CME Group

NEX

MARKET REGULATION ADVISORY NOTICE

From	*NEX SEF Limited ("NEX SEF")*
To	*All EBS NDF Platform Participants*
Subject	*EBS NDF Quote Fill Thresholds*
Rule References	*406, 514, 901*
Effective Date	*April 6, 2020*
Notice Date	*March 18, 2020*
Notice Number	*2020-02*

This Market Regulation Advisory Notice (MRAN) supersedes MRAN 2020-01.

This MRAN updates the applicable Quote Fill Ratios for certain currency pairs, but otherwise makes no changes to the information set forth in MRAN 2020-01.

NEX SEF | EBS NDF Quote Fill Thresholds

Overview

It is important to NEX SEF that all Participants have a rewarding experience on the NEX SEF platform. It benefits the market to have the liquidity and price discovery that comes from as many Participants as possible that are able and willing to transact with each other.

NEX SEF is continuing to experience the use of APIs within the traditionally manually traded NDF market. This has the potential to increase liquidity within the market and therefore can be beneficial to Participants generally, but the unique characteristics of the NDF market make it necessary to address the issue of low order to fill ratios that occur at times via some APIs.

Low order to fill ratios risk creating market disruption on the basis that excessive Bids/Offers in a market that have a very low likelihood of being executed may not represent true liquidity in those instruments. Restricting activity on the basis of this ratio with respect to specific currency pairs helps prevent the market from experiencing excessive volatility.

In order to continue to maintain an orderly market with the increased use of APIs in its 1M Outright On-SEF NDF market, NEX SEF has established minimum Quote Fill Ratios for specified currency pairs for Bids/Offers submitted via EBS Ai, pursuant to NEX SEF Rule 901(i). Because certain Participants have more than one Trading Floor, the relevant Quote Fill Ratio may be calculated on an aggregate basis for all Trading Floors of a Participant. Similarly, because certain Participants maintain separate Trading Floors for manual trading from their Affiliates' Trading Floors that use APIs, the relevant Quote Fill Ratio may be calculated with respect to the Trading Floors of a Participant and its Affiliates on an aggregate basis to ensure that that Rule 901-compliant trading activity will not be inadvertently classified as a violation of Rule 406. Finally, when calculating the relevant Quote Fill Ratio, NEX SEF, at the request of the Participant, may aggregate all Bids/Offers submitted to the NEX SEF Dealing Service regardless of access method (*i.e*., EBS Ai, Workstation or Global Access) by the relevant Trading Floors. In accordance with Rule 901(i), any breach of the Quote Fill Ratio will be deemed to be a Violation of NEX SEF Rule 406 - Disruptive Trading Practices for which a Participant may be subject to summary suspension under Rule 514.

Threshold Methodology

The Quote Fill Ratio will be calculated over a sequential four week interval (the "Calculation Period") on each Trading Floor of a Participant (and its Affiliated Participants, if relevant) as follows:

$$\frac{\text{Volume of Good Till Cancelled ("GTC") Bids/Offers traded in USD millions}}{\text{Number of GTC Bids/Offers submitted}}$$

The Quote Fill Ratio requirement applies only to Participants that have submitted a minimum number of Bids/Offers from a Trading Floor during the Calculation Period, as set forth below.

Because certain currency pairs in the NEX SEF 1M Outright On-SEF NDF market have very different liquidity characteristics by time of day, NEX SEF will apply different Quote Fill Ratios by time of day, each independently calculated over the Calculation Period, as set forth below.

Quote Fill Ratio (QFR) Thresholds:

1M Outright Currency Pair	11:00 GMT to 23:59 GMT	
	QFR Threshold	Minimum Bids/Offers
USDKRW	**10%**	**300**
USDIDR	**5%**	**300**
USDPHP	**5%**	**300**
USDTWD	**10%**	**300**
USDINR	**2%**	**300**

The four week Calculation Period will be per-Trading Floor code.

Monitoring

During any four week Calculation Period, NEX SEF will inform Participants if their Trading Floor, or one or more of their Trading Floors if a Participant has more than one, is not meeting the Quote Fill Ratio at the end of the first two weeks of the Calculation Period (the "Monitoring Period"). Following this notification, the Participant will be given a two week period (the "Cure Period") to bring its Quote Fill Ratio into compliance with the thresholds. NEX SEF will periodically review EBS market activity to determine if thresholds should be adjusted.

Action for Breach of Quote Fill Ratio

Should the Participant fail to meet the established Quote Fill Ratio requirement for the specified currency pair in the 1M Outright On-SEF NDF market during the Cure Period, this will be deemed to be a violation of Rule 406 - Disruptive Trading Practices and the Participant may be subject to summary suspension under Rule 514.

Summary Suspension Schedule

Rule Violation	Action Taken Per each Violation in a Rolling 12-month period			
	First Violation	**Second Violation**	**Third Violation**	**Additional Violations**
Quote Fill Ratio Threshold Breach	Warning Letter	Two Week Suspension of Trading for the relevant Currency Pair	Four Week Suspension of Trading for the relevant Currency Pair	Referral to Review Panel for formal disciplinary procedures.