
EXCHANGE NOTICE 1-2018 - Change in the Rulebook and appendices in relation to implementation of new Electronic Trading System (ETS) on Monday 1 October 2018

Announcement date: 14 September 2018
Effective date: 01 October 2018

Reference to Rulebook: Rulebook and appendices 9 and 10, version 4.0

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Summary:

NOREXECO is launching a new Electronic Trading System (ETS), on Monday 1 October 2018.

The system, KB Trading Portal™ (the Portal) is licenced from [KB Tech Ltd, Kent, England](#). KB Tech Ltd also delivers technical operations and hosting services. The system runs on the Microsoft Azure platform and Traders access the ETS by using the GUI over Internet.

The ETS is an Order entry system with a prioritized Orderbook. Trades are created by Aggressing Orders in the Order book. The system has a GUI for Traders, Member Risk management and NOREXECO Market Service (NMS).

The ETS has functions for:

- Two factor authentication and IP range access controls
- Order entry with risk limits
- Aggressing Orders
- Registration of risk limits
- Risk user control over Orders
- Automatic transmission of Trades to the ECC for further risk control and booking
- Negotiated Trade registration
- Request for Quote

Please contact our trading desk for further information, demo, or training: desk@norexeco.com.

Please find new versions of documents on www.norexeco.com/rules.

Below find the changes made (**additions**, ~~deletions~~) in the Rulebook including the appendices.

RULEBOOK

4.3 Responsible Persons, Traders, **Risk users** and Brokers

4.3.3

Only Responsible Persons may nominate Traders and **Risk users**.

Only Responsible Person of a Broker Member may nominate Brokers. For the purpose of these Rules, the term Trader also includes the term Broker where relevant.

Nomination, **amendment or deletion** of Traders and **Risk users** shall be made in writing to NOREXECO. Only named Traders appointed by a Trade Member may trade at NOREXECO. A Trader, **Risk user** or Responsible Person is not validly appointed until approved by NOREXECO.

A Trader must be a person. Computerized Algorithmic Trading is not accepted by NOREXECO.

7.14

NOREXECO shall not disclose the identity of a Trade Member in connection with ~~Matched~~ Trades or in connection with the handling of any Order, unless NOREXECO by a public authority or regulatory body is required to disclose such information.

8.1

Orders may be entered into the ETS system in the following manner:

- (1) A Trader may be given ~~electronic~~ access to the **web based user interface of the the ETS** and **may**
 - a enter Orders directly into ETS pursuant to the procedures set forth in Appendix 4 - Electronic Trading System ETS – Agreement for ETS or
 - b **Aggress the best available Order according to priority in the Orderbook. Aggressing a Sell Order creates a Buy Order on behalf of the Aggressor. Aggressing a Buy Order creates a Sell Order on behalf of the Aggressor. No Order is created until a Trade is confirmed by the ETS.**
- (2) A Trader may during Trading Hours, cf. Appendix 1 – Product Specification and Trading Schedule, call NMS in order to place Orders **or Aggress Orders, ref (1) above**. The NMS shall enter the Orders **and Aggress requested Orders** into ETS on behalf of the Trade Member without undue delay.

8.2

When an Order is registered in ETS or an Order is placed with NMS, the Trader will be required to specify:

- Buy or sell order
- Order type
- Order duration
- Product series/**Instrument**
- Trade volume
- Trade price
- **Period**~~Expiry date~~
- If applicable, the client ID
- Trader ID
- If applicable, identity of the person responsible for the investment decision **if different from Default value**
- Identity of the person responsible for submitting the order (execution decision) **if different from Default value**

- Whether the order, if executed, is risk reducing, i.e. the resulting Trade would constitute a hedge
- In what trading capacity the order is submitted, including whether the order is submitted as part of a Market Making Strategy or any other liquidity provision activity
- Clearing or Trading Account, if other than **the dDefault value**

8.3

The Order is binding until cancelled by the Trader, **a Risk user or the validity time lapses**. Cancellation can only be effectuated before the Order is **Traded Matched**.

8.4

Cancellation of an Order becomes effective when the cancellation is recorded in ETS.

8.5

The Orders in the Orderbook are sorted according to priority. Unless the Order is an All or Nothing Order, priority is given to the Order with the best Order price. Among Orders at the same Order price, will the Order first recorded in ETS be prioritized.

8.6

Only the Order with highest priority may be Aggressed.

Matching will be effectuated as follows:

— If the selling price of the Sales Order is equal to or lower than the highest buy price of a Buy Order in the Order Book, the Sales Order will be Matched against Buy Orders in the Order Book with a buy price equal to or higher than the sales price, with priority given to the Buy Orders first entered into the Order Book, unless the Sales Order is an All or Nothing Order and the Trade Volume available in the Order Book is not sufficient to cover the order.

— Provided the Order is not an All or Nothing Order, if the volume of the Sales Order exceeds the Trade Volume available in the Order Book, the difference will remain registered in the Order Book as a Sales Order.

— If the buying price of a Buy Order is equal to or higher than the lowest price of a Sales Order in the Order Book, the Buy Order shall be Matched against Sales Orders in the Order Book with a sales price equal to or lower than the buy price, with priority given to the Sales Orders first entered into the Order Book, unless the Buy Order is an All or Nothing Order and the Trade Volume available in the Order Book is not sufficient to cover the order.

— Provided the Order is not an All or Nothing Order, if the volume of the Buy Order exceeds the Trade Volume available in the Order Book, the difference will remain registered in the Order Book as a Buy Order.

Closing of Trades follows the procedure set forth in Chapter 11 below.

8.7

A Trade is established only after an Aggressor Trader has

- (a) clicked in the Trade button in the Order panel related to the Aggressed order,**
- (b) the Trade passes the relevant risk controls and**
- (c) the ETS confirms the Trade has been established.**

Closing of Trades follows the procedure set out in Chapter 11 below.

8.8

Aggressing an Order gives no priority or exclusivity to be awarded a Trade based on the aggressed Order. Two or more Traders may be in the process of Trading the Order simultaneously. The one who first click on the Trade button in the Order panel is awarded the Trade. Other Traders may also be awarded a Trade if there is remaining volume in the Aggressed Order.

8.9

Request for Quote is a function in the ETS whereby a Trader broadcasts his trading interest and invite all Traders to reply with firm Orders. A reply Order is an ordinary Order open for the Requestor or anyone else, to Aggress.

9.3

All Orders placed with NMS will be registered in the ETS. ~~All Matched NMS Orders will be published in the ETS.~~

Upon receiving an Order, NMS will first call the Trade Members with the corresponding Order at the best price in the Order book in ETS for the relevant Product, and subsequent to that make calls pursuant to the priority rules set forth in clause 8.65 above.

9.4

All Orders that have been Matched **by NMS**, shall immediately be registered by NMS in the ETS as **Trades Matched**, and subsequently, without undue delay, relevant Trade Members shall be informed about their **participation in the Trade Matched Order**.

Closing of NMS Trades follows the procedure set out in chapter 11 below.

11.1

Trade Members will be notified about their participation in a Trade ~~Matching of their Orders in Listed Products~~ in the ETS.

11.2

Subsequent to the **creation of a Trade Matching of Orders**, all Trades will be given up to the Clearing House, whereupon Clearing will be effected immediately provided none of the affected Clearing Accounts are in HALT status as decided by the Clearing House.

12.1

A Trade Member claiming that an Order leading to a ~~Matched~~ Trade is due to a Trade Error must immediately, and no later than 10 minutes after receiving information about the **Trade Matching** from NOREXECO, alert NMS by telephone, and without undue delay confirm such claim by email to NMS. Upon receipt of a written claim NOREXECO will immediately notify the Counterparty in the relevant Trade about such claim.

A Trade Member who fails to follow such procedures will be deemed to have accepted the Trade on the terms on which it is **created Matched**, unless the Trade Member requests that NOREXECO ask the other Trade Member to accept a cancellation of the Trade, and the other Trade Member is willing to cancel the Trade.

After receiving a claim concerning a Trade Error, NOREXECO will send an e-mail to the Trade Member invoking the error, which includes documentation of the Order, e.g. e-mail communication with the parties to the Trade or, if relevant, a computer file containing phone conversations recorded by NOREXECO. NOREXECO shall present such documentation without undue delay following NOREXECO's receipt of the claim.

12.2

In a case of a claimed Trade Error where the Order has been placed via NMS, the NMS recorded phone conversations and email correspondence relating to the Trade Error shall be deemed a source of correct information. In the event of any inconsistencies between the information in recorded phone calls and the information in the e-mails, the NMS recorded phone calls shall prevail.

If NOREXECO presents documentation which, in the sole opinion of NOREXECO, documents that a Trade Error has not occurred, the ~~Matched Order Trade~~ shall be deemed binding upon the Counterparties, save for in the face of a manifest error, where a Trade Error shall be deemed to have occurred.

12.3

In a case of a claimed Trade Error where the Order has been placed directly in the ETS, **either as an Order entry or as a result of Aggressing a Passive Order, ref clause 8.1**, a Trade Error shall only be deemed to have occurred in the face of manifest error.

12.4

NOREXECO shall without undue delay inform the other affected Trade Member that the ~~Trade Matched Order~~ has been cancelled or is deemed binding.

13.2

NOREXECO shall in relation to clause 13.1 exercise such discretion if, in NOREXECO's view, there are present circumstances:

- Affecting a number of Trade Members; or
- Making it unfair to continue Trading; or
- Affecting Trading such that Trading cannot take place in a proper manner; or
- Causing technical problems during Trading Hours.

During suspension of the Trading, no ~~trading Matching~~ will take place in ~~Listed Products~~. Orders in ~~Listed Products~~ which have been registered but have not yet been subject to **Aggression Matching** at the time of the suspension, will remain registered in ETS, and will be **available for Aggression** ~~subject to Matching~~ when the suspension is lifted. NOREXECO will inform the Trade Member about when trading will commence by posting information to such effect at www.norexeco.com.

21.4.1

If a Force Majeure Event prevents a Trade Member from performing his obligations according to this NOREXECO Rulebook for trading, the time for performance of such obligation shall be suspended for as long as the Force Majeure Event persists, subject to Section 21.4.2 below. As long as the Force Majeure Event persist, no breach of the provisions in the NOREXECO Rulebook shall be deemed to have taken place and sanctions under the regulations of Chapter 19 shall not be incurred, and no suspension can be incurred towards the Trade Member in accordance with Chapter 13.



If the Force Majeure Event prevents the Trade member from cancelling orders and one or more such orders **have become part of** ~~are matched into~~ a Trade, such Trades are valid trades for the risk and account of the Trade Member. NOREXECO may however, during the same Trading Day and provided counterparties to such Trades agrees, cancel or amend such Trade if NOREXECO deems the Trade would not have taken place if the Force Majeure Event would not have occurred.

Appendix 9 - Trade Membership agreement

On page 1:

Legal Entity Identifier Number (LEI code)

4.

The Member confirms that it has a suitable organization with relevant experience in derivatives trading, adequate risk management routines and payment capabilities to participate in the markets organized by NOREXECO. **The Member will be deemed to be compliant with this clause to the extent it complies with the requirements of the Rulebook.**

7.

The Member shall promptly notify NOREXECO in case of ~~any~~ **material** breach of representations.

12.

In accordance with applicable law, NOREXECO will automatically record and store telephone and electronic conversations made in relation to Trading at NOREXECO in order to secure evidence of Orders and Trades at NOREXECO. **NOREXECO is aware that a Member may record and store telephone and electronic conversations with NOREXECO staff.**

13.

NOREXECO hereby authorizes the Member, and ~~The Trade~~ Member hereby authorizes NOREXECO to record such ~~telephone~~ conversations, and keep such recordings, **emails or messages** in its custody in accordance with applicable data protection legislation as from time to time in force. **The Parties shall each** ~~NOREXECO~~ ensure the confidentiality of the ~~stored~~ conversations **stored on their side**, and shall not use the conversations in any other way than as evidence.

Attachment I is changed to cater for ADD, AMEND and DELETE

- Responsible person
- Trader
- Risk user
- Read-only user

~~Attachment II: Amendments to Attachment I - Responsible Person and/or Trader(s)~~

~~Attachment III: Read-only and Report access~~

~~Attachment IV: A signed Non-Clearing membership agreement, ECC form NCM02~~

Appendix 10: Definitions and abbreviations

Aggress/Aggressor	To click on an Order available for Trading in the Orderbook. The Trader that click the Passive Order is called the Aggressor.
All or Nothing Order	An Order that may only be Traded Matched for the whole Trade Volume specified.
Ask/Ask price	The price that a Trader want to receive for a sale of the contract. Also known as the offer price, i.e. the Trader offer the contract for that price.
Bid/Bid price	The price a Trader wants to give to buy the contract.
Combination Orders	An Order that involves simultaneous creation Matching of Trades in two or more Instruments/Products. A Combination Order is either Strip of Instruments/Products or Spread between Instruments/Products orders.
Default value	A Trade member may inform NOREXECO about default values for required MiFID II fields for order record keeping and trade reporting purposes. If no additional information is entered on an Order, the Default values will be attached to the Order.
Hit and lift system	A trading system that requires manual action on the ETS screen to create a Trade. I.e. there is no automatic matching of Orders in the Orderbook.
Instrument	A specific financial contract determined by the underlying value and the timespan of the Instrument. Examples: BHKP Jan-19, NBSK Cal-20.
Initiate/Initiator	A Trader that enter an Order into the Orderbook. The Order is placed into the Orderbook according to the priority rules. The Initiator is the Trader that placed the Order in the Orderbook.
Matched Order	A Buy/Sell Order which has been subject to manual Matching by NMS with a Sales/Buy Order whereby a Contract/Trade is established
Matching/Matched	Matching corresponding Buy and Sales Orders in the ETS or at by NOREXECO Market Services - NMS.
Order panel	The panel in the ETS that is used for entering Orders and complete the Aggression of an Order.

Passive Order	An Order in the Orderbook available to Aggress.
Request for Quote	A request for a Bid or an Offer published in the ETS.
Requestor	A Trader that publish a Request for Quote in the ETS
Risk user	A user role in the ETS. The Risk user may set various risk limits that has effect within the control span, accounts, the Risk user has been assigned to.
Strip order	A Order that contains a strip of Instruments/Products that are bundled (MiFID II term: packaged orders) and can only be Traded as a package.
Trade Error	Any error/incorrect insertion of the Order placed by a Trade Member and the terms on which such Order is TradedMatched.