Electronic Trading Compliance Manual

1. Introduction

Sucden Financial Limited ("SFL") must ensure that the provision of order routing services to any regulated market, irrespective of its jurisdiction, to its clients ("Direct Electronic Access" or "DEA") is consistent with any applicable laws, rules, regulations and other legal considerations. The aim of this manual is to offer you an introduction to the key concepts and your responsibilities and obligations to the market place.

2. Applicability

For the avoidance of doubt, this policy applies to: (i) new clients; and (ii) existing clients.

3. Your role in the market place

The ethical and financial integrity of the market is the responsibility of each individual user. As a client with market access you will need to play your part in ensuring the principles of the market are upheld.

To further ensure that confidence in the market is maintained, regulations exist. These regulations have an important purpose:
- Formalising the responsibilities your broker has to you; and
- Providing clarity in terms of the responsibilities you have

You must be aware that failure to comply with the relevant rules, regulations and trading procedures may result in the following:
- Loss of your order routing access;
- Cancellation of trades;
- Trading venue fines;
- Regulators taking direct action against you; and
- Damage to your reputation

It is important to note that this manual is not exhaustive and it is your responsibility to ensure your officers and employees given access to the service fully understand and agree to comply with the applicable laws, rules & regulations relating to algorithmic trading and the provision of direct electronic access as well as the rules of the relevant trading venue.

Should you have any questions in this regard please contact SFL's Compliance Department via email compliance@sucfin.com.

4. Security

You will have been notified of the relevant security procedures. As a minimum standard, you must ensure that you:
- always take reasonable steps to keep your Security Information confidential at all times (and do not disclose details of the security procedures to anyone);
- never write down or record your Security Information without disguising it;
- destroy any written notification of your Security Information upon receipt;
- avoid choosing passwords which may be easy to guess such as birthdays and telephone numbers; and
- follow instructions we give you about security procedures

It will also be your responsibility to ensure you maintain adequate procedures which protect you from viruses and minimize the risk of their introduction to trading systems.

5. Algorithmic Trading

MIFID II imposes new requirements on firms using algorithmic trading and for these firms to understand the impact their algorithms will have on the marketplace.

Algorithmic trading uses computer algorithms to automatically determine parameters of orders such as whether to initiate the order, the timing, price or how to manage the order after submission, with limited or no human intervention.

Algorithmic trading has the potential to cause rapid and significant market distortion. Specifically there are concerns over the high order cancellation rate, increased risk of overloading systems, increased volatility & the ability of algorithmic traders to withdraw liquidity at any time.

Algorithmic trading requirements:

Clients engaging in algorithmic trading will be required to have in place effective systems and risk controls to ensure its trading systems are resilient and have enough capacity. Clients will be subject to appropriate thresholds and limits which prevent sending erroneous orders. Orders will be monitored to ensure that they do not function in a way that contributes to a disorderly market or in a way that is contrary to the rules of the trading venue to which it is connected.
Clients engaging in algorithmic trading must have effective business continuity arrangements to deal with any system failure and ensure their systems are tested and monitored.

SFL requirements include testing algorithms within a non-live controlled environment prior to deployment. Once SFL is satisfied with the test, the client can roll out the developed algorithm in a live environment. SFL will monitor the systems, processes and procedures of clients using algorithms to identify any negative impacts that the algorithms might have, and if required, SFL may exercise its power to cancel all outstanding orders at all trading venues by means of a 'kill button'.

6. Direct electronic access

Direct electronic access arrangements permit clients of SFL to enter orders into a market's trade matching system for execution using SFL's trading code, regardless of whether or not SFL's trading infrastructure is used.

Conditions for offering DEA

Clients will only be provided DEA for as long as they can satisfy SFL that they have the necessary controls in place to be granted access. A client must take all reasonable steps to ensure that the use of DEA access, by it or any of its users, does not interfere with fair and orderly markets.

SFL remains responsible for any client who trades via DEA using its trading codes and it will revoke the DEA if it believes that the client is no longer able to demonstrate that it has adequate controls in place.

A client requesting DEA must meet at least the following conditions in order for SFL to consider granting it DEA:

- maintain adequate systems and controls (including security features of a client's system or
- third-party system not provided by SFL);
- that clients using the service cannot exceed any pre-set trading and credit thresholds;
- have an appropriate governance structure as well as policies and procedures governing
- trading;
- monitor its trading activities (proportionate to the volume and extent of DEA activity);
- possess adequate trading knowledge and experience, particularly in relation to self-execution;
- provide sufficient training to staff on applicable laws and regulations;
- not have been subject to any disciplinary actions by trading venues and/or regulators which cast

- doubt over the client's willingness or ability to comply with applicable regulations; and
- complete SFL's Electronic Trading Questionnaire and provide additional or supporting information where requested.

Due-Diligence Process

SFL is required to conduct an initial and ongoing due-diligence assessment of DEA users, including an analysis of all algorithms to be utilised by the client to assess their suitability, principally in terms of robust systems and controls. SFL requires all clients to complete the Electronic Trading Questionnaire ("ETQ") in advance of the provision of DEA. This must be completed in its entirety and returned to SFL by the client.

As part of SLF's initial and periodic-based due-diligence process, SFL will screen clients name and individual users name through third party provider to establish whether there have been any disciplinary actions brought by financial regulators or trading venues against clients or individual users relating to their trading activity to determine their willingness or ability to comply with applicable regulations. SFL has the right to suspend or withdraw DEA services to any clients where it transpires that a disciplinary action brought by the trading venue(s) results in Sucden not being satisfied that continued access would be consistent with applicable rules and procedures for fair and orderly trading and market integrity.

SFL will conduct annual assessments of the adequacy of a client's systems and controls to take into account changes to:
- the scale, nature or complexity of their trading activities or strategies;
- their staffing;
- their ownership structure;
- their trading;
- their bank account;
- their regulatory status;
- their financial status; and
- whether the client intends to sub-delegate its DEA access (must self-certify their governance framework is equivalent to SFL's or as required under MiFID II).

In the event of any changes to the above information, the client undertakes to inform Sucden Financial Limited immediately.

Exchanges which SFL provides DEA to

SFL offers DEA to the following exchanges:

- Chicago Mercantile Exchange ("CME") Group:
    o Chicago Board of Trade ("CBOT")
    o Chicago Mercantile Exchange ("CME")
    o Commodity Exchange, Inc ("COMEX")
    o New York Mercantile Exchange ("NYMEX")
- Dubai Gold & Commodities Exchange ("DGCX")
- Eurex Exchange ("Eurex")
- Euronext NV ("Euronext")
- Hong Kong Stock Exchange ("HKEX")
- ICE Futures Europe ("IFEU")
- ICE Futures US ("IFUS")
- London Metal Exchange ("LME")
- Singapore Exchange Limited ("SGX")
- Tokyo Commodity Exchange, Inc. ("TOCOM")

7. Prohibited transactions and market abuse

Rules and procedures exist for all trading venues that prohibit trades which might undermine confidence in the market.

Jurisdiction is not limited to the country in which the trading venue is based, for example if a customer is trading on a UK regulated trading venue, action may be taken against the customer committing market abuse even if the customer is not resident in the UK.

Penalties are wide ranging and are enforceable on any person whether or not they are regulated.

Market Abuse is Insider Dealing and Market Manipulation.

7.1 Behaviour which is market abuse:

Behaviour	Description
Insider dealing	(i) dealing (e.g. acquiring or disposing of financial instruments or cancelling or amending an order) on the basis of non-trading information (e.g. information that is of a precise nature, has not been made public, relates directly or indirectly to one or more financial instruments and would have a significant effect on the price of the financial instrument (or of a related derivative) if made public); and (ii) dealing on the basis of takeover information.
Improper disclosure	(i) disclosure of insider information by a director in a social context; and (ii) selective briefing of analysts by directors.
Manipulating transactions	Dealing to manipulate the closing price of an investment: (a) **Wash trades.** Collusive transactions where there is no change in beneficial interest or market risk; (b) **Painting the tape.** Entering into a series of transactions that are shown on a public display for the purpose of giving a false impression of activity or price movement; (c) **Abusive squeezes.** Transactions or orders to trade intended to secure a dominant position over the supply of or demand for an investment; and (d) **Ramping.** Collusive acquisition of newly issued financial instruments to generate market interest before selling out.
Manipulating devices	Taking a position in an investment and then broadcasting an opinion about the investment (without disclosing one's interest), with a view to profiting from any subsequent price movement. (a) **Pump and dump.** Taking a long position in an investment, talking it up and then reversing the position. (b) **Trash and cash.** Taking a short position in an investment, talking it down and then reversing the position.
Dissemination	(i) knowingly or recklessly spreading false or misleading information about an investment through the media; and (ii) undertaking a course of conduct in order to give a false or misleading impression.
Misleading behaviour and distortion	(i) the movement of physical commodity stocks, which might create a misleading impression as to the supply of, or demand for, or the price or value of, a commodity or the deliverable into a commodity futures contract; and (ii) the movement of an empty cargo ship, which might create a similar misleading impression.

Misleading statements is a general term for things said or concealed that are deliberate and reckless in nature. The intention of a misleading statement is to cause a person to alter their position for the worse, i.e. to enter (or not) into an investment or to exercise (or not) their rights.

Attempted market abuse

Please note that a person does not need to (i) have been successful in committing market abuse; or (ii) have intended to commit market abuse in order to be deemed to have engaged in one of the behaviours outlined above.

The above prohibitions are complex and the above presents a summary only. It is your responsibility to avoid conduct prohibited by the Market Abuse Regulation and trading venue rules.

8. Trading venue rules

When transacting business on trading venue(s) it is important to observe all applicable rules and procedures. These exist to protect the users of the market, allow business to be transacted in a fair and orderly manner and maintain the integrity of the market.

It is important that all users familiarize themselves with the rules and trading procedures of the trading venue(s) before trading.

Pre-negotiation and crossing

Most trading venues insist that orders are shown to the market first and prohibit pre-negotiation

Crossing is the simultaneous submission of a bid and offer at the same price in the same contract or contracts.

SFL clients are not permitted to execute cross transactions.

Position limits

Position limits are the predetermined position level (number of contracts allowable for holding) set by regulatory bodies. Commodity derivatives traded on a European Economic Area ("EEA") trading venue and economically equivalent over the counter ("EEOTC") contracts are subject to position limits.

MIFID II requires National Competent Authorities (the FCA in the case of the UK) to establish position limits for, amongst other things, commodity derivatives that are made available for trading by trading venues. The FCA sets limits on the maximum size of positions which a person can hold in commodity derivatives. The limits apply to contracts traded on trading venues and their economically equivalent OTC (EEOTC) contracts. To find out the position limits set by the FCA, please use the following link: https://www.fca.org.uk/markets/mifid-ii/commodity-derivatives/position-limits , where changes to the limits will be published.

In the event of a breach of a position limit, the FCA will contact the position holder directly.

Position limits are also set by Securities and Exchange Commission and the Commodity Futures Trading Commission (CFTC) in the U.S. or by an exchange - for a specific futures or options contract. Some trading venues also set limits on the number of contracts that can be held open at any one time. You may also find these restrictions are imposed through margining rules. This may be done to ensure market participants have the necessary financial capacity to meet their obligations or to prevent market squeezes. Please refer to the relevant regulator/trading venue website for further guidance on position limits.

Regulatory and trading venue position limits operate independently from the limits set by SFL on your account. These can be found on your facility letter.

<u>Price limits</u>

Price limits prevent the execution of orders with manifest pricing errors. Any attempt, accidental or otherwise, to enter an order outside the prevailing price limit will result in the order being rejected. The price limit may also act as a level at which an order is halted, for example if a large Market Order was entered accidentally then the order would trade up to the level of the price limits and then be cancelled. Price limits are reviewed by the relevant trading venue from time to time and may be widened to reflect market conditions or during the release of significant news. Price limits are not operated by all trading venues on all contracts. Orders incorrectly entered into the market are unlikely to be cancelled once they have traded.

<u>Trading venue power to bust or cancel trades</u>

Trading venues have systems to ensure that algorithmic trading cannot create or contribute to disorderly trading on the market and to manage any such conditions that do arise. These include systems to limit the ratio of unexecuted orders to transactions, slow down order flow and regulate minimum tick sizes.

Furthermore, trading venues have the ability to temporarily halt or constrain trading and in exceptional cases can cancel, vary or correct any transaction made through direct electronic access.

9. Non-compliance

Clients will not use the DEA service & algorithmic trading in such a manner that SFL may be view as being in breach of any of the applicable MIFID 2 requirements, Market Abuse Regulation or the rules of the relevant trading venue. This includes, but is not limited to, conduct which is perceived to be interfering with the efficiency and integrity of the market or the proper functioning of the trading system of a relevant trading venue.

SFL will monitor transactions in order to identify infringements of those rules, disorderly trading conditions or conduct that may involve market abuse. SFL and the trading venue reserve the right to suspend or terminate the provision of DEA by a participant in the case of non-compliance.

If there are reasonable grounds for suspecting market abuse or disorderly trading then SFL must report these to the FCA without delay.

10. Review

This policy is reviewed on a regular/ad-hoc basis and at least once every two years.

Annex A

A registered user will be subject to the rules of the trading venue, including, but not limited to, rules relating to electronic trading, order handling, trade practices and disciplinary proceedings. It shall be the duty of the client entity or individual who employs the registered user to supervise such user's compliance with trading venue(s) rules and regulations, and any violation thereof by such registered user may be considered a violation by client or individual.

Electronic Trading Compliance Manual – Exchange Rulebooks

London Metal Exchange	LME Rulebook & Notices
ICE Futures Europe	ICE Futures Europe Rulebook
ICE Futures US	ICE Futures US Rulebook
Chicago Mercantile Exchange	CME Rulebook
Chicago Board of Trade	CBOT Rulebook
Eurex	Eurex Rulebook
Euronext	Euronext Rulebook
New York Mercantile Exchange and Commodity Exchange, Inc	NYMEX & COMEX Rulebook
Tokyo Commodity Exchange, Inc.	TOCOM Rulebook
Singapore Exchange Limited	SGX Rulebook
Hong Kong Stock Exchange	HKEx Rulebook

Please note that this is not a comprehensive list, in the event that you trade or intend to trade on any other trading venue that is not listed above; please ensure you comply with the necessary trading venue rules & regulations.

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2018	Cigdem Edikci	v.3.0	MIFID II updates