



# **ISL MTF Trade Cancellation and Error Trade Policy**

## TRADE CANCELLATION AND ERROR TRADE POLICY

### 1 Objective

- 1.1 This Trade Cancellation and Error Trade Policy is issued pursuant to the ISL MTF Rulebook and any associated Product Appendices.
- 1.2 The purpose of this Trade Cancellation and Error Trade Policy is to set out the factors and processes that the Operator may consider and employ when:
  - a. determining whether a Trade is an Error Trade resulting in its cancellation; and
  - b. handling requests from Participants for cancellations of Trades.
- 1.3 In the event of conflict between this Trade Cancellation and Error Trade Policy and the Rulebook and/or any Product Appendix, the following order of precedence shall apply to the extent of any inconsistency: 1. this Trade Cancellation and Error Trade Policy 2. the relevant Product Appendix and 3. the Rulebook.
- 1.4 In administering the procedures set out in this Trade Cancellation and Error Trade Policy, Participant agrees that the Operator shall not be responsible for the performance or cancellation of any Trade by any counterparty and shall not have any liability in respect thereto.

### 2 Additional Definitions

- 2.1 In this Trade Cancellation and Error Trade Policy, the following words and expressions have the following meanings:

**"Inconsistent"** means an element or term of a Trade which is clearly an error, and relates to:

- (i) the price of the relevant Trade where it is substantially different to prevailing market levels in that specific Eligible Instrument at the time of execution of the relevant Trade; or
- (ii) the volume or notional component of the relevant Trade where it is substantially different to the normal trading size of that specific Eligible Instrument.

All other capitalised terms used in this Trade Cancellation and Error Trade Policy shall have the meaning ascribed to them in the Rulebook and/or the relevant Product Appendix.

### 3 Determination of Error Trades

- 3.1 In order to determine whether a Trade constitutes an Error Trade, the Operator shall determine whether the relevant Trade was executed at a price or volume

or notional amount which is Inconsistent, in accordance with the procedure set out in paragraphs 3.3 to 3.5 below.

- 3.2 The Operator has the unilateral right to cancel any Trade which is clearly Inconsistent, including in instances where there has been no request from a Participant.
- 3.3 To determine whether a Trade was executed at a price which is Inconsistent, the Operator will determine the fair value market price for the relevant Eligible Instrument at the time the relevant Trade occurred. The Operator may consider any relevant information, including but not limited to:
  - a. the last traded price on the ISL MTF in the relevant Eligible Instrument;
  - b. any existing quotes in the relevant Eligible Instrument on the ISL MTF at the time of execution of the relevant Trade;
  - c. the price of the same or related Eligible Instrument in another market, including quotes from voice market participants;
  - d. the market conditions at the time of the relevant Trade including levels of activity and volatility; and
  - e. any other factor which the Operator, at its sole discretion, may deem relevant.
- 3.4 To determine whether a Trade was executed at a volume or notional amount which is Inconsistent, the Operator will consider whether such is erroneous with reference to the volumes or notional amounts previously traded in the relevant Eligible Instrument, or the standard order sizes for that Eligible Instrument.
- 3.5 A failure to review or update a quote or price may not be sufficient to determine that a Trade is an Error Trade.

#### **4 Error Trade Cancellation Procedure**

- 4.1 The Operator shall notify the counterparties to the relevant Trade whether or not the relevant Trade is determined to be an Error Trade, and shall use its reasonable endeavours to do so as promptly as possible in order to preserve market integrity.
- 4.2 If the relevant Trade is determined to be an Error Trade, the counterparties agree to take such action as the Operator requires to cancel the Error Trade and the counterparties shall be responsible, and hold the Operator harmless, for all costs incurred by the Operator in so doing. Failure by any Participant to comply with any instruction from the Operator to cancel an Error Trade is a breach of the Rulebook.

#### **5 Release Of Counterparty Name**

- 5.1 The Operator reserves the right to disclose at any time the name of the underlying counterparties to any Error Trade in order to aid the fair settlement of the cancellation of a Trade.

## **6 Trade Cancellation Requests**

- 6.1 Where a Participant has entered into a Trade erroneously it may request that the Operator assist with the cancellation of that Trade.
- 6.2 Without limitation, the unavailability of counterparty credit shall not by itself render a Trade an erroneous trade.
- 6.3 A Participant (the "**Requesting Participant**") shall notify the Operator of a request (a "**Cancellation Request**") to cancel a Trade within 15 minutes from the time of execution of the relevant Trade. This request must be made in writing by email to the Operator.
- 6.4 Where the Requesting Participant is the ICAP Broker, the ICAP Broker will notify the counterparty to the relevant Trade to confirm that the Cancellation Request is valid.
- 6.5 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 ISL MTF, promptly inform the other counterparty to the relevant Trade (the "**Other Participant**") that the relevant Trade is subject to a Cancellation Request.
- 6.6 If the Other Participant confirms promptly to the Operator that it agrees with the Cancellation Request, the request shall be treated as a cancellation of the relevant Trade, subject to the sole discretion of the Operator.
- 6.7 When exercising discretion in relation to a Cancellation Request, the Operator will take into account the circumstances of the Cancellation Request, and each request will be reviewed on a case by case basis.
- 6.8 Participants agree to take such action as the Operator requires to put into effect any Trade cancellation and shall be responsible, and hold the Operator harmless, for all costs incurred by the Operator in so doing. Failure by any Participant to comply with any instruction from the Operator to cancel a Trade is a breach of the Rulebook.
- 6.9 Participants acknowledge and agree that the Operator cannot ensure the cancellation of any Trade where the Other Participant does not agree with the Cancellation Request and, in such event, the Requesting Participant shall be bound by the terms of the relevant Trade.