Electronic Trading Compliance Manual

1. Introduction

Sucden Financial Limited (“SFL”) must ensure that the provision of direct trading access 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 marketplace.

2. Applicability

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

3. Your role in the marketplace

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 good conduct and integrity on the market are upheld.

To further ensure that confidence in the market is maintained, regulations and exchange rules are well established. These regulations and rules have an important purpose:

- Formalising the responsibilities your broker has to you and the market; and
- Providing clarity in terms of the responsibilities you have.

We are obliged to make you aware that failure to comply with the relevant rules, regulations and trading procedures may result in the following:

- Loss of your direct trading 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 you; your officers; and employees given access to any market 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. 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. SFL typically only provides Direct Market Access where orders are routed via SFL's own risk controls before being sent to the market.

Where SFL provides access to a market via another broker's trading code, this is know as sub-delegation. In order to satisfy regulatory requirements, there is no difference in our approach to applying controls and our expectations on clients between SFL provided DEA and access provided by sub-delegated DEA.

If an SFL client intends to provide sub-delegated DEA to their clients using SFL's trading keys they will need to satisfy us that they have appropriate controls for onboarding clients; monitoring clients and their activity; and, more broadly, appropriate governance arrangements relative to the level of access provided.

6. Algorithmic Trading and Automated Trading Systems

<u>Algorithmic Trading on UK and EU Markets</u>

MIFID II imposed requirements on firms using algorithmic trading to trade on UK and EU markets 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, irrespective of any intent. Specifically, there are concerns over price driving, high order cancellation rates, increased risk of overloading systems, increased volatility & the ability of algorithmic traders to withdraw liquidity at any time.

In the event that SFL permits you to utilise your own developed order types and algorithmic trading parameters you will need to satisfy us that you have appropriate systems and controls in place with respect to developing; testing; monitoring; and reviewing the performance of algorithms relative to the level of deployment flexibility you have been granted.

<u>Operating an Automatic Trading System (ATS) on US Markets</u>

In the US, derivatives exchanges that we offer access to have rules, directly applicable to the entity engaging in trading, relating to the identification, order tagging, set-up and oversight of Automated Trading Systems (ATS). While the exact rules vary from the exchange the overall requirements are consistent.

7. Conditions for Offering DEA

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 deployed 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. <u>We are required to request this information on an annual basis – failure to respond to periodic requests may lead to access being restricted or revoked.</u>

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.

Provision of Access to Utilise Own Algorithms or Operate an ATS

We are required to put in place effective systems and risk controls to ensure that trading systems utilised by clients to access markets directly are resilient, do not submit orders that could contribute to disorderly market conditions and have enough capacity. In order to achieve this, we will control the availability of trading functionality as we consider appropriate to meet our obligations and:

- Request information on your intended trading activity and own internal control environment; and
- Implement trading risk controls and post-trade surveillance.

Clients will be subject to appropriate thresholds and limits which will act to prevent the 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 any or all trading venues by means of a 'kill switch'.

8. Prohibited transactions and market abuse

Rules and procedures exist for all trading venues that prohibit trades which might undermine confidence in the market. A link to the rulebook for each Exchange can be found in Annex A below.

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.

The three primary prohibited behaviours (amongst others) under the Market Abuse rules in the UK and EU are:

- Insider dealing;
- Unlawful disclosure of inside information; and
- Market manipulation, which can take the form of:
    - Manipulative orders and transactions;
    - Dissemination of misleading information;
    - Trading employing the use of fictitious device or deception; and
    - Manipulation of benchmarks.

While different jurisdictions have different underlying laws and regulations the principals are consistent in terms of appropriate market conduct and therefore the below behaviours should be considered inappropriate on all markets.

Insider Dealing

Inside information is non-public information of a precise nature that if made public is likely to have a significant impact on the price of a financial instrument (and/or in the case of commodity derivatives the related spot underlying). Based on this, Insider Dealing involves acquiring or disposing of, for own account or the account of another party, directly or indirectly, financial instruments to which that information relates. Submission of orders or amending or cancelling existing orders once in possession of the information is prohibited.

Unlawful Disclosure

It is prohibited to disclose inside information to any person, except where the disclosure is made during to normal exercise of employment or duties. An example of this exception could be passing on a large, potentially market impacting client order to a colleague for the sole purpose of executing.

Market Manipulation

Manipulative orders/trades
This is defined as any trading activity which:

- gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument or a related spot commodity; or
- secures, or is likely to secure, the price of one or several financial instruments or a related spot commodity contract at an abnormal or artificial level.

This includes activity such as:

- Securing a dominant market position over supply, demand and/or delivery mechanisms and uses this position to distort prices at which others must deliver, take delivery or defer delivery for their own gain (“abusive squeeze”).
- Buying or selling at the market close to influence the closing prices in order to mislead other participants (“marking the close”).
- Entering orders in order to move the best bid/offer and withdrawing them before they are executed in order to give a misleading impression that there is demand or supply at that price (“spoofing/layering”).

Dissemination of false or misleading information

This covers the spreading false or misleading information via the media, internet, social media or any other means which gives or is likely to give false or misleading signals of the supply, demand and/or price of a financial instrument (or related spot commodity).

Benchmark manipulation

This consists of transmitting false or misleading information or providing false or misleading inputs in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behaviour which manipulates the calculation of a benchmark.

Most countries outside the EU and UK have similar rules prohibiting market manipulation and insider dealing. Therefore, please consider this type of activity prohibited for all exchange activity using SFL provided systems.

8.1 Behaviour which may constitute market abuse:

Here are some high-level examples of behaviour which is market abuse:

Behaviour	Description
Insider dealing	Examples of potential insider dealing include: (a) dealing on the basis of takeover information; (b) dealing on the basis of unpublished exchange information (e.g. warehouse stock reports); and (c) dealing on the basis of trading information relating to an industry participant that has been inappropriately disclosed to you.
Improper or Unlawful disclosure	Disclosure of any of the above types of information for non-legitimate purposes.
Manipulating transactions	Trading behaviour that may be considered manipulative includes: (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. (e) **Marking the close**. Buying or selling at the very end of the trading day in order to raise or lower the closing price, particularly but not necessarily, around contract settlement. (f) **Spoofing/Layering.** Entering orders in order to move the best bid/offer and withdrawing them before they are executed in order to give a misleading impression that there is demand or supply at that price. Layering involves orders at multiple price levels to create impression of order book depth
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 may be considered abusive. Examples include: (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. (c) 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;
Dissemination	(a) knowingly or recklessly spreading false or misleading information about an investment through the media; and (b) undertaking a course of conduct in order to give a false or misleading impression.

Misleading behaviour and distortion	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.

Attempted or unintentional 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. In essence, market abuse can be considered to have been committed based on intent without outcome or outcome without intent.

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/or trading venue rules.

9. 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.

All clients are required to ensure that all their DEA system users familiarize themselves with the rules and trading procedures of the trading venue(s) they are accessing before trading. Failure to comply with exchange rules can lead to financial penalty and/or trading access being restricted.

Pre-negotiation and crossing

Most trading venues insist that orders are shown to the market first and **strictly prohibit** pre-negotiation unless trades are submitted using specific functionality (e.g. blocks or EFRPs).

Pre-arranged crossing is the simultaneous, or near simultaneous, coordinated submission of a bid and offer at the same price in the same contract or contracts.

Wash trades

Wash trading is prohibited on the LME, CME, ICE EU and ICE US. This means that you should not execute trades for the same beneficial owner. All Market participants who engage in propriety trading are required to implement procedures to protect against self-trading.

Position limits

Position limits are the predetermined position level (number of contracts allowable for holding) that market participants are allowed to hold in specific contracts. The exact approach to establishing and overseeing position limits varies from jurisdiction and exchange.

The specific rules can be found on the exchange websites, typically in their market resources, regulatory notices or key compliance notice sections.

Regulatory and trading venue position limits operate independently from the limits set by SFL on your account. However, as a condition of being provided market access you agree to abide by all relevant limits and take action, as directed by an exchange or SFL, to ensure compliance.

Price limits

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.

Trading venue power to bust or cancel trades

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.

Please see Annex B for General Exchange Principles.

10. Training

You are required to ensure that all trading staff provided access to a trading venue are appropriately trained with respect to relevant regulations, market conduct rules, exchange rules and this Manual.

The FIA Markets Academy offers online courses covering Market Conduct and Electronic Exchange Trading as well as courses on the rules of various exchanges produced jointly with the venue.

In the event that Sucden determines additional training is necessary, we may assign courses as we see fit to be completed by traders. Completion of assigned training courses is a condition of continued market access.

11. Non-compliance

Clients must not use the DEA access or algorithmic trading in such a manner that SFL may be view as being in breach of any of UK rules or regulations; other applicable national rules or regulations; 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 or 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 these rules, disorderly trading conditions or conduct that may involve market abuse. SFL reserve the right to suspend or terminate the provision of DEA by a participant in the case of suspected or actual non-compliance.

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

12. Review

This policy is reviewed on a regular/ad-hoc basis and at least once every two years. Clients will be sent a copy of any updated version.

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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
Singapore Exchange Limited	SGX Rulebook
Hong Kong Stock Exchange	HKEx Rulebook

*Please note that this is not a comprehensive list and links may become out-dated. In the event that you trade or intend to trade on any trading venue. please ensure you and any authorised traders operating on your behalf have read, understood and will comply with the necessary trading venue rules & regulations.

Annex B

<table>
<tr><th></th><th>Trading should not be pre-negotiated unless they are submitted using Exchange approved mechanisms</th><th>Trades should not be executed for the same beneficial owner</th></tr>
<tr><td>CME</td><td>Rule 539 – No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Sections B [block trades or Exchange for Related Positions] and C [Globex Trades]
Rule 526 – Rules governing Block Trades
Rule 538 – Rules governing EFRP transactions
Rule 539.C – Rules governing Globex Trades</td><td>Rule 534 – Buy and sell orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no person shall knowingly execute or accommodate the execution of such orders by direct or indirect means.</td></tr>
<tr><td>ICE US</td><td>Rule 8.3 of the Trading Procedures – It shall be an offence for a Member or person subject to the Regulations, as appropriate, to prearrange a trade unless it is an EFP or EFS (including, for the avoidance of doubt, an EFP or EFS, entered on ICE Block Facility by an ICE Block Member).
Rule 4.02 (f) of the Trading rules - Prohibition of prearranged transactions for transferring equity between accounts.
Rule 4.06 of the Trading rules –EFRPs which pre-arranged trading is permitted.
Rule 4.07 of the Trading rules – block trades requirements.</td><td>Rule 4.02 (c) of the Trading rules state that, in connection with the placement of any order or execution of any Transaction, it shall be a violation of the Rules for any Person to: Execute a wash sale, accommodation Trade, fictitious sale or prearranged Trade.
ICE Document</td></tr>
<tr><td>ICE EU</td><td>Rule G.4: It shall be an offence for a Member or Member Representatives to prearrange a Contract made or intended to be made on the Market, except a Contract registered or to be registered under Rule F.1.5, F.1.5B, F.1.5C, F.5, Rule F.5.B, Rule F.5.C or Rule F.7. It shall also be an offence for a Member or Member Representative to engage in pre-execution communications, except in accordance with specified procedures.</td><td>Rule E.2.2A: All market participants engaging in proprietary trading are required to implement procedures to protect against self-trading that violates ICE Futures Europe's ("the Exchange") wash trading prohibition.</td></tr>
<tr><td>LME</td><td>RULE 2.15.6 - Pre-Trade Communications</td><td>RULE 12.6 A Member shall; (g) ensure that any business conducted by it, or by or through any of its Dealers or staff or Member Representatives, shall not cause the Member, its Dealers, Member Representatives or the Exchange or Clearing House or any of their respective staff to be in breach of any applicable laws and/or regulations, including without limitation any relevant Sanctions (except to the extent that any obligation or undertaking contemplated by this Regulation 12.6(g) would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts).
RULE 14.3 No person shall undertake or attempt to undertake wash or bogus transactions.</td></tr>
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