

**AQUIS STOCK EXCHANGE (AQSE)  
DISORDERLY TRADING CONDITIONS  
POLICIES AND ARRANGEMENTS**

**March 2020**

Aquis Stock Exchange has in place systems, procedures and arrangements to mitigate and manage against disorderly trading conditions that may be attributed to algorithmic trading.

In accordance with Commission Delegated Regulation (EU) 2017/584 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues (RTS 7) the attached table sets out the systems, procedures and arrangements of Aquis Stock Exchange in respect of:

- its mechanisms to identify and manage volatility;
- pre- and post-trade controls used by Aquis Stock Exchange and pre- and post-trade controls necessary for its members to access the market;
- members' obligation to operate their own kill functionality;
- information requirements for members;
- suspension of access;
- cancellation policy in relation to orders and transactions; and
- throttling arrangements.

## **Aquis Stock Exchange**

<b>RTS 7, Article 18 Requirement</b>	<b>Polices and Arrangements</b>
<p>Mechanisms to manage volatility, including mechanisms to halt or constrain trading that are operational at all times during trading hours</p>	<p>Aquis Stock Exchange conducts real-time trade surveillance designed to detect potential causes or indicators of disorderly market conditions, such as price volatility, unusual volumes and market maker failures. The Market Supervision department can manually halt or constrain trading at any time during trading hours.</p> <p>The parameters which prompt Market Supervision to implement a trading halt or constrain trading are available in the AQSE Circuit Breaker Parameters available on the AQSE website.</p>
<p>Pre- and post-trade controls used and necessary for members to access the market</p>	<p><b>Rule 2.9</b> of the <b>Aquis Stock Exchange Trading Rules</b> requires members to have sufficient management systems, procedures and controls designed to prevent the submission of erroneous quotes or trade reports to Aquis Stock Exchange and avoid contributing to or creating disorderly trading conditions, including but not limited to:</p> <ul style="list-style-type: none"> <li>• adequate pre-trade controls on price, volume and value of quotes and usage of the Aquis Stock Exchange trading system and post-trade controls on the member's trading activities;</li> <li>• sufficiently qualified staff in key positions;</li> <li>• technical and functional conformance testing;</li> <li>• policy for the use of kill functionality; and</li> <li>• provisions as to whether clients of the member have direct electronic access to the Aquis Stock Exchange trading system, and if so, appropriate conditions in respect of such access.</li> </ul> <p>Aquis Stock Exchange requires members to complete, and update annually, a membership questionnaire covering, among other things, the member's pre-trade risk controls, monitoring and automated trading management.</p> <p>Aquis Stock Exchange also conducts real-time trade surveillance designed to detect potential causes or indicators of disorderly market conditions, such as price volatility, unusual volumes and market maker failures.</p>

<p>Members' obligation to operate their own kill functionality</p>	<p><b>Rule 2.9</b> of the <b>Aquis Stock Exchange Trading Rules</b> requires members to have sufficient management systems, procedures and controls designed to prevent the submission of erroneous quotes or trade reports to Aquis Stock Exchange and avoid contributing to or creating disorderly trading conditions, including a policy for the use of their own kill functionality.</p>
<p>Information requirements for members</p>	<p><b>Rule 2.9</b> of the <b>Aquis Stock Exchange Trading Rules</b> requires members to have sufficient management systems, procedures and controls designed to prevent the submission of erroneous quotes or trade reports to Aquis Stock Exchange and avoid contributing to or creating disorderly trading conditions.</p> <p>In order for Aquis Stock Exchange to assess the adequacy of its arrangements, a member will need to evidence the provision of adequate controls, systems, alerts and testing which may include some or all of the following:</p> <ul style="list-style-type: none"> <li>• adequate pre-trade controls on price, volume and value of orders and usage of the Aquis Stock Exchange trading system;</li> <li>• the member's controls to ensure that any alerts generated are responded to promptly and appropriately;</li> <li>• technical and functional conformance testing;</li> <li>• the ability of those dealing with quote entry or trade reporting to override an alert;</li> <li>• policy on the use of kill functionality;</li> <li>• the training, education and guidance provided by the member to its employees dealing with the submission of quotes or trade reports;</li> <li>• the access controls over quote entry or trade reporting applied by the member;</li> <li>• where applicable, certification that any algorithms deployed by the member have been tested to avoid contribution to or creating disorderly trading conditions prior to their deployment or substantial update; and</li> <li>• provisions on whether direct electronic access is given to its clients, and if so, the due diligence undertaken and conditions applicable to those clients.</li> </ul> <p>Aquis Stock Exchange also requires members to complete, and update annually, a membership questionnaire covering, among other things, the member's pre-trade risk controls, monitoring and automated trading management.</p>

<p>Suspension of access</p>	<p><b>Rules 2.21 and 2.22</b> of the <b>Aquis Stock Exchange Trading Rules</b> provide that, in the event that a member no longer complies with any requirement of membership, is no longer fit and proper to retain its membership, or may impair the integrity of the market, Aquis Stock Exchange may:</p> <ul style="list-style-type: none"> <li>• suspend or withdraw the membership of the member concerned; or</li> <li>• suspend particular user accounts of the member.</li> </ul>
<p>Cancellation policy in relation to orders and transactions, including:</p> <ul style="list-style-type: none"> <li>• Timing</li> <li>• Procedures</li> <li>• Reporting and transparency obligations</li> <li>• Dispute resolution procedures</li> <li>• Measures to minimise erroneous trades</li> </ul>	<p><b>Rules 4.25 to 4.27</b> of the <b>Aquis Stock Exchange Trading Rules</b> provide that if a member becomes aware of a trade report submitted in error, or of an inaccuracy contained in a reportable field of any trade report, it must immediately submit a cancellation to Aquis Stock Exchange which shall contain all the original trade report details including the original Trade ID and, where correcting an error in the original trade report, submit a new trade report (which must contain the corrected trade details, the original Trade ID and advising it is an amended trade report). In particular, the member must submit either a cancellation or an amended trade report containing the correct information, and must take such other action as Aquis Stock Exchange may reasonably require in remedying any such errors.</p> <p>If a correction is to be made more than three days after submission of the original trade report the member must contact the Aquis Stock Exchange Regulation Department to arrange for correction of the trade report.</p> <p>A member must not submit a correction for the sole purpose of re-reporting a trade in order to obtain or extend any delay in publication.</p> <p>Where a correction to a trade report is submitted more than three trading days after publication of the trade report, Aquis Stock Exchange will publish a flag indicating that the correction was made more than three days after publication of the original trade report.</p> <p><b>Rule 5.27</b> of the <b>Aquis Stock Exchange Trading Rules</b> provides that Aquis Stock Exchange may also cancel trades where Aquis Stock Exchange deems it necessary to preserve the orderliness of the market or market integrity.</p>

Throttling arrangements, including:

- Number of orders per second on pre-defined time intervals
- Equal-treatment policy among members unless the throttle is directed to individual members
- Measures to be adopted following a throttling event

Aquis Stock Exchange throttles incoming messages from members at a default rate of 30 messages per second.

Throttle limits are defined by Aquis Stock Exchange and take into account factors such as market maker obligations and reasonably expected incoming message rates.

If a member breaches their limit they will receive a business level reject with the text 'Throttle limit exceeded' for every message sent in over the limit until the next second is reached and the counter reset.