

Bloomberg Trading Facility B.V.
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April [23], 2021

Sent By E-mail

Attn: Secretary of Ontario Securities Commission

Ontario Securities Commission
20 Queen Street West, 19th Floor
Toronto, Ontario M5H 3S8

Re: Bloomberg Trading Facility B.V. – Application for Exemption from Recognition as an Exchange

Dear Sirs and Mesdames:

Bloomberg Trading Facility B.V. (the “**Applicant**”) is requesting a subsequent order for the following relief (collectively, the “**Requested Relief**”) in relation to its operation of a multilateral trading facility (an “**MTF**”) in the province of Ontario:

- (a) exempting the Applicant from the requirement to be recognised as an exchange under subsection 21(1) of the Act pursuant to section 147 of the *Securities Act* (Ontario) (the “**Act**”); and
- (b) exempting the Applicant from the requirements in National Instrument 21-101 *Marketplace Operation* (“**NI 21-101**”) pursuant to section 15.1(1) of NI 21-101, the requirements of National Instrument 23-101 *Trading Rules* (“**NI 23-101**”) pursuant to section 12.1 of NI 23-101 and National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (“**NI 23-103**”) pursuant to section 10 of NI 23-103.

The Applicant is currently permitted to operate its MTF in Ontario under a restated interim exemption order dated December 18, 2020 (the “**Restated Interim Order**”) that revoked and restated the interim exemption order granted to the Applicant’s affiliate, Bloomberg Trading Facility Limited (“**BTFL**”) on December 22, 2017.

This application is divided into the following Parts I to V. Part III describes how the Applicant satisfies the criteria for exemption of a foreign exchange that permits Ontario Users, as defined herein, to trade the financial instruments listed in Part 2 of Annex A (“**MTF Instruments**”) from recognition as an exchange set by staff of the Ontario Securities Commission (the “**Commission**”).

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PART I INTRODUCTION

1. Description of the Applicant's Services

- 1.1 The Applicant is the operator of an MTF, known as **BTFE**, that is regulated and authorised by the Netherlands Authority for the Financial Markets (*Autoriteit*

Financiële Markten) (the “**AFM**” or “**Foreign Regulator**”) to allow trading of the instruments set forth on Annex B. BTFE provides the following trading protocols to Ontario Users (as defined herein): (i) a request for quote (“**RFQ**”) function that allows participants to send an RFQ to other participants; and (ii) a request for trade (“**RFT**”) function that allows a participant to send an order to another participant. A full description of these trading protocols is attached as Annex C. These trading protocols can be used by participants to trade financial instruments in a way that results in a contract. Following execution of a trade, the Applicant provides each participant or its agent that is involved in a trade with a written record of the trade (a “**Confirmation**”). Such Confirmation is conclusive evidence of the counterparties’ entry into a valid, legally binding contract. Currently, participants may use BTFE’s RFQ and RFT trading protocols to execute transactions.

- 1.2 The Applicant is authorised by the AFM to offer BTFE for execution of transactions in all instruments listed on Annex B. Additional products may be made available for trading on BTFE by the Applicant in the future, subject to obtaining required regulatory approvals.
- 1.3 The Applicant currently makes BTFE available to participants located in Ontario, including participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant’s Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders’ physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (“**Ontario Users**”) for trading swaps, as defined in section 1a(47) of the United States Commodity Exchange Act (but without regard to any exclusions from the definition), as amended from time to time (the “**CEA**”), and fixed income securities pursuant to the Restated Interim Order. The Applicant seeks the Requested Relief to include the instruments listed in Part 2 of Annex A following the termination of the Restated Interim Order on June 30, 2021. None of the instruments listed in Annex A are commodity futures contracts as defined in the *Commodity Futures Act* (Ontario), and the Applicant is not considered to be carrying on business as a commodity futures exchange in Ontario.
- 1.4 The Applicant offers direct access to trading on BTFE to Ontario Users that satisfy criteria for a “professional investor,” as defined in article 1:1 of the Netherlands *Financial Supervision Act (Wet op het financieel toezicht, “Wft”)* (“**Professional Investor**”), the criteria specified in a Canada User Acknowledgment, and as further described in Part III below. The Wft definition of a Professional Investor is set forth in Annex D. The Applicant does not offer access to retail clients.
- 1.5 The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described herein.

PART II BACKGROUND OF THE APPLICANT

1. Ownership of the Applicant

- 1.1 The Applicant is a private limited company incorporated under the laws of the Netherlands, and a wholly owned direct and indirect subsidiary of Bloomberg L.P., a Delaware limited partnership (“**BLP**”).

2. Products Traded on BTFE

- 2.1 As of the date of this application, the Applicant provides access to traders other than Ontario Users with transaction execution services for all instruments listed on Annex B and provides Ontario Users with transaction execution services for all instruments listed in Part 1 of Annex A in accordance with the Restated Interim Order.
- 2.2 The Applicant will also provide transaction execution services for debt securities issued by (i) an issuer incorporated, formed or created under the laws of Canada or a jurisdiction of Canada, or (ii) the Government of Canada or the government of a jurisdiction of Canada (“**Canadian Debt Securities**”), including:
- (a) debt securities issued or guaranteed by the Government of Canada or the government of a jurisdiction of Canada (including agencies or instrumentalities thereof);
 - (b) debt securities issued or guaranteed by a municipal corporation in Canada;
 - (c) debt securities issued or guaranteed by Canadian corporate or other non-governmental issuers; and
 - (d) asset-backed securities (including mortgage backed securities) and collateralized mortgage obligations issued or guaranteed by a Canadian issuer, denominated in the Canadian dollar.
- 2.3 The Applicant will provide transaction execution services for Canadian Debt Securities pursuant to a marketplace conduit arrangement with its Canadian alternative trading system (“**ATS**”) affiliate, Bloomberg Tradebook Canada Company (“**Tradebook Canada**”), which will provide access to BTFE. Under the arrangement, Ontario Users that are participants of Tradebook Canada may execute transactions in Canadian Debt Securities on BTFE.
- 2.4 Concurrent with this application, Tradebook Canada has submitted a Form 21-101F2 *Initial Operation Report Alternative Trading System* with the Commission to become a registered ATS in Ontario.

3. Participants

- 3.1 Participants include a wide range of sophisticated customers, including commercial and investment banks, corporations, pension funds, money managers, proprietary trading firms, hedge funds and other institutional customers. Each participant of the Applicant that wishes to trade on BTFE must qualify as a Professional Investor and satisfy any other eligibility criteria that the Applicant may set from time to time, in accordance with the BTFE Rulebook (see Rule 202 (Eligibility)) and a Canada (Ontario) User Acknowledgment, including as discussed in paragraph PART III4.1.4, that the Ontario User is appropriately registered under Ontario securities laws, exempt from registration or not subject to registration requirements.¹ The Wft definition of a Professional Investor is provided in Annex D. Participant criteria are described in more detail in Part III, Section 4 below.

PART III APPLICATION OF EXEMPTION CRITERIA TO THE APPLICANT

The following is a discussion of how the Applicant, as a foreign exchange that allows participants to trade the MTF Instruments, meets the Commission's criteria for exemption from recognition as an exchange.

1. Regulation of the Exchange – The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (“Foreign Regulator”).

- 1.1 BTFE is an MTF, as defined in the European Markets in Financial Instruments Regulation 600/2014 and Directive 2014/65/EU (collectively, “**MiFID**”) and the relevant rules and regulations of the AFM.

- 1.1.1 An MTF is a type of trading venue specified by MiFID, which defines an MTF as “*a multilateral system... which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract.*”

- 1.1.2 On January 15, 2019, the AFM authorised the Applicant to act as the operator of an MTF in the Netherlands and has commenced supervising the Applicant on an ongoing, active basis. Financial instruments for which the Applicant is authorised by the AFM are set forth on Annex B.²

- 1.2 MTF operators that are authorised by the AFM must comply with the Wft, the Markets in Financial Instruments Directive 2014/65/EU of the European Parliament and of the Council (“**MiFID II**”), which was implemented on January 3, 2018,

¹ The BTFE Rulebook is available online at: <https://data.bloomberglp.com/professional/sites/10/BTFE-Rulebook.pdf>.

² For further details regarding the Applicant's regulatory status and exercise of its passporting rights, please refer to “EU-passport (outgoing)” at the Applicant's entry in the AFM's register investment firms at: <https://www.afm.nl/en/professionals/registers/vergunningenregisters/beleggingsondernemeningen/details?id=780FC43F-CC59-E811-80DA-005056BB0C82>.

Regulation (EU) 600/2014 of the European Parliament and of the Council (“**MiFIR**”), the rules pertaining to this legislation and the applicable guidance from the AFM and De Nederlandsche Bank (the Dutch Central Bank, “**DNB**”) (the “**Applicable Rules**”), particularly those in:

- a. Chapter 1 of the Wft, which sets out the powers of investigation and enforcement of the AFM and DNB;
- b. Chapter 2 of the Wft and the Decree on Market Access, which set out the authorization requirements for investment firms operating an MTF;
- c. Chapter 3 of the Wft and the Decree on Prudential Supervision, which set out the prudential requirements imposed on MTF Operators and implement part of the 4th EU Capital Requirements Directive;
- d. Chapter 4 of the Wft and the Decree on Conduct of Business Supervision, which set out the conduct of business requirements imposed on MTF Operators and implement MiFID II requirements related to the conduct of business; and
- e. Chapter 5 of the Wft, which implements part of MiFID II as it relates to MTFs.

1.3 **Authority of the Foreign Regulator – The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.**

1.3.1 The Applicant is subject to regulatory supervision by the AFM in conducting its activities for which it is permitted as set out in Section 1.1.2 above. In undertaking those activities, the Applicant is required to comply with the Applicable Rules, which include, among other things, rules on (i) the conduct of business (including rules regarding client categorization, communication with clients and other investor protections and client agreements) (ii) market conduct (including rules applicable to firms operating an MTF) and (iii) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest).

1.3.2 The AFM requires the Applicant to comply at all times with a set of threshold conditions for authorization and ongoing requirements, including requirements that the Applicant has sound business and controlled business operations and that it has appropriate resources for the activities it carries on. Breach of a threshold condition could lead to enforcement action or the Applicant’s authorization being revoked by the AFM.

1.3.3 In addition to complying with detailed AFM rules and guidance governing the organization and conduct of the Applicant’s business, the Applicant is required to act in accordance with Section 4:90 of the Wft, which requires the Applicant to act honestly, fairly and professionally and refrain from actions that are detrimental to the integrity of the market. Additionally, pursuant to Section 4:14(2)(a) of the Wft,

in conjunction with Article 29a(2) of the Decree on Conduct of Business Supervision (*Besluit Gedragstoezicht Financiële ondernemingen Wft*) and Article 15(5) of MiFID II, the Applicant must establish adequate risk management policies and procedures and adopt effective arrangements to manage the risks relating to its activities, processes and systems.

- 1.3.4 The Applicant is subject to prudential regulation, including minimum regulatory capital requirements, and is capitalized in excess of regulatory requirements.

2. Governance

2.1 Governance – The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of the Exchange,

The Boards of Directors

- 2.1.1 The Applicable Rules place considerable emphasis on the role and responsibilities of the Applicant's Boards. As is typical under Dutch law, the Applicant's Board is bifurcated into a Management Board and a Supervisory Board. The Applicant's Management Board (comprising the Applicant's Chief Executive Officer, Deputy Chief Executive Officer and Chief Operating Officer) is responsible for the day-to-day management of the Applicant. The Management Board members are guided by the interests of the Applicant and the business that the Applicant is pursuing.

- 2.1.2 The Supervisory Board has responsibility for supervising the activities of the Management Board and the general course of affairs of the Applicant and its business. Supervisory Board oversight extends to approving certain significant expenditures and agreements, as well as financial statements and reports. The Supervisory Board periodically evaluates the effectiveness of the Applicant's governance arrangements, including its own functioning, the functioning of the Management Board, the functioning of the individual Management and Supervisory Board members, and will take steps to address any deficiencies. The Supervisory Board is provided with relevant updates and information and discusses key initiatives and strategy. The Supervisory Board members are guided by the interests of the Applicant and the business that the Applicant is pursuing.

Suitability and Integrity Screening

- 2.1.3 Members of the Management Board and Supervisory Board must be screened for suitability and integrity by the AFM before being appointed and/or commencing their tasks as day-to-day policymakers or as Supervisory Board member (as applicable). Each of the Applicant's Board members successfully underwent this screening process. The Applicant must notify the AFM of material changes with regard to Management Board members and Supervisory Board members.

- 2.1.4 The Management Board members and Supervisory Board members, are required to take an oath/solemn affirmation ('financial oath') within three months after the start of their employment for the Applicant.

Compliance Function

- 2.1.5 The Applicant is required to maintain a permanent and effective compliance function, which is headed by the Applicant's compliance officer ("**Compliance Officer**").
- 2.1.6 The Applicant's Compliance Department is responsible for implementing and maintaining adequate policies and procedures designed to ensure that the Applicant, its officers and its employees comply with their obligations under the Applicable Rules. The Applicant's Compliance Department is responsible for training employees on relevant compliance matters.
- 2.1.7 The Applicant's Compliance Department is also responsible for identifying steps which the Applicant must take to comply with AFM rules, including ensuring that all required notifications are made to the AFM, and for maintaining a breaches register that records any breaches of Applicable Rules.

Board Composition and Qualifications

- 2.1.8 The Applicant's Management Board consists of three directors (comprising the Applicant's Chief Executive Officer, Deputy Chief Executive Officer and Chief Operating Officer) and the Applicant's Supervisory Board consists of two directors. The Applicant's Management Board directors are Nicholas Bean, James Phelps and Mark van Vugt, and the Applicant's Supervisory Board directors are Peter Grauer and Ben Macdonald. None of the Applicant's directors would be considered "independent" directors under the tests in National Instrument 52-110 *Audit Committees*.
- 2.1.9 As part of its authorization process, the Applicant was required to provide details of its governance arrangements to the AFM for the AFM to ensure that these arrangements met the regulatory threshold conditions for authorization, including the requirement that the Management Board and Supervisory Board members satisfy the suitability and integrity requirements under Netherlands regulatory law. Factors to which the AFM may have regard when assessing whether the Management Board and Supervisory Board are suitable for their position include whether such boards of the firm is made up of individuals with an appropriate range of skills, knowledge and experience to understand, operate and manage the firm's regulated activities. The English translation of the Suitability Policy Rule 2012 (which was slightly amended in 2020, of which no English version is available) can be found at <https://www.dnb.nl/media/11cl2gga/policy-rule-on-fitness-2012.pdf>.

- 2.1.10 Pursuant to the Applicant’s Articles of Association, and in accordance with Dutch corporate law, the Applicant’s shareholders may convene a general meeting to make shareholder decisions (the “**General Meeting**”), including the appointment of directors to, and the suspension or removal of directors from, the Management Board and the Supervisory Board. Directors of the Management Board and the Supervisory Board may also voluntarily resign from office as a director.
- 2.1.11 A resolution of the shareholders at a General Meeting may be passed (i) by a simple majority of the votes cast by shareholders who voted in respect of the resolution, provided that all of the formalities for convening the meeting have been satisfied, or (ii) in writing signed by all of the shareholders entitled to vote on the resolution, provided that all of the shareholders consent to this manner of decision-making. The directors of the Management Board and the Supervisory Board must have been afforded the opportunity to give their advice before any decision is made by shareholders at the General Meeting.
- 2.1.12 The Supervisory Board may also suspend directors from the Management Board by resolution taken inside or outside a meeting. A resolution of the Supervisory Board may be passed (i) at a meeting by a simple majority of the directors of the Supervisory Board, or (ii) in writing signed by all of the directors of the Supervisory Board, provided that all of the directors of the Supervisory Board are familiar with the resolution to be passed and consent to this manner of decision-making.

The Boards’ Role and Risk Oversight

- 2.1.13 The Applicant’s Management Board (comprising the Applicant’s Chief Executive Officer, Deputy Chief Executive Officer and Chief Operating Officer) is responsible for the day-to-day management of the Applicant. The Management Board members are guided by the interests of the Applicant and the business that the Applicant is pursuing.
- 2.1.14 The Supervisory Board has responsibility for supervising the activities of the Management Board and the general course of affairs of the Applicant and its business. Supervisory Board oversight extends to approving certain significant expenditures and agreements, as well as financial statements and reports. The Supervisory Board periodically evaluates the effectiveness of the Applicant’s governance arrangements, including its own functioning, the functioning of the Management Board, the functioning of the individual Management and Supervisory Board members, and takes steps to address any deficiencies. The Supervisory Board is provided with relevant updates and information and discusses key initiatives and strategy. The Supervisory Board members are guided by the interests of the Applicant and the business that the Applicant is pursuing.

Board Committees

- 2.1.15 The Applicant's Management Board has delegated certain responsibilities and duties to the Applicant's Risk Committee. The Risk Committee is subject to the authority of the Management Board, and the Management Board retains the authority to overrule the decisions of the Risk Committee.
- 2.1.16 The Risk Committee, which is chaired by the Applicant's Risk Officer, oversees the Applicant's risk exposure and risk strategy and advises the Applicant's Management Board and Supervisory Board on the Applicant's overall risk management. The Risk Committee is composed of personnel from Risk, Engineering and Compliance. The members of the Risk Committee work with the Applicant's personnel to identify and analyse the risks relevant to the Applicant.
- 2.1.17 The Board may from time to time constitute and appoint additional committees as it may deem necessary or advisable.

(b) that business and regulatory decisions are in keeping with its public interest mandate,

- 2.1.18 The Applicant is committed to ensuring the integrity of BTFE and the stability of the financial system, and that its business and regulatory decisions align with its public interest mandate. The rules, policies and activities of the Applicant incorporate the Applicable Rules, which are designed to ensure best practices and fulfill this public interest mandate. Also, the Applicant has adopted rules and surveillance systems which are designed to ensure that trading by participants is conducted in a manner consistent with applicable law to avoid manipulation and disorderly trading conditions. As described above, the Applicant's Management Board and Supervisory Board consist of highly qualified individuals whose responsibilities are to oversee the Applicant and its compliance with its rules, policies and procedures, which are designed to ensure the Applicant continues to operate in a manner that fulfills this public interest mandate.

(c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:

- (i) **appropriate representation of independent directors, and**
- (ii) **a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,**
- 2.1.19 The Applicant considers several factors in determining the composition of the Management and Supervisory Boards, including whether directors, both individually and collectively, possess the required integrity, experience, judgment, commitment, skills and expertise to exercise their obligations of oversight and guidance over an MTF. The Applicant's directors have broad experience in various

industries and some serve or have served as directors of various affiliates, public companies and non-profit companies.

(d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and

2.1.20 The Applicant, through its conflict of interest rules, policies and procedures, has established a robust set of safeguards designed to identify, prevent, manage and monitor actual and potential conflicts of interest, which apply to the Applicant's Management and Supervisory Boards, officers and employees.

2.1.21 The Applicant's Risk Committee is responsible for management of actual and potential conflicts of interest that may arise, including conflicts of interest between: (1) the Applicant, Management Board and Supervisory Board members, personnel and any person directly or indirectly linked to them by control, and a participant; and (2) different participants.

2.1.22 The Applicant's Compliance Department is responsible for keeping and regularly updating a record of the kinds of service or activity carried out by or on behalf of the Applicant in which a conflict of interest entailing a material risk of damage to the interests of one or more participants has arisen, or, in the case of an ongoing service or activity, may arise. It is the responsibility of the business to identify real and potential conflicts and to notify the Compliance Officer so that any conflicts are recorded. Any identified conflicts are also reviewed by the Supervisory Board on an annual basis.

2.1.23 The Applicant's senior management is responsible for notifying the Applicant's Compliance Officer in a timely manner of any proposed changes or new developments in the services and activities of the Applicant to enable the Applicant's Compliance Officer to determine whether any conflicts may arise and/or whether any disclosure to participants is required.

(e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.1.24 *Qualifications:* See the preceding paragraphs of Section 2 above for information on the Applicant's Management Board and Supervisory Board members' qualifications. Members of the Applicant's management team are recruited for their particular position based upon their skills and expertise. Their individual goals and performance are regularly assessed by their direct manager as part of the Applicant's performance management process.

2.1.25 *Remuneration:* The Applicant's remuneration system aims to incentivize high-level performance and promote sound risk management. To that effect, the Applicant has

a remuneration policy that complies with the Dutch law's strict requirements on remuneration. The Applicant's Management Board approves the Applicant's remuneration policy and amendments thereto, after consulting with the Applicant's Supervisory Board and taking advice from the Applicant's Compliance Department.

2.1.26 *Limitation of liability*: Pursuant to the BTFE Rulebook, the liability of the Applicant, its directors, officers and employees to any person in connection with the Applicant's operation of BTFE is limited to the fullest extent permitted under applicable law.

2.1.27 *Indemnity*: Under Bloomberg Group arrangements, each director and officer is entitled to indemnification for costs incurred as a result of his or her involvement in any formal or informal proceeding by reason of such director's or officer's role, so long as such director or officer acted in good faith and his or her conduct did not constitute actual fraud, gross negligence, or willful or wanton misconduct.

2.2 **Fitness – The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.**

2.2.1 Members of the Management Board and Supervisory Board are approved by the AFM, as further described in Section 2.1 above. The AFM grants such approval only if it is satisfied that the candidate is fit to perform his or her responsibilities. Responsibility lies with the Applicant to satisfy itself and the AFM that the relevant individual is fit to perform the role applied for. Also, see the description of Board composition and information on the Applicant's director qualifications above. As described in Section 2.1 above, AFM-approved persons are directly subject to obligations under the AFM's regulatory regime and must swear a financial oath/affirmation.

3. Regulation of Products

3.1 **Review and Approval of Products – The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.**

3.1.1 As an MTF operator, the Applicant requires specific permission from the AFM to offer BTFE in respect of each type of financial instrument traded on BTFE. AFM permission is granted either through an initial authorization process or through a subsequent "variation of permission" process.

- 3.1.2 As part of its initial authorization, the AFM granted permission on January 15, 2019 for the Applicant to offer BTFE in respect of interest rate swaps and credit default swaps, bonds, securities financing transactions (including repurchase agreements and buy sell and sell buy back transactions) (“SFTs”), exchange traded funds (“ETFs”), over-the-counter (“OTC”) equity options, FX derivatives (non-deliverable forwards and options) and FX forwards and swaps settled by physical delivery).
- 3.1.3 The Applicant is therefore currently authorised by the AFM to offer BTFE in relation to all instruments listed on Annex B. To the extent that the Applicant wishes to make available for trading additional classes of financial instruments on BTFE, it would require prior AFM approval via a “variation of permission” process.
- 3.2 **Product Specifications – The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.**
- 3.2.1 As part of the Applicant’s MTF authorization from the AFM, the Applicant identified to the AFM the types of instruments that it intended to make available for trading. The AFM has authorised the Applicant to provide BTFE for all types of instruments listed on Annex B. The BTFE Rulebook designates the instruments which the Applicant’s participants may trade. Any changes to the BTFE Rulebook must be reviewed and approved by the Applicant’s Management Board.
- 3.2.2 The AFM’s requirements for authorization of MTF operators do not make reference to usual commercial customs and practices. Instead, the AFM rules (which reflect requirements under MiFID) focus on maintaining and implementing transparent and non-discriminatory rules, based on objective criteria. The BTFE Rulebook is drafted in accordance with these criteria, which aims to give participants a clear understanding of the lifecycle of a trade. It is the Applicant’s experience that the terms and conditions of the instruments that trade on BTFE are generally accepted and understood by participants.
- 3.2.3 In accordance with MiFID II, BTFE is required to provide the AFM with reference data for all financial instruments that are admitted to trading or that are traded each trading day. The AFM is then required to transmit this reference data to ESMA each day.
- 3.3 **Risks Associated with Trading Products – The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange that may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.**
- 3.3.1 The Applicant’s Compliance Department is responsible for ensuring that surveillance systems monitor trading by participants to identify and prevent

violations of BTFE rules, manipulation, price distortion, disorderly trading conditions and conduct that may involve market abuse.

- 3.3.2 The Applicant's Compliance Department assesses participants' compliance with the BTFE Rulebook on an ongoing basis. In addition, the Applicant has carried out a market abuse risk assessment and conducts electronic surveillance of orders and transactions carried out by participants to monitor for potential breaches of BTFE's rules, disorderly trading conditions and conduct that may involve market abuse. The Applicant's Compliance Department, upon approval by the Compliance Officer, has the capability to suspend all trading on BTFE during emergency situations via a "kill switch." The Compliance Department also has the ability to suspend trading of specific instruments or instruments of a specific asset class during a trading day, either in response to an emergency situation or by order of a regulator.
- 3.3.3 Consistent with other MTFs, the Applicant will comply with position limits or other limits established by the AFM if and when any such limits are communicated to the Applicant. The Applicant does not currently impose any trading or price limits.

4. Access

4.1 Fair Access

- (a) **The exchange has established appropriate written standards for access to its services including requirements to ensure**
- (i) **participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,**
 - (ii) **the competence, integrity and authority of systems users, and**
 - (iii) **systems users are adequately supervised.**
- (b) **The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.**
- (c) **The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.**
- (d) **The exchange does not**
- (i) **permit unreasonable discrimination among participants, or**
 - (ii) **impose any burden on competition that is not reasonably necessary and appropriate.**
- (e) **The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.**

4.1.2 Section 4:91a(1) of the Wft requires the Applicant to establish transparent rules and procedures for fair and orderly trading and to establish objective criteria for the efficient execution of orders. Participant status, access to, and usage of, BTFE is available to all market participants that meet the criteria set forth by the Applicant. The Applicant vets prospective participants against the Applicant's eligibility criteria as part of its participant onboarding procedures. Chapter 2 (Participants) of the BTFE Rulebook sets out the admission and eligibility criteria that participants must meet.³ Specifically, to be eligible for admission as a participant, a participant applicant must demonstrate to the satisfaction of the Applicant that it:

- (a) is a Professional Investor (as provided in Annex D);
- (b) is (A) authorised as an EEA credit institution or EEA investment firm or (B) an entity that has satisfied and will continue to satisfy the Applicant that it is of sufficient good repute, that has a sufficient level of trading ability, competence and experience, that has adequate organizational arrangements in place and that it has sufficient resources for the role(s) it intends to perform on the market;
- (c) complies, and will ensure that its authorised traders comply, and, in each case, will continue to comply, with the BTFE Rulebook and applicable law;
- (d) has the legal capacity to trade in the instruments it selects to trade on BTFE;
- (e) has appropriate systems and arrangements for the orderly clearance and/or settlement, as applicable, of transactions in all instruments it selects to trade on BTFE;
- (f) has all registrations, authorizations, approvals and/or consents required by applicable law in connection with trading in instruments on BTFE;
- (g) has adequate experience, knowledge and competence to transact in the instruments;
- (h) has and shall maintain a valid LEI compliant with the ISO 17442 standard and included in the Global LEI database maintained by the Central Operating Unit appointed by the LEI Regulatory Oversight Committee; and
- (i) is not a natural person, an independent software provider, a trading venue or an unregulated organized trading platform or system.

4.1.3 In addition to the requirements set forth above, all Ontario Users are required to sign a Canada User Acknowledgment representing that they meet the criteria set forth in a Canada User Acknowledgment, including that they are appropriately

³ The BTFE Rulebook is available online at: <https://data.bloomberglp.com/professional/sites/10/BTFE-Rulebook.pdf>.

registered under Ontario securities laws, exempt from registration or not subject to registration requirements. The Canada User Acknowledgement requires an Ontario User to make an ongoing representation each time it uses BTFE that it continues to meet the criteria set forth in a Canada User Acknowledgement. An Ontario User is also required to immediately notify the Applicant if it ceases to meet any of the above criteria represented by it on an ongoing basis.

4.1.4 With respect to the regulatory status of the Applicant’s participants to trade in the MTF Instruments on BTFE, the Applicant expects that Ontario Users will be (i) registered under Ontario securities laws, (ii) exempt from registration under Ontario securities laws, or (iii) not subject to registration requirements under Ontario securities laws. The following chart outlines the regulatory status of Ontario Users and their counterparties and the principal exemptions from the dealer registration requirement under Ontario securities law that may be relied on by Ontario Users and their counterparties with respect to the classes of MTF Instruments traded on BTFE.

MTF Instrument	Ontario User and Applicable Registration, Exemption or Not Required to be Registered Status	Counterparty to Ontario User and Applicable Registration, Exemption or Not Required to be Registered Status
Swaps, as defined in section 1a(47) of the United States Commodity Exchange Act (but without regard to any exclusions from the definition): interest rate swaps, credit default swaps, foreign exchange swaps, foreign exchange derivatives	<ul style="list-style-type: none"> • Dealer registration under section 25 of the Act: applicable to Ontario Users that are in the business of trading; • Dealer exemption under section 35.1 of the Act: applicable to Ontario Users that are prescribed financial institutions; • Not subject to dealer registration requirements currently under section 25 of the Act: applicable to Ontario Users that are not in the business of trading. 	<ul style="list-style-type: none"> • Dealer registration under section 25 of the Act: applicable to Counterparties that are in the business of trading; • Not subject to dealer registration requirements currently under section 25 of the Act: applicable to Counterparties that are not in the business of trading.
Fixed income securities: a debt security that is a foreign security or a debt security that is	<ul style="list-style-type: none"> • Dealer registration under section 25 of the Act: applicable to Ontario 	<ul style="list-style-type: none"> • Dealer registration under section 25 of the Act: applicable to

<p>denominated in a currency other than the Canadian dollar as such terms are defined in National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> (“NI 31-103”)</p>	<p>Users that are in the business of trading;</p> <ul style="list-style-type: none"> • Dealer exemption under section 35.1 of the Act: applicable to Ontario Users that are prescribed financial institutions; • Dealer exemption under 8.21 [<i>Specified debt</i>] of NI 31-103: applicable to any Ontario User trading debt securities that qualify as “specified debt” with a Counterparty; • Not subject to dealer registration requirements currently under section 25 of the Act: applicable to Ontario Users that are not in the business of trading. 	<p>Counterparties that are in the business of trading;</p> <ul style="list-style-type: none"> • Dealer exemption under section 8.5 [<i>Trades through or to a registered dealer</i>] of NI 31-103: applicable to registered or unregistered Counterparties that trade through or to an Ontario User that is a registered dealer; • Dealer exemption under 8.18 [<i>International dealer</i>] of NI 31-103: applicable to Counterparties that are foreign dealer firms⁴; • Dealer exemption under 8.21 [<i>Specified debt</i>] of NI 31-103: applicable to any Counterparty trading debt securities that qualify as “specified debt” with an Ontario User; • Not subject to dealer registration requirements currently under section 25 of the Act: applicable to Counterparties that are not in the business of trading.
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4.1.5 The Applicant may deny the grant of trading privileges or prevent a person from becoming or remaining a participant, if in the Applicant’s sole discretion, the person does not satisfy the eligibility criteria listed above or if the Applicant considers that accepting that person as a participant may prevent the Applicant from complying

⁴ Under section 8.18(2)(b)(ii) of NI 31-103, a foreign dealer firm relying on the international dealer exemption may trade with a permitted client Canadian dollar denominated Canadian debt securities that are or were originally offered primarily in a foreign jurisdiction and a prospectus has not been filed with a Canadian securities regulatory authority for the distribution with a permitted client.

with applicable law. The Applicant keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

5. Regulation of Participants on the Exchange

5.1 Regulation – The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

5.1.1 As required by the Wft, the BTFE Rulebook sets out transparent and non-discretionary rules and procedures for fair and orderly trading by participants and objective criteria for efficient execution of orders. Participants are required to comply with a significant number of rules that govern trading on BTFE. The applicable rules are primarily located in Chapter 3 (Trading) of the BTFE Rulebook.⁵

5.1.2 The Applicant is dedicated to safeguarding the integrity of BTFE, and has policies and procedures that are designed to ensure that BTFE is free from manipulation and other abusive practices. These efforts are a necessary component of efficiently working markets, and the Applicant is committed to ensuring that participants are able to use BTFE with the knowledge that it remains open and transparent.

5.1.3 The Applicant's Compliance Department operates a real-time electronic market surveillance system which is designed to identify potential disorderly market conditions and the risk of market abuse. The trade surveillance system is capable of detecting potential market abuse scenarios and violations of the BTFE Rulebook. The automated trade surveillance system has the capability to detect and flag specific trade execution patterns and trade anomalies, compute, retain, and compare trading statistics, reconstruct the sequence of market activity, perform market analyses to perform in-depth analyses and ad hoc queries of trade and order-related data.

5.1.4 The Applicant has made significant investments in regulatory technology, including staff dedicated solely to the support and continuous development of its regulatory technology infrastructure, enabling the Applicant's regulatory and market protection capabilities to anticipate and evolve with the changing dynamics of the marketplace. The Applicant has also developed an audit trail of market activity and flexible data query and analytical tools that allow its regulatory staff to examine real-time and historical order and transaction data, maintain profiles of markets and participants, and detect trading patterns potentially indicative of market abuses.

⁵ The BTFE Rulebook is available online at: <https://data.bloomberglp.com/professional/sites/10/BTFE-Rulebook.pdf>.

- 5.1.5 The Applicant performs anti-money laundering and counter-terrorist finance checks as part of its participant onboarding procedures. Where there are reasonable grounds to suspect or where there is a suspicion of money laundering or terrorist financing which arises in the course of participant onboarding, this will be reported to the Financial Intelligence Unit (FIU) Nederland, the competent authority for anti-money laundering oversight in the Netherlands, which investigates and reports money laundering, terrorist financing and related offenses to the relevant law enforcement and investigative services, and to other relevant regulators as required by applicable regulation (including the AFM).
- 5.1.6 The Applicant has a wide range of tools for enforcing participants' compliance with the BTFE Rulebook. These tools include issuing written warning letters, temporarily suspending access, imposing conditions on access or terminating a participant's ability to access BTFE. Please see Rule 208 (Suspension or Termination) of the BTFE Rulebook.
- 5.1.7 If the Compliance Department identifies a breach of BTFE rules or behavior or an issue that presents an immediate threat to market integrity or orderliness, it will (i) notify the Compliance Officer as soon as practicable and (ii) conduct an investigation into the alleged behavior or issue. If the Compliance Officer determines that the breach is not significant, in the first instance the participant will be contacted regarding the breach. In case of multiple repeating incidents, the Compliance Officer may issue a *written warning letter*. No further action is required if the breach is remedied and no further breaches are committed. Otherwise, the Compliance Officer will issue a *final written warning*. If the breach is still not remedied, the Compliance Officer may impose conditions on a participants' or authorised trader's access to BTFE, temporarily suspend the participant involved, pending further investigation and notification of the relevant product manager, or permanently terminate a participant's or an authorised trader's access to BTFE where the act or omission is deemed to be a serious. Participants may appeal a decision in writing within seven business days of receiving notice of any of the aforementioned actions. In such cases an appeals panel (the Rule 208 Panel) is convened.
- 5.1.8 If the Compliance Officer determines that the breach is significant and poses an immediate threat to the stability or integrity of the MTF, the Compliance Officer may *temporarily suspend* the participant involved, pending further investigation, or permanently terminate a participant's or an authorised trader's access to BTFE where the act or omission is deemed to be a serious. Participants may appeal a decision in writing within seven business days of receiving notice of any of the aforementioned actions. In such cases an appeals panel (the Rule 208 Panel) is convened.
- 5.1.9 Pursuant to Section 4:91b(3) of the Wft, the Applicant will report to the AFM (i) significant breaches of BTFE Rules, (ii) disorderly trading conditions, and (iii) conduct that may involve market abuse. The Applicant will also notify the AFM

when a participant's access is terminated, and may notify the AFM when a participant is temporarily suspended or subject to condition(s). The AFM has the power to investigate and impose unlimited fines for market abuse, and to prosecute for market manipulation. A participant may be referred to a regulator in another jurisdiction with which the AFM has entered into a memorandum of understanding ("MOU"). See Section 16.2 for details regarding the MOU that exists between the AFM and the Commission.

6. Rulemaking

6.1 Purpose of Rules

(a) The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.

6.1.2 The Applicant's rules are covered in Chapters 1 through 4 of its Rulebook, which include: Chapter 2 (Participants), Chapter 3 (Trading), Chapter 4 (Miscellaneous) and the BTFE Market Annexes. In particular, the participant eligibility criteria in Rule 202 (Eligibility) of the BTFE Rulebook and ongoing participant obligations in Rule 203 (Continuing Obligations of Participants) of the BTFE Rulebook are transparent, objective and set reasonable minimum standards applicable to all BTFE participants. The Applicant believes that its rules and policies that govern the activities of participants are consistent with its regulatory obligations, including AFM rules and are consistent with all applicable standards of compliance with competition law.

(b) The Rules are not contrary to the public interest and are designed to

- (i) ensure compliance with applicable legislation,**
- (ii) prevent fraudulent and manipulative acts and practices,**
- (iii) promote just and equitable principles of trade,**
- (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,**
- (v) provide a framework for disciplinary and enforcement actions, and**
- (vi) ensure a fair and orderly market.**

6.1.3 The BTFE Rulebook is subject to the standards and requirements outlined by the AFM rules. At a high level, the BTFE Rulebook seeks to ensure fair and orderly markets accessible to all eligible participants that meet the criteria listed in Chapter 2 of the BTFE Rulebook and a Canada User Acknowledgment. This aim is accomplished by establishing rules that reflect the AFM rules, criteria that are not contrary to the public interest, and are designed to:

- (i) **ensure compliance with applicable legislation.** Chapter 2 (Participants) of the BTFE Rulebook governs participant requirements and includes a representation and warranty from each person applying to become a participant that it and its authorised traders comply and will continue to comply with the BTFE Rulebook and applicable law.⁶ The Applicant is obligated to comply with AFM rules, and must implement rules that require compliance with AFM rules by its participants. The Applicant proactively monitors its participants' compliance with applicable law and regulation, evidenced in part by its market surveillance systems designed to identify market abuse and prevent disorderly trading conditions.
- (ii) **prevent fraudulent and manipulative acts and practices.** Chapter 3 (Trading) of the BTFE Rulebook specifically prescribes trading practices and trading conduct requirements, including prohibited trading activities, and prohibits fictitious trades, fraudulent activity and manipulation. The Applicant has instituted procedures to collect information, examine participants' records, directly supervise the market, maintain sufficient compliance staff, conduct audit trail reviews, perform real-time market monitoring and market surveillance and establish an automated trade surveillance system.
- (iii) **promote just and equitable principles of trade.** All systems of BTFE are available to all participants on a non-discriminatory basis. Throughout the BTFE Rulebook, the Applicant has established transparent and objective standards for access to and trading on BTFE to foster competitive and open market participation. The Applicant believes that compliance with the BTFE Rulebook and related compliance procedures promote just and equitable principles of trade.
- (iv) **foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange.** Rule 404 (BTF BV Compliance

⁶ See Rule 202(d) of the BTFE Rulebook. The BTFE Rulebook is available online at: <https://data.bloomberglp.com/professional/sites/10/BTFE-Rulebook.pdf>.

with Applicable Law; Cooperation with Regulatory Authorities) of the BTFE Rulebook authorizes the Applicant to provide full assistance and information to the AFM, and any other regulatory authority (e.g., the Commission), as required by applicable law in connection with any investigation and prosecution of or enforcement action regarding any actual or suspected prohibited trading practice on BTFE. Each participant is also required by Rule 404 to provide full assistance, information or documents to the AFM and any other regulatory authority in connection with (i) any actual or suspected breach of applicable law; and/or (ii) any investigation or prosecution of or enforcement action regarding any actual or suspected prohibited trading practice related to the participant's activity on BTFE.

A BTFE participant is bound to comply with the rules of a clearing house to which the Applicant provides direct connectivity pursuant to Rule 308 (Execution, Clearing and Settlement), and must represent that it has appropriate systems and arrangements for the orderly clearance and/or settlement of transactions in all instruments it selects to trade on BTFE, pursuant to Rule 202(d). Rule 405 (Confidentiality) also authorizes the Applicant to provide any material non-public information provided by a participant or an authorised trader to (i) a clearing house of which such participant is a member or in connection with the clearing of a participant's trade cleared by such clearing house, and (ii) to other participant(s) to facilitate a participant's trading on BTFE.

- (v) **promote a framework for disciplinary and enforcement actions.** Under Chapter 2 (Rules 207 and 208) of the BTFE Rulebook, the Applicant may take action against a participant or its authorised trader(s) in circumstances including, but not limited to, where the participant or its authorised trader(s): (a) materially breaches any rule of the BTFE Rulebook, applicable law or BTFE participant agreement; (b) commits any action set forth in Rule 208 (Suspension or Termination); (c) engages in conduct indicative of disorderly trading or any other conduct which may involve market abuse; or (d) engages in any activities specified in Rule 304 (Prohibited Trading Practices). Under Rule 306 (BTFE Risk Controls), the Applicant may also suspend, postpone or extend all trading on the MTF, or in respect to one or more instruments on the MTF, where the Applicant reasonably considers it is necessary to (i) maintain the stability or integrity of BTFE, (ii) ensure fair and orderly trading, (iii) avoid violation of applicable law, (iv) prevent erroneous execution of trades, and/or (v) as otherwise required by applicable law or a regulatory authority or court.

- (vi) **ensure a fair and orderly market.** The Applicant prescribes trading rules, collects and evaluates market activity data, maintains and audits its real-time monitoring program, and audits historical data to detect trading abuses. The Applicant periodically reviews its programs and procedures, including risk analysis, emergency planning, and systems testing. The Applicant regularly audits systems and technology tests both for technical and regulatory compliance. The Applicant's Compliance Department has the capability to suspend all trading on BTFE during emergency situations via a "kill switch." The Compliance Department also has the ability to suspend trading of specific instruments or instruments of a specific asset class during a trading day, either in response to an emergency situation or by order of a regulator. The Applicant believes that these measures and its rules are designed to ensure a fair and orderly market.

7. Due Process

7.1 Due Process – For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

- (a) **parties are given an opportunity to be heard or make representations, and**
- (b) **it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.**

7.1.2 The Applicant may prevent a person from becoming a BTFE participant, if in the Applicant's sole discretion, the person does not satisfy the eligibility criteria listed in Section 4 or if the Applicant considers that accepting that person as a participant may prevent the Applicant from complying with applicable law. Under Rule 208 (Suspension or Termination) of the BTFE Rulebook, the Applicant may also, in its sole discretion, issue a written warning, suspend, impose conditions on or terminate a participant's or authorised trader's ability to access the MTF for any of the circumstances, violations or events listed in Rule 208(a).

7.1.3 The Applicant's Compliance Department maintains a surveillance program to monitor transactions undertaken by participants to identify breaches of the BTFE Rulebook, disorderly trading conditions and conduct that may involve market abuse. If the Compliance Department identifies a breach of BTFE rules or behavior or an issue that presents an immediate threat to market integrity or orderliness, it will (i) notify the Compliance Officer as soon as practicable and (ii) conduct an investigation into the alleged behavior.

- 7.1.4 If the Compliance Officer determines that the breach is not significant, in the first instance the participant will be contacted regarding the breach. In case of multiple repeating incidents, the Compliance Officer may issue a *written warning letter*. No further action is required if the breach is remedied and no further breaches are committed. Otherwise, the Compliance Officer will issue a *final written warning*. If the breach is still not remedied or if the Compliance Officer determines that the breach is significant and/or poses an immediate threat to the stability or integrity of BTFE, then the Compliance Officer may take the following actions:
- impose conditions on a participant's or authorised trader's access to BTFE;
 - temporarily suspend a participant's or an authorised trader's access to BTFE;
 - This suspension is imposed where there is deemed to be an immediate threat to the orderliness or integrity of BTFE. A temporary suspension will be put into place until an investigation has been completed. A temporary suspension may be extended for a defined duration upon conclusion of an investigation.
 - permanently terminate a participant's or an authorised trader's access to BTFE where the act or omission is deemed to be a serious breach of the BTFE Rulebook or regulatory obligation.
- 7.1.5 A participant may appeal any decision taken by the Compliance Officer to impose conditions or to suspend or terminate access of any participant or its authorised trader(s), giving its reasons for appealing and any information relevant to the appeal. Any appeal must be made in writing (providing sufficient particulars of the basis for the appeal) and submitted to a panel comprised of appropriately experienced senior members of the Applicant's Compliance Department and product teams to discuss further actions (**Rule 208 Panel**) within seven (7) business days of receiving notice from the Compliance Officer of a decision made by the Compliance Officer. The Rule 208 Panel shall consider the decision of the Compliance Officer, which is the subject of the appeal, and shall notify the participant of its decision within 15 business days of reaching a decision. If the decision of the Compliance Officer is upheld by the Rule 208 Panel, then no further action will be taken. If the decision of the Compliance Officer is overruled, the Rule 208 Panel may eliminate conditions imposed on access, lift a suspension and/or reinstate the access of a participant or its authorised trader to BTFE. The decision of the Rule 208 Panel shall be final. The participant will be notified of the Rule 208 Panel's decision in writing.
- 7.1.6 If a participant's access is terminated, the Applicant will comply with its regulatory obligations and supply data and information to the AFM when required, and will assist the AFM in any investigation conducted regarding trading on BTFE.

8. Clearing and Settlement

8.1 Clearing Arrangements – The exchange has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house.

8.1.1 Neither the Applicant nor any of its affiliates provides clearing, settlement or custodial facilities to participants for trades executed on BTFE. Clearing and settlement requirements and arrangements vary according to the instrument traded on BTFE. BTFE participants are required to have in place appropriate arrangements for the orderly clearance and/or settlement of trades. BTFE participants must comply with any clearing obligation that applies to them under applicable law, including the laws of the province of Ontario. The Applicant has arrangements under which it will provide information to and liaise with clearing members of central clearing counterparties to allow those entities to facilitate clearing for transactions executed using BTFE.⁷

8.1.2 For transactions in financial instruments that are intended to be cleared, participants must mutually select a clearing house through which the transaction will be cleared, and must have clearing arrangements with a clearing member of that clearing house or be a member of that clearing house. The rules of the relevant clearing house will govern the clearing of the transaction, and the Applicant will notify the participants involved in the transaction about the status of the trade once the clearing house has informed the Applicant about the status of the relevant trade. Settlement of transactions that are not intended to be cleared will take place between the participants involved in accordance with arrangements agreed between them.

8.1.3 It is the Applicant's expectation that Ontario Users either (a) are clearing members of a clearing house and clear directly (provided such clearing house has obtained recognition as a clearing agency in Ontario or an exemption or interim exemption from recognition as a clearing agency in Ontario) or (b) have a relationship with a clearing member on whom the participant relies for clearing.

8.1.4 If a clearing house rejects a trade for clearing, the relevant participants must process the trade in accordance with the applicable trading arrangements governing the performance and settlement of the trade.

8.2 Risk Management of Clearing House – The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

8.2.1 An MTF must submit all trades that are required to be cleared to a clearing house for clearing. The Applicant provides direct connectivity to a number of clearing houses for derivative financial instruments. The clearing houses for clearing interest

⁷ Please see Rule 202 and Rule 308(a)(i) of the BTFE Rulebook, which is available at: <https://data.bloomberglp.com/professional/sites/10/BTFE-Rulebook.pdf>.

rate swaps are: LCH Limited (formerly known as LCH.Clearnet Ltd.) and Eurex Clearing AG. LCH Limited is recognized as a clearing agency in Ontario and Eurex Clearing AG has obtained an exemption from recognition as a clearing agency in Ontario. The clearing houses for credit default swaps are: ICE Clear Europe Limited, ICE Clear Credit LLC and LCH SA. ICE Clear Credit LLC and LCH SA have each obtained an exemption from recognition as a clearing agency in Ontario. ICE Clear Europe Limited is not recognized and has not obtained an exemption from recognition as a clearing agency in Ontario. Accordingly, ICE Clear Europe Limited is not authorized to provide clearing services for credit default swaps directly to Ontario Users.

- 8.2.2 Eurex Clearing AG is authorized under the European Markets Infrastructure Regulation (“**EMIR**”) as a central counterparty (“**CCP**”).⁸ ICE Clear Credit LLC is recognized by ESMA as a CCP, and subject to the regulation and jurisdiction of ESMA.⁹ ICE Clear Credit LLC, ICE Clear Europe Limited, Eurex Clearing AG and LCH Limited are registered as designated clearing organizations (“**DCOs**”) with the U.S. Commodity Futures Trading Commission (“**CFTC**”), and subject to the regulation and jurisdiction of ESMA and the CFTC.¹⁰
- 8.2.3 As DCOs, ICE Clear Credit LLC, ICE Clear Europe Limited, Eurex Clearing AG and LCH Limited must comply with the “DCO Core Principles,” established in Section 5b of the U.S. *Commodity Exchange Act*, including CFTC Regulation 39.13 – *Risk management*, CFTC Regulation 39.10 – *Compliance with core principles*, and CFTC Regulation 39.18 – *System safeguards*. As a DCO registered with the CFTC, each DCO is required to have adequate and appropriate risk management capabilities, systems safeguards, emergency procedures and plan for disaster recovery.
- 8.2.4 As CCPs recognised by ESMA, the clearing houses must comply with applicable regulatory technical standards (RTS) (which prescribe capital requirements etc.) and implementing technical standards (ITS)¹¹ (which prescribe records to be maintained by CCPs) by ESMA and other requirements imposed by Regulation (EU) No 648/2012 of the European Parliament and of the Council and supplementing regulations.¹² Each CCP is required to have adequate and

⁸ Please see ESMA’s “List of Central Counterparties authorised to offer services and activities in the Union,” which is available at: https://www.esma.europa.eu/sites/default/files/library/ccps_authorized_under_emir.pdf.

⁹ Please see ESMA’s “List of third-country central counterparties recognised to offer services and activities in the Union” which is available at: https://www.esma.europa.eu/sites/default/files/library/third-country_ccps_recognised_under_emir.pdf.

¹⁰ Please see the CFTC’s list of Derivatives Clearing Organizations, which is available at: <https://sirt.cftc.gov/sirt/sirt.aspx?Topic=ClearingOrganizations>.

¹¹ Please see “Technical Standards” for an overview of all technical standards which are applicable to CCPs, which is available at: <https://www.esma.europa.eu/convergence/guidelines-and-technical-standards>.

¹² Please see Regulation (EU) No 648/2012 of the European Parliament and of the Council, which is available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012R0648>.

appropriate risk management capabilities, systems safeguards, emergency procedures and plan for disaster recovery.

9. Systems and Technology

9.1 Systems and Technology – Each of the exchange’s critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

- (a) **order entry,**
- (b) **order routing,**
- (c) **execution,**
- (d) **trade reporting,**
- (e) **trade comparison,**
- (f) **data feeds,**
- (g) **market surveillance,**
- (h) **trade clearing, and**
- (i) **financial reporting.**

9.1.2 BTFE has appropriate internal controls (that cover all of the critical functions listed above) designed to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and a business continuity plan to enable BTFE to properly carry on its business.

9.1.3 The Applicant, and its service provider, BLP, has put safeguards and security tools in place at varying levels across BTFE to protect the critical data and system components of BTFE (the “**Systems**”), including (i) denial of service protection, (ii) firewalls, (iii) configured routers, (iv) demilitarized zones (“**DMZs**”)¹³ and network segmentation; (v) intrusion detection procedures; (vi) event logging and log analysis; and (vii) virus protection.

9.1.4 The Applicant has established procedures for configuration management, software change management, patch management and event and problem management.

¹³ A DMZ is used in a computing context to refer to a physical or logical subnetwork that separates an internal local area network from other untrusted networks. DMZs are sometimes known as perimeter networks or screened subnetworks.

Additionally, the Applicant has established a Business Continuity/Disaster Recovery plan with respect to the Systems. Pursuant to this plan, the Applicant has the ability to respond to and address both small-scale and wide-scale service disruptions to the Systems.

9.1.5 Please refer to the Applicant's response in Section 9.2 below for additional information.

9.2 **Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:**

- (a) **makes reasonable current and future capacity estimates;**
- (b) **conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;**
- (c) **reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;**
- (d) **ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;**
- (e) **ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;**
- (f) **maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and**
- (g) **maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.**

9.2.1 The Applicant examines current and historical production loads on BTFE and the electronic trading platforms operated by affiliates of the Applicant, for the same financial instruments as traded on BTFE to calculate reasonable current and future capacity estimates.

9.2.2 The Applicant supervises and conducts periodic stress testing of the System components, which are designed to ensure that the Systems have sufficient capacity

to perform required operational tasks. The Applicant evaluates and monitors capacity requirements to anticipate capacity needs.

- 9.2.3 The Applicant verifies the Systems' ability to function as intended by conducting regression testing, stress testing, and redundancy testing of the Systems. In addition, the Applicant arranges for penetration tests to be conducted on the Systems from time to time to identify and eliminate any vulnerabilities.
- 9.2.4 The Applicant and its service provider, BLP, periodically conduct risk audits, internal physical security procedures, compliance inspections and arrange for covert physical intrusion tests with independent security firms. Such tests are designed to periodically assess the operating effectiveness of physical security controls, as well as to monitor internal compliance with security policies and procedures.
- 9.2.5 Engineering staff review and test the Systems periodically to estimate and plan for future system capacity, identify potential weak points and reduce the risk of system failures and threats to system integrity. The Systems are comprised of several servers in an application cluster comprised of "execution machines" (the "**Application Cluster**") and a database cluster, each running discrete instances of operating software. The Application Cluster runs in a "hot-warm" configuration. A "hot-warm" configuration means that in addition to a server on which a specific task is running, there is a backup server that receives regular updates on the task and is standing by ready to take over in the event of a failover after a brief "switching" process. A specific software instance on an Application Cluster machine is live at any point of time for a given trade. In the event of a server malfunction, a server is typically marked as "offline," at which point subsequent requests are diverted to the other servers.
- 9.2.6 The Applicant has established configuration management controls and procedures that have the following objectives:
 - (a) maintain centralized control for all hardware during the testing and rollout phases of new equipment;
 - (b) ensure that hardware has sufficient capacity for both present and future operating requirements;
 - (c) limit access to the operating system on a need-to-know, job function-related basis;
 - (d) prevent unauthorised access to the Systems; and
 - (e) provide active performance monitoring of production server machines.

- 9.2.7 The Applicant reviews and keeps current development and testing procedures for the Systems pursuant to the Applicant's Compliance Manual and Technology Handbook.
- 9.2.8 The Applicant's Business Continuity/Disaster Recovery Plan is designed to allow for the recovery and resumption of operations and the fulfillment of the duties and obligations of the Applicant following a disruption. The Applicant anticipates six (6) hours for resumption of operations if the Business Continuity/Disaster Recovery Plan is invoked. As part of the Business Continuity/Disaster Recovery Plan, the Applicant performs periodic tests to verify that the resources outlined in the plan are designed to ensure continued fulfillment of all relevant duties of the Applicant under AFM rules. The Applicant's databases are backed-up to tape daily, and the back-up tapes are stored at an on-site location for 30 days. Monthly back-up tapes are stored at an off-site location pursuant to the Applicant's Business Continuity/Disaster Recovery Plan for five years.
- 9.3 **Information Technology Risk Management Procedures – The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.**
- 9.3.1 The Applicant uses risk monitoring tools and risk controls to prevent and reduce the potential risk of market disruptions, including the following: (i) price outlier detection tool; (ii) pricing change monitoring tool; (iii) trading kill switch; (iv) notional outlier size limitations; (v) authorised trader lists and asset class limitations; (vi) trade rejection capability; and (vii) trade cancellation capability.
- 9.3.2 Rule 307 (Trade Cancellation and Amendment) provides procedures that apply in the event of a trading error caused by either a participant or a system error. Pursuant to Rule 307, the Applicant may cancel a trade executed on BTFE if a trade was the result of a clerical or operational error by a participant. The Applicant may also require the parties to a trade to cancel any trade executed on BTFE if the Applicant determines that the trade resulted from a system error, the trade appears to be market abuse, otherwise manipulative, deceptive or fraudulent or if the cancellation is necessary to maintain fairly and orderly trading.
- 9.3.3 The Applicant may at any time suspend, postpone or extend trading on BTFE as a whole, or in respect of one or more instruments, where the Applicant considers such action necessary (i) to maintain the stability or integrity of BTFE; (ii) to ensure fair and orderly trading; (iii) to avoid violation of applicable law; (iv) to prevent erroneous execution of trades; and/or (v) as otherwise required by applicable law or pursuant to an order or request of a regulatory authority or court of competent jurisdiction.

10. Financial Viability

10.1 **Financial Viability – The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.**

10.1.1 The Applicant has adequate financial and staff resources to carry on its activities in full compliance with its regulatory requirements and with best practices. The Applicant is subject to prudential regulation, including minimum regulatory capital requirements, and must submit financial reports to the AFM.

10.1.2 To assess its regulatory capital requirements, the Applicant has implemented a bottom-up and a top-down approach to identify risks that are relevant and material to its business as a whole. The Applicant assesses whether it is appropriate to hold capital against those risks either on a base case or under stressed scenarios. The Applicant separately calculates the wind-down cost for the business under stressed scenarios. The Applicant’s overall regulatory capital requirement has been determined as the wind-down requirement since it is the higher of the amount required against business risks and the wind-down requirement.

10.1.3 The Applicant is capitalized in excess of regulatory requirements and will maintain any future minimum capital amounts needed to meet AFM requirements.

11. Transparency

11.1 **Trading Practices - Trading Practices are fair, properly supervised and not contrary to the public interest.**

11.1.1 The Applicant is obligated to comply with AFM rules and requirements which require trading practices that are fair, properly supervised and not contrary to the public interest. Specifically, the Applicable Rules, which the Applicant adheres to, provides:

(a) **Fair trading practices:** Section 4:91(a) of the Wft requires the Applicant to have “transparent rules and procedures for fair and orderly trading and establish objective criteria for the efficient execution of orders.”

(b) **Properly supervised trading practices:** Section 4:91b(1) of the Wft requires the Applicant to: “(1) establish and maintain effective arrangements and procedures for the regular monitoring of the compliance by its participants with its rules and (2) monitor the transactions sent, including cancellations and the transactions undertaken by its participants under its systems to identify infringements of those rules, disorderly trading conditions, conduct that may indicate behavior that is prohibited under the Wft (Wet Financieel Toezicht) en further specified in ‘Besluit Marktmissbruik Wft’ or system disruptions in relation to a financial instrument.” In addition, the Applicant is required under EU Market Abuse Regulation Article 16(1) to “establish and maintain effective arrangements, systems and procedures aimed at preventing and detecting insider dealing,

market manipulation and attempted insider dealing and market manipulation.”

- (c) **Trading practices that are not contrary to the public interest:** Under Section 4:26 of the Wft, the Applicant is required to report to the AFM where (a) there is a significant breach of the Applicant’s rules; (b) there are disorderly trading conditions or (c) the Applicant identifies conduct that may involve market abuse. Furthermore, the Applicant has established, publishes, maintains and implements transparent and non-discriminatory rules, based on objective criteria, governing access to its facility (as required under Article 18(3) of MiFID II). As noted above, BTFE is required under the EU Market Abuse Regulation Article 16(1) to “establish and maintain effective arrangements, systems and procedures aimed at preventing and detecting insider dealing, market manipulation and attempted insider dealing and market manipulation.”

11.1.2 Chapter 3 (Trading) of the BTFE Rulebook addresses MTF trading practices, incorporates the Applicable Rules requirements outlined above and is designed to ensure fair and orderly markets accessible to all eligible participants, which markets are properly supervised and operated in a manner consistent with the public interest.

11.2 **Orders - Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.**

11.2.1 All order types and all order trading protocols are available to all participants. The Applicant has only one type of participant, and all of the Applicant’s requirements apply to all participants equally.

11.3 **Transparency – The exchange has adequate arrangements to record and publish accurate and timely trade and order information. This information is provided to all participants on an equitable basis.**

11.3.1 BTFE publishes pre- and post-trade transparency data as required by MiFIR.

11.3.2 The pre-trade transparency requirement applies to current bid and offer prices and the depth of trading interests at those prices which are advertised through BTFE, and to “actionable indications of interest” (“**AIOIs**”) entered on BTFE. Article 2(33) of MiFIR defines an AIOI as “a message from one member or participant to another within a trading system in relation to available trading interest that contains all necessary information to agree on a trade.” The pre-trade transparency requirement applies to all BTFE trading protocols, which are described in Annex C.

11.3.3 Under Articles 4 and 9 of MiFIR, competent authorities may permit the waiver of pre-trade transparency information in respect of (a) orders that are large in scale

compared with normal market size (for all instrument types), (b) orders related to a financial instrument for which there is not a liquid market (for non-equity instruments only), and (c) AIOIs in the BTFE RFQ system that are above a size specific to a financial instrument which would expose liquidity providers to undue risk (for non-equity instruments only). A condition of (c) above is that the initiator of an RFQ on BTFE has pre-trade transparency from the sum of responses to an RFQ. In compliance with this condition, BTFE presents an arithmetic average of all received responses to an RFQ. The AFM, as BTFE's competent authority, permits the full range of pre-trade transparency waivers, which are utilised by BTFE.

- 11.3.4 BTFE's post-trade transparency requirement applies to the price, volume and time of the transactions executed on BTFE. The post-trade transparency requirement applies to all BTFE trading protocols.
- 11.3.5 Under Articles 7 and 11 of MiFIR, competent authorities may permit deferred publication of post-trade transparency information in respect of transactions that are (a) large in scale (for all instrument types), (b) related to a financial instrument for which there is not a liquid market (for non-equity instruments only), or (c) above a size specific to a financial instrument which would expose liquidity providers to undue risk (for non-equity instruments only). The AFM permits the full range of pre-trade transparency waivers, which are utilised by BTFE. The deferral period ranges from 48 hours to four weeks, depending on the deferral and instrument type.
- 11.3.6 All waiver and deferral thresholds are determined by ESMA. In accordance with Article 13 of MiFIR, BTFE's pre- and post-trade transparency data is made available to the public free of charge 15 minutes after publication. It may be accessed in machine-readable format at any time at <https://data.bloombergmtfe.com/transparency>.
- 11.3.7 Trade reporting obligations for reporting derivatives transactions pursuant to Ontario law or EMIR reside with a participant. For purposes of compliance with Ontario law, dealer counterparties may satisfy the reporting requirements imposed by reporting to an entity that is designated as a trade repository. Non-Ontario dealer counterparties may satisfy the reporting requirements imposed by EMIR by reporting derivatives transactions to a trade repository, which will publish per-trade anonymized data to its website within 48 hours of a trade. This information is publicly available to all participants.
- 11.3.8 Trade reporting obligations for reporting debt securities transactions pursuant to Ontario law reside with participants that are registered dealers and members of the Investment Industry Regulatory Organization of Canada.

12. Compliance, Surveillance and Enforcement

- 12.1 **Jurisdiction - The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.**
- 12.1.1 An MTF is required under the AFM rules to set rules, conduct compliance reviews, monitor participants' trading activity and take enforcement action against participants when appropriate.
- 12.1.2 Pursuant to Section 2:46 of the Wft, the Applicant is required to report to the AFM (a) significant breaches of BTFE Rules, (b) disorderly trading conditions, and (c) conduct that may involve market abuse. The Applicant will also notify the AFM when a participant's access is terminated, and may notify the AFM when a participant is temporarily suspended or subject to condition(s). The AFM may choose to take further action against a participant in its discretion.
- 12.1.3 The Applicant will comply with its regulatory obligations and supply data and information to the AFM when required, and will also assist the AFM in any investigation conducted regarding trading on the MTF. Please also see Section 5.
- 12.2 **Member and Market Regulation - The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.**
- 12.2.1 The Applicant has instituted procedures and controls to collect information, examine participants' records, supervise trading on BTFE, maintain sufficient Compliance staff, establish procedures for and conduct audit trail reviews, perform automated real-time market monitoring and market surveillance and establish an automated trade surveillance system to evaluate participants' compliance with the BTFE Rulebook and applicable law. Members of the Applicant's Compliance and Engineering Departments, and members of BLP's Legal Department, as well as the Applicant's key business personnel, also work to evaluate and ensure the Applicant's compliance with relevant BTFE and legislative requirements.
- 12.2.2 Sections 5 and 7 of this application describe the resources available to the Applicant to investigate breaches of the BTFE Rulebook and to enforce its rules.
- 12.3 **Availability of Information to Regulators - The exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the Commission, on a timely basis.**
- 12.3.1 Please see Section 16 below.

13. Record Keeping – The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

13.1 The AFM rules require the Applicant to keep orderly records of its business and internal organization, including all services and transactions undertaken by it to enable the AFM to monitor it. The Applicant implemented policies designed to ensure that the AFM has ready access to the Applicant’s records that it is required to maintain under MiFID, from which the AFM should be able to reconstruct each key stage of a transaction on BTFE if required.

13.2 The Applicant collects data related to its regulated activity on a daily basis. The Applicant maintains an “audit trail” for every order entered and transaction executed on BTFE. Audit trail information for each transaction includes the order instructions, entry time, modification time, execution time, price, quantity, account identifier and parties to the transaction, as well as the firm number connected with an RFQ and the date and time when an RFQ is sent, modified, expired or cancelled. On a daily basis, files of all electronic order and cleared trade information are archived in a non-rewritable non-erasable format, and multiple copies are stored for redundancy and critical safeguarding of the data for five years.

13.2.1 The Applicant also keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access, along with a record of any breaches of BTFE rules by its participants.

14. Outsourcing

14.1 Outsourcing – Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

14.1.1 Pursuant to a Servicing Agreement (the “**Services Agreement**”), the Applicant outsources the provision of software, hardware, intellectual property and certain support services to its parent, BLP. These support services include systems support, administration, office space, telecommunications, accounting and financial services, legal and other support. BLP seconds staff to the Applicant under the Services Agreement.

14.1.2 Under AFM rules, the Applicant must ensure when outsourcing critical or important operational functions that (among other things), (i) it takes reasonable steps to avoid undue additional operational risk and (ii) the outsourcing does not materially impair the quality of its internal control and the ability of the AFM to monitor its compliance with regulatory obligations. The Applicant remains fully responsible for discharging its obligations under the regulatory system and must ensure that the

outsourcing does not alter its relationship and obligations towards participants. The Applicant's procedures are designed to ensure that the relevant regulatory requirements are satisfied in connection with outsourcing of critical or important operational functions. All material outsourcing agreements require Board approval.

14.1.3 The Services Agreement permits the Applicant to meet its obligations and is in conformance with industry best practices. The Applicant has the right to audit the services provided by BLP pursuant to the Services Agreement.

14.1.4 The Applicant has adopted an internal audit function that provides for internal audit review as assurances to the Boards. The Applicant's Chief Operating Officer is responsible for coordinating with BLP's Internal Audit Liaison Officer and for reporting results and status of internal audits to the Boards. KPMG LLP is Bloomberg's internal audit co-source service provider.

15. Fees

15.1 Fees

(a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.

15.1.1 As an MTF regulated by the AFM and governed by AFM rules, the Applicant's fee structure, including any execution fees, ancillary fees and rebates, is required by Section 4:91a(11) of the Wft in conjunction with section 5:30b(1)(d) of the Wft to be transparent, fair and non-discriminatory. Under MiFID, trading venues like MTFs are required to charge the same fees and provide the same conditions to all users of the same type of services based on objective criteria, and may only establish different fee structures for the same type of services where those fee structures are based on non-discriminatory, measurable and objective criteria. In accordance with AFM rules and MiFID, similarly situated BTFE participants are charged the same fees pursuant to the Applicant's fee structure.

(b) The process for setting fees is fair and appropriate, and the fee model is transparent.

15.1.2 The Applicant is required by MiFID to ensure that its fee structure is sufficiently granular to allow users to predict the payable fees on the basis of at least the following elements: (a) chargeable services, including the activity which will trigger the fee, (b) the fee for each service, stating whether the fee is fixed or variable, and (c) rebates, incentives or disincentives. MiFID also requires the Applicant to publish objective criteria for the establishment of its fees and fee structures, together with execution fees, ancillary fees, rebates, incentives and disincentives in one comprehensive and publicly accessible document on their

website. The Applicant's fees are publicly posted on its website at: <https://www.bloomberg.com/professional/product/multilateral-trading-facility-europe/> under "BTF BV Fees".

16. Information Sharing and Oversight Arrangements

16.1 Information Sharing and Regulatory Cooperation – The exchange has mechanisms in place to enable it to share information and otherwise cooperate with the Commission, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

16.1.1 The Applicant has established a process that enables it to respond to requests from regulators regarding the Applicant in a timely manner. It is the Applicant's policy to respond promptly and completely to any proper regulatory inquiry or request for documents. All inquiries and other communications from the Commission will be referred immediately to the BLP Legal Department and the Applicant's Compliance Department.

16.1.2 Rule 404 (BTF BV Compliance with Applicable Law; Cooperation with Regulatory Authorities) of the BTFE Rulebook authorizes the Applicant to provide full assistance and information to the AFM, and any other regulatory authority (e.g., the Commission) as required by applicable law, in connection with any investigation and prosecution of or enforcement action regarding any actual or suspected prohibited trading practice on BTFE. Each participant is also required by Rule 404 to provide full assistance, information or documents to the AFM and any other regulatory authority in connection with (i) any actual or suspected breach of applicable law; and/or (ii) any investigation or prosecution of or enforcement action regarding any actual or suspected prohibited trading practice related to the participant's activity on BTFE. Please also see Rule 404 of the BTFE Rulebook and Section 6.1.3(iv).

16.2 Oversight Arrangements – Satisfactory information sharing and oversight agreements exist between the Ontario Securities Commission and the Foreign Regulator.

16.2.1 The Commission is party to a Memorandum of Understanding with the AFM concerning regulatory cooperation related to the supervision and oversight of regulated entities operating in Ontario and the Netherlands (the "MOU"). The MOU came into effect on January 27, 2020. The MOU provides a comprehensive framework for consultation, cooperation and information-sharing related to the day-to-day supervision and oversight of regulated entities.

17. IOSCO Principles

17.1 **IOSCO Principles – To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International**

Organisation of Securities Commissions (IOSCO) including those set out in the “Principles for the Regulation and Supervision of Commodity Derivatives Markets” (2011).

- 17.1.1 The Applicant adheres to the standards of IOSCO to the extent that such standards are incorporated into the Wft.

PART IV SUBMISSIONS BY THE APPLICANT

1. Submissions Concerning the Requested Relief

- 1.1 The MTF Instruments that the Applicant intends to make available to trade on BTFE fall under the definition of “derivative” or “security” as set forth in subsection 1(1) of the Act. BTFE falls under the definition of “marketplace” set out in subsection 1(1) of the Act because it brings together buyers and sellers of securities and derivatives and uses established, non-discretionary methods under which orders interact with each other.
- 1.2 An “exchange” is not defined under the Act; however, subsection 3.1(1) of the companion policy to National Instrument 21-101 – *Marketplace Operation* provides that a “marketplace” is considered to be an “exchange” if it, among other things, sets requirements governing the conduct of marketplace participants. An MTF has certain obligations to monitor participants’ trading activity. Because an MTF sets requirements for the conduct of its participants, it is considered by the Commission to be an exchange for purposes of the Act.
- 1.3 Pursuant to OSC Staff Notice 21-702 – *Regulatory Approach for Foreign-Based Stock Exchanges*, the Commission considers an exchange located outside Ontario to be carrying on business as an exchange in Ontario if it provides Ontario Users with direct access to the exchange. The Applicant acknowledges that providing Ontario Users with direct access to trading of the MTF Instruments on BTFE is considered by the Commission to be “carrying on business as an exchange” in Ontario, and therefore must either be recognised or exempt from recognition by the Commission.
- 1.4 Pursuant to Canadian Securities Administrators (“CSA”) Staff Notice 21-328 – *Regulatory Approach to Foreign Marketplaces Trading Fixed Income Securities (“CSA Staff Notice 21-328”)*, the CSA have developed a framework for granting exemptions from the exchange recognition requirements to foreign alternative trading systems (“ATSS”) and foreign MTFs in respect of trading fixed income securities. With respect to foreign MTFs, the CSA states that they will consider allowing foreign MTFs to trade fixed income securities under the current exemption regime applicable to derivatives trading by foreign derivatives exchanges, swap execution facilities and MTFs, but will include additional terms and conditions where appropriate.

- 1.5 The Applicant notes that exemptive relief in respect of trading fixed income securities has been granted to the following foreign ATS applicants pursuant to the regulatory framework described in CSA Staff Notice 21-328: (i) *In the Matter of Trumid Financial, LLC* (June 8, 2020), and (ii) *In the Matter of ICE Bonds Securities Corporation* (June 19, 2020).
- 1.6 The Applicant satisfies all the criteria for exemption from recognition as an exchange set forth by Commission Staff, as described under Part III of this application, for all of the MTF Instruments. Ontario Users that trade in the MTF Instruments would benefit from the ability to trade on BTFE, as they would have access to trading a range of securities and derivatives with counterparties that otherwise may not be available in Ontario. Stringent AFM oversight of BTFE, as well as the sophisticated information systems, regulations and compliance functions that have been adopted by the Applicant are designed to ensure that Ontario Users are adequately protected in accordance with international standards set by IOSCO.
- 1.7 On December 14, 2020, the Commission published a statement of allegations (the “**Statement of Allegations**”) with respect to the Applicant and its affiliate, Bloomberg Trading Facility Limited (“**BTFL**”, and together with the Applicant, the “**Respondents**”), alleging that the Respondents committed certain breaches of Ontario securities law and conduct contrary to the public interest.¹⁴
- 1.8 The Respondents entered into a settlement agreement dated December 15, 2020 (the “**Settlement Agreement**”) with the Commission, in which the Respondents admitted to breaches of Ontario securities laws and/or conduct contrary to the public interest.¹⁵ The Settlement Agreement was approved by the Commission pursuant to an order (the “**Settlement Order**”) issued on December 18, 2020.
- 1.9 Under the terms of the Settlement Order, the Commission ordered:
- (a) each of the Respondents to conduct an internal review of its compliance practices and procedures relating to ensuring compliance with Ontario securities laws, and institute any necessary changes in accordance with the process set forth in Schedule “A” to the Settlement Order;
 - (b) the Respondents to disgorge to the Commission amounts obtained as a result of non-compliance with Ontario securities law in the amount of CAD\$663,305.20; and
 - (c) the Respondents to pay an administrative penalty in the amount of CAD\$2,506,011.80.

¹⁴ The allegations with respect to the Applicant can be found at paragraph 38 of the Statement of Allegations.

¹⁵ The admissions by the Applicant and BTFL with respect to non-compliance with Ontario securities law and conduct contrary to the public interest can be found at Part IV of the Settlement Agreement.

- 1.10 In accordance with the Settlement Order, the Applicant has implemented, or is in the process of implementing, the following compliance controls to ensure that Ontario Participants only trade those MTF Instruments that the Applicant is authorized to trade under the terms of the subsequent order granting the Requested Relief.
- 1.11 The Applicant utilizes two technological controls to manage participant and trader access. The first control is at the ticketing phase that manages jurisdictional clearances by asset class, and checks that participant documentation requirements are satisfied, including the Canada (Ontario) User Acknowledgement and the BTFE participant agreement. When queried by asset class, customer, and location, this control's programming interface confirms whether an asset class is permitted in a jurisdiction and whether the Applicant has the required documentation from the participant. The second control is a client enablement tool that houses participant and trader information, classifies legal entities within a firm according to each entity's LEI, and identifies the participant's traders permitted to transact on behalf of each entity. This tool also allows for the imposition of trading restrictions by asset class for a participant's traders. These controls check and restrict a participant's trader's eligibility to initiate a trade in a particular asset class.
- 1.12 The Applicant implemented enhancements to its technological controls prior to the date of the Settlement Order that improve processes for (a) identifying instances of natural person trader information changes (e.g., a location change to Ontario) by performing a daily automated refresh of the information in the Applicant's client enablement tool against the natural person trader and the Applicant's information housed in its jurisdictional clearance control, and (b) ensuring that autopricers (i.e., non-natural person traders) are subjected to similar checks and information requirements as those that are applied to a participant's natural person traders.
- 1.13 In accordance with the Settlement Order, the Applicant has conducted an internal review of its compliance practices and procedures relating to ensuring compliance with Ontario securities laws, and instituting any necessary changes to ensure that Ontario Participants only trade those MTF Instruments that the Applicant is authorized to trade under the terms of the subsequent order granting the Requested Relief. The internal review included:
- a) creating a regulatory obligations inventory,
 - b) mapping policies and procedures to the regulatory obligations,
 - c) mapping controls to the regulatory obligations,
 - d) testing the effectiveness of key controls through design (via walkthroughs and collecting a sample of one to validate execution) and/or performance testing (in-depth sample or scenario-based reviews), and
 - e) summarizing the results of the review in a formal report.

The internal review found that the Applicant's control framework was appropriately designed and operating effectively for the nature and scale of the Applicant's operations.

- 1.14 Based on the foregoing, we submit that it would not be prejudicial to the public interest to grant the Requested Relief.

PART V OTHER MATTERS

1. Confidentiality, Consent and Information

- 1.1 We request that this application be treated as confidential until such time as the Commission and the Applicant both agree to publish this application for public comment.

If you have any questions or require anything further, please do not hesitate to contact us.

Yours very truly,

BLOOMBERG TRADING FACILITY B.V.

Name:

Title:

cc: Terence Doherty, Osler, Hoskin & Harcourt LLP

ANNEX A

Part 1

The Applicant currently allows Ontario Users to trade the following instruments on BTFE pursuant to the Restated Interim Order, which expires on June 30, 2021:

- i. interest rate swaps, as defined in section 1a(47) of the U.S. Commodity Exchange Act;
- ii. credit default swaps, as defined in section 1a(47) of the U.S. Commodity Exchange Act; and
- iii. foreign exchange swaps, as defined in section 1a(47) of the U.S. Commodity Exchange Act (but without regard to any exclusions from the definition)
- iv. fixed income securities.

Part 2

Once the Restated Interim Order expires on June 30, 2021, the Applicant proposes to allow Ontario Users to trade the following instruments on BTFE, with effect from July 1, 2021:

- i. interest rate swaps, as defined in section 1a(47) of the U.S. *Commodity Exchange Act*;
- ii. credit default swaps, as defined in section 1a(47) of the U.S. *Commodity Exchange Act*;
- iii. foreign exchange swaps, as defined in section 1a(47) of the U.S. *Commodity Exchange Act* (but without regard to any exclusions from the definition);
- iv. any debt security that is a foreign security or a debt security that is denominated in a currency other than the Canadian dollar as such terms are defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, including:
 - a. debt securities issued by the U.S. government (including agencies or instrumentalities thereof);
 - b. debt securities issued by a foreign government;
 - c. debt securities issued by corporate or other non-governmental issuers (U.S. and foreign); and
 - d. asset-backed securities (including mortgage backed securities), denominated in either U.S. or foreign currencies.

ANNEX B

The Applicant supports trading of the following instruments, which it is authorised by the AFM to permit trading of:

- i. interest rate swaps;
- ii. credit default swaps;
- iii. government and corporate bonds and similar fixed-income instruments;
- iv. SFTs;
- v. ETFs;
- vi. OTC equity options;
- vii. foreign exchange derivatives (non-deliverable forwards and options); and
- viii. foreign exchange forwards and swaps settled by physical delivery.

ANNEX C

BTFE's trading protocols currently include: (i) an RFQ function that allows participants to send an RFQ to other participants and (ii) an RFT function that allows a participant to send an order to another participant. The Applicant has been authorised by the AFM to provide all trading protocols listed below to its participants.

- (a) RFQ Function: A participant may use the RFQ function to send a request for quote to other participants. A participant receiving a request for quote (the "**RFQ Recipient**") can respond to the sender (the "**RFQ Requestor**") with a quote. Responses to the RFQ will be displayed to the RFQ Requestor. If it wishes to transact, the RFQ Requestor may send an order. If the RFQ Requestor sends an order in response to a firm quote, BTFE will execute the trade. If the RFQ Requestor sends an order in response to an indicative quote, the RFQ Recipient may accept or reject it. If the RFQ Recipient accepts the order, the BTFE will execute the trade.

- (b) RFT Function: A participant ("**RFT Sender**") can use the RFT function to send an order to another participant ("**RFT Recipient**"). If the RFT Recipient accepts the order, BTFE will execute the trade.

ANNEX D

This Annex D provides the definition of a “professional investor,” as defined in article 1:1 of the Wft.

professional investor:

- a. bank;
- b. management company of a collective investment scheme;
- c. management company of a pension fund or of a comparable legal person or company;
- d. collective investment scheme;
- e. investment firm;
- f. national or regional government body, or government body administering the public debt;
- g. central bank;
- h. financial institution;
- i. international or supranational organisation governed by public law or comparable international organisation;
- j. market maker;
- k. enterprise whose main activity is investing in financial instruments, implementing securitisation programmes or other financial transactions;
- l. pension fund or comparable legal person or corporation;
- m. person or corporation trading for its own account in commodities and derivatives on commodities;
- n. local firm;
- o. legal person or company that satisfies two of the following magnitude requirements:
 - 1°. a balance sheet total of € 20,000,000 or more;
 - 2°. net turnover of € 40,000,000 or more;
 - 3°. equity capital of € 2,000,000 or more;
- p. insurer;