

# Liquidnet Europe Limited (“Liquidnet”)

## Fixed Income MTF Participation Rules

### 1. Glossary

| Term                              | Meaning  |
|-----------------------------------|--|
| Actionable Indication of Interest | An actionable Indication of Interest, resulting from a decision to firm-up to trade.   |
| Applicable Law                    | All applicable laws, regulations, regulatory requirements (including any guidance, orders or other directions of a regulatory authority), market rules and / or market conventions any laws, all judgments, orders, instructions or awards of any court or competent authority and applicable to: (a) Liquidnet; or (b) a Participant (or Customer of that Participant); as the case may be and in each case having regard to the context. |
| Competent Authority               | The authority designated by each member state of the EEA in accordance with Article 67 of MiFID II and/or any other authority, body or person having responsibility for the supervision or regulation of any regulated activity or other financial service or law for enforcement purposes.  |
| Customer                          | An entity who is not a Participant under these Rules, but a customer of a Participant.   |
| EEA                               | The European Economic Area.  |
| Eligibility Criteria              | The Eligibility Criteria set forth in clause 4 of these Rules.   |
| Erroneous Order                   | An order submitted to a Liquidnet Europe Fixed Income MTF in error as to price, quantity, currency, side or symbol or without proper authorisation.  |
| Erroneous Trade                   | An execution at a price, for a quantity, or with a symbol, that is materially inconsistent with the current trading pattern of the issue.  |



|                                |  |
|--------------------------------|--|
| FCA                            | The Financial Conduct Authority of the United Kingdom.   |
| FCA Rules                      | The FCA Handbook of Rules and Guidance as amended from time to time.   |
| FSMA                           | The Financial Services and Markets Act 2000 of the United Kingdom (UK) as amended from time to time.   |
| General Clearing Member/GCM    | An entity, recognised by an MCF, appointed by a Participant to perform post-execution services on behalf of the Participant.   |
| Individual Clearing Member/ICM | An entity, recognised by an MCF, which performs post-execution services.   |
| Liquidnet                      | Liquidnet Europe Limited, a UK investment firm authorised and regulated by the FCA, which is authorised by the FCA (a) to receive and handle orders and indications from clients and customers, and (b) to operate the Liquidnet Europe Fixed Income MTF. For the avoidance of doubt, references to “Liquidnet” in these Rules shall refer to Liquidnet acting in its capacity as operator of the Liquidnet Europe Fixed Income MTF, unless the context otherwise requires.  |
| Market Abuse                   | Any behaviour that constitutes market abuse, market manipulation or insider trading or any other similar or analogous behaviour prohibited or subject to sanctions or penalties under Applicable Law.  |
| MiFID II                       | The European Parliament and Council Directive on markets in financial instruments (No. 2014/65/EC) and Delegated Regulation 2017/565 supplementing Directive 2014/65/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, and Delegated Directive 2017/593 supplementing Directive 2014/65/EC of the European Parliament and of the Council as regards safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, |



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commissions or any monetary or non-monetary benefits, and Delegated Regulation 2017/567 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regards to definitions, transparency, portfolio compression and supervisory measures on product intervention and positions.

|                                    |  |
|------------------------------------|--|
| MiFIR                              | Regulation (EU) No 600/2014 and associated regulatory technical standards.   |
| MTF                                | A Multilateral Trading Facility as defined in article 4(1)(22) of MiFID II.  |
| Multilateral Clearing Facility/MCF | An entity appointed by Liquidnet or a Participant to provide post-execution services.  |
| NAIOI                              | A non-actionable indication of interest, that does not contain all necessary information to agree on a trade.  |
| Order                              | An order transmitted to Liquidnet Europe Fixed Income MTF by a Participant, which must specify the instrument, side (buy or sell) and quantity in each case.                               |
| Participant                        | A participant in Liquidnet Europe Fixed Income MTF.  |
| Participant Agreement              | An agreement entered into between a Participant and Liquidnet that, along with these Rules, govern the Participant's access to and participation in the Liquidnet Europe Fixed Income MTF; |
| Participant Notice                 | Any notice published or disseminated by Liquidnet to Participants from time to time.   |
| RTS 2                              | Commission Delegated Regulation (EU) 2017/583.   |
| RTS 7                              | Commission Delegated Regulation (EU) 2017/584.   |
| RTS 22                             | Commission Delegated Regulation (EU) 2017/590.   |
| RTS 24                             | Commission Delegated Regulation (EU) 2017/590.   |



|                              |   |
|------------------------------|---|
| RTS 25                       | Commission Delegated Regulation (EU) 2017/574.  |
| Rulebook Transactions        | Has the meaning given at the Rule 9.2.  |
| Rules                        | This document, as amended or replaced from time to time.  |
| Statement of Authority       | A statement by a GCM or an ICM to an MCF stating that it authorizes a specified Participant to conclude trades on Liquidnet Europe Fixed Income MTF for which the GCM or ICM, as applicable, has accepted responsibility.                     |
| Trading Protocols            | The functionality and method of trading the Eligible Instruments on Liquidnet Europe Fixed Income MTF as specified in these Rules.  |
| Transaction Reporting Fields | The fields contained in the Annex to RTS 22 that Liquidnet may require to be submitted to the Liquidnet Europe Fixed Income MTF for the purpose of enabling it to meet its transaction reporting obligations pursuant to Article 26(5) MiFIR. |



## 2. General

- 2.1. Liquidnet Europe Fixed Income MTF will comply with Applicable Law, including these Rules. It provides execution functionality for European and emerging market Fixed Income instruments.
- 2.2. These Rules are governed by, and shall be construed in accordance with, the laws of England and Wales.
- 2.3. Any references to Liquidnet or Liquidnet MTF in this Rulebook, are references to the Liquidnet Fixed Income MTFs and to Liquidnet as the operator of such unless the context otherwise requires.

## 3. Access

- 3.1. Access to the Liquidnet Europe Fixed Income MTF is available to Participants that meet the applicable Eligibility Criteria set forth below.

## 4. Eligibility Criteria for Participants

- 4.1. All Participants must:
  - (a) be regulated in the EEA or an equivalent third country jurisdiction be fit and proper and able to demonstrate to Liquidnet that they are suitable for admission and are of sufficient good repute;
  - (b) have a sufficient level of trading ability and competence;
  - (c) have adequate organisational arrangements and satisfy any technical regulatory or legal requirements determined by Liquidnet;
  - (d) have adequate systems, procedures, controls and sufficient resources to satisfy their obligations pursuant to these Rules; and
  - (e) act on behalf of, as agent and not on a proprietary basis, other market participants.
- 4.2. Each Participant must enter into, maintain in effect and comply with a Participation Agreement with Liquidnet.
- 4.3. Each Participant must interact with Liquidnet in conformance with Liquidnet's technical and functional specifications and in compliance with any restrictions on use of order information.
- 4.4. Each Participant shall satisfy one of the following criteria in relation to their clearing and settlement arrangements:
  - (a) the Participant has a relationship with a GCM that has interoperability with Liquidnet's MCF and shall provide a Statement of Authority to Liquidnet's MCF;
  - (b) the Participant is itself an ICM that has interoperability with Liquidnet's MCF and shall provide a Statement of Authority to Liquidnet's MCF;



- (c) the Participant has appointed its own MCF or Liquidnet's MCF to provide post-execution services; or
  - (d) with the prior consent of Liquidnet, traditional broker-to-broker clearing and settlement arrangements have been put in place.
- 4.5. Participation as a Participant of the Liquidnet Europe Fixed Income MTF shall become effective on such date and at such times as Liquidnet may specify upon satisfactory fulfilment of the items listed above.
- 4.6. Participation as a Participant of the Liquidnet Europe Fixed Income MTF shall become effective on such date and at such times as Liquidnet may specify upon satisfactory fulfilment of the terms listed above, and continued participation will be contingent on the requirements in these Rules being met on an ongoing basis and a failure to fulfil any item shall be considered a breach of these Rules, leading to suspension, restriction or termination of access in accordance with clause 6.3.

## 5. Participant Continuing Responsibilities

- 5.1. Participants will be responsible for all orders submitted and actions taken on the Liquidnet Europe Fixed Income MTF by its officers, employees and agents and for ensuring their ongoing compliance with these Rules.
- 5.2. Participants must at all times have:
- (a) have adequate internal procedures and controls and must have adequate execution, order management and settlement arrangements in place;
  - (b) ensure they hold valid, issued and duly renewed LEI at all times, and if so required for the purposes of compliance with Applicable Law, and ensure that any principals on behalf of whom it is acting on the Liquidnet Europe Fixed Income MTF, holds validated, issued and duly renewed LEIs at all times;
  - (c) have appropriate internal systems and controls to ensure that it trades in an orderly manner, to prevent erroneous transactions and to ensure ongoing compliance with, and prevent breaches of, Applicable Law (including but not limited to laws prohibiting Market Abuse) and these Rules;
  - (d) correctly inform, and keep updated, Liquidnet as to its status either as a MiFID II firm or a non-MiFID II firm; and
  - (e) provide all relevant information as required by Liquidnet in order to ensure compliance with trade Applicable Law, including reporting, transaction reporting and order record keeping and any other information that Liquidnet may request, in its sole discretion, in order to satisfy Applicable Law.
- 5.3. Participants may only execute orders on the Liquidnet Europe Fixed Income MTF as agent, carrying on orders on behalf of their own clients.
- 5.4. All Participants are responsible for ensuring adequate training, experience, knowledge and supervision of any persons who submit orders on behalf of the Participant.

5.5. Participants are responsible for:

- (a) retaining records of all orders entered into the Liquidnet Europe Fixed Income MTF for a minimum of 5 years (or longer if required by Applicable Law). Any such record must be capable of being produced for inspection on demand in legible/machine readable form; and
- (b) complying with any requirement Liquidnet specifies in relation to transactions carried out under the Rules, including providing Liquidnet with information with regards to order monitoring and record keeping. In particular, Liquidnet requires any transactions carried out under the Rulebook Transaction functionality to meet the requirements of Applicable Law, and Participants agree to submit any information requested by Liquidnet in respect of such, in a format prescribed by Liquidnet.

5.6. Participants will be bound by these Rules and by any decision of Liquidnet made pursuant to these Rules.

5.7. Participants must notify Liquidnet as soon as practically possible of the occurrence of any of the following, unless disclosure is prohibited by applicable law, rule, regulation or order of a relevant regulator authority:

- (a) a change in the Participant's name, contact details or legal status five business days in advance of any change taking effect;
- (b) a change of control of the Participant within the meaning given under FSMA within five days of becoming aware;
- (c) a material change or intervention regarding the Participant such as enforcement action by a Competent Authority or litigation to the extent that it affects the ability of the Participant to comply with these Rules;
- (d) immediately upon the Participant becoming aware that it is likely to or has entered into insolvency or that an administrator, administrative receiver or receiver will be or has been appointed in respect of the whole or any part of the assets or business;
- (e) a loss of connectivity, or other technical issues which might affect the Participant's ability to comply with these Rules, to Liquidnet promptly upon becoming aware;
- (f) a breach of these Rules upon becoming aware thereof; or
- (g) a change in the list of individuals that are authorised to act on behalf of the Participant.

## 6. Term of Participation

6.1. A Participant may terminate its participation in the Liquidnet Europe Fixed Income MTF as set forth in the applicable agreement or documentation for the Participant.

6.2. Liquidnet may suspend or terminate a Participant's participation in the Liquidnet Europe Fixed Income MTF as set forth in the applicable agreement or documentation for the Participant.



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6.3. If at any time a Participant does not comply with these Rules in any way whatsoever, Liquidnet may suspend, restrict or terminate that Participant's access to the Liquidnet Europe Fixed Income MTF.

6.4. A Participant shall continue to be bound by these Rules with respect to all activity in the Liquidnet Europe Fixed Income MTF until the latest of:

- (a) the date it ceases to be a Participant;
- (b) the date on which all trades by the Participant in the Liquidnet Europe Fixed Income MTF are settled and completed; and
- (c) the date on which any outstanding charges or other sums due relating to the Participant's activity in the Liquidnet Europe Fixed Income MTF have been settled.

## 7. Payment of Fees and Taxes

7.1. Participants shall pay to Liquidnet any applicable charges, fees and any other costs due in accordance with these Rules or as set forth in the applicable agreement or documentation for that Participant. Liquidnet shall issue a Participant Notice in the event of any changes to the charges, fees or other costs.

7.2. Participants should refer to the Liquidnet fixed income fee schedule provided by Liquidnet to Participants and which can be accessed via the Liquidnet website.

7.3. It is the obligation of the Participant to determine whether taxes arise from the trading of any instruments in the Liquidnet Europe Fixed Income MTF, and to apply for any exemptions from such taxes.

## 8. Instruments traded on the Liquidnet Europe Fixed Income MTF

8.1. Securities Eligible for Trading

- (a) Liquidnet will determine in its absolute discretion which Securities are eligible for trading on Liquidnet Europe Fixed Income MTF. Liquidnet will notify Participants of any Security admitted or removed from trading on the Liquidnet Europe Fixed Income MTF by notice.
- (b) Liquidnet does not offer trading of all US, European and emerging market bonds. Liquidnet's determination as to whether to offer trading of a particular bond depends upon various factors, including:
  - i. Aggregate issued amount of the bond
  - ii. Interest expressed by customers
  - iii. Settlement system
  - iv. Issuer domicile
  - v. Whether Liquidnet has authorization to offer trading in the bond.





In particular, Liquidnet does not offer trading of a bond if the bond does not settle through DTCC, Euroclear or the national settlement system of an EEA country.

## 9. Trading, Settlement, and Reporting Process

### 9.1. Trading Calendar and Hours of Operation

Liquidnet's hours of trading for Fixed Income are as follows:

| <b>Instrument</b>   | <b>Hours of trading</b>    |
|---|----------------------------|
| US high-yield and investment grade corporate fixed income securities                        | 7am London time to 5pm EST |
| European high-yield, investment grade and emerging market corporate fixed income securities | 7am to 5:30pm London time  |
| European convertible fixed income securities  | 7am to 4:30pm London time  |

Hours of trading are Monday through Friday, except that Liquidnet is closed for trading when the fixed income trading markets are closed in the applicable region.

Liquidnet Member Services personnel are available until 7pm London time for trade processing and related support for European and emerging market fixed income securities and until 7pm EST for trade processing and related support for US fixed income securities.

### 9.2. Rulebook Transactions

Liquidnet MTF will allow Participants to bring Rulebook Transactions within the Rules of Liquidnet MTF subject to compliance with the following:

- (a) the transaction relates to a Security under this Rulebook; and
- (b) the transaction is negotiated privately and, by agreement, is subject to and complies with the Rules.

The details of the transaction are notified to Liquidnet in such form as Liquidnet may in its absolute discretion specify or agree from time to time and the transaction is flagged as a Rulebook Transaction and subject to a relevant pre-trade transparency waiver.

A Participant must notify Liquidnet of such a negotiation in as near to real time as technically possible and always within the prescribed timeframes set out within Applicable Law or, any earlier time required by Liquidnet.

Where a Rulebook Transaction is between two Participants, then, unless agreed otherwise by the Participants, the selling Participant will be responsible for submitting details of the transaction required. In other cases, the Participant will be responsible.

Liquidnet reserves the right to reject any such trade, where it considers that such trade has not taken place in accordance with these Rules.



### 9.3. Settlement

- (a) A Participant must, in respect of transactions executed on the Liquidnet Europe Fixed Income MTF, settle all obligations in accordance with the rules of the relevant MCF and in accordance with the rules and customs of the relevant settlement system, pursuant to any procedures established by such MCF.
- (b) Participants shall ensure that Securities delivered in settlement of a transaction are free of any charge or encumbrance.
- (c) Liquidnet may postpone or extend a settlement period for all transactions or for transactions in specified Securities affected on a given day, indefinitely or for a specified period. Liquidnet will provide prior notice to Participants of any such postponement or extension of a settlement period.
- (d) Unless otherwise agreed, a transaction in any Instrument shall be settled in the standard place of settlement for that Security.
- (e) Liquidnet is not responsible for and shall not be liable for the default of any Participant or its clients on any trade.
- (f) In case of settlement default by a Participant or its clients, in each case that is a member of an MCF, the rules and procedures of the MCF used shall be followed. In case of settlement default by a Participant or its clients, in each case that is not a member of an MCF, the rules and procedures of the entity appointed by Liquidnet to provide post-execution services shall be followed.

## 10. The Liquidnet Europe Fixed Income MTF Pre-Trade Transparency

10.1. The Liquidnet Europe Fixed Income MTF shall publish on a continuous basis, during normal trading hours, all orders (including AIOs) that are required to be made pre-trade transparent under Applicable Law.

10.2. Pre-trade transparency publications pursuant to Rule 10.1 are subject to any or all pre-trade transparency waivers set out in Rule 10.3 as applicable.

10.3. The Pre-trade transparency waivers available are as follows:

- (a) Waiver for Illiquid instruments – means the waiver in respect of a financial instrument or a class of financial instruments for which there is not a liquid market as set out in MiFIR Article 9(1)(c) which has the effect that such orders or quotes are not published under Rule 10.1; and
- (b) LIS Waiver – means the waiver in respect of orders which are large in scale as set out in MiFIR Article 9(1)(a) which has the effect that such orders or quotes are not published under Rule 10.1.
- (c) SSTI Waiver – means, where relevant, the waiver in respect of actionable indications of interest as set out in MiFIR Article 9(1)(b) which has the effect that particular responses are not published under Rule.



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10.4. Rule 10.3 shall apply with effect from 3 January 2018, subject to being granted the waiver by the FCA.

## 11. Post-Trade Transparency

- 11.1. Liquidnet shall publish as close to real-time as technically possible, the price, volume and time of transactions in MiFID II instruments in accordance with Applicable Law.
- 11.2. The publications pursuant to Rule 11.1 are subject to the availability of a post-trade transparency deferrals set out in Rule 11.3 and Rule 11.4 as applicable.
- 11.3. Subject to regulatory approval, the post-trade transparency deferrals set out in (a)-(c) below (“**Deferrals**”) each have the effect that the details of a particular transaction are not published under Rule 11.1 until no later than 19:00 local time on the second Trading Day after the date of the transaction as set out in MiFIR Article 11(1) and Article 8(1) of RTS 2.
- (a) Illiquid instrument deferral – means the deferral in respect of transactions in MiFID II instruments for which there is not a liquid market as set out in MiFIR Article 11(1)(b).
  - (b) Post-Trade LIS deferral – means the deferral in respect of transactions in MiFID II instruments which are large in scale as set out in MiFIR Article 11(1)(a).
- 11.4. When the time limit of the deferral pursuant to Rule 11.3 has lapsed, the price, volume and time of the transactions shall be published in accordance with Applicable Law.
- 11.5. Participants shall notify Liquidnet in the event of any cancellation or amendment of a transaction.

## 12. Transaction Reporting

- 12.1. The Liquidnet Europe Fixed Income MTF is required to report details of transactions executed by non-MiFID II firms to the FCA in MiFID II instruments in accordance with Article 26(5) MiFIR. The Liquidnet Europe Fixed Income MTF shall not transaction report on behalf of those Participants that are MiFID II firms.
- 12.2. A Participant which is a non-MiFID II firm must:
- (a) provide the Liquidnet Europe Fixed Income MTF with accurate and complete transaction reporting fields in respect of its transactions in MiFID II instruments as required by the Liquidnet Europe Fixed Income MTF, in the format and within the timescale prescribed by Liquidnet in order that Liquidnet may fulfil its obligations under Article 26(5) MiFIR;
  - (b) have appropriate controls in place to ensure that the required Transaction Reporting Fields are accurately populated; and
  - (c) report to the Liquidnet Europe Fixed Income MTF immediately in the event that it discovers that one or more Transaction Reporting Fields have been



inaccurately or incompletely populated and cooperate with Liquidnet to rectify any errors.

12.3. The information to be provided pursuant to Rule 12.2 shall be delivered as soon as possible following the execution of the transaction and, in any event before midday on the trading day following the transaction date.

12.4. Each Participant acknowledges and agrees it must satisfy itself that it can and shall comply with any Applicable Law relating to MiFID II transaction reporting, to the relevant Competent Authority, as such rules apply to it.

### 13. Order Recording Keeping

13.1. Each Participant must provide all relevant information, as may be required by Liquidnet from time to time, or procure that all relevant information is provided immediately upon request in the format prescribed by Liquidnet and shall do so before the end of each trading day following the transaction date in order that the Liquidnet Europe Fixed Income MTF can fulfil its regulatory obligations to keep records pursuant to MiFIR Article 25.

13.2. Liquidnet shall maintain records of all orders for a minimum of 5 years (or longer, where required by Applicable Law) from the date of the record or otherwise in accordance with Applicable Law.

13.3. Liquidnet shall synchronise the business clocks it uses to record the date and time of any reportable event pursuant to this Rule 13 with the Coordinated Universal Time (UTC).

### 14. Regulatory Suspensions of Trading

14.1. In the event that there is a Regulatory Suspension of Trading in relation to an instrument, Liquidnet will suspend trading in that instrument and orders will be rejected with an appropriate error message.

14.2. Liquidnet will comply with any instruction made by a Competent Authority to suspend or remove an instrument from trading.

### 15. Erroneous Trades and Orders

15.1. Liquidnet, acting with due skill care and diligence, has discretion to cancel an Erroneous Trade or delete an Erroneous Order.

15.2. If an order appears to be an Erroneous Order in the opinion of Liquidnet, Liquidnet may contact the relevant Participant to ensure the validity of the order.

15.3. Liquidnet may consider the following in determining whether an order or a trade is an Erroneous Order or Erroneous Trade:

(a) discussions with the relevant parties;



- (b) analysis of market data;
- (c) analysis of market events.

15.4. Erroneous Orders which are detected by the Liquidnet systems will be automatically rejected and a rejection message will be generated and sent to the Participant. For any other Erroneous Order or Erroneous Trade, Liquidnet will inform the relevant Participants of its determination to cancel such order or trade promptly, unless there are extenuating circumstances which require more time for investigation, by telephone with an electronic mail confirmation. In such circumstances, Liquidnet will provide a full explanation of the decision and respond to all reasonable requests for information regarding the decision.

## 16. Trade Cancellations

16.1. A Participant may submit a request to cancel a trade before 16:45 on the trade day by telephone to Liquidnet +44 20 3933 0236 with a confirmation by electronic mail of the request to [TradeBreak-London@liquidnet.com](mailto:TradeBreak-London@liquidnet.com).

16.2. On receipt of a trade cancellation request, the following procedure below will be adopted:

- (a) Liquidnet will contact the parties to the transaction(s) and communicate the request that the trade be deemed an error and therefore be cancelled;
- (b) The parties to the transaction(s) are under no obligation to agree to cancel the trade cancellation request and accordingly, if the parties do not agree to the trade cancellation, the Participant initiating the request will be informed and the trade(s) will stand; and
- (c) If the parties agree to the trade cancellation, Liquidnet will inform the Participant initiating the request and will facilitate the cancellation of the trade(s).

## 17. Algorithmic Trading

17.1. Participants must ensure that any algorithmic trading carried out in relation to the Liquidnet MTF is controlled and organised in accordance with the requirements of MiFID II, and that the operation of each algorithm is monitored by them to prevent disorderly trading on the MTF and subject to all requirements specified by Liquidnet in respect of conformance testing, checks and resilience.

## 18. Systems Issues Policy

18.1. Technical or other issues may from time to time impact the Liquidnet Europe Fixed Income MTF such that it is unable to correctly receive indications from Participants' order management systems or to match correctly indications that have been received.



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18.2. Where such system issues materially affect the efficiency of or proper functioning of a Liquidnet Europe Fixed Income MTF, Liquidnet will halt matching on the Liquidnet Europe Fixed Income MTF or take such other measures as considered reasonable in the circumstances. In any such case, if Liquidnet is not able to resolve the system issue within a reasonable time (usually within 30 minutes during trading hours), Liquidnet will notify affected Participants of the system issue, including steps being taken by Liquidnet. Liquidnet will notify affected Participants when the system issue is resolved and trading on the Liquidnet system is available.

## 19. Trading Halts

19.1. Liquidnet complies with all trading halts initiated by a Competent Authority or under Applicable Law and can break a trade executed during a trading halt period (for example, as a result of a delay in receipt of a trading halt message). Liquidnet will notify Participants of any trading halts that it specifies in relation to the Liquidnet Europe Fixed Income MTF from time to time.

## 20. Emergency Powers

20.1. Liquidnet may suspend all trading on the Liquidnet Europe Fixed Income MTF or impose conditions on trading on the Liquidnet Europe Fixed Income MTF, which it shall notify to Participants by a Participant Notice, when it considers this necessary to maintain the integrity of the market or the fair and orderly trading on Liquidnet.

## 21. Trade Confirmations

21.1. Liquidnet will send trade confirmations in accordance with applicable legal requirements.

## 22. Monitoring and Compliance

22.1. Compliance with Laws and Regulations

Participants must (and shall procure that their clients, customers and respective traders shall) comply with all legal and regulatory requirements applicable in connection with the Participant's use of the Liquidnet Europe Fixed Income MTF, including the following:

- (a) a Participant must not do or engage in any conduct which is in breach of any rules of any relevant Competent Authority;
- (b) a Participant must not knowingly prearrange a specific trade with an affiliated customer through Liquidnet in violation of Applicable Law;
- (c) a Participant must not engage in any unlawful distribution of securities through the Liquidnet Europe Fixed Income MTF;



- (d) a Participant must comply with Liquidnet's requirements relating to short sales (where relevant);
- (e) a Participant must not engage in any activity that constitutes market manipulation or any form of Market Abuse;
- (f) a Participant must comply with any local laws and rules applicable to holders or acquirers of large positions, including reporting requirements and restrictions on purchase;
- (g) Participants are responsible to comply with any currency control restrictions that are applicable to them when trading in a particular jurisdiction.

22.2. Liquidnet shall, as relevant:

- (a) monitor Participants' use of the Liquidnet Europe Fixed Income MTF for signs of disorderly trading conditions, conduct that may involve Market Abuse and/or manipulation, suspicious trades, and compliance with this Rulebook; and
- (b) co-operate with any Competent Authority on matters related to the functioning of the Liquidnet Europe Fixed Income MTF and report to, and provide full assistance to, Competent Authority in relation to the conduct of Participants on the Liquidnet Europe Fixed Income MTF, including conduct relating to breaches of these Rules, disorderly trading conditions and potential Market Abuse.

## 23. Telephone Recording and Electronic Correspondence

23.1. Liquidnet may record and retain certain telephone conversations and electronic correspondence between Liquidnet and Participants that takes place over the Liquidnet Europe Fixed Income MTF and all Participants are deemed to consent to such recordings and retention. Such recordings will be and shall remain the sole property of Liquidnet.

## 24. Market Conduct

24.1. Liquidnet oversees and regulates all trading conducted on the Liquidnet Europe Fixed Income MTF in order to maintain and promote the integrity of its marketplaces. In accordance with its regulatory obligations, Liquidnet specifically monitors trading activity conducted on its platforms for Market Abuse, disorderly trading conditions, compliance with these Rules and compliance with the Liquidnet Trading Rules.

24.2. Participants are strongly advised to consult Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation). It is also imperative that Participants obtain appropriate legal guidance to ensure compliance with the market abuse regulation in respect of their trading activities, whether on a Liquidnet Europe Fixed Income MTF or through any other investment firm or execution venue.



## 25. Prohibited Practices

25.1. In respect of any business carried out on MTF and in accordance with Applicable Law, Participants shall not (and shall procure that their clients, customers and respective traders shall not) independently or in collusion with others:

- (a) commit any act or engage in any course of conduct which creates, or is likely to create, a false or misleading impression of the market in, or the price, supply, or value of, any security;
- (b) cause or enter into any artificial transaction;
- (c) generate an order, whether through a negotiation or otherwise, displaying a fictitious quantity or price;
- (d) commit any act or engage in any course of conduct which is likely to damage the fairness or integrity of Liquidnet, or which will or is likely to bring Liquidnet or the Liquidnet Europe Fixed Income MTF into disrepute;
- (e) commit any act or engage in any course of conduct which causes, or contributes to, a breach of these Rules or the Liquidnet Trading Rules by another Participant;
- (f) effect one or more pre-arranged transactions designed to give the market a false view of supply, demand or pricing of an instrument, related bond or derivative or index;
- (g) commit any act or engage in any course of conduct which is likely to amount to Market Abuse or any equivalent provisions relating to other jurisdictions applicable to fixed income instruments trading on the Liquidnet Europe Fixed Income MTF and trading platforms; or
- (h) take any action which may falsely indicate an intention to trade.

## 26. Data Protection Law

26.1. Notwithstanding anything to the contrary in the Participation Agreement (or any related documents), with effect from 3 January 2018, when processing personal data provided by Participants in connection with the operation of the Liquidnet Europe Fixed Income MTF or otherwise pursuant to these Rules, Liquidnet shall be a data controller. Liquidnet shall comply with its obligations as a data Controller pursuant to data protection laws applicable to it from time to time, and shall:

- (a) implement appropriate technological and organisational security measures to safeguard personal data provided by Participants;
- (b) notify relevant Participants of any breach of data security affecting the personal data that the Participants have provided within the timescales required by the applicable data protection laws; and





- (c) provide reasonable assistance to Participants in relation to their compliance with applicable data protection laws relating to their use of the Liquidnet Europe Fixed Income MTF.

## 27. Notification and Investigations

27.1. The following are Liquidnet's procedures for notification and investigations in relation to market conduct on the Liquidnet Europe Fixed Income MTF:

- (a) a Participant is required to notify Liquidnet's Surveillance department immediately upon becoming aware of a contravention by itself or any other Participant of these Rules or the Liquidnet Trading Rules by: calling the Surveillance hotline at +44 20 3933 0236, or sending an e-mail to [surveillance-europe@liquidnet.com](mailto:surveillance-europe@liquidnet.com);
- (b) in accordance with Applicable Law, Liquidnet may require the immediate provision by a Participant of information relating to orders, invitations, negotiations and transactions in a format, electronic or otherwise, as reasonably specified by Liquidnet;
- (c) in accordance with Applicable Law, Participants are required to cooperate promptly with Liquidnet during any investigations into trading activity or attempted trading activity on either of the Liquidnet Europe Fixed Income MTF by Liquidnet's Surveillance Department; and
- (d) communication with Participants regarding rule contraventions will be handled through Liquidnet's Surveillance Department.

## 28. Cooperation and Communication with Regulators

28.1. In accordance with Applicable Law, Liquidnet cooperates, by the sharing of information and documents and otherwise, with any Competent Authority including, but not limited to:

- (a) reporting to any relevant Competent Authority any significant breaches of these Rules, including disorderly trading conditions and conduct that may involve Market Abuse;
- (b) supplying information required by any relevant Competent Authority; and
- (c) assisting any relevant Competent Authority in any investigation of market abuse.

28.2. Participants must cooperate with Liquidnet and any relevant Competent Authority in any investigation conducted in relation to trading on the Liquidnet Europe Fixed Income MTF.

28.3. Liquidnet has the power to do all things necessary to comply with Applicable Law or requests of any relevant Competent Authority.



## 29. Consequences and Sanctions

29.1. Liquidnet shall have the discretion to refuse to accept an order, or if an order has been accepted shall have the right to cancel the order or trade, if Liquidnet believes that the order is manipulative, deceptive or fraudulent or that such action is necessary in order to preserve the orderliness and integrity of the market and the Liquidnet Europe Fixed Income MTF.

29.2. Liquidnet shall also have absolute discretion in using any/all of the following sanctions for breaches of these Rules or the Liquidnet Trading Rules: communication to any relevant Competent Authority; verbal warning; formal written warning; temporary suspension; and termination of participation in the Liquidnet Europe Fixed Income MTF. Warnings may be provided by Liquidnet's Compliance and Surveillance staff; other sanctions are subject to approval by Liquidnet's Disciplinary Committee.

## 30. Appeals

30.1. Participants who are concerned that they have been unfairly sanctioned by Liquidnet may appeal in writing to the Managing Director of Liquidnet at the following address:

Liquidnet Europe Limited  
135 Bishopsgate  
London,  
EC2M 3TP

The matter will then be re-examined by the Disciplinary Committee with representation of the Managing Director.

## 31. Amendment of the Rules

31.1. Power to Amend the Rules

Liquidnet may, in its absolute discretion, amend the Rules upon notice to the Participants (as set forth below).

31.2. Procedure for Amendment

Liquidnet will notify any amendments to the Rules to Participants by Participant Notice as soon as practicable together with an effective date for change.

Liquidnet will in its discretion decide whether amendments made in an emergency will be repealed once it is no longer necessary for the amendment to be in force.

