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 MTF 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 CBI, or, to the best of the Applicant's knowledge, whom have been disciplined by the CBI with respect to such Nova Scotia Users' activities on the Applicant's MTF and the aggregate number of all participants referred to the CBI in the last quarter by the Applicant;
- (d) a list of all active investigations during the quarter by the Applicant relating to Nova Scotia Users and the aggregate number of active investigations during the quarter 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 during the quarter, together with the reasons for each such denial;
- (f) a list of all additions, deletions, or changes to the products available for trading since the prior quarter;
- (g) for each product,
  - (i) the total trading volume and value on the MTF 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 MTF 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; and

- (h) a list outlining each material incident of a security breach, systems failure, malfunction, or delay (including cyber security breaches, systems failures, malfunctions or delays reported under paragraph 14(g) of this Schedule) that occurred at any time during the quarter for any system relating to trading activity, including trading, routing or data, specifically identifying the date, duration and reason, to the extent known or ascertainable by the Applicant, for the failure, malfunction or delay, and noting any corrective action taken.

### **Annual Reporting**

17. The Applicant will file with the Commission any annual financial report or financial statements (audited or unaudited) of the Applicant provided to or filed with the CBI promptly after filing with the CBI.

### **Information Sharing**

18. 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.