



## **iSwap SEF Application**

Exhibit M-4 – iSwap Cancellation and Error Trade Policy



# iSwap Euro B.V. Trade Cancellation and Error Trade Policy

## OBJECTIVE

This Policy is issued pursuant to the iSwap Venue Rulebook, the Market Appendices and the Agreements. The purpose of this Policy is to set out the factors and processes that iSwap Euro B.V. (Operator) may consider and employ when handling Trade cancellations and Trades executed on the iSwap Venue in error. The aim is to ensure that such Trades are dealt with in a quick and efficient way for the parties involved with the least possible disruption to the integrity of the market at large.

In the event of conflict between the iSwap Venue Rulebook, the Market Appendices and the Agreements, the following order of precedence shall apply to the extent of any inconsistency: 1. this Policy; 2. the applicable Market Appendix; 3. the Rulebook and 4. the Agreements.

## 1 ADDITIONAL DEFINITIONS

In this Policy, terms not defined shall have the meanings given to them in the iSwap Venue Rulebook. In addition, the following words and expressions have the following meanings:

**Error Trade:** as defined in paragraph 3.3 of this Policy.

**Fair Market Value:** will be determined according to the context of the market at the time the Order was entered onto the iSwap Venue and is the price of an Eligible Instrument that is derived by calculating the average of prices obtained by:

- a) Referencing applicable Trades, Orders and the Market Mid-Price of the Order Book;
- b) Referencing the mid of indicative prices published by ICAP via its market data vendors; and
- c) Where practicable, consulting with independent third party dealers trading in the relevant Eligible Instrument.

**Mark-to Market:** the present valued difference between the Fair Market Value and current market value of the Trade.

**Market Level Parameters:** a deviation from Fair Market Value in relation to any relevant Eligible Instrument of:

- a) For EUR IRS, OIS or OIS/FRA spread maturities of up to and including 2 years, greater than either (i) 1 basis point or (ii) EUR 50,000 in Mark-to-Market valuation;
- b) For EUR IRS or OIS maturities of greater than 2 years, greater than either (i) 1 basis point or (ii) EUR 100,000 in Mark-to-Market valuation;
- c) For GBP IRS maturities of up to and including 2 years, greater than either (i) 1.5 basis points or (ii) GBP 65,000 in Mark-to-Market valuation; and
- d) For GBP IRS maturities of greater than 2 years, greater than either (i) 1.5 basis points or (ii) GBP 130,000 in Mark-to-Market valuation.

## 2 TRADE CANCELLATIONS

### General

- 2.1 Where a Participant has entered into a Trade in error, it may request that the Operator assist with the bilateral cancellation or amendment of that Trade.
- 2.2 A Participant (the "**Requesting Participant**") shall notify the Operator of a request (a "**Cancellation Request**") to cancel, reverse or revise the terms of a Trade (the "**Relevant Trade**") within **15 minutes** from the time of execution of the Relevant Trade. If the Operator receives the Cancellation Request later than 15 minutes from the time of execution, the Requesting Participant acknowledges that the Operator may, in its sole discretion, decline to act as an intermediary between the counterparties.
- 2.3 Where the Requesting Participant is the Broker Participant, the Operator will notify the Member Participant who is the counterparty to the Trade and for whom the Broker Participant is authorised to act, to confirm that the Cancellation Request is valid.
- 2.4 After receiving the Cancellation Request the Operator shall, provided that the Cancellation Request is consistent with the Operator's obligations to maintain an orderly market on the iSwap Venue, promptly inform the counterparty to the Relevant Trade (the "**Other Participant**") that the Relevant Trade is subject to a Cancellation Request.
- 2.5 If the Other Participant confirms promptly to the Operator that it agrees with the Cancellation Request, the request shall be treated as a bilateral cancellation or revision of the Relevant Trade.
- 2.6 Unless determined to be an Error Trade in accordance with this Policy, Member Participants acknowledge and agree that the Operator may not ensure the cancellation of any Trade, nor the revision of its terms, where a counterparty does not agree with the Cancellation Request and, in such event, the Requesting Participant shall be bound by the terms of the Relevant Trade.
- 2.7 Member Participants who agree to a bilateral cancellation or revision of a Trade shall promptly notify the Operator and take all such action required to effect the cancellation or revision of the Relevant Trade.
- 2.8 Member Participant agrees to take such action as the Operator requires to put into effect any such Trade(s) or cancellations or revisions thereof and shall be responsible, and hold the Operator harmless, for all costs incurred by the Operator in so doing. Failure by any Member Participant to comply with any instruction from the Operator to cancel, revise or reverse a Trade is a material breach of the Rulebook and the Agreements.
- 2.9 Where a cancellation or revision is to occur, the Operator shall arrange for appropriate Trade(s) to be effected on the iSwap Venue and transmit the same to the relevant Member Participants and shall notify the relevant Authorised Traders as appropriate.

### **3 ERROR TRADES**

#### **Determination of Error Trades**

- 3.1 In the event that agreement cannot be reached on a bilateral cancellation or revision of a Trade in accordance with paragraph 2 above, the Operator shall, in accordance with the procedure set out in this paragraph 3, determine whether the Trade was an Error Trade.
- 3.2 Operator will determine, in its reasonable opinion, whether the Trade was executed outside the Market Level Parameters.
- 3.3 If such Trade was executed outside the Market Level Parameters, the Operator will consider the surrounding circumstances, general market conditions and the timeliness of the notification and on the basis of these factors, determine, in good faith, whether such Trade is an error trade (an “**Error Trade**”).
- 3.4 For the avoidance of doubt, a Trade which is executed at a price outside the Market Level Parameters shall not automatically be determined to be an Error Trade by Operator.

#### **Cancellation of Error Trades**

- 3.5 If the Operator determines that a Trade is an Error Trade, it shall notify the counterparties to such Trade of its determination. The Operator shall use its reasonable endeavours to notify the counterparties to the Error Trade as promptly as possible but no later than 45 minutes from the time of execution of the Error Trade. If a counterparty has not been notified that a Trade has been determined to be Error Trade within 45 minutes of execution, such Trade shall not be considered an Error Trade.
- 3.6 The counterparties to an Error Trade shall take all such action required to effect the cancellation of the Error Trade. Failure by any Member Participant to comply with any instruction from the Operator to cancel, revise or reverse an Error Trade shall constitute a material breach of the Rulebook and the Agreements and the Operator shall be permitted to unilaterally cancel the Error Trade in accordance with Rule 18 of the Rulebook.

#### **Release of Counterparty Names**

- 3.7 The Operator reserves the right to disclose at any time the name of the underlying counterparties to any Trade or series of Trades in an implied chain, in order to aid the fair settlement of the cancellation or reversal of a Trade (including, either before or after the procedure outlined in paragraph 2 and 3 has been followed and whether or not the counterparties to any Trade have agreed to the cancellation).

### **4 AUTHORITY REGARDING CANCELLATIONS, PRICE ADJUSTMENTS AND NEW OR OFFSETTING TRANSACTIONS**

- 4.1 Operator has authority to cancel any transaction or adjust the price of any transaction executed, or to execute or require the execution of a new or offsetting transaction:  
(i) when Operator determines in its sole discretion such action is necessary to mitigate

market disrupting events caused by the improper or erroneous use of the Market or by system defects; or (ii) at any time Operator determines, in its sole discretion, that allowing a transaction to stand as executed may have a material adverse effect on the integrity of the market. All decisions of Operator regarding cancellations of transactions or the adjustment of transaction prices and the execution of new or offsetting transactions shall be final.